Sterling

Annual Report
and Financial
Statements

2019
ANNUAL REPORT

STATEMENT ACCOMPANYING THE ABRIDGED REPORT AND FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the provision of section 355 of the Companies and Allied Matters Act, CAP C20, Laws of the Federal Republic of Nigeria 2004 (CAMA). Further, in compliance with the provisions of section 355 (3) of CAMA, we, Sterling Bank Plc, hereby state as follows:

1. The financial statements in this version are not the full Financial Statements of Sterling Bank Plc;
2. The full financial statements, which can be accessed from the website of the Bank, **www.sterling.ng**, deal with the financial affairs of the Bank;
3. The full financial statements will be delivered to all regulatory bodies in accordance with the requirements of the law; and
4. The external auditors, Ernst & Young, have issued an 'unqualified' report in respect of the Bank's Financial statements as of and for the year ended 31 December 2019.

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Temitayo Adegoke
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 58th Annual General Meeting of Sterling Bank Plc will be held at the MUSON Centre, Onikan, Lagos, on Wednesday, the 20th day of May, 2020 at 10.00 a.m to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December 2019 and the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare a Dividend
3. To elect/re-elect Directors
   (a) To elect **Mr. Ramesh Rajapur** as a Non-Executive Director
   (b) To elect **Mr. Tunde Adeola** as an Executive Director
   © To elect **Mr. Raheem Owodeyi** as an Executive Director
   (d) To re-elect the following Directors retiring by rotation:
   - Mr. Asue Ighodalo
   - Mr. Olaitan Kajero
4. To approve the appointment of Messrs. Deloitte & Touche as the new Auditors of the Company
5. To authorize the Directors to fix the remuneration of the Auditors
6. To elect members of the Statutory Audit Committee

NOTES

1. **Proxy**
   A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, a completed proxy form must be duly stamped at the Stamp Duties office and deposited at the office of the Registrar, Pace Registrars Limited, Akuro House (8th floor), 24 Campbell Street, Lagos not less than 48 hours prior to the time of the meeting.

2. **Attendance by Proxy**
   Further to the directive of the Federal and State Government on the restriction of large public gatherings due to COVID- 19 pandemic, the Corporate Affairs Commission (CAC) has approved that the AGM be conducted through the use of proxies by Shareholders of the Bank. Members are therefore advised that attendance at the AGM shall only be by proxy. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its place. In view of the above, members should appoint a proxy of their choice from the following proposed proxies:

   (a) Mr. Asue Ighodalo
   (b) Mr. Abubakar Suleiman,
   (c) Mrs. Temitayo Adegoke
   (d) Brig. Gen E.E. Ikwue (Rtd)
   (e) Sir Sunny Nwosu
   (f) Mr. Mathew Akinlade
   (g) Mr. Boniface Okezie
   (h) Mr. Gbenga Idowu

3. **Stamping of Proxy**
   The Company has made arrangements, at its cost, for the stamping of the instruments of proxy.

4. **Dividend**
   If approved, a dividend in the sum of 3 kobo for every share of 50 kobo will be paid on 20th May 2020 to shareholders whose names are registered in the Register of Members at the close of business on 4th May 2020.

5. **Closure of Register**
   The Register of Members and Transfer Books of the Company will be closed from 5th May to 8th May 2020 (both dates inclusive), to enable the Registrar prepare for payment of dividend.

6. **E-Dividend Mandate**
   Shareholders are requested to update their records and advise Pace Registrars Limited of their relevant bank accounts for the payment of their dividends. Detachable forms in respect of mandate for e-dividend payment, unclaimed dividend payment and shareholder data update are attached to the Annual Report for convenience.

The forms can also be downloaded from Pace Registrars Limited's website at www.paceregistrars.com. The duly completed forms should be returned to Pace Registrars Limited, Akuro House (8th Floor), 24, Campbell Street, Lagos or to the nearest Sterling Bank Plc branch.

7. E-Annual Report
The electronic version of the Annual Report is available at www.sterling.ng. Shareholders who have provided their email addresses to the Registrars will receive the electronic version of the Annual Report via email.

8. Statutory Audit Committee
The Statutory Audit Committee consists of three shareholders and three Directors. Any member may nominate a shareholder as a member of the Statutory Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty-one (21) days before the Annual General Meeting. The Securities & Exchange Commission's Code of Corporate Governance provides that members of the Statutory Audit Committee should have basic financial literacy and should be able to read financial statements. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

9a. Election of Directors
I. Mr. Ramesh Rajapur is being proposed for election as a Non-Executive Director to fill an existing vacancy.
ii. Mr. Tunde Adeola is being proposed for election as an Executive Director to fill an existing vacancy.
iii. Mr. Raheem Owodeyi is being proposed for election as an Executive Director to fill an existing vacancy.

The appointment of the three Directors has been approved by the Central Bank of Nigeria and will be presented for Shareholders' approval at the 58th Annual General Meeting.

The profiles of the aforementioned Directors are available in the Annual Report and also on the Bank's website at www.sterling.ng

9b. Re-election of Directors
In accordance with the provisions of the Articles of Association, the Directors to retire by rotation at the 58th Annual General Meeting are Mr. Asue Ighodalo and Mr. Olaitan Kajero. The retiring Directors, being eligible, offer themselves for re-election.The profiles of the Directors retiring by rotation are available in the Annual Report and on the Bank's website at www.sterling.ng

10. Shareholder's Right to ask Questions.
Shareholders reserve the right to ask questions not only at the meeting, but also in writing prior to the meeting on any item contained in the Annual Report and Financial Statements.

Please send questions to investor.relations@sterling.ng not later than 13th May 2020.

Dated this 15th day of April 2020

BY ORDER OF THE BOARD

TEMITAYO ADEGOKE
Company Secretary
20 Marina, Lagos
FRC|2018|NBA|00000018142

PERFORMANCE HIGHLIGHTS

Financials N'million

Total Assets	Loans & Advances	Gross Earnings	Operating Income
1,182,685	618,732	150,195	87,603
▲ 7.2% FROM FY 2018	▼ -0.4% FROM FY 2018	▲ 1.0% FROM FY 2018	▲ 11.1% FROM FY 2018

Deposits	Earnings per share	Profit Before Tax	Profit After Tax
892,660	37 Kobo	10,672	10,602
▲ 17.4% FROM FY 2018	▲ 15.0% FROM FY 2018	▲ 12.5% FROM FY 2018	▲ 15.0% FROM FY 2018

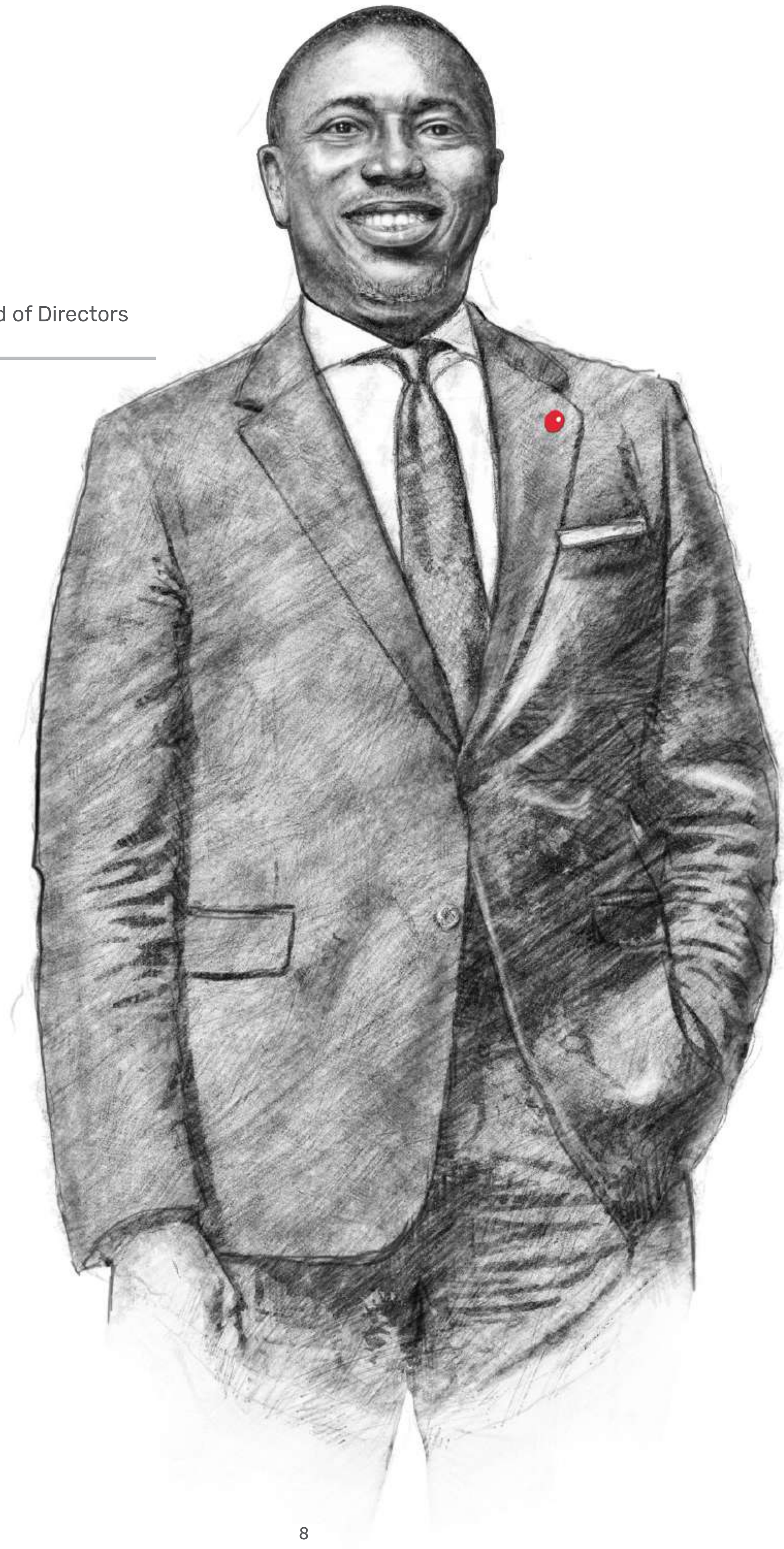
Channels

POS	ATM	USSD USERS	BRANCHES	CUSTOMERS	PROFESSIONAL STAFF
10,667	858	>1.1M	161	>3M	2,401

Ratings

Moody's	FitchRatings	GCR Global Credit Rating Co.	DataPro
B2	B-	BBB	BBB+

Asue Ighodalo
Chairman of the Board of Directors



CHAIRMAN'S STATEMENT

Strengthening The Core Of Our Business

My fellow shareholders and distinguished colleagues,

I am delighted to welcome you all to the 58th Annual General Meeting of our Bank and to present to you the Annual Report and Financial Statements for the financial year ended December 31, 2019. It is with great pleasure that I report that our Bank has again, delivered positive growth, despite the slow-growth environment.

The year 2019 was characterized by significant global and domestic developments which had far-reaching implications for our economy and our business. I would therefore like to give some context to the economic and financial landscape in which the Bank operated during the period under review.

The Macroeconomic and Operating Environment

The global economy struggled for the most part of 2019. The deceleration in growth momentum from 3.7% in 2018 to 2.8% in 2019 was largely due to rising trade tensions, volatility in oil prices and geopolitics. The US went beyond China to include the EU, Mexico and India in its strained trade relations. In China, in addition to the US trade pressure, the consumption of goods and services was sluggish leading to a decline in economic growth to 6.1% in 2019, the slowest in 29 years. Similarly, the U.S economy grew at only 2.3% - its slowest pace in three years - underpinned by a decline in business investments as the trade wars continued to take their toll on the economy. In the UK, the uncertainty of a no-deal Brexit marred business confidence during the year occasioning a downgrade of government debt ratings by Moody's rating agency, amidst erosion in institutional strength caused by Brexit. However, Africa got closer to becoming more integrated through the African Continental Free Trade Area Agreement (AFCTA) aimed at boosting inter-regional trade.

Invariably the slowdown in global demand led to weaker commodity prices, as crude prices fell by 9% from an average price of $72 per barrel in 2018 to $65 per barrel in 2019. Although oil prices remained above the 2019 Nigerian appropriation threshold of $60 per barrel, this decline put pressure on both the nation's fiscal finances and external reserves. The Nigerian economy recorded slight improvements in terms of growth measured by real Gross Domestic Product (GDP), which grew by 2.55% in the fourth quarter of 2019, up from the 2.38% growth recorded in the fourth quarter of 2018. The improvement in growth in the fourth quarter of 2019 to a post-recession high was largely due to increased activities in the oil sector. Despite the gradual recovery in the financial services sector and solid growth in the telecommunications sector, growth in the non-oil sector slowed to 2.3% (year-on-year) from 2.7% in 2018. Inflation for the year reached a 15-month high at 12% in December 2019 on the back of certain economic policies such as the closure of Nigeria's land borders, widening forex exemptions and growing demand associated with end of year spending. In our immediate environment, the CBN maintained an expansionary position throughout the year. By introducing policies such as the increased loan-to-deposit ratio benchmark of 65%, restrictions on investments in fixed income instruments by commercial banks and the downward review of bank charges across payment and alternative channels, the CBN shaped its 5-year policy direction which was focused on improving access to credit, delivering growth and economic diversification, and strengthening consumer protection.

Performance Overview and Shareholders' Returns

The year 2019 was challenging for the Nigerian Banking Industry. Nonetheless, Sterling sustained an improvement in business performance. Although our earnings grew only marginally by 1.0% to N150.2 billion, we delivered a 12.5% growth in profit before tax and a 15.0% growth in profit after tax at N10.6 billion; despite a 12.0% increase in operating expenses. Our operating expenses grew as a result of increased investments in human capital and technology, reflective of our transformation journey and the desire to further upskill and motivate our people.

A direct contribution of our investments in technology and intelligent automation can be seen in the performance of SPECTA - Nigeria's fastest digital retail lending platform. The product remained the major source of incremental lending, contributing to the growth of the Bank's core business, offering over N45 billion in loans to individuals and small business owners in 2019 alone. This represents over 200% growth in loans given to the Bank's retail and consumer segment compared to 2018. Overall, the Bank recorded a 0.4% decline in loans and advances as we adopted a selective approach to lending and augmented the efforts of our corporate banking team in rebalancing our exposures, particularly in the Oil and Gas sector, thereby releasing capital for our increased investments in our HEART sectors.
In 2019, Sterling consolidated efforts in the mobilization of deposits. We recorded a 17.4% growth in our deposit base to reach N893 billion from N761 billion; notably the Bank achieved a higher growth of 19.4% in the mobilization of low-cost current and savings accounts deposits, maintaining a

60% (CASA/total deposit) deposit mix during the year. This contributed largely to improved cost of funds from 7.4% in 2018 to 6.3%. Overall, we closed the year with an improved balance sheet position as total assets grew by about 7.2% to N1.2 trillion, while Shareholders' funds grew by 22.2% to N119.6 billion on the back of a rise in retained earnings. The recorded growth in total equity was also attributable to the growth in Comprehensive Income by about 3.5x arising from gains recorded from investments in debt securities.

The Board recognises the importance of dividends to its shareholders, and constantly seeks to balance this with capital requirements to support the Bank's next wave of growth. Accordingly, the Board recommends the payment of 3 kobo per share as dividend for the year ended December 31, 2019; whilst rewarding our loyal and committed shareholders this affords the Bank the required buffer to finance its growth ambitions, and effectively become a first class, stronger, creative and extremely dependable financial institution.

Our role in society

For Sterling Bank, sustainability is crucial to securing the future of our business by creating value for both our customers and shareholders alike. That is why, in addition to our continued investment in our brand, our high growth markets, our systems and our people, we remained active in driving inclusive growth by reinvesting in our society particularly through programmes that support job creation, promote skills and foster employability.

Some notable investments and strategic partnerships during the year include:

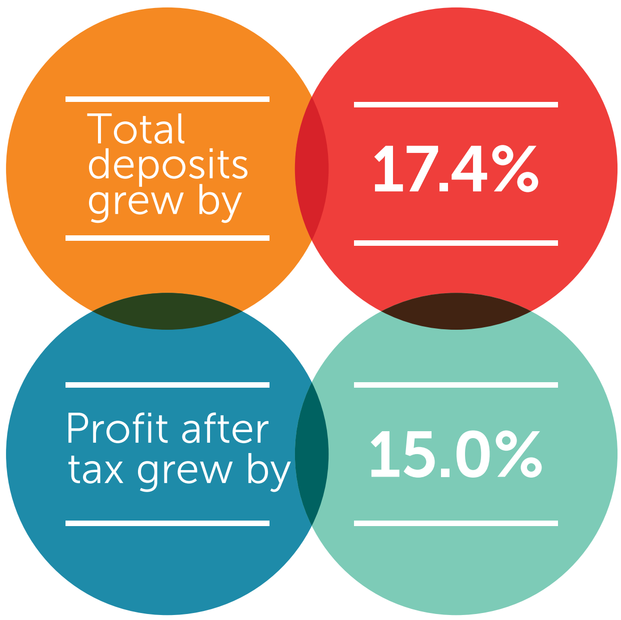
- The iCreate Skills Festival, a platform designed to promote skills excellence amongst the Nigerian youth, to bridge the prevailing skill gap and curb rising unemployment levels in the economy. Through this intervention, we contribute to human capital development in the Micro, Small, Medium Enterprises space (MSMEs).

- NESG Startup Pitching Event, an initiative in collaboration with the Nigerian Economic Summit Group that seeks to empower MSMEs across Nigeria, with funding and mentorship.

In addition, we intensified our efforts in leading public and private sector advocacy to promote environmental sustainability. During the year, we extended our waste management partnership to three additional states - Sokoto, Bauchi and Bornu bringing the total number of partner states to 27. We also continued to leverage on our 'Sterling Environmental Makeover' (#STEM) platform – a nationwide cleaning exercise to drive awareness about protecting the environment.

As part of our commitment to becoming a catalyst for growth within each of our focus sectors; Healthcare, Education, Agriculture, Renewable Energy and Transportation (the 'HEART' sectors), we hosted the 'Agriculture Summit Africa 2019' themed "Agriculture: Your Piece of the Trillion-Dollar Economy". The summit created a platform for multidisciplinary discussions on topical issues and practical solutions that would drive an integrated approach for food security in Africa while exploring an inclusive Agric trade liberalization agenda and facilitating intra-African trade. The Summit was in perfect alignment with our objective to empower players across our focus sectors through platforms that provide access to information, markets and capital. In the Education sector, a strategic partnership with The Teaching Network Foundation, allowed us to successfully train over 3000 teachers to enable the improvement of the quality of education.

Within our Bank, we have continued to prioritize employee



productivity and satisfaction by building an institution that attracts and retains the best, whilst providing a conducive workplace and enhancing the work-life balance of our employees. As a testimony to the effectiveness of our employee welfare initiatives, Sterling Bank was recognized as the third best place to work in Nigeria, as well as the best workplace for the millennial generation and the best in leadership at the 2019 Great Place to Work awards. Our 2019 activities in these areas are covered in greater depth within our stand-alone Sustainability report.

Board Changes

As a well governed and efficiently managed institution, we continue to prioritize organizational succession planning, as this is a critical component of the Bank's future. In line with this, we strengthened our Board by appointing three new Directors during the year; Mr. Tunde Adeola to serve as Executive Director, Commercial Banking, Mr. Raheem Owodeyi to serve as Executive Director, Operations & Services and Mr. Ramesh Rajapur who replaced Mr. Sujit Varma as the Non-Executive Director representing State Bank of India (SBI); Mr. Rajapur currently serves as the General Manager, Retail & Subsidiaries at SBI. Their appointments were approved by the Central Bank of Nigeria and will be presented for ratification by the shareholders at the Annual General Meeting. All their Resumes are contained in this Report. I have no doubt that their contribution to the desired success of this organization will be invaluable in the years to come.

Appointment of new Auditors

Following the expiration of the ten-year tenure of Messrs Ernst & Young as Auditors of the Bank in line with the provision of section 5.2.12 of the CBN Code of Corporate Governance, the Board of Directors approved the appointment of Messrs Deloitte & Touche as the new Auditors of the Bank. The appointment of Messrs Deloitte & Touche as Auditors will be proposed to members at the Annual General Meeting. On behalf of the Board, Management and Staff, I wish to thank Messrs Ernst & Young for their dedication, professionalism and service to the Bank.

Business Outlook for 2020

On the international scene, we should expect to see a further decline in global performance in the wake of the emergence of the Coronavirus disease (Covid-19), particularly in the first half of the year. This will occur despite a broad-based shift towards a more accommodative monetary policy, improved US-China trade negotiations, and diminished fears of a no-deal Brexit. Price wars between Saudi Arabia and Russia – two of the world's three largest oil producers – continue to upset the balance of the global oil market with prices immediately falling by over 60%. In effect, we expect this terms-of-trade shock to further dampen spending particularly for oil producing countries. Although additional downside risks remain prominent, including rising geopolitical tensions, notably between the United States and Iran, intensified social unrest and further worsening of relations between the United States and its trading partners, the performance on the global scene will depend entirely on how quickly and how effectively the Covid 19 pandemic is dealt with and the economic and social response to the global disruptions occasioned by this disease.

On the domestic front, we should expect a similar adverse impact resulting from the slowdown in global business activities. The sharp decline in global oil prices will further strain government expenditure, possibly worse than the oil price plunge of 2014. On the back of this, we will see a downward review by the International Monetary Fund (IMF) of their projected growth rate of 2%. We expect the Federal Government to be proactive in its response to the damaging effects of Covid 19, providing appropriate, disciplined and creative economic stimuli and concessions, curtailing waste and focusing on revenue diversification policies.

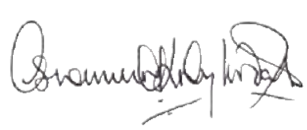
Given the adverse economic and social impact of the Covid-19 pandemic and the effect on the way the world will do business and a possible rebalancing of the economic order, I have never been more confident that we are on the right path with our strategic decision to focus on the high growth sectors of the economy while investing in the digital space to grow our customer base. Furthermore, I strongly believe in the enablers of this strategy (our people) to sustain this continued growth while creating high value and delivering sustained returns to our esteemed shareholders in the years ahead.

Appreciation

In closing, 2019 was a challenging but successful year for Sterling Bank. Indeed, the collective efforts of all our staff, Management and Board made it possible for us to deliver a solid performance. I would like to take this opportunity to thank all our stakeholders, particularly our esteemed shareholders, customers, partners and regulators for their unwavering support throughout the year. I would also like to thank our staff and management team whose passion, consistent hardwork, loyalty and unwavering commitment have sustained our good performances over the years. I thank most sincerely and unequivocally my colleagues on our Board, whose vision, dedication to duty, hardwork and exemplary leadership ensure that our Bank delivers on its promise to become the financial institution of choice.

I thank you all.

Sincerely,



Asue Ighodalo
Chairman, Board of Directors

Abubakar Suleiman
Managing Director/CEO

MANAGING DIRECTOR'S STATEMENT

Doing Business in 2019

I welcome you - our distinguished shareholders and investors, our customers and our regulators - to Sterling Bank's 58th Annual General Meeting.

The prolonged trade dispute between the United States and China continued through 2019, dampening growth in the world biggest economies and placing pressure on the global economy. The trade tensions, which escalated as the world struggled to respond to the outcome of Brexit, the German political friction and the French climate protests, drove global output downward from 3.7% in 2018 to 2.8% in 2019, resulting in a significant drop in commodity prices. The resulting revenue pressure in developing economies led to additional borrowing, raising debt levels in Sub-Saharan Africa, South-East Asia and Latin America to its highest in 3 years.

In addition to the difficult operating environment, Nigeria also faced uncertainty arising from the presidential elections, late passage of the federal budget and delayed rains. We eventually saw an improvement in the operating environment towards the end of the year, resulting in modest GDP growth, driven by the oil sector. The Central Bank mitigated the impact of the external events highlighted above with a variety of discretionary tools, including a reduction in Monetary Policy Rate (MPR) to 13.5% from 14% and an increase in minimum loan to deposit ratio to 65%.

How did we respond?

For a bank to succeed in these uncertain times, it must be agile, cautious, innovative, knowledgeable and prepared. In the face of declining trading income and our unwavering commitment to a more disciplined deployment of scarce capital, we relied on the strength of our retail business to deliver a 15% growth in profit after tax to N10.6 billion. We grew our retail loans by 200% leveraging our Specta platform to disburse nearly N50 billion to over 50,000 customers. We continued to execute our strategy of diversifying our funding base, leading to a 10.9% decline in interest expenses. To the delight of our stakeholders, we were ranked 3rd Best Retail Banking Institution in the 2019 Nigeria Banking Industry Customer Experience Survey by KPMG as the consumers started to reckon with our transformation.

We have laid a sound foundation for 2020 with significant investments in technology to accelerate our digitization. We will build on the 86% growth in payment transaction volume achieved in the 12 months ended December 2019 to solidify our market share of payments.

Finally, for a business to succeed, it must be ingrained in the fabric of the community. We continue to pursue this commitment to enriching lives through our engagement in our HEART sectors. In recognition of our efforts to improving the education sector through our Edu-finance service, we were awarded the prestigious Banker's Award for Banking in the Community by The Financial Times. We are further motivated to lead the effort in building a Nigeria that is habitable, safe and allows for fulfilment for its citizens.

To-do's in 2020

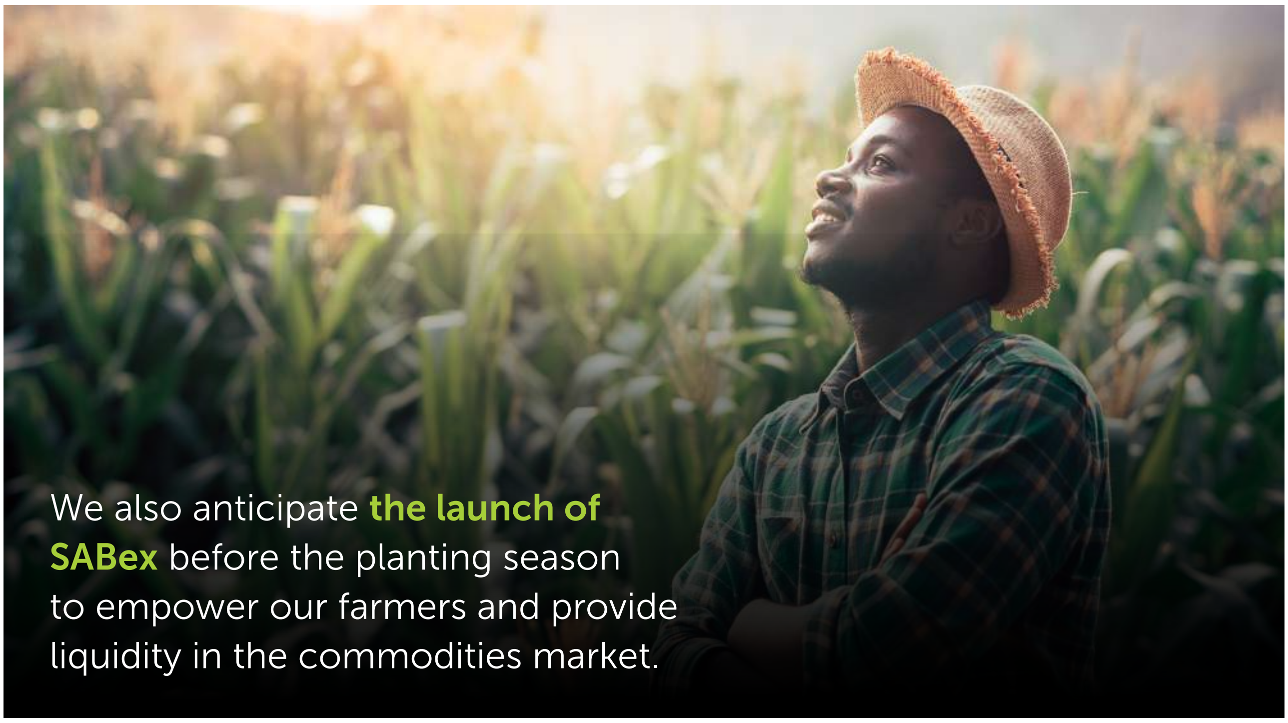
1. Serve our customers with empathy, knowledge and on their own terms

In 2020, we will recommit to leaving our customers happy no matter the circumstances. We will continue to invest in tools that allow us truly to know our customers and build processes and products for them – in the simplest of ways.

We recognize the customer's demand for convenience which increasingly means getting the solutions to their desktops & mobile devices. While we have wowed our customers with innovative and functional mobile payments (OnePay, *822#), consumer finance (Specta), asset finance (AltMall), Investments (Doubble & I.invest) and transaction banking (SterlingPro), we commit to simplifying the user journey, improving the customer experience and enhancing the utility.

2. Cost management - take what is ours

We understand that to attract investments and scale our businesses, we must be seen as credible custodian of capital. We will continue to eliminate waste and to focus on the things that truly matter – excellent service for our customers, competitive wages for staff, fair terms for our vendors and a sustainable return on capital to our investors.



3. Solve real problems close to our HEART

Our commitment to solving real problems in the HEART sector to catalyze growth remains non-negotiable and will be the fulcrum of our growth in 2020. We intend to deploy at least one platform in each of these sectors to empower our customers by enhancing their productivity and minimising frictions in their value chain.

We will be extending our digital services to small businesses and to the HEART sectors, starting with the launch of an EduBank and Imperium and the extension of FarePay to toll services. We also anticipate the launch of SABex before the planting season to empower our farmers and provide liquidity in the commodities market.

4. Understand & manage risk

We believe that the business of banking is still primarily risk management and the greatest disruption to the industry will come from the use of data to simplify the task and improve the outcome. This requires a deep understanding of the environment and the context in which we operate as well as the recognition that risk is really opportunity in disguise. We will therefore seek to better understand the various ecosystems and how the unprecedented progress in technology will impact our work and our customers. Our commitment to becoming a world class risk management institution is at the foundation of all our experimentation.

5. Bring everyone in

This is really at the core of 2020 - bringing everyone we meet on board. We believe everyone should be able to enjoy the benefits of the values we embody, it is only then we can truly say we have been successful. From talents to customers to investors, we are opening our doors even wider for you to join our community.

Thank you

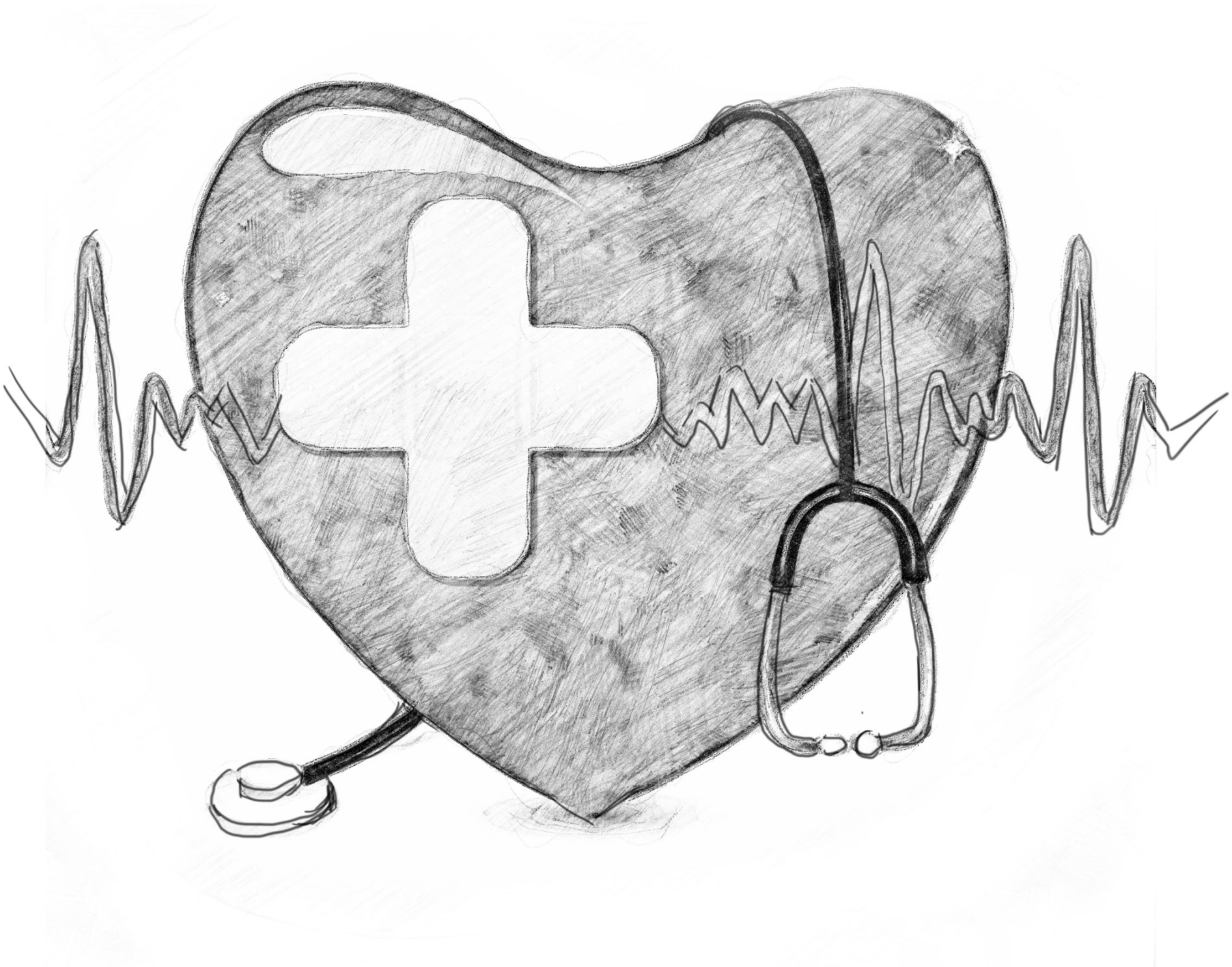
We have a brand to be proud of - we represent a new way of doing business, one that values our role as change agents. I am proud of this and will continue to lead the charge to make Sterling a household name.

I would like to say thank you to the Board for trusting this new way and providing immeasurable support on this journey; to the numerous shareholders who proudly support us and to our ever loyal customers for choosing us on your life journey.

Finally, to team Sterling, for your commitment to running an honest race, and for the sense of urgency you have brought to bear, thank you.

Abubakar Suleiman
Managing Director/CEO

GOVERNANCE



"We have committed N10 billion for the purpose of improving infrastructure for Healthcare *delivery through equipment financing, promoting cost-effective business models through partnerships, increasing technical capacity and improve supply access to medical technology"*

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Bank complies with the relevant provisions of the Nigerian Securities & Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRCN) and the Central Bank of Nigeria (CBN) Codes of Corporate Governance.

Board of Directors

The Board of Directors (the "Board") is made up of the Non-Executive Chairman, Non-Executive Directors and Executive Directors who oversee the corporate governance of the Bank.

Attendance at Board meetings for the year ended 31 December 2019 is as follows:

		Designation	Attendance	No. of Meetings
1	Mr. Asue Ighodalo	Chairman	4	4
2	Dr. (Mrs.) Omolara Akanji	Independent Director	4	4
3	Mr. Olaitan Kajero	Non-Executive Director	4	4
4	Mrs. Tairat Tijani	Non-Executive Director	4	4
5	Mr. Michael Jituboh	Non-Executive Director	2	3
6	Mr. Ramesh Rajapur	Non-Executive Director	2	3
7	Mrs. Folasade Kilaso	Non-Executive Director	4	4
8	Mr. Michael Ajukwu	Independent Director	4	4
9	Mr. Abubakar Suleiman	Managing Director / CEO	4	4
10	Mr. Grama Narasimhan (Indian)	Executive Director	4	4
11	Mr. Yemi Odubiyi	Executive Director	4	4
12	Mr. Emmanuel Emefienim	Executive Director	4	4
13	Mr. Tunde Adeola	Executive Director	3	3
14	Mr. Raheem Owodeyi	Executive Director	3	3

Board Committees

The Board carries out its oversight functions through its various committees each of which has a clearly defined terms of reference and a charter which has been approved by the Central Bank of Nigeria. The Board has five (5) standing committees, namely: Board Credit Committee, Board Finance & General Purpose Committee, Board Risk Management Committee, Board Audit Committee and Board Governance & Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the Committees are set out below:

Board Credit Committee

The Committee acts on behalf of the Board of Directors on credit matters, and reports to the Board for approval/ratification.

Terms of reference

- Consider credit proposals for approval on the recommendation of the Management Credit Committee (MCC).
- Recommend to the Board assignment of credit approval authority limits on the recommendation of the MCC.
- Review the Credit Policy Guidelines of the Bank as and when required by the dictates of the market and/or the corporate strategic intent on the recommendation of the MCC.
- Approve credit facility requests above the limits set for Management, within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities.
- Review periodic credit portfolio reports and assess portfolio performance.
- Ensure compliance with the Bank's Credit Policies and statutory requirements prescribed by the regulatory/ supervisory authorities.

- Recommend credit facility requests above the Committee's limit to the Board.
- Review and recommend to the Board for approval/ ratification Management proposals on full and final settlements on non performing loans.
- Review and approve the restructure of credit facilities in line with the Credit Policy Guidelines.
- Review and approve credit proposals in line with the Bank's Risk Policy Guidelines.
- Review and recommend to the Board for approval proposals on write-offs.
- Periodic review of the recovery process to ensure compliance with the Bank's recovery policies, applicable laws and statutory requirements.
- Perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Dr. (Mrs.) Omolara Akanji	Chairperson	4	4
2	Mr. Olaitan Kajero	Member	4	4
3	Mr. Michael Ajukwu	Member	4	4
4	Mr. Abubakar Suleiman	Member	4	4
5	Mr. Grama Narasimhan (Indian)	Member	2	2
6	Mr. Yemi Odubiyi	Member	4	4
7	Mr. Emmanuel Emefienim	Member	4	4
8	Mr. Tunde Adeola	Member	3	3

Board Finance and General Purpose Committee

The Committee acts on behalf of the Board of Directors on all matters relating to financial management, and reports to the Board for approval/ratification.

Terms of reference

- Establish the Bank's financial policies in relation to the operational plan, capital budget, and the reporting of results.
- Monitor the progress and achievement of the Bank's financial targets.
- Review significant corporate financing and liquidity programs and tax plans.
- Recommend major expenditure approvals to the Board.
- Review and consider the financial statements and make appropriate recommendation to the Board.
- Review annually the Bank's financial projections, as well as capital and operating budget, and review on a quarterly basis with management, the progress of key initiatives including actual financial results against targets and projections.
- Review and recommend for Board approval, the Bank's capital structure, including but not limited to, allotment of new capital, debt limits and any changes to the existing capital structure.
- Recommend for Board approval, the Bank's dividend policy, including amount, nature and timing.
- Review and make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investment portfolio.
- Approve a comprehensive framework for delegation of authority on financial matters and enforce compliance with financial manual of authorities.
- Ensure cost management strategies are developed and implemented to monitor and control cost.
- Review major expense lines periodically and approve expenditure within the limit of the Committee.
- Review contract awards for significant expenditure above EXCO limit.
- Review significant transactions and new business initiatives for the Board's approval.
- Perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Mrs. Tairat Tijani	Chairperson	5	5
2	Mrs. Folasade Kilaso	Member	5	5
3	Mr. Michael Jituboh	Member	1	3
4	Mr. Abubakar Suleiman	Member	5	5
5	Mr. Yemi Odubiyi	Member	5	5
6	Mr. Raheem Owodeyi	Member	2	2

Board Risk Management Committee

The Committee is responsible for evaluating and handling issues relating to risk management in the Bank.

Terms of reference

- Review and recommend to the Board the risk management policy including risk appetite, risk limits, tolerance and risk strategy.
- Review and recommend to the Board for approval the Bank's Enterprise-wide Risk Management Policy and other specific risk policies.
- Monitor the Bank's plan and progress in meeting regulatory risk based supervision requirements.
- Monitor implementation and migration to Basel II, III, and IV and other local and international risk management bodies as approved by the regulators.
- Review the Bank's risk-reward profiles including credit, market and operational risk-reward profiles and where necessary, recommend strategies for improvement.
- Evaluate the risk profile and risk management plans drafted for major projects, acquisitions, new products and new ventures or services to determine the impact on the risk reward profile.
- Oversee management's process for the identification of significant risks and the adequacy of prevention, detection and reporting mechanisms.
- Receive reports on, and review the adequacy and effectiveness of the Bank's risk and control processes to support its strategy and objectives.
- Endorse the definition of risk and return preferences and target risk portfolio.
- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Bank's risk profile.
- Ensure compliance with the Bank's credit policies, applicable laws and statutory requirements prescribed by the regulatory/supervisory authorities.
- Review the effectiveness of the risk management system on an annual basis.
- Perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	4	4
2	Dr. (Mrs.) Omolara Akanji	Member	4	4
3	Mrs. Tairat Tijani	Member	4	4
4	Mr. Michael Ajukwu	Member	4	4
5	Mr. Abubakar Suleiman	Member	4	4
6	Mr. Yemi Odubiyi	Member	4	4
7	Mr. Emmanuel Emefienim	Member	4	4
8	Mr. Grama Narasimhan	Member	2	2
9	Mr. Raheem Owodeyi	Member	1	1

Board Audit Committee

The Committee acts on behalf of the Board of Directors on all audit matters. Decisions and actions of the Committee are presented to the Board for approval/ratification.

Terms of reference

- Review the appropriateness of accounting policies.
- Review the appropriateness of assumptions made by Management in preparing the financial statements.
- Review the significant accounting and reporting issues, and understand their impact on the financial statements.
- Review the quarterly and annual financial statements and consider whether they are complete, consistent with prescribed accounting and reporting standards.
- Obtain assurance from Management with respect to the accuracy of the financial statements.
- Review with Management and the external auditors the results of external audit, including any significant issues identified.
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review the adequacy of the internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommend-ations, together with management's responses.
- Review the relevant policies and procedures in place and ensure they are up to date, and are complied with.
- Review and ensure the financial internal controls are operating efficiently and effectively.
- Review the Bank's compliance with the performance management and reporting systems.
- Review and ensure the performance reporting and information using appropriate targets and benchmarks.
- Review the Internal Audit operations manual, budget, activities, staffing, skills and organizational structure of the Internal Audit.
- Review and approve the Internal Audit plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate co-ordination with the Bank's External Auditors.
- Review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- Resolve any difficulties or unjustified restrictions or limitations on the scope of Internal Audit work.
- Resolve any significant disagreements between Auditors and Management.
- Review the significant findings and recommendations by Internal Audit and Management responses thereof;
- Review the implementation of Internal Audit recommendations by Management.
- Review the performance of the Chief Audit Executive.
- Review the effectiveness of the Internal Audit function, including compliance with acceptable International Standards for the Professional Practice of Internal Auditing.
- Review the external auditors' proposed audit scope, approach and audit fees for the year.
- Review the findings and recommendations by External Auditors and Management responses thereof.
- Review the implementation of External Auditors' recommendations by Management.
- Review the performance of External Auditors.
- Ensure that there is proper coordination of audit efforts between Internal and External Auditors.
- Review the effectiveness of the system for monitoring compliance with laws and regulations.
- Review the findings of any examinations by regulatory agencies, and audit observations.
- Regularly report to the Board of Directors on Committee activities.
- Perform other duties as may be assigned by the Board of Directors.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Mr. Michael Ajukwu	Chairman	5	5
2	Dr. (Mrs.) Omolara Akanji	Member	5	5
3	Mrs. Tairat Tijani	Member	5	5
4	Mr. Michael Jituboh	Member	1	3
5	Mrs. Folasade Kilaso	Member	5	5
6	Mr. Ramesh Rajapur	Member	2	3

Board Governance & Remuneration Committee

The Committee acts on behalf of the Board of Directors on all matters relating to the workforce.

Terms of reference

- Monitor, review and approve employee relations' issues such as compensation matters/bonus programs and profit sharing schemes.
- Advise the Board on recruitment, promotions and disciplinary issues affecting top management of the Bank from Assistant General Manager grade and above.
- Appraise the Managing Director, Chief Executive and Executive Directors annually for appropriate recommendation to the Board.
- Approve training programmes for Non-Executive Directors.
- Review the need for appointments and note the specific experience and abilities needed for each Board Committee, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such appointments to the Board.
- Review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees.
- Recommend any proposed change(s) to the Board.
- Recommend to the Board, renewal of appointment of Executive and Non-Executive Directors based on the outcome of review of Directors performance.
- Make recommendations on experience required by Board Committee Members, Committee appointments and removal, reporting and other Committee operational matters.
- Ensure that the Board evaluation is carried out on an annual basis.
- Review and make recommendations to the Board for approval of the Bank's organisational structure and any proposed amendments.
- Review and make recommendations on the Bank's succession plan for Directors and other senior management staff from Assistant General Manager grade and above.
- Regular monitoring of compliance with Bank's Code of Ethics and Business Conduct for Directors and Staff.
- Determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank for recommendation to the Board.
- Review and submit to the full Board, recommendations concerning Executive Directors compensation plans, salaries and perquisites ensuring that the compensation packages are competitive.
- Review and submit to the full Board, recommendations concerning Non-Executive Directors remuneration.
- Review and recommend for Board approval stock-based compensation, share option, incentive bonus, severance benefits and perquisites for Executive Directors and employees.
- Ensure that the level of remuneration is sufficient to attract, retain and motivate Executive Directors and all employees of the Bank while ensuring that the Bank is not paying excessive remuneration.
- Recommend to the Board compensation payable to Executive Directors and Senior Management employees for any loss of office or termination of appointment.
- Develop, review and recommend the remuneration policy to the Board for approval.
- Where required, engage a remuneration consultant at the expense of the Bank for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent.
- Perform any other duties assigned by the Board from time to time.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Mrs. Folasade Kilaso	Chairperson	4	4
2	Dr. (Mrs.) Omolara Akanji	Member	4	4
3	Mr. Olaitan Kajero	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mr. Michael Ajukwu	Member	4	4

Statutory Audit Committee

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) Non-Executive Directors. The Committee meets every quarter, but could also meet at any other time, as the need arises.

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

1. Alhaji Mustapha Jinadu
2. Mr. Idongesit Udoh
3. Ms. Christie Vincent

Non-Executive Directors

4. Mr. Olaitan Kajero
5. Mr. Michael Jituboh
6. Mrs. Folasade Kilaso

Terms of reference

- To make recommendations to the Board to be put to the Shareholders for approval at the AGM regarding the appointment, removal and remuneration of the external auditors of the Bank;
- To authorise the Chief Audit Executive to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- To review and approve the annual audit plan and ensure that it is consistent with the scope of audit engagement, having regard to the seniority, expertise and experience of the audit team;
- To review representation letter(s) requested by the external auditors before they are signed by Management;
- To review the Management Letter and Management's Response to the auditor's findings & recommendations;
- To assist in the oversight of the integrity of the Bank's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor, and performance of the Bank's internal audit function as well as that of external auditors;
- To establish an internal audit function and ensure there are other means of obtaining sufficient assurance of regular review or appraisal of the system of internal controls in the Bank;
- To ensure the development of a comprehensive internal control framework for the Bank, obtain assurance and report annually in the financial report, on the operating effectiveness of the Bank's internal control framework;
- To review such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the Committee shall deem appropriate;
- To oversee management's process for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;
- To obtain and review a report by the internal auditor at least annually describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent internal control review of the Bank;
- To discuss the annual audited financial statements and half yearly unaudited financial statements with Management and external auditors;
- To discuss policies and strategies with respect to risk assessment and management;
- To meet separately and periodically with Management, internal auditors and external auditors;
- To review and ensure that adequate whistle-blowing procedures are in place;
- To review, with the external auditors, any audit scope limitations or problems encountered and management's responses to same;
- To review the independence of the external auditors and ensure that where non-audit services are provided by the external auditors, there is no conflict of interest;
- To consider any related party transactions that may arise within the Bank;
- Invoke its authority to investigate any matter within its terms of reference for which purpose the Bank must make available the resources to the internal auditors with which to carry out this function, including access to external advice where necessary;
- Prepare the Committee's report for inclusion in the Bank's Annual Report; and Report to the Board regularly at such times as the Committee shall determine necessary.

The members and respective attendance in committee meetings are as follows:

		Designation	Attendance	No. of Meetings
1	Alhaji Mustapha Jinadu	Chairman	5	5
2	Mr. Olaitan Kajero	Member	5	5
3	Mr. Idongesit Udoh	Member	5	5
4	Ms. Christie Vincent	Member	5	5
5	Mr. Michael Jituboh	Member	1	3
6	Mrs. Folasade Kilaso	Member	3	3

Dates for Board and Board Committee meetings held in 2019 financial year:

Meetings	Dates				
Board	26-Feb-2019	28-May-2019		09-Aug-2019	29-Nov-2019
Board Credit Committee	07-Feb-2019	03-Apr-2019		04-Jul-2019	17-Oct-2019
Board Finance & General-Purpose Committee	11-Feb-2019	07-Mar-2019	18-Apr-2019	03-Jul-2019	30-Oct-2019
Board Audit Committee	21-Feb-2019	08-Apr-2019	05-Jul-2019	18-Oct-2019	30-Oct-2019
Board Risk Management Committee	06-Feb-2019	15-Apr-2019		08-Jul 2019	21-Oct-2019
Board Governance & Remuneration Committee	08-Feb-2019	15-Apr-2019		04-Jul-2019	17-Oct-2019
Statutory Audit Committee	22-Feb-2019	10-Apr-2019	23-Jul-2019	31-Oct-2019	06-Nov-2019

The Company Secretary

The Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that the Company's Memorandum and Articles of Association together with other relevant rules and regulations are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flow within the Board and its committees and between Management and Non-Executive Directors. The Company Secretary also facilitates orientation of new Directors and coordinates the professional development of Directors.

The Company Secretary is responsible for designing and implementing a framework for the Bank's compliance with the listing rules of the Nigeria Stock Exchange, including advising Management on prompt disclosure of material information.

The Company Secretary attends and prepares the minutes for all Board meetings. As Secretary for all Board Committees, she assists in ensuring coordination and liaison between the Board, the Board Committees and Management. The Company Secretary also assists in the development of the agendas for the various Board and Board Committee meetings.

The appointment and removal of the Company Secretary are subject to the Board's approval.

Management Committees

1. Executive Committee (EXCO)
   The Committee provides leadership to the management team and ensures the implementation of strategies approved by the Board. It deliberates and takes decisions on the effective and efficient management of the Bank.

2. Asset and Liability Committee (ALCO)
   The Committee ensures adequate liquidity and the management of interest rate risk within acceptable parameters. It also reviews the economic outlook and its impact on the Bank's strategies.

3. Management Credit Committee (MCC)
   The Committee approves new credit products and initiatives, minimum/prime lending rate and reviews the credit policy manual. It approves exposures up to its maximum limit and the risk asset acceptance criteria.

4. Management Performance Review Committee (MPR)
   The Committee reviews the Bank's monthly performance on set targets and monitors budget achievement. It also assesses the efficiency of resource deployment in the Bank and re-appraises cost management initiatives.

5. Criticised Assets Committee (CAC)
   The Committee reviews the Bank's credit portfolio and

collateral documentation. It reviews the non-performing loans and recovery strategies for bad loans.

6. Computer Steering Committee (CSC)
   The Committee establishes the overall technology priorities by identifying projects that support the Bank's business plan. It provides guidance in effectively utilizing technology resources to meet business and operational needs of the Bank.

7. Management Risk Committee (MRC)
   The Committee is responsible for planning, management and control of the Bank's overall risks. It includes setting the Bank's risk philosophy, risk appetite, risk limits and risk policies.

Succession Planning

Sterling Bank Plc has a Succession Planning Policy which was approved by the Board of Directors in 2015. Succession Planning is aligned to the Bank's overall organisational development strategy. In line with this policy, a unit was set-up in the Human Capital Management Group to implement, amongst others, a Succession Plan for the Bank.

Successors are nominated based on experience, skills and competencies through an automated process by current role holders in conjunction with the Human Capital Management Group. Development initiatives have also been put in place to accelerate successors' readiness.

Code of Ethics

Sterling Bank has a Code of Ethics that specifies acceptable behaviour of its staff, in the staff handbook. It is a requirement that all staff should sign a confirmation that they have read and understood the document upon employment.

The Bank also has a Sanctions Manual which provides sample offences/violation and prescribes measures to be adopted in various cases. The Chief Human Resource Officer (CHRO) is responsible for the implementation and compliance to the "Code of Ethics".

Whistle Blowing Process

The Bank is committed to the highest standards of openness, probity and accountability, hence the need for an effective and efficient whistle blowing process as a key element of good corporate governance and risk management.

Whistle blowing process is a mechanism by which suspected breaches of the Bank's internal policies, processes, procedures and unethical activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions.

It ensures a sound, clean and high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any persons or act that might jeopardize its reputation. Staff are encouraged to speak up when faced with information that would help protect the Bank's reputation.

An essential attribute of the process is the guarantee of confidentiality and protection of the whistle blower's identity and rights. It should be noted that the ultimate aim of this policy is to ensure efficient service to the customer, good corporate image and business continuity in an atmosphere compliant with best industry practice.

The Bank has dedicated whistleblowing channels which are accessible via the website, hotlines and email addresses in compliance with the website, dedicated telephone hotlines and e-mail address in compliance with the guidelines for whistle blowing for Banks and Other Financial Institutions issued by the Central Bank of Nigeria (CBN).

The Bank's Chief Compliance Officer is responsible for monitoring and reporting on whistle blowing. Further disclosures are stated in Note 43 to the consolidated and separate financial statements.

Securities Trading Policy

In compliance with Rule 17.15 (Disclosure of Dealings in Issuers' Shares), Rulebook of the Exchange 2015 (Issuers Rule), the Bank maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Bank's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Bank has made specific inquiries of all its Directors and other insiders and is not aware of any infringement of the Policy during the period.

Complaint Management Policy

The Bank has put in place a Complaint Management Policy guiding the resolution of disputes with stakeholders on the issue relating to the Investment and Securities Act.

Process of Board Appointments

The Board Governance & Remuneration Committee has the responsibility for leading the process for Board appointments as either Executive or Non-Executive Directors.

The Committee, in performance of its duties under the Board Charter, shall review the need for appointments and recommend such appointments to the Board for approval. The Committee shall note the specific experience and abilities needed and shall identify, review and recommend to the Board candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefit of diversity on the Board, including gender mix as well as the balance of appropriate skills and experience.

The appointment of Directors by the Board is subject to the approval of the Central Bank of Nigeria and Shareholders at the Annual General Meeting.

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr. Asue Ighodalo	Chairman
Dr. (Mrs.) Omolara Akanji	Non-Executive Director
Mr. Olaitan Kajero	Non-Executive Director
Mrs. Tairat Tijani	Non-Executive Director
Mr. Michael Jituboh	Non-Executive Director
Mrs Folasade Kilaso	Non-Executive Director
Mr. Michael Ajukwu	Non-Executive Director
Mr. Ramesh Rajapur	Non-Executive Director[1]
Mr. Abubakar Suleiman	Managing Director/CEO
Mr. Grama Narasimhan (Indian)	Executive Director
Mr. Yemi Odubiyi	Executive Director
Mr. Emmanuel Emefienim	Executive Director
Mr. Tunde Adeola	Executive Director[2]
Mr. Raheem Owodeyi	Executive Director[3]

COMPANY SECRETARY

Temitayo Adegoke

REGISTERED OFFICE

Sterling Towers
20, Marina, Lagos
Tel.: 2702300-8

REGISTRATION NUMBER

2392

AUDITORS

Ernst & Young
10th & 13th Floor, UBA House
57, Marina
Lagos

REGISTRAR

Pace Registrars Limited
Akuro House (8th floor)
24, Campbell Street
Lagos

CONSULTANTS

J.K. Randle International
One King Ologunkutere Street
Park View, Ikoyi
Lagos

[1] Appointed DD MM 2019
[2] Appointed DD MM 2019
[3] Appointed DD MM 2019

DIRECTOR'S PROFILE

ASUE IGHODALO
Chairman

Mr. Asue Ighodalo was appointed a Non-Executive Director of Sterling Bank in May, 2014 and subsequently as Chairman in July, 2014. A product of the prestigious Kings College, Lagos, Asue obtained a Bachelor of Science Degree (B.Sc) in Economics from University of Ibadan in 1981; LL.B in 1984 from the London School of Economics & Political Science and a BL in 1985 from the Nigerian Law School.

He is a Partner in the law firm Banwo & Ighodalo, a leading corporate and commercial law practice in Nigeria, which he founded in partnership in 1991. His core practice areas are corporate finance, capital markets, mergers and acquisitions, banking & securities, foreign investments & divestments, energy & natural resources, privatization and project finance. A member of several professional associations, Asue sits on the Board of a number of public and private companies.

OMOLARA AKANJI
Independent Director

Dr. (Mrs.) Omolara Akanji was appointed an Independent Director of Sterling Bank in February, 2014. She holds a B.Sc. in Agricultural Economics from the University of Ibadan, an M.Sc. in Agricultural Economics from the University of Reading, a Diploma in Statistics from the University of Kent, Mathematical Institute, and a PhD. Finance from the European-American University, Commonwealth of Dominica.

Her early career started with the Central Bank of Nigeria (CBN) in 1978 as an Assistant Economist. She rose through the ranks and retired in December 2007 as Director, Trade and Exchange Department. She also served as a Consultant to the CBN between 2008 and 2011. She is an alumnus of Harvard Kennedy School (HKS) of Monetary Policy and Management.

OLAITAN KAJERO
Non-Executive Director

Mr. Olaitan Kajero joined the Board of Directors of Sterling Bank in August, 2014. He holds a Bachelor of Science Degree in Chemistry from the University of Lagos and an MBA Finance from Olabisi Onabanjo University, Ago Iwoye in Ogun State. He is currently the Managing Director of STB Building Society Limited- a position he has held since 2006. He started his career as Finance and Admin Manager at Communication Associates of Nigeria Limited in 1997.

He went on to serve as General Manager and Group Chief Operating Officer in Aircom Nigeria Limited between 2001 and 2006, where he was responsible for general business development and managing the day to day activities of the Company. Mr. Kajero is a Fellow of the Chartered Institute of Bankers of Nigeria.

TAIRAT TIJANI
Non-Executive Director

Mrs. Tairat Tijani joined the Board of Directors of Sterling Bank in November 2014. She graduated from Lancaster University with Honours in Accounting, Finance & Economics. She also graduated with a Distinction in MBA, International Business from the University of Birmingham. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Chartered Secretaries & Administrators of Nigeria. Mrs. Tijani has garnered significant experience as an operator in the Capital Market, participating in several landmark transactions which have contributed immensely towards the development of the Nigerian Capital Market.

She was formerly the Head, Capital Markets Division of FBN Capital Ltd (a subsidiary of FBN Holdings Plc) where she had oversight responsibility for deal origination and transaction execution. Mrs. Tijani successfully completed the Financial Times Diploma for Non-Executive Directors in 2016 and has attended several executive education programs with a focus on Leadership and Corporate Governance at leading international institutions including Wharton School, Pennsylvania.

MICHAEL JITUBOH
Non-Executive Director

Mr. Michael Jituboh joined the Board of Directors of Sterling Bank in December, 2015. He holds a Bachelor of Science (B.Sc.) Degree in Applied Mathematics from the Federal City College (now University of Washington DC), USA and a Master of Arts (MA) Degree in Economic Studies from Stanford University, California, USA. He is currently the Executive Director, Special Projects of Globacom Limited.

He worked for 17 years in the African Development Bank in Ivory Coast where he successfully held the positions of Loan Officer, Senior Executive in charge of International Organizations, Special Assistant to the President and Director, International Co-operation Department. He has an extensive background experience in Project Lending and management. He previously served as Non-Executive Director on the boards of the erstwhile Devcom and Equitorial Trust Banks. He is an alumnus of the Harvard Business School, Program for Management Development (PMD).

MICHAEL AJUKWU
Independent Director

Mr. Michael Ajukwu was appointed an Independent Director on the Board of Sterling Bank Plc in June, 2018. He holds a B.Sc in Finance from the University of Lagos and an MBA in Accounting & Finance from New York University. He worked for 21 years in the banking industry retiring in 2002 as an executive board member of United Bank for Africa.

Mr. Ajukwu is currently a Non-Executive Director on the Boards of Intafact Beverages Ltd (Nigerian sub of South African Breweries), Mobax Nigeria Ltd (A South African Company) and Novotel- A member of ACCOR (A French Hotel Group). He is also an Independent Director on the boards of Tiger Brands SA and MTN Nigeria Communications Plc.

FOLASADE KILASO
Non-Executive Director

Mrs. Folasade Kilaso joined the Board of Sterling Bank Plc as a Non-Executive Director in June 2018. She holds a bachelor's degree in law from the University of Kent and an LLM from the prestigious University of Cambridge specializing in International Corporate law and Finance. Mrs. Kilaso was called to the Nigerian Bar in 1988. She trained with leading international law firm Clifford Chance in the United Kingdom and is a solicitor of the Supreme Court of England and Wales. She is presently the Principal Partner at Berkeley Legal where she specializes in Banking & Corporate Finance, Asset Management, Energy, Real Estate, Insurance, Immigration and Risk Management.

Prior to setting up Berkeley Legal in 2015, she was Executive Director at Standard Chartered Bank, Nigeria. Mrs. Kilaso had a multifunctional career at Standard Chartered during her 11 years with the Bank. She has served on the Board of the Financial Institutions Training Centre (FITC), and on the committees of various institutions such as the Nigeria Inter Bank Settlement Systems (NIBSS), Chartered Institute of Bankers Nigeria (CIBN) and Central Bank of Nigeria (CBN) - Sub Committee for Women Economic Empowerment. She is currently serving on the board of other companies.

RAMESH RAJAPUR
Non-Executive Director

Mr. Ramesh Rajapur was appointed a member of the Board of Directors of Sterling Bank in April, 2019. He obtained a Bachelor of Science degree from Bangalore University. His banking career with State Bank of India started in 1985 and he has held several roles across credit and operations.

He is currently the General Manager, Retail & Subsidiaries at the State Bank of India. He holds professional qualifications from Indian Institute of Bankers.

ABUBAKAR SULEIMAN
Managing Director / Chief Executive Officer

Mr. Abubakar Suleiman currently serves as the Managing Director/Chief Executive of Sterling Bank. He was appointed to the Board in April 2014 with responsibility for directly overseeing the Strategy & Innovation, Branding & Communication, and Human Resource Management Departments. He is also the executive sponsor of the Bank's non-interest banking business (Sterling Alternative Finance). Mr. Suleiman joined the Sterling Bank family (Trust Bank of Africa) in 2003 with responsibility for Treasury and Finance. Following the merger in 2006, he was appointed Group Treasurer; a position he held until 2011 when he assumed the role of Integration Director – tasked with managing and integrating Equitorial Trust Bank (ETB) into Sterling.

He began his career as an Experienced Staff Assistant at Arthur Andersen (now KPMG Nigeria), before moving to MBC International Bank (now First Bank) as a Management Associate. He later worked in Citibank Nigeria in roles spanning Treasury and Asset & Liability Management. Mr. Suleiman earned a degree in Economics at the University of Abuja, a Masters degree in Major Programme Management from the University of Oxford. He has attended various executive education programmes at INSEAD, Harvard, Wharton, and Said Business Schools.

GRAMA NARASIMHAN
Executive Director

Mr. Grama Narasimhan currently serves as the Executive Director, Retail and Consumer Banking at Sterling Bank; a role he has held since October, 2014. He obtained a Bachelor of Science Degree (First Class) from Bangalore University, Karnataka, India in 1982.

His 30-year-old career which began as an Officer with State Bank of India (SBI) in 1987 has seen him hold various positions at senior levels in Credit/ Advances, International Banking and Branch Operations. He is a Certified Associate of the prestigious India Institute of Bankers.

YEMI ODUBIYI
Executive Director

Mr. Yemi Odubiyi currently serves as the Executive Director, Corporate & Investment Banking at Sterling Bank. Mr. Odubiyi studied at the University of Lagos and holds a first degree in Estate Management as well as a Masters in International Law from the same institution. He started his banking career with the Nigeria unit of Citibank (at the time known as Nigeria International Bank) in 1995 as an Operations & Technology Generalist serving across all its Operations and Technology functions and was thereafter enrolled in its Management Associate program undertaking stints across all key units of the Bank.

He left Citibank to join the turnaround team of the then Trust Bank of Africa in 2003 as Head of Operations & Technology. Upon the consolidation of Trust Bank into Sterling Bank Plc, Yemi served as pioneer Group Head, Trade Services. In 2008, he was mandated to build the Structured Finance Group and also assumed oversight for corporate strategy serving as Chief Strategy Officer. Over the course of his career, Mr. Odubiyi has undertaken senior management/executive education programs in Risk Management, Finance, and General Management at leading international educational institutions including the London and Harvard Business Schools to name a few.

EMMANUEL EMEFIENIM
Executive Director

Mr. Emmanuel Emefienim serves as the Executive Director, Institutional Banking. He has over 25 years of experience in the banking industry, having worked in various middle and senior management roles across Operations, Treasury and Sales. He started his banking career with Oceanic Bank Plc (now Ecobank Nigeria) where he worked from 1992 till 1997, rising to the position of Head, Credit & Marketing. He then moved to United Bank for Africa Plc as Manager, Commercial Banking from 1997 till 2000. He also worked in Savannah Bank Plc and FSB International Bank Plc (now Fidelity Bank Plc) over a 6-year period thereafter joining Equitorial Trust Bank (ETB) in 2006. In ETB, he rose to the position of Zonal Business Director. Following the acquisition of ETB and its consolidation into Sterling Bank in 2011, he assumed the position of Regional Business Executive covering the South-South 2 Region, a role in which he excelled leading to the expansion of his responsibilities to cover the South-South 1 Region in 2017.

He obtained a Bachelor of Science degree in Microbiology from the University of Benin in 1989. Thereafter, he studied for his post-graduate qualifications also at the same institution, obtaining Masters degrees in Banking and Finance (1995) and Business Administration (1998). He has attended executive courses at the Harvard Business School and is an alumnus of the Wharton School.

TUNDE ADEOLA
Executive Director

Mr. Tunde Adeola serves as the Executive Director, Commercial Banking. He was previously the General Manager and the Divisional Head, Commercial Banking Directorate at Sterling Bank where he was responsible for the growth, retainership, sustainability and relationship management of the Bank's commercial banking portfolio. He had previously served as the Business Executive, Commercial & Institutional Banking Group, Lagos Mainland. Prior to Sterling Bank, Mr. Adeola was the Assistant General Manager (Ikeja Business Area) in Trust Bank of Africa. He had at various times worked in Kakawa Discount House and Liberty Merchant Bank Limited.

He holds a Bachelor of Arts degree in English from the Lagos State University. He also holds Bachelor of Laws degree from the University of Lagos. He is an alumnus of the Wharton School, Pennsylvania.

RAHEEM OWODEYI
Executive Director

Mr. Raheem Owodeyi serves as the Executive Director, Operations & Services/Chief Operating Officer at Sterling Bank where he is responsible for overseeing the Bank's operations and services to meet business goals and projections. He had previously served as the Chief Compliance Officer of the Bank. Prior to Sterling Bank, Mr. Owodeyi was a General Manager and Chief Inspector at Aso Savings and Loans Plc. He had previously served as a Deputy General Manager and Head, Compliance & Internal Controls (International) at Access Bank Plc. He had at various times worked in BDO Stoy Hayward LLP, United Kingdom, Triumph Bank Plc and Citigroup, Nigeria with a track record of excellent performance.

He obtained a Bachelor of Science degree in Economics (First Class) from Obafemi Awolowo University. He is a Senior Member of the Chartered Institute of Bankers of Nigeria, a Member of the Institute of Internal Auditors and a Fellow of the Compliance Institute, Nigeria. He is an alumnus of the Wharton School, Pennsylvania.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in presenting to the members of Sterling Bank Plc ("the Bank") their report together with the audited consolidated and separate financial statements for the year ended 31 December 2019.

Corporate Structure and Business

Principal Activity and Business Review

Sterling Bank Plc ("the Bank") is engaged in commercial banking with emphasis on retail and consumer banking, trade services, corporate, investment and non-interest banking activities. It also provides wholesale banking services including the granting of loans and advances, letter of credit transactions, money market operations, electronic and mobile banking products and other banking activities.

Legal form

Sterling Bank Plc (formerly known as NAL Bank Plc) was the pioneer merchant bank in Nigeria, established on 25 November 1960 as a private limited liability company, and was converted to a public limited liability company in April 1992.

Following the consolidation reforms introduced and driven by the Central Bank of Nigeria (CBN) in 2004, the Bank emerged from the consolidation of NAL Bank Plc, Indo-Nigerian Bank Limited, Magnum Trust Bank Plc, NBM Bank Limited and Trust Bank of Africa Limited. NAL Bank Plc as the surviving bank adopted a new name for the enlarged entity, 'Sterling Bank Plc'. The enlarged Bank commenced post-merger business operations on 3 January 2006 and the Bank's shares are currently quoted on the Nigerian Stock Exchange (NSE).

In October 2011, the Bank had a business combination with Equitorial Trust Bank Limited to re-position itself to better compete in the market space.

In compliance with the CBN guidelines on the review of the Universal Banking model, the Bank divested its interest from its four (4) subsidiaries and one associate company on 30 December 2011.

In 2016, Sterling Bank Plc registered Sterling Investment Management Plc ("the SPV") with the Corporate Affairs Commission as a public limited liability company limited by shares. The main objective of setting up the SPV was to raise or borrow money by the issuance of bonds or other debt instruments. The SPV is a subsidiary and is consolidated in the financial statements of the Bank. The Bank and its subsidiary is collectively referred to as "the Group".

The Bank has 161 branches and cash centres as at 31 December 2019.

Operating Results

Highlights of the Group and the Bank's operating results for the year ended 31 December 2019 are as follows:

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Gross earnings	150,195	148,708	147,439	147,791
Profit before income tax	10,672	9,489	10,233	9,739
Income tax expense	(70)	(271)	(70)	(271)
Profit after income tax	10,602	9,218	10,163	9,468
Profit attributable to equity holders	10,602	9,218	10,163	9,468
Total non-performing loans as % of gross loans	2.2%	8.7%	2.2%	8.7%
Earnings per share (kobo) – Basic	37k	32k	35k	33k
Earnings per share (kobo) – Diluted	37k	32k	35k	33k
Dividend per share proposed	3k	-	3k	-

Directors who served during the year

The following Directors served during the year and as at the date of this report:

Name	Designation	Date appointed/retired	Interest represented
Mr. Asue Ighodalo	Chairman		Moehi Nigeria Limited
Dr. (Mrs.) Omolara Akanji	Independent Director		
Mr. Michael Ajukwu	Independent Director		
Mr. Olaitan Kajero	Non-Executive Director		STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited
Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investment Limited
Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
Mr. Ramesh Rajapur *(Indian)*	Non-Executive Director	Appointed 24/04/2019	State Bank of India
Mr. Sujit Varma *(Indian)*	Non-Executive Director	Retired 24/04/2019	State Bank of India
Mrs. Folasade Kilaso	Non-Executive Director		Alfanoma Nigeria Limited Plural Limited Reduvita Limited Quakers Integrated Services Limited Concept Features Limited
Mr. Abubakar Suleiman	Managing Director/CEO		
Mr. Grama Narasimhan *(Indian)*	Executive Director		
Mr. Yemi Odubiyi	Executive Director		
Mr. Emmanuel Emefienim	Executive Director		
Mr. Tunde Adeola	Executive Director	Appointed 24/04/2019	
Mr. Raheem Owodeyi	Executive Director	Appointed 24/04/2019	

Going concern

The Directors assess the Group and the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the next twelve months from the date of this report. For this reason, these consolidated and separate financial statements are prepared on a going-concern basis.

Director's interests in shares

Interest of directors in the issued share capital of the Bank as recorded in the Register of members and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act of Nigeria were as follows:

	Names	31-Dec-19 Direct	31-Dec-19 Indirect	31-Dec-18 Direct	31-Dec-18 Indirect
1	Mr. Asue Ighodalo	-	62,645,242	-	62,645,242
2	Mr. Ramesh Rajapur (Indian)	-	2,549,505,026	-	-
3	Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
4	Dr. (Mrs) Omolara Akanji	-	-	-	-
5	Mr. Michael Ajukwu	-	-	-	-
6	Mr. Sujit Varma	-	-	-	2,549,505,026
7	Mr. Olaitan Kajero	-	1,549,668,967	-	1,582,687,059

	Names	31-Dec-19 Direct	31-Dec-19 Indirect	31-Dec-18 Direct	31-Dec-18 Indirect
8	Mrs. Tairat Tijani	-	1,144,046,801	-	1,149,566,801
9	Mrs. Folasade Kilaso	-	1,440,337,670	-	1,440,337,670
10	Mr. Abubakar Suleiman	28,108,227	-	28,108,227	-
11	Mr. Tunde Adeola	21,851,200	-	-	-
12	Mr. Yemi Odubiyi	19,342,826	-	19,342,826	-
13	Mr. Emmanuel Emefienim	12,158,681	-	12,158,681	-
14	Mr. Grama Narasimhan	-	-	-	-
15	Mr. Raheem Owodeyi	12,883,961	-	-	-

Director's interests in contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, none of the current Directors had direct or indirect interest in contracts or proposed contracts with the Group during the year.

Director's Remuneration

The Bank ensures that remuneration paid to its Directors comply with the provisions of the codes of corporate governance issued by its regulators.

In compliance with Section 34 (5) of the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission, the Bank hereby disclose the remuneration paid to its Directors as follows:

	Type of Package	Description	Fixed Timing
1	Basic Salary	Part of gross salary package for Executive Directors only, reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid monthly during the financial year
2	Other Allowances	Part of gross salary package for Executive Directors only, reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year	Paid periodically during the financial year
3	Productivity Bonus	Paid to Executive Directors only and tied to performance of their line reports. It is also a function of the extent to which the Bank's objectives have been met for the financial year	Paid annually in arrears
4	Director Fees	Paid annually in July to Non-Executive Directors only	Paid annually in July
5	Sitting Allowances	Allowances paid to Non-Executive Directors only for attending Board and Board Committee meetings	Paid after each meeting

Beneficial ownership

The Bank is owned by Nigerian citizens, corporate bodies and foreign investors.

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2019 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,019	37.05%	14,425,905	0.05%
1001 - 5,000	26,094	30.19%	58,897,575	0.20%
5,000 - 10,000	8,839	10.23%	59,599,143	0.21%
10,001 - 20,000	6,995	8.09%	94,379,178	0.33%

Range of shares	Number of holders	%	Number of units	%
20,001 - 50,000	4,846	5.61%	149,936,737	0.52%
50,001 - 100,000	2,648	3.06%	181,643,420	0.63%
100,001 - 200,000	1,946	2.25%	278,226,173	0.97%
200,001 - 500,000	1,608	1.86%	514,873,874	1.79%
500,001 - 10,000,000	1,299	1.50%	1,864,731,272	6.48%
Above 10,000,001	122	0.14%	14,938,308,440	51.89%
Foreign shareholding	5	0.01%	10,635,396,407	36.94%
	86,421	100%	28,790,418,124	100.00%

The following shareholders have shareholding of 5% and above as at 31 December 2019:

	31-Dec-19 Unit Holding	31-Dec-19 % Holding	31-Dec-18 Unit Holding	31-Dec-18 % Holding
Silverlake Investments Limited	7,197,604,531	25.00	7,197,604,531	25.00
State Bank of India	2,549,505,026	8.86	2,549,505,026	8.86
Sterling Bank Co-operative Multipurpose Society Limited	1,739,406,427	6.03	1,739,406,427	6.03
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63

According to the Register of Members, no shareholder other than the above-mentioned held more than 5% of the company as at 31st December 2019.

Donations and Charitable Gifts

The Bank donated a total sum of N216million during the year ended 31 December 2019 (2018: N299million) to various charitable organizations in Nigeria, details of which are shown below. No donation was made to any political organization.

Details of Donation	Purpose	Amount(N'm)
Environmental sustainability partnership with state Governments and communities	Corporate Social Responsibility (CSR)	52.0
Art and Book Festivals	Sponsorship/CSR	44.0
Eat Drink Festivals	Sponsorship	26.0
Various Medical Awareness & Foundations	Sponsorship/CSR	20.0
Nigeria Economic Summit Group	Sponsorship	20.0
ICREATE Skills Fest	Sponsorship	20.0
Educational support for Schools	Sponsorship/CSR	7.0
Training &Support for Film Producers	Sponsorship/CSR	6.0
Racing for sustainable Development Goals	Sponsorship	5.0
Support for sports	Corporate Social Responsibility (CSR)	4.0
World Clean Up Day Execution	Corporate Social Responsibility (CSR)	2.0
Borehole for Katanpe	Corporate Social Responsibility (CSR)	1.0
Digital Literacy	Sponsorship/CSR	1.0
Other Donations and Collaborations	Sponsorship/CSR	8.0
		216.00

Gender Analysis of Staff

Analysis of staff employed by the Bank during the year ended 31 December 2019

Description	Number	% To Total Staff
Female new hire	187	44%
Male new hire	242	56%
Total new hire	429	100%
Female as at 31 December 2019	1,009	42%
Male as at 31 December 2019	1,392	58%
Total staff	**2,401**	**100%**

Analysis of top management positions by gender as at 31 December 2019:

Grade	Female	Male	Total
Senior Management (AGM–GM)	13	35	48
Middle Management (DM–SM)	71	147	218
Total	**84**	**182**	**266**

Analysis of Executive and Non-Executive positions by gender as at 31 December 2019:

Grade	Female	Male	Total
Executive Director	-	5	5
Managing Director	-	1	1
Non-Executive Director	3	5	8
Total	**3**	**11**	**14**

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2019 (2018: Nil).

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 23 to the consolidated and separate financial statements.

Employment and employees

Employment of disabled persons
The Group has a non-discriminatory policy on recruitment. Applications would always be welcomed from suitably qualified disabled persons and are reviewed strictly on qualification. The Group's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

Health, safety and welfare of employees
Health and safety regulations are in force within the Bank's premises and employees are aware of existing regulations. The Bank provides subsidies to all levels of employees for medical expenses, transportation, housing, lunch, etc.

Employee training and development
The Group is committed to keeping employees fully informed as much as possible regarding the Group's performance and progress and seeking their opinion where practicable on matters which particularly affect them as employees.

Training is carried out at various levels through both in-house and external courses. Incentive schemes designed to encourage the involvement of employees in the Group's performance are implemented whenever appropriate.

Events after the reporting date
Note 35 to the consolidated and separate financial statements disclose no events after the reporting date, that could have a material effect on the consolidated and separate financial position of the Group and the Bank as at 31 December 2019 or their profit for the year then ended.

Auditors
Due to the Central Bank of Nigeria directive on mandatory audit firms rotation after a period of ten years, Messrs. Ernst & Young will not continue in office as auditors of the Bank.

BY ORDER OF THE BOARD:

Temitayo Adegoke
Company Secretary
FRC/2018/NBA/00000018142
20 Marina, Lagos, Nigeria
26 February 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the consolidated and separate financial statements which present fairly, in all material respects, the financial position of the Group and the Bank, and of their financial performance for the year. The responsibilities include ensuring that:

(a) appropriate internal controls are established both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities;

(b) the Group keeps accounting records which disclose with reasonable accuracy the financial position and performance of the Group and which ensure that the consolidated and separate financial statements comply with the International Financial Reporting Standards and the relevant requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, and relevant Central Bank of Nigeria circulars;

(c) the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, and relevant Central Bank of Nigeria circulars.

The Directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respects, the financial position and the financial Performance of the Group and the Bank as at and for the year ended 31 December 2019.

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

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

Signed on behalf of the Directors by:

Abubakar Suleiman
Managing Director/CEO
FRC/2013/CIBN/00000001275

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

ADVISORY COMMITTEE OF EXPERTS (ACE) REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

IN THE NAME OF GOD, THE BENEFICENT, THE MERCIFUL

We have reviewed the principles and the contracts relating to the transactions introduced by Non-Interest Banking (NIB) Window of Sterling Bank Plc during the year ended 31st December 2019. We have also conducted our review to form an opinion as to whether Sterling NIB has complied with the Shariah principles, the Shariah rulings issued by the ACE of Sterling Bank and Financial Regulation Advisory Council of Experts (FRACE) of the Central Bank of Nigeria.

The Management of Sterling Bank Plc is responsible for ensuring that Sterling NIB conducts its business in accordance with Shariah principles. It is our responsibility to form our independent opinion, based on our review of the operations of Sterling NIB and to report to you. We have assessed the work carried out by the Shariah Audit which included examining, on a test basis, each type of transaction, the relevant documents and procedures adopted by Sterling NIB.

We have received information which we believe to be complete and gives us reasonable assurance that Sterling NIB has no major transgressions of Shariah.

In our opinion:

- The contracts, transactions and dealings of Sterling NIB during the calendar year ended 31st December 2019 complied with Shariah;
- All earnings that have been realized from sources or by means prohibited by Shariah have been disposed to charitable causes where necessary.

The Advisory Committee of Experts (ACE) of Non-Interest Banking Window of Sterling Bank Plc has reviewed the Financial Statements of the Bank and taken note of the Non-Permissible Income (NPI) declared by the Bank during the review period. The ACE hereby confirms that the NPI has been disposed by the Bank to the satisfaction of the ACE.

We the members of the Advisory Committee of Experts of the Non-Interest Banking Window of Sterling Bank Plc hereby confirm that the operations of Sterling NIB for the year ended 31st December 2019 have been conducted in conformity with Islamic commercial jurisprudence.

Date: April 6, 2020

Shaykh. AbdulKader Thomas
(Chairman)

Imam AbdulRaheem A. Sayi
(Member)

Shaykh. Abubakar M. Musa
(Member)

REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF STERLING BANK PLC

FOR THE YEAR ENDED 31 DECEMBER 2019

J.K. RANDLE INTERNATIONAL
Chartered Accountants & Management Consultants

"X KPMG HOUSE"
One King Ologunkutere Street,
Park View, Ikoyi, Lagos,
P.O. Box 75429, Victoria Island, Lagos.
Tel: 234-7098820710 Telefax: 234-7098733613
E-mail: jkrandleandco.co.uk, jkrandleintuk@gmail.com
Website: www.jkrandleandco.co.uk

REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF STERLING BANK PLC
FOR THE YEAR ENDED 31ST DECEMBER, 2019

In conformity with regulatory requirements, the Board of Sterling Bank Plc (Sterling) renewed its mandate to J. K. Randle International to review the performance of the Board in respect of the year ended December 31, 2019. The exercise was guided by the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance and other recognized best practices.

The Board had fourteen members during the year under review. Eight of these members are Non-Executive Directors (including the Chairman of the Board), while six are Executive Directors (including the Managing Director/Chief Executive Officer). Two of the Non-Executive Directors are Independent Directors appointed based on criteria laid down by the Central Bank of Nigeria for the appointment of Independent Directors and core values enshrined in the Bank's Code of Corporate Governance.

During the year, one Non-Executive Director retired from the Board and another was appointed to fill the vacancy created by the retirement. Two Executive Directors were also appointed during the year under review. As at the end of the year, the Board had fourteen members consisting of eight Non-Executive Directors and six Executive Directors. The composition of the Board during the year was in line with Best Practice and in conformity with CBN regulations. The ratio of Non-Executive Directors to Executive Directors is in line with Best Practice and the CBN Code. With three female members on the Board as at 31st December, 2019 the Board has almost satisfied the CBN gender ratio requirement. The ratio in favour of female members now stands at 21% against the minimum requirement of 30% effective 2014.

Members of the Board remained conscious of their responsibilities in respect of the operations of the Board and the Bank. The frequency of meetings, level of attendance at Board and Board Committee meetings were in conformity with regulations. The Board held four meetings during the year under review. The meetings were effectively managed with focus on relevant and strategic issues affecting the Bank. All the members had equal opportunity and contributed constructively to the deliberations of the Board. Management provided adequate information while the Company Secretariat maintained accurate records of the proceedings of the Board and Board Committees which facilitated informed decision making and monitoring. Decisions were arrived at based on consensus in a conducive environment. The operations of the Board followed due process and reflected transparency and a high degree of Board dynamics.

The Board performed to the full extent of its mandate which covered all the significant activities of the Bank and ensured that Management remained within the risk appetite and strategy approved by the Board. In the performance of its oversight responsibilities, the Board supervised the internal audit and control processes while re-enforcing governance policies and practices. The Board also performed other statutory responsibilities including rendering accounts of the operations and activities of the Bank to the Shareholders. To a large extent, our previous recommendations have been implemented by the Board. The performance of the Board is adjudged to be satisfactory.

At the conclusion of the exercise, we recommended that the Board should seek legal opinion in addition to the on-going industry engagement in respect of the FIRS directive to banks on transfer of alleged tax liabilities of banks' customers to FIRS. We also recommended that the Board should compel Management to tighten controls to further reduce the incidence of fraud with more emphasis laid on preventive controls without losing sight of the effectiveness of detective controls.

Bashorun J. K. Randle, FCA, OFR
Chairman/Chief Executive
FRC/2013/ICAN/00000002703

Dated 10th April, 2020

J K R

REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2019

TO THE MEMBERS OF STERLING BANK PLC:

In accordance with the provision of Section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Sterling Bank Plc and its subsidiary hereby report as follows:

- We are of the opinion that the accounting and reporting policies of the Group are in accordance with International Financial Reporting Standards and legal requirements and agreed ethical practices.
- We believe that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from Management in the course of their audit and we are satisfied with Management's response to the External Auditor's recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of Management and staff in the conduct of these responsibilities.

We are satisfied that the Bank has complied with the provision of the Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Directors' related credits in the consolidated and separate financial statements of banks". We have reviewed insider-related credits of the Bank and found them to be as analysed in the consolidated and separate financial statements. The status of performance of these facilities is disclosed in Note 34(b) to the consolidated and separate financial statements.

Alhaji Mustapha Jinadu
Chairman, Statutory Audit Committee 21 February 2020
FRC/2013/IODN/00000001516

Members of the Statutory Audit Committee are:

1.	Alhaji Mustapha Jinadu	Chairman
2.	Mr. Olaitan Kajero	Member
3.	Ms. Christie Vincent	Member
4.	Mr. Idongesit Udoh	Member
5.	Mr. Michael Jituboh	Member
6.	Mrs. Folasade Kilaso	Member

In attendance:

Temitayo Adegoke
Company Secretary

Building a better working world

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www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF STERLING BANK PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sterling Bank Plc ("the Bank") and its subsidiary (collectively "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis of 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Sterling Bank Plc and its subsidiary. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group. 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 judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matters	How the matter was addressed in the audit
Expected Credit Loss (ECL) assessment on financial instruments The Group's financial assets represents about 94% of total assets. Together with off balance sheet exposures such as bond, guarantees and indemnities issued, and letters of credit, are subject to impairment assessment using the expected credit loss model (ECL) under the	Our audit approach was a mix of both control and substantive procedures. • We reviewed the IFRS 9 model prepared by the management for computation of impairment on financial assets and off balance sheet exposures in line with the requirements of IFRS 9.

Key Audit Matters (continued)	How the matter was addressed in the audit
International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as: • determining criteria for significant increase in credit risk (SICR) for staging purpose. • determining the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables. • incorporating forward looking information in the model building process. • factors incorporated in determining the Probability of Default (PD), the Loss Given Default(LGD), the Recovery Rate and the Exposure at Default (EAD). • factors considered in cashflow estimation including timing and amount. • factors considered in collateral valuation. This is considered a key audit matter in the consolidated and seperate financial statements given the significance of the amount, and the complexity and judgement involved in the process, which required considerable audit time and expertise.	• We gained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) were derived by the system by performing a walkthrough using live data. • For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL. • For stage 3 loans, we challenged all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realisation. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts. • We tested the historical accuracy of the model by assessing the historical projections versus actual losses. • We focused on the most significant model assumptions including probability of default and loss given default. • We performed detailed procedures on the completeness and accuracy of the information used. • Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rate, etc. were equally challenged for reasonableness taking into consideration available information in the public domain. • For off balance sheet exposure, we assessed the assumptions and inputs in determining the credit conversion factor by reviewing historical trends. • We reviewed the qualitative and quantitative disclosures for reasonablenes to ensure conformity with IFRS 7 - Financial Instruments: Disclosures.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and the Report of the Statutory Audit Committee as required by the Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 2004, the Statement of Value Added and the Five-Year Financial Summary as required by Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA) 2004 and the Financial Reporting Council of Nigeria, and the Corporate Governance Report as required by the Central Bank of Nigeria and the Nigerian Securities and Exchange Commission, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditor's report thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011 and Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the 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 the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content

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of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We also provide the Directors 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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

(I) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the Group and the Bank, in so far as it appears from our examination of those books;

(iii) The Group and the Bank's consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by Central Bank of Nigeria:

(I) The information required by the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Noted 34b to the consolidated and separate financial statements.

(ii) As disclosed in Note 40 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.

(iii) Customer complaints are disclosed in Note 41 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

Oluwasayo Elumaro, FCA
FRC/2012/ICAN/00000000139
For: Ernst & Young
Lagos, Nigeria.
31st December, 2019

FINANCIAL **STATEMENTS**

"Sterling's focus on the ***Education*** *sector means commitment to strategic partnerships that enable investment flows, providing access to finance for key stakeholders – including parents and schools, technology that enables easy learning.*
For these, we have earmarked over N10 billion"

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

In millions of naira	Note(s)	Group 2019	Group 2018	Bank 2019	Bank 2018
Interest income using effective interest rate	6	127,291	125,163	124,535	124,248
Interest expense using effective interest rate	7	(62,592)	(69,882)	(60,284)	(68,733)
Net interest income		**64,699**	**55,281**	**64,251**	**55,515**
Net fees and commission income	8	14,613	11,755	14,613	11,755
Net trading income	9	5,058	8,618	5,058	8,618
Other operating income	10	3,233	3,172	3,233	3,170
Operating income		**87,603**	**78,826**	**87,155**	**79,058**
Credit loss expense	11	(5,838)	(5,843)	(5,842)	(5,832)
Net operating income after credit loss expense		**81,765**	**72,983**	**81,313**	**73,226**
Personnel expenses	12	(14,912)	(13,194)	(14,912)	(13,194)
Other operating expenses	13.1	(18,075)	(16,715)	(18,075)	(16,715)
General and administrative expenses	13.2	(22,898)	(20,827)	(22,885)	(20,820)
Depreciation and amortisation	23.1, 23.2,23.3 & 24	(7,901)	(5,730)	(7,901)	(5,730)
Other property, plant and equipment costs	13.4	(7,307)	(7,028)	(7,307)	(7,028)
Total expenses		(71,093)	(63,494)	(71,080)	(63,487)
Profit before income tax expense		**10,672**	**9,489**	**10,233**	**9,739**
Income tax expense	14a	(70)	(271)	(70)	(271)
Profit after income tax		**10,602**	**9,218**	**10,163**	**9,468**
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent period:					
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income*		403	(550)	403	(550)
Total items that will not be reclassified to profit or loss in subsequent period		403	(550)	403	(550)
Items that will be reclassified to profit or loss in subsequent period:					
Debt instruments at fair value through other comprehensive income*:					
- Net change in fair value during the year		10,685	(2,684)	10,685	(2,684)
- Changes in allowance for expected credit losses		68	(19)	68	(19)
Net gains/(losses) on debt instruments at fair value through other comprehensive income		10,753	(2,703)	10,753	(2,703)
Total items that will be reclassified to profit or loss in subsequent period		10,753	(2,703)	10,753	(2,703)
Other comprehensive income/(loss) for the year, net of tax		11,156	(3,253)	11,156	(3,253)
Total comprehensive income for the year, net of tax		21,758	5,965	21,319	6,215
Profit attributable to:					
Equity holders of the Bank		10,602	9,218	10,163	9,468
Total comprehensive income attributable to:					
Equity holders of the Bank		21,758	5,965	21,319	6,215
Earnings per share - basic (in kobo)	15	37k	32k	35k	33k
Earnings per share - diluted (in kobo)	15	37k	32k	35k	33k

*Income from these instruments is exempted from tax.
The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

In millions of Naira	Note(s)	Group 31 Dec 2019	Group 31 Dec 2018	Bank 31 Dec 2019	Bank 31 Dec 2018
ASSETS					
Cash and balances with Central Bank of Nigeria	16	156,059	117,685	156,059	117,685
Due from banks	17	69,361	43,542	69,361	43,435
Pledged assets	18	11,831	11,423	11,831	11,423
Loans and advances to customers	19	618,732	621,017	618,732	621,017
Investments in securities:					
Financial assets at fair value through prof it or loss	20(a)	8,317	4,110	8,317	4,110
Debt instruments at fair value through other comprehensive income	20(c)	141,272	117,620	141,272	117,620
Equity instruments at fair value through other comprehensive income	20(b)	5,470	4,011	5,470	4,011
Debt instruments at amortised cost	20(d)	101,944	123,086	84,767	106,147
Investment in subsidiary	21	-	-	1	1
Other assets	22	28,581	29,446	28,581	29,446
Property, plant and equipment	23.1	18,476	16,942	18,476	16,942
Right-of-use asset	23.2	8,896	-	8,896	-
Investment property	23.3	4,141	-	4,141	-
Intangible assets	24	1,933	1,850	1,933	1,850
Deferred tax assets	14(g)	6,971	6,971	6,971	6,971
		1,181,984	1,097,703	1,164,808	1,080,658
Non-current assets held for sale	25	701	5,218	701	5,218
TOTAL ASSETS		**1,182,685**	**1,102,921**	**1,165,509**	**1,085,876**
LIABILITIES					
Deposits from customers	26	892,660	760,608	892,660	760,608
Current income tax payable	14(b)	201	405	201	405
Other borrowed funds	27	82,702	119,526	82,702	119,526
Debt securities issued	28	42,655	86,609	25,709	69,355
Other liabilities	29	44,742	37,678	44,742	37,678
Provisions	29.3	167	295	167	295
TOTAL LIABILITIES		**1,063,127**	**1,005,121**	**1,046,181**	**987,867**
EQUITY					
Share capital	30(b)	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
Retained earnings/(accumulated losses)		6,187	(3,307)	5,954	(3,101)
Other components of equity	32.1	56,217	43,953	56,220	43,956
Total equity		**119,558**	**97,800**	**119,328**	**98,009**
TOTAL LIABILITIES AND EQUITY		**1,182,685**	**1,102,921**	**1,165,509**	**1,085,876**

The consolidated and separate financial statements were approved by the Board of Directors on 25 February 2020 and signed on its behalf by

Abubakar Suleiman
Managing Director/CEO
FRC/2013/CIBN/00000001275

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

Adebimpe Olambiwonnu
Finance Controller
FRC/ 2013/I CAN/00000001253

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

In Millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
			EQUITY RESERVES								
GROUP											
Balance at 1 January 2019	14,395	42,759	(4,597)	5,276	22,260	235	682	20,098	43,953	(3,307)	97,800
Comprehensive income for the year: Profit for the year	–	–	–	–	–	–	–	–	–	10,602	10,602
Comprehensive income for the year, net of tax											
Net change in fair value of debt instruments at FVOCI	–	–	10,685	–	–	–	–	–	10,685	–	10,685
Net change in fair value of equity instruments at FVOCI	–	–	403	–	–	–	–	–	403	–	403
Changes in allowance for expected credit losses of debt instruments at FVOCI	–	–	68	–	–	–	–	–	68	–	68
Total comprehensive income	–	–	11,156	–	–	–	–	–	11,156	10,602	21,758
Transactions with equity holders, recorded directly in equity:											
Transfer from regulatory risk reserve (Note 32.1d)	–	–	–	–	(889)	–	–	–	(889)	889	–
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	–	–	–	–	–	–	473	1,524	1,997	(1,997)	–
Balance at 31 December 2019	14,395	42,759	6,559	5,276	21,371	235	1,155	21,622	56,217	6,187	119,558

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

In Millions of Naira	Share capital	Share premium	EQUITY RESERVES Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
GROUP											
Balance at 1 January 2018 (restated)	14,395	42,759	(1,344)	5,276	6,041	235	–	18,678	28,885	6,372	92,412
Comprehensive income for the year: Profit for the year	–	–	–	–	–	–	–	–	–	9,218	9,218
Comprehensive income for the year, net of tax:	–	–	–	–	–	–	–	–	–	–	–
Net change in fair value of debt instruments at FVOCI	–	–	(2,684)	–	–	–	–	–	(2,684)	–	(2,684)
Net change in fair value of equity instruments at FVOCI	–	–	(550)	–	–	–	–	–	(550)	–	(550)
Changes in allowance for expected credit losses of debt instruments at FVOCI	–	–	(19)	–	–	–	–	–	(19)	–	(19)
Total comprehensive income	–	–	(3,253)	–	–	–	–	–	(3,253)	9,218	5,964
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 31)	–	–		–	–	–	–	–	–	(576)	(576)
Transfer from regulatory risk reserve (Note 32.1d)	–	–		–	16,219	–	–	–	16,219	(16,219)	–
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	–	–		–	–	–	682	1,420	2,102	2,102	–
Balance at 31 December 2018	**14,395**	**42,759**	**(4,597)**	**5,276**	**22,260**	**235**	**682**	**20,098**	**43,953**	**(3,307)**	**97,800**

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

In Millions of Naira	Share capital	Share premium	EQUITY RESERVES: Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
BANK											
Balance at 1 January 2019	14,395	42,759	(4,597)	5,276	22,260	235	682	20,100	43,956	(3,101)	98,009
Comprehensive income for the year: Profit for the year	–	–	–	–	–	–	–	–	–	10,163	10,163
Comprehensive income for the year, net of tax:											
Net change in fair value of debt instruments at FVOCI	–	–	10,685	–	–	–	–	–	10,685		10,685
Net change in fair value of equity instruments at FVOCI	–	–	403	–	–	–	–	–	403		403
Changes in allowance for expected credit losses of debt instruments at FVOCI	–	–	68	–	–	–	–	–	68		68
Total comprehensive income	–	–	11,156						11,156	10,163	21,319
Transactions with equity holders, recorded directly in equity:											
Transfer from regulatory risk reserve (Note 32.1d)	–	–	–	–	(889)	–	–	–	(889)	889	–
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	–	–	–	–	–	–	473	1,524	1,997	(1,997)	–
Balance at 31 December 2019	14,395	42,759	6,559	5,276	21,371	235	1,155	21,624	56,220	5,954	119,328

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

In Millions of Naira	Share capital	Share premium	EQUITY RESERVES Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
BANK											
Balance at 1 January 2018 (restated)	14,395	42,759	(1,344)	5,276	6,041	235	–	18,680	28,888	6,328	92,370
Comprehensive income for the year: Profit for the year	–	–	–	–	–	–	–	–	–	9,468	9,468
Comprehensive income for the year, net of tax:											
Net change in fair value of debt instruments at FVOCI	–	–	(2,684)	–	–	–	–	–	(2,684)	–	(2,684)
Net change in fair value of equity instruments at FVOCI	–	–	(550)	–	–	–	–	–	(550)	–	(550)
Changes in allowance for expected credit losses of debt instruments at FVOCI	–	–	(19)	–	–	–	–	–	(19)	–	(19)
Total comprehensive income	–	–	(3,253)	–	–	–	–	–	(3,253)	9,468	6,215
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 31)	–	–	–	–	–	–	–	–	–	(576)	(576)
Transfer from regulatory risk reserve (Note 32.1d)	–	–	–	–	16,219	–	–	–	16,219	(16,219)	–
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	–	–	–	–	–	–	682	1,420	2,102	2,102	–
Balance at 31 December 2018	14,395	42,759	(4,597)	5,276	22,260	235	628	20,100	43,956	(3,101)	98,009

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

In Millions of Naira	Note(s)	Group 2019	Group 2018	Bank 2019	Bank 2018
Profit before income tax expense		10,672	9,489	10,233	9,739
Adjustments for non cash items:					
Credit loss expense	11	5,838	5,843	5,842	5,832
Depreciation and amortisation	(Note 23.1,23.2,23.3 & 24)	7,901	5,730	7,901	5,730
Dividend income	10	(239)	(225)	(239)	(225)
Gain on disposal of property, plant and equipment	10	(29)	(46)	(29)	(46)
Decrease in provision	10	(128)	–	(128)	–
Property, plant and equipment written off	23	–	34		34
Interest on lease liability	7	8	–	8	–
Write off of non current assets held for sale	13.1	304	–	304	–
Accrued interest payable		1,404	–	1,712	–
Net foreign exchange loss		(4,491)	(1,724)	(4,491)	(1,724)
		21,240	19,102	21,113	19,340
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		(28,673)	(19,469)	(28,673)	(19,469)
Investment securities at FVTPL		(4,207)	2,773	(4,207)	2,773
Pledged assets		(430)	17,723	(430)	17,723
Loans and advances to customers		(7,948)	(23,100)	(7,948)	(23,100)
Non-current assets held for sale		764	(5,218)	764	(5,218)
Other assets		(4,982)	(10,277)	(4,982)	(10,277)
		(24,236)	(18,467)	(24,363)	(18,228)
Changes in operating Liabilities:					
Deposits from banks		–	(11,048)	–	(11,048)
Deposits from customers		132,052	75,774	132,052	75,774
Other liabilities		7,578	(10,556)	7,578	(10,556)
Cash generated from operations		115,394	35,703	115,267	35,942
VAT paid		(681)	(856)	(681)	(856)
Income tax paid	14b	(172)	–	(172)	–
Net cash flows from operating activities		114,541	34,847	114,414	35,086
Investing activities					
Purchase of property, plant and equipment	23	(7,852)	(5,789)	(7,852)	(5,789)
Purchase of intangible assets	24	(371)	(404)	(371)	(404)
Right-of-use-asset		(520)	–	(520)	–
Proceeds from sale of property, plant and equipment		55	249	55	249
Purchase of debt instruments at FVOCI		(47,657)	(363,551)	(47,657)	(363,551)
Proceeds from sale of debt instruments at FVOCI		34,690	335,527	34,690	335,527
Purchase of debt instruments at amortised cost		–	(11,412)	–	(11,412)
Redemption of debt instruments at amortised cost		21,073	3,032	21,308	3,032
Purchase of equity intrument at FVOCI		(1,056)	–	(1,056)	–
Dividends received	10	239	225	239	225
Net cash flows used in investing activities		(1,399)	(42,123)	(1,164)	(42,123)

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

In Millions of Naira	Note(s)	Group 2019	Group 2018	Bank 2019	Bank 2018
Financing activities:					
Proceeds from other borrowed funds	27b	7,086	28,434	7,086	28,434
Proceeds from debts & securities issued	28	–	72,295	–	60,537
Repayment of debt & securities issued	28	(45,200)	(4,563)	(45,200)	(4,563)
Repayments of other borrowed funds	27b	(39,268)	(125,211)	(39,268)	(125,211)
Dividends paid	31	–	(576)	–	(576)
Net cash flows used in financing activities		(77,382)	(29,621)	(77,382)	(41,379)
Net increase/(decrease) in cash and cash equivalents		35,760	(36,897)	35,868	(37,004)
Effect of exchange rate changes on cash and cash equivalents		– (241)	– 4,959	– (241)	– 4,959
Cash and cash equivalents at 1 January		67,774	99,712	67,667	99,712
Cash and cash equivalents at 31 December	36	103,294	67,774	103,294	67,667
Operational cash flows from interest:					
Interest received		127,291	90,590	124,535	89,199
Interest paid		(63,996)	(67,573)	(61,996)	(66,259)

The accompanying notes 1 to 45 form part of the consolidated and separate financial statements.

STATEMENT OF PRUDENTIAL ADJUSTMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The regulators, Central Bank of Nigeria and Nigeria Deposit Insurance Corporation, stipulate that impairment allowance for financial assets shall be determined based on the requirements of IFRS. The IFRS allowance should then be compared with the impairment determined under the prudential guidelines as prescribed by CBN and the difference should be treated as follows:

(I). Prudential provision is greater than IFRS provision- transfer the difference from the Retained Earnings to a non- distributable Regulatory Risk Reserve.

(ii). Prudential provision is less than IFRS provision - the excess should be transferred from the Regulatory Risk Reserve to the Retained Earnings to the extent of the non-distributable reserve previously recognized.

In Millions of Naira	Note(s)	As at 31 Dec 2019	As at 31 Dec 2018
Prudential provision		35,863	43,332
Total Prudential provision		**35,863**	**43,332**
IFRS provision			
Impairment allowance on loans to corporate entities	19.1.1	11,119	17,991
Impairment allowance on loans to individuals	19.1.2	1,847	1,670
Allowances for impairment for other assets	22	1,010	834
Impairment allowance on debt instruments at amortised cost	20(d)	117	112
Impairment allowance on pledged assets at amortised cost	18.2	4	3
Impairment allowance on debt instruments at FVOCI	20(e)	229	167
Provisions for litigation, letters of credits and guarantees	29.3	167	295
		14,492	**21,072**
Difference in impairment provision balances		21,371	22,260
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		22,260	6,041
Transfer (from) / to Regulatory Risk Reserve		(889)	16,219
		21,371	22,260

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

Sterling Bank Plc, (formerly known as NAL Bank Plc) was the pioneer merchant bank in Nigeria, established on 25 November 1960 as a private limited liability company, and was converted to a public limited liability company in April 1992.

Sterling Investment Management Plc (SPV) was established in 2016 to raise money by the issue of bonds and other debt instruments. The SPV is a subsidiary and is consolidated in the financial statements of the Bank.

Sterling Bank Plc (the "Bank") together with its subsidiary (collectively the "Group") is engaged in commercial banking with emphasis on retail and consumer banking, trade services, corporate, investment and non-interest banking activities. It also provides wholesale banking services including the granting of loans and advances, letter of credit transactions, money market operations, electronic and mobile banking products and other banking activities.

The consolidated and separate financial statements of Sterling Bank Plc and its subsidiary for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2020.

2. Accounting Policies

2.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements of the Bank and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, The Financial Reporting Council of Nigeria Act No 6, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

The consolidated and separate financial statements have been prepared on a historical cost basis, except for financial assets measured at fair value.

(a) Functional and Presentation currency

The consolidated and separate financial statements are presented in Nigerian Naira, the Group's functional currency and all values are rounded to the nearest million (N'million) except when otherwise indicated.

(b) Presentation of financial statements

The Group presents its statement of financial position in order of liquidity.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 to the consolidated and seperate financial statements

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any IFRS accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(c) Basis of Consolidation

The consolidated and separate financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2019. Sterling Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally there is a presumption that 51% or more of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee;
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities;
- Contractual arrangements such as call rights, put rights and liquidation rights;
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its financial statements:

2.2.1 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred taxes 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

Current tax is the expected tax payable on taxable profit or loss for the period determined in accordance with the Companies Income Tax Act (CITA), using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax assessments are recognized when assessed and agreed to by the Group with the Tax Authorities, or when appealed, upon receipt of the results of the appeal.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporaray differences:

- the initial recognition of goodwill; and
- the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax 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 recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent that it is probable that sufficient future taxable profits or sufficient future taxable temporary differences will be available against which can be used.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

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

2.2.2 Financial instruments

(I) Recognition and initial measurement

Regular purchases and sales of financial assets and liabilities are recognised on the trade date. A financial asset or financial liability is measured initially at fair value plus or minus,in the case of a financial asset or financial liability not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss at initial recognition. Financial assets that are transferred to third parties but do not qualify for derecognition are presented in the statement of financial position as "pledged asset", if the transferee has the right to sell or re-pledge them.

(ii) Classification of financial instruments

The Group classified its financial assets under IFRS 9, into the following measurement categories:

- Those to be measured at fair value through other comprehensive income (FVOCI) (either with or without recycling). Included in this classification are debt instruments at FVOCI and equity instruments at FVOCI;
- Those to be measured at fair value through profit or loss (FVTPL)); and
- Those to be measured at amortised cost. Included in this classification are debt instruments at amortised cost, loans and advances e.t.c

The classification depends on the Group's business model for managing financial assets and the contractual cashflow characteristics of the financial asset (i.e solely payments of principal and interest- SPPI test). Directors determine the classification of the financial instruments at initial recognition.

The Group classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortised cost.

(iii) Subsequent measurement

Financial assets -

(I) Debt instruments

The subsequent measurement of financial assets depend on its initial classification:

Amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model whose objective is to hold financial 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 of principal and interest on the principal amount outstanding.

The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Group's financial assets at amortised cost includes cash and balances with Central Bank of Nigeria, due from banks, loans and advances to customers, and other debt instruments at amortised cost.

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- 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.

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI) and accumulated in a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognised in profit and loss.

Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. Interest income from these financial assets is determined using the effective interest method and recognised in profit or loss as 'Interest income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

The Group's financial assets at fair value through other comprehensive income includes equity instruments at FVOCI, treasury bills, government bonds and corporate bonds.

Fair value through profit or loss (FVTPL): Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the profit or loss and reported as 'Net trading income' in the period in which it arises. Interest income from these financial assets is recognised in profit or loss as 'Interest income'

The Group's financial assets at fair value through profit or loss are treasury bills.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. All equity financial assets are classified as measured at FVOCI. Where the Group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

(iv) 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. The information considered includes:

(1) The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

(2) How the performance of the portfolio is evaluated and reported to the Group's management;

(3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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

(5) The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal

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 Group considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

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

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to revise the interest rate at future dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities
The Group classifies financial liabilities into financial liabilities at amortised cost and fair value through profit or loss. Financial liabilities are derecognised when extinguished. ie when the obligation specified in the contract is discharged or cancelled or expires.

(I) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by the Group.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the profit or loss and are reported as 'Net trading income on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

The group does not have any financial liabilities at fair value through profit or loss.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

(ii) Financial liabilities at amortised cost
Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

(v) Reclassifications

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 that are debt instruments. A change in the objective of the Group's business occurs only when the Group either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

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

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

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not restated when reclassification occurs.

The Group may only sell insignificant portion of debt instruments measured at amortised cost frequently without triggering a change in business model. If the Group sells significant portions, this will not be more than twice a year subject to cases of unlikely to reoccur events such as:

- Run on the Bank/stressed liquidity scenarios
- Credit risk event i.e. perceived issuer default
- In the event of merger and takeover, the Bank may sell portion of the portfolio if the security holdings violates set limits
- Other one-off events
- Significance is defined to mean 5% of the portfolio value and subject to the policy on frequency above.

The Group may sell debt instruments measured at amortised cost without triggering a change in business model if the sale is due to deterioration in the credit quality of the financial assets or close to maturity. A financial asset is said to be close to maturity if the outstanding tenor of the financial asset from the time of issue is 25% or less of the original tenor.

Sales close to maturity are acceptable if the proceeds from the sales approximate the collection of the remaining contractual cash flows. At the point of sale an assessment will be conducted to determine whether there is more than 10% different from the remaining cash flows.

(vi) Modifications of financial assets and financial liabilities

(I) 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 derecognised and a new financial asset is recognised at fair value.

Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'. If the cash flows of the modified asset carried at amortised cost 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 and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

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

Qualitative criteria

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

- Conversion of a bullet repayment financial asset to amortising financial asset or vice versa
- Extension of financial asset's tenor
- Reduction in repayment of principal and interest
- Capitalisations of overdue repayments into a new principal amount
- Change in frequency of repayments i.e. change of monthly repayments to quarterly or yearly repayments
- Reduction of financial asset's tenor.

On the occurrence of any of the above factors, the Group will perform a 10% test (see below) to determine whether or not the modification is substantial.

Scenarios where modification will not lead to derecognition of existing financial assets are:

- Change in interest rate arising from a change in MPR which is a benchmark rate that drives borrowing rates in Nigeria
- Bulk repayment of financial asset

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

A modification would not lead to derecognition of existing financial asset if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

- If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see below) and Expected credit losses (ECL) are measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flows from existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from existing financial asset that are discounted from expected date of derecognition to the reporting date using original effective interest rate of the existing financial asset.

(ii) Financial liabilities
The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(vii) Impairment of financial assets

See also Note 37.1 on Credit risk disclosure

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Risk free and gilt edged debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a risk free and gilt edged debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

1. Measurement of Expected Credit loss (ECL)
ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

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

    b. Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired financial assets) : ECL represents the difference between the gross carrying amount and the present value of estimated future cash flows;

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

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

2. Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows on 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;
- For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a security because of financial difficulties or
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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 not reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days overdue are considered impaired except for specialised loans in which the Group has rebutted the 90 days past due presumptions.

The specialised loans include:

1. Project financing: >180 days past due backstop
2. Object financing (producing real estate and commercial real estate financing): > 180 days past due backstop;
3. Commodity finance:> 180 days past due backstop
4. Income producing real estate: >180 days past due backstop

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

3. Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instruments includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents as a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the "fair value reserve"

4. Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realisation of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

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All credit facility write-offs require endorsement at the board level, as defined by the Group. Credit write-off approval is documented in writing and properly initialed by the Credit Collection and Recovery Group.

A write-off constitutes a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

(viii) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative, but a separate financial instrument. Where a hybrid contains a host that is a financial asset in the scope of IFRS 9, the entire hybrid contract, including the embedded features, is assessed for classification under IFRS 9. The embedded derivative in such host contracts that are financial assets are not separated for accounting purposes.

(ix) Offsetting financial instruments -

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(x) Derivative financial instruments:
Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset where there is a legal right of offset of the recognised amounts and the parties intend to settle the cash flows on a net basis, or realise the asset and settle the liability simultaneously.

(vi) De-recognition of financial instruments -
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

(xii) Financial guarantees and loan commitments
The date that the entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements. Financial guarantees issued are initially measured at fair value and the fair value is amortised over the life of the guarantee. Subsequently, the financial guarantees are measured at the higher of this amortised amount and the amount of expected loss allowance (See Note 33(c). The Group also recognises loss allowance for its loan commitments (See Note 33(c)). The expected loss allowance for the Loan commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

The Group has issued no loan commitment that is measured at FVTPL.

2.2.3 Revenue recognition

Interest income and expense
Interest income and expenses 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 credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

a. 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 the 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.

b. Calculation of interest income and expenses
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.

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 are 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.

c. Presentation
Interest income and expense presented in the profit or loss includes:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;

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 on financial instruments classified as held for trading.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in interest income or interest expense.

d. Non-interest income and non -interest expense Sharia compliant income

Included in interest income and expense are sharia compliant income and expense. The Group's income as a fund manager (mudharib) consists of income and expense from Mudaraba and Hajj transactions, income from profit sharing of Sukuk and Mudaraba financing and other operating income.

Mudaraba income by deferred payment or by installment is recognised during the period of the contract based on effective method (annuity).

Profit sharing income from Mudaraba is recognised in the period when the rights arise in accordance with agreed sharing ratio, and the recognition based on projection of income is not allowed.

e. Fees and commission income and expense

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

Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees are recognised as the related services are performed.

f. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest income on financial assets at fair value through profit or loss, dividends and foreign exchange differences.

g. Dividend income

Dividend income is recognised when the right to receive income is established. Dividends on trading equities are reflected as a component of net trading income. Dividend income on equity instruments classified and measured at fair value through OCI (FVOCI) are recognised as a component of other operating income.

2.2.4 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks, operating accounts with other banks, amount due from other banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, 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.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non- restricted balances with central bank, balances held with local banks, balances with foreign banks and money market placements.

2.2.5 Property, plant and equipment

(I) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 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, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component 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-to-day servicing of property, plant 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, plant and equipment.

Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for property, plant and equipment are as follows:

Leasehold land	Over the lease period
Leasehold buildings	50 years
Leasehold improvements	10 years
Furniture, fittings & equipment	5 years
Computer equipment	3 years
Motor vehicles	4 years

Capital work in progress consists of items of property, plant and equipment that are not yet available for use. Capital work in progress is not depreciated, it is transferred to the relevant asset category upon completion.

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

(iv) **De-recognition**
An item of property, plant 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 period the asset is derecognised.

2.2.6 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification. The group classifes repossessed assets as non- current assets held for sale as it intends to recover these assets primarily through sales transactions.

A non-current asset ceases to be classified as a held for safe if the criteria mentioned above are no longer met. A non-current asset that ceases to be classified as held for sale is be measured at the lower of:

(i) its carrying amount before the asset (or disposal group) was classified as held for sale or for distribution, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been so classified; and

(ii) its recoverable amount at the date of the subsequent decision not to sell or distribute.

2.2.7 Intangible assets

Software
Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment. 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 five years. Amortisation method, useful lives, and residual values are reviewed at each financial year- end and accounted for prospectively.

2.2.8 Leases (Policy applicable before 1 January 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfer substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.Leases that do not transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group as a lessor
Leases where the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Rents are

recognised as revenue in the period in which they are earned.

2.2.9 Leases (Policy applicable from 1 January 2019)

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

(I) Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(ii) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of- use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented in Note 23.3 and are subject to impairment in line with the Group's policy as described in Note 2.2.10 Impairment of non-financial assets.

(iii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and in substance fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(iv) Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.2.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets other than 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.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash- generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In respect of other assets, 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.

2.2.11 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are carried at historical cost less accumulated depreciation and impairment. The fair value and valuation inputs of the investment property are also disclosed in note 23.2 in accordance with IAS 40.

The investment properties consist of buildings which are depreciated on a straight-line basis over their useful life of 50 years.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are carried at historical cost less accumulated depreciation and impairment. The fair value and valuation inputs of the investment property are also disclosed in note 23.2 in accordance with IAS 4.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying amount at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.2.12 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 will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. 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 period in which the employees render the service are discounted to their present value at the reporting date.

The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8%, respectively of the qualifying employee's monthly basic, housing and transport allowance. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8%, respectively of the qualifying employee's monthly basic, housing and transport allowance. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

(ii) Short-term benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

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

2.2.13 Contingencies

(i) Contingent asset

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 entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

(ii) Contingent liability

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 entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstance where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

2.2.14 Share capital

(i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the proceeds of the equity instruments.

(ii) Share premium
Any excess of the fair value of the consideration received over the par value of shares issued is recognised as share premium.

(iii) Dividend on ordinary shares
Dividends on the Group's ordinary shares are recognised in equity in the period in which they are approved and declared by the Group's shareholders.

2.2.15 Equity reserves

(i) Fair value reserve
The fair value reserve includes the net cumulative change in the fair value of financial instruments at fair value through other comprehensive income until the investment is derecognized or impaired.

(ii) Share capital reserve
The share capital reserve represents the surplus nominal value of the shares of the Group which were reconstructed in June 2006 after the merger.

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the expected loss model used in calculating the impairment under IFRS.

(iv) SMEEIS reserve
The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside 5 percent of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises.

(v) Statutory reserve
This represents regulatory appropriation to statutory reserves of 30% of profit after tax 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.

(vi) AGSMEIS reserve
The Banker's committee at its 331st meeting held on 9 February 2017 approved the Agric-Buisness, Small and Medium Investment Scheme (AGSMEIS) to support Federal Government efforts at promoting Agricultural businesses/Small and Medium Enterprises (SMEs). All deposit money banks are required to set aside 5% of Profit After Tax (PAT) annually after their financial statements have been audited by external auditors and approved by Central Bank of Nigeria (CBN) for publication and remit to CBN within 10 working days after the Annual General Meeting.

2.2.16 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data 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.

2.2.17 Segment reporting

An operating segment is a component of the Bank 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 Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The Group segment reporting is based on the following operating segments: Retail banking, Commercial banking, Institutional banking, Corporate & Investment banking, Non-Interest Banking and Special Purpose Vehicle (SPV).

2.2.18 Foreign currency translation

The Group's functional and presentation currency is Nigerian Naira ("N"). Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange at the reporting date. Differences arising from translation of monetary items are recognised in other operating income in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

2.2.19 Pledged financial assets

Financial assets pledged as collateral are classified separately from other assets when the counterparty has the right to sell or re-pledge the collateral (by custom or contract) and so debt instruments at FVOCI, and debt instruments at amortised cost are shown separately in the statement of financial position if they can be sold or pledged by the transferee.

Financial investments available for sale pledged as collateral are measured at fair value while financial investments held to maturity are measured at amortised cost.

2.2.20 Fair value definition and measurement

The Group measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions are in Note 3. Quantitative disclosures of fair value measurement hierarchy are in Note 39

Financial instruments (including those carried at amortised cost) are in Note 39.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: In the principal market for the asset or liability and in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.2.21 Non interest banking

Brief explanation for each type of sharia financing is as follows:

Mudaraba financing is a co-operation for certain project between first party (Malik, Shahibul or mal) as owner of fund and second party (Amil, Mudharib or debtors) as fund manager whereas the profit will be shared in accordance with percentage as stated in the agreement, meanwhile losses will be borne by the Bank except if the second party acts in negligence, error or violates the agreement. Mudaraba financing is reported at the outstanding financing balance less allowance for incurred losses.

Ijarah receivables are the financing on the availability of fund in relation to transferring the right to use and benefit of a good and service based on rental transaction which was not followed by transfer of the goods ownership to the lessee. Ijarah muntahiyah bittamlik is an agreement on the availability of fund in relation to transferring the use right and benefit of a good or service based on rental transaction with an option to transfer the ownership title of goods to the lessee. Ijarah receivables are recognised at due date at the amount of lease income not yet received and presented at its net realisable value, which is the outstanding balance of the receivables.

Mudaraba and Ijarah receivables are classified as debt instruments at amortised cost. Refer to Note 2.2.2 for the accounting policy on debt instruments at amortised cost.

(i) Deposit Liabilities

Deposits liabilities on non-interest banking are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquistion of deposits on non-interest banking are included in the amount of deposits and amortised over the expected life of the deposits. Refer to Note 2.2.2(ii) for the accounting policy for financial liabilities at amortised cost above.

Included in the deposits liabilities are non interest banking deposits in form of hajj deposits, trust deposits, and Certificates Mudharabah Investment Bank (SIMA). SIMA is an investment certificate issued by the bank which adopts profit sharing practice and in form of placement. SIMA financing period ranges from over one year.

2.3 Changes in accounting policies and disclosures

In these financial statements, the Bank has applied IFRS 16 Leases for the first time. The nature and effect of the changes because of adoption of this new accounting standard are described in Note 2.3 (i) to 2.3(iii) below.

The following other amendments and interpretations apply for the first time in 2019, but do not have an impact on the Bank's consolidated financial statements.

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation - Amendments to IFRS 9.
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28.
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19.
- AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation.
- AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation.
- AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified a equity.
- AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2019, unless otherwise stated. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(I) IFRS 16-Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC- 15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The Bank has lease contracts for the use of specific premises rented for banking services. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.2.8 for the accounting policy prior to 1 January 2019. Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.2.9 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

(ii) Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. The right-of-use assets were recognised based on adjusted prepaid and accrued lease payments previously recognised. No lease liabilities were recognised on date of initial application as there were no outstanding lease payments or obligations.

(iii) The Bank adopted the modified retrospective approach to transition, and applied the following available practical expedients wherein it:

1. Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

2. Relied on its assessment of whether leases are onerous immediately before the date of initial application .

3. Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application

4. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

5. Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:
Right-of-use assets of N9,121 million was recognised on the date of initial application (see Note 23.2).

No lease liability was recognised on transition as there were no operating lease commitments as at 1 January 2019.

The adoption of IFRS 16 had no impact on the Bank's retained earnings.

Prepayments of N9,121 million related to previous operating leases were derecognised.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	N'million
Right of use asset	9,121
Prepayments	(9,121)
	–

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumptions and estimates that could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

3.1 Estimates and Assumptions

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(I) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement.

Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items. See Note 23 for further disclosure on property, plant and equipment.

(ii) Amortisation and carrying value of intangible assets

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of intangible assets will have an impact on the carrying value of these items. See Note 24 for further information disclosure on intangible assets.

(iii) Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(iv) Determination of collateral value

Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterparty. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily.To the extent possible, the Group uses active market data for valuing financial assets, held as collateral.

Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers,housing price indices, audited financial statements, and other independent sources. See Note 37 for further disclosure on collateral value.

(v) Business model assessment

For financial assets that are held for the purpose of collecting contractual cash flows, the Group has assessed whether the contractual terms of these assets are solely payments of principal and interest on the principal amount outstanding.

Allowances for credit losses

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Group makes judgements about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

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

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

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life time Expected credit losses (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

(vi) Fair value of financial instruments
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 Note 2.2.20. 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.

(vii) Deferred tax assets
Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that the future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely. See Note 14 for further information on judgment and estimates relating to deferred tax assets.

(viii) Estimating the incremental borrowing rate
The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities.

The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates for simillar transactions) and is required to make certain entity-specific adjustments or to reflect the terms and conditions of the lease.

3.2 Judgments

Judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be resonable under the circumstances. In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

(i) Going Concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in the business for the next 12 months from issuance of this report. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated and seperate financial statements continue to be prepared on the going concern basis.

(ii) Deferred tax asset
Management uses its experienced judgement in not recognizing additional deferred tax assets. The amount of those items that give rise to the unrecognized deferred tax asset are disclosed in Note 14 of the financial statements.

(iii) Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)
The Bank determines the lease term as the non-cancellable term of the lease, together with any

periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain if to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

4 New standards and interpretations

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4.1 New standards and interpretation issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 on Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features a few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants can replace any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity.'
The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.
The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable.

- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss .
- The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of the hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.Effective for annual periods beginning on or after 1 January 2020. Early application is permitted and must be disclosed.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

5. Segment Information

Segment information is presented in respect of the Group's strategic business units which represents the segment reporting format and is based on the Group's management and reporting structure.

(a) All non-current assets are located in the country of domicile and revenues earned are within same country.

(b) Reportable segment

The Group has six reportable segments; Retail Banking, Commercial banking, Institutional Banking, Corporate & Investment Banking, Non-interest Banking (NIB), Special Purpose Vehicle (SPV) which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Executive Management Committee reviews internal management reports on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Corporate banking provides banking solutions to multinational companies and other financial institutions;
- Retail and Commercial banking provides banking solutions to individuals, small businesses, partnerships and commercial entities among others.
- Non-Interest banking provides solutions that are consistent with Islamic laws and guided by Islamic economics; and
- The Special Purpose Vehicle was used to borrow funds throught the issue of debt securities.

All transactions between business segments are conducted on an arm's length basis, internal charges and transfer pricing adjustments are reflected in the performance of each business.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the financial statements.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2019 (2018: none)

The activity of the segments are centrally financed, thus the cash flow for the Bank is presented in the Statement of cash flows.

31 December 2019 In millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Total
Interest and Non - interest income	16,358	18,215	26,620	59,557	4,111	2,430	127,291
Interest and Non - interest expense	(3,565)	(10,898)	(9,048)	(35,238)	(1,856)	(1,986)	(62,592)
Net interest and Non - interest margin	12,793	7,317	17,572	24,319	2,255	444	64,699
Net fees and commission income	4,003	1,634	7,671	773	532	-	14,613
Credit loss expense	(1,635)	(3,128)	(349)	(551)	(175)	-	(5,838)
Depreciation and Amortization	(6,637)	(318)	(335)	(541)	(70)	-	(7,901)
Operating Expenses	(6,934)	(6,136)	(16,703)	(32,076)	(1,325)	(5)	(63,179)
Segment profit/(loss)	4,352	(631)	7,856	(2,634)	1,323	439	10,672
Assets as at 31 December 2019							
Capital expenditure: Additions during the year Property, plant and equipment & Intangible assets	3,490	993	1,122	2,010	237	-	7,852
Other intangible assets	371	-	-	-	-	-	371
Total Assets	93,451	102,496	200,757	726,152	42,651	17,178	1,182,685
Total Liabilities	201,566	214,676	259,987	336,500	33,454	16,943	1,063,127

31 December 2018 In Millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Total
Interest and Non - interest income	7,822	18,625	25,749	68,357	3,695	915	125,163
Interest and Non - interest expense	(10,445)	(10,160)	(8,919)	(37,558)	(1,650)	(1,149)	(69,882)
Net interest and Non - interest margin	(2,623)	8,464	16,830	30,799	2,045	(234)	55,281
Net fees and commission income	4,157	1,114	4,033	2,450	-	-	11,755
Credit loss expense	1,214	(2,161)	(495)	(4,246)	(143)	(11)	(5,843)
Depreciation and Amortization	(3,308)	(598)	(322)	(1,390)	(111)	-	(5,730)
Operating Expenses	(5,005)	(8,196)	(14,426)	(33,009)	(570)	(7)	(61,213)
Segment profit/(loss)	3,710	(50)	7,556	(2,831)	1,343	(239)	9,489
Assets as at 31 December 2018							
Capital expenditure: Additions during the year Property, plant and equipment & Intangible assets	5,275	20	264	201	28	-	5,789
Other intangible assets	404	-	-	-	-	-	404
Total Assets	84,701	126,892	169,774	653,908	50,584	17,061	1,102,921
Total Liabilities	294,127	192,764	215,556	239,450	45,971	17,252	1,005,121

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
6 Interest income using effective interest rate				
Loans and advances to customers	97,885	95,227	97,885	95,227
Investment securities	28,497	28,964	25,741	28,049
Cash and cash equivalents	909	972	909	972
	127,291	125,163	124,535	124,248
Interest from investment securities were derived from:				
Debt instruments at amortised cost	15,357	12,222	12,601	11,307
Debt instruments at fair value through other comprehensive income	13,140	16,742	13,140	16,742
	28,497	28,964	25,741	28,049
7 Interest expense using effective interest rate				
Deposits from customers	44,570	49,178	44,570	49,178
Debt securities issued	10,161	10,327	7,853	9,178
Other borrowed funds	7,233	8,939	7,233	8,939
Deposits from banks	620	1,438	620	1,438
Interest on lease liability	8	-	8	-
	62,592	69,882	60,284	68,733

Included in other borrowed funds and debt securities issued is an accrued interest of N1.4 Billion for the group and N1.7 Billion for the bank.

8 Net fees and commission income

Fee and commission income is disaggregated below and includes total fees in scope of IFRS 15, Revenues from Contracts with Customers:

Group & Bank	2019						2018
In millions of Naira	Retail banking	Commercial banking	Institutional banking	Corporate & investment banking	Non-interest banking	Total	Total
E-business commission and fees	5,490	226	1,026	35	9	6,785	4,848
Other fees and commissions (Note 8.1)	777	165	4,712	296	508	6,458	4,452
Account maintenance fees	901	245	425	150	-	1,721	1,966
Commissions and similar income	110	719	285	504	-	1,618	1,606
Facility management fees	129	64	1,148	96	-	1,437	1,460
Total revenue from contracts with customers	**7,407**	**1,419**	**7,595**	**1,082**	**516**	**18,019**	**14,332**
Other non-contract fee income:							
Commission on letter of credit transactions	473	340	167	209	15	1,205	879
Total fees and commission income	**7,880**	**1,759**	**7,762**	**1,291**	**531**	**19,224**	**15,211**
Total fees and commission expense							
E-business expenses	**(3,877)**	**(125)**	**(91)**	**(518)**	-	**(4,611)**	**(3,456)**
Net fees and commision income	4,003	1,634	7,671	773	531	14,613	11,755

8.1 Other fees and commission includes mostly advisory fees of N5.9 billion (2018: N3.8 billion).

Fees and commissions above excludes amounts included in determining the effective interest rate on financial assets that are not at fair value through profit or loss.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
9 Net trading income				
Bonds	2,530	139	2,530	139
Treasury bills	2,113	873	2,113	873
Foreign exchange trading	415	7,605	415	7,605
Financial assets held for trading	-	1	-	1
	5,058	8,618	5,058	8,618

Foreign exchange trading income includes gains and losses from spot and forward contracts and other currency derivatives. Other foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the profit or loss.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
10 Other operating income				
Cash recoveries on previously written off accounts	1,187	1,539	1,187	1,539
Dividend income from FVOCI equity investments	239	225	239	225
Rental income	192	174	192	174
Gains on disposal of property, plant and equipment	29	46	29	46
Other sundry income (note 10.1)	1,586	1,188	1,586	1,186
	3,233	3,172	3,233	3,170

10.1 Other sundry income includes income from cashless policy and other sources. Cashless policy was introduced by the Central Bank of Nigeria in 2015. The policy stipulates 3 per cent charge would be administered by banks for daily individual cumulative or single cash withdrawals in excess of N500,000, and 5 per cent charge on daily cumulative or single cash withdrawals by company in excess of N3 million. This policy has been restricted to six (6) states and FCT for the year ended 2019.

11. Credit loss expense

The table below shows the ECL charges on financial instruments for the year ended 31 December 2019 recorded in profit or loss:

	Group 2019	Group 2018	Bank 2019	Bank 2018
11 Credit loss expense (see note 11 b. below for breakdown)				
(i) Loans and advances impairment:				
Impairment on loans to corporate entities	9,488	12,836	9,488	12,836
Impairment on loans to individuals	1,525	648	1,525	648
Write-offs	116	611	116	611
Reversal of allowances no longer required	(5,773)	(7,958)	(5,773)	(7,958)
	5,356	6,137	5,356	6,137
(i) Impairment charge/(reversal) on other assets (note 22.1)	392	(217)	392	(217)
(ii) Impairment charge/(reversal) on investment securities	68	(61)	72	(72)
(iii) Impairment charge/(reversal) on letters of credit and guarantees	22	(16)	22	(16)
	482	(294)	486	(305)
	5,838	5,843	5,842	5,832

11 b. Credit loss expense

The table below shows the ECL charges on financial instruments for the year 31 December 2019 recorded in profit or loss :

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Loans and advances to customers	(587)	(3,730)	9,672	5,356
Debt instruments measured at FVOCI	41	-	-	41
Debt instruments measured at amortised cost	27	-	-	27
Other assets	392	-	-	392
Financial guarantees	18	-	-	18
Letters of credit	4	-	-	4
Total credit loss expense	(104)	(3,730)	9,672	5,838

Group In millions of Naira	Stage 1	Stage 2	Stage 3	2018 Total
Loans and advances to customers	(1,461)	163	7,435	6,137
Debt instruments measured at FVOCI	(25)	-	-	(25)
Debt instruments measured at amortised cost	(61)	-	-	(61)
Other assets	(192)	-	-	(192)
Financial guarantees	(13)	-	-	(13)
Letters of credit	(3)	-	-	(3)
Total credit loss expense	(1,755)	163	7,435	5,843

Bank In millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Loans and advances to customers	(587)	(3,730)	9,672	5,356
Debt instruments measured at FVOCI	41	-	-	41
Debt instruments measured at amortised cost	31	-	-	31
Other assets	392	-	-	392
Financial guarantees	18	-	-	18
Letters of credit	4	-	-	4
Total credit loss expense	(100)	(3,730)	9,672	5,842

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2018 Total
Loans and advances to customers	(1,472)	163	7,435	6,126
Debt instruments measured at FVOCI	(25)	-	-	(25)
Debt instruments measured at amortised cost	(61)	-	-	(61)
Other assets	(192)	-	-	(192)
Financial guarantees	(13)	-	-	(13)
Letters of credit	(3)	-	-	(3)
Total credit loss expense	(1,766)	163	7,435	5,832

12 Personnel expenses				
Wages and salaries	13,582	11,920	13,582	11,920
Defined contribution plan	1,330	1,274	1,330	1,274
	14,912	13,194	14,912	13,194

	Group 2019	Group 2018	Bank 2019	Bank 2018
13.1 Other operating expenses				
Contract services	6,363	5,525	6,363	5,525
AMCON surcharge (See (a) below)	6,073	6,000	6,073	6,000
Insurance	4,007	3,486	4,007	3,486
Net foreign exchange loss	241	764	241	764
Write off of non-current assets held for sale	304	-	304	-
Net loss on trading securities	-	16	-	16
Other professional fees (See (b) below)	1,087	924	1,087	924
	18,075	16,715	18,075	16,715

(a) AMCON sinking fund contribution

This represents the Bank's contribution to a fund established by the Asset Management Corporation of Nigeria (AMCON) Act. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% of its total assets plus 0.5% of all contingent assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines. This contribution is for a period of 10 years from the effective date of 1 January 2013. It is non-refundable and does not represent any ownership interest.

(b) Other professional fees include legal charges and filing fees.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
13.2 General and administrative expenses				
Administrative expenses	6,026	5,227	6,026	5,227
Office expenses	4,065	3,535	4,065	3,535
Communication cost	1,876	1,487	1,876	1,487
Rents and rates	588	1,634	588	1,634
Advertising and business promotion	3,650	2,985	3,650	2,985
Other general expenses (Note 13.3)	1,483	1,412	1,471	1,405
Branding expenses	420	377	420	377
Seminar and conferences	1,016	1,209	1,016	1,209
Security	483	466	483	466
Cash handling and cash processing expenses	1,240	772	1,240	772
Transport, travel, accomodation	690	520	690	520
Directors other expenses	357	327	357	327
Annual general meeting expenses	240	55	240	55
Stationery and printing	233	246	233	246
Audit fees	214	215	213	215
Membership and subscription	236	253	236	253
Directors fee	75	85	75	85
Fines and penalties	4	20	4	20
Newspapers and periodicals	2	2	2	2
	22,898	20,827	22,885	20,820

13.3 Included in other general expenses are loan recovery expenses, custodial services, debt capital expenses, miscellaneous office expenses, etc.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
13.4 Other property, plant and equipment (PPE) costs				
Repairs and maintenance of PPE	7,307	7,028	7,307	7,028
	7,307	7,028	7,307	7,028
14 Income tax				
a. Current income tax expense:				
Income tax (note 14d(i))	-	173	-	173
Education tax (note 14d(ii))	-	-	-	-
	-	173	-	173
Information Technology levy (note 14e)	102	98	102	98
	102	271	102	271
Deferred tax expense:				
Origination of temporary differences (note 14g)	-	-	-	-
Reversal of excess provision	(32)	-	(32)	-
Total income tax expense	70	271	70	271
b. Current income tax payable				
The movement on this account during the year was as follows:				
Balance, beginning of the year	405	232	405	232
Estimated charge for the year (see (14a) above)	-	173	-	173
Reversal of excess provision	(32)	-	(32)	-
Payments during the year	(172)	-	(172)	-
Balance, end of the year	201	405	201	405

In Millions of Naira	Group 2019		Group 2018		Bank 2019		Bank 2018	
c. Reconciliation of total tax charge	%		%		%		%	
Profit before income tax expense	100%	10,672	100%	9,489	100%	10,233	100%	9,739
Income payable @ statutory tax rate of 30%	30%	3,202	30%	2,847	30%	3,070	30%	2,922
Tax effect of:								
Non-deductible expenses	147%	15,730	33%	3,241	154%	15,730	33%	3,166
Tax- exempt Income	(310%)	(33,142)	(103%)	(9,946)	(324%)	(33,010)	(102%)	(9,946)
Education tax	-	-		-	-	-	-	-
Information Technology Levy (NITDA)	1%	102	1%	98	1%	102	1%	98
Reversal of excess provision	-	(32)	-	-	-	(32)	-	-
Unrecognised tax loss	133%	14,210	40%	3,858	139%	14,210	40%	3,858
Tax on dividend paid basis	-	-	-	173	-	-	-	173
Effective tax rate/ Income tax expense	1%	70	3%	271	1%	70	3%	271

d(I) The 2019 financial year income tax is based on IT levy. The Bank is liable to pay only IT levy because the Bank made no taxable profits. The Bank prepared its tax computations based on the provisions of CITA as amended 2007, which exempts the Bank from minimum tax as it had more than 25% foreign equity capital as at the reporting date.

d(ii)The basis of the Education Tax is 2% of assessable profit which is nil (2018: Nil). An Education Tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country. There was no Education tax for the year because the Bank had an assessable loss.

e. The National Information Technology Agency Act (NITDA) 2007 stipulates that specified companies contribute 1% of their profit before tax to the National Information Development Agency. In line with the Act, the Bank has provided for Information technology levy at the specified rate.

f. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years.

g. Deferred tax assets and liabilities

31 December 2019 *In millions of Naira*	Balance at 31 December 2018	Recognised in profit or loss	Balance at 31 December 2019
Property, plant and equipment and software	742	(17)	725
Unutilised tax credit (capital allowance)	(3,408)	(276)	(3,684)
Tax loss	(4,300)	313	(3,987)
Provisions	(5)	(20)	(25)
	(6,971)	-	(6,971)

31 December 2018 *In millions of Naira*	Balance at 31 December 2017	Recognised in profit or loss	Balance at 31 December 2018
Property, Plant and Equipment and software	2,742	(2,000)	742
Unutilised tax credit (capital allowance)	(4,609)	1,201	(3,408)
Tax loss	(5,141)	841	(4,300)
Provisions	37	(42)	(5)
	(6,971)	-	(6,971)

The Bank has unutilized capital allowance of N52,541,487,888 (2018: N42,205,728,033), unused tax losses carried forward available of N53,783,456,987 (2018: N46,812,538,168) and deductible temporary differences of N94,454,081,674 (2018: N86,329,545,876) to be offset against future taxable profits. However no deferred tax asset has been recognised in respect of these items due to uncertainties regarding the timing and amount of future taxable profits. There is no expiry date for the utilization of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. Thee provisions of the Companies income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years. The expiry date of the circular will be in year 2021 and this trend will continue until the expiry of the tax holiday. Thus the bank has applied caution by not recognising additional deferred tax assets which is not considered capable of recovery. The management's judgement is that the deferred tax recognised in the book is recoverable after thee expiration of exemption granted on Government securities. The Bank will have taxable profit upon this expiration.

15 Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2019 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

		Group 2019	Group 31 Dec 2018	Bank 2019	Bank 31 Dec 2018
		Unit ('millions)	Unit ('millions)	Unit ('millions)	Unit ('millions)
a	Issued ordinary shares as at 31 December	28,790	28,790	28,790	28,790
	Weighted average number of ordinary shares	28,790	28,790	28,790	28,790
b	Profit for the year attributable to equity holders of the Bank (in million Naira)	10,602	9,218	10,163	9,468
	Basic earnings per share (in kobo)	37k	32k	35k	33k
	Diluted earnings per share (in kobo)	37k	32k	35k	33k

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
16 Cash and balances with Central Bank of Nigeria				
Cash and foreign monies	23,572	20,772	23,572	20,772
Unrestricted balances with Central Bank of Nigeria	10,361	3,460	10,361	3,460
Deposits with the Central Bank of Nigeria	122,126	93,453	122,126	93,453
	156,059	117,685	156,059	117,685

Deposits with the Central Bank of Nigeria represent mandatory reserve deposits and are not available for use in the Bank's day-to-day operations. It does not form part of cash and cash equivalents in the statement of cash flows.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
17 Due from banks				
Balances held with banks outside Nigeria	55,953	22,954	55,953	22,954
Money market placements	6,001	8,690	6,001	8,690
Balances held with local banks	7,407	11,898	7,407	11,791
	69,361	43,542	69,361	43,435

Included in balances with banks outside Nigeria is the Naira equivalent of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (see Note 29).

Money market placements are placement for varying periods between one day to three months, depending on the immediate cash requirements of the Bank and earn interest at the prevailing market rate.

	In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
18	**Pledged assets**				
18.1	*Debt instruments at Fair value through other comprehensive income (FVOCI)*				
	Treasury bills FVOCI (see note (a) below)	7,484	7,063	7,484	7,063
	Total debt instruments measured at FVOCI	**7,484**	**7,063**	**7,484**	**7,063**
18.2	*Pledged assets Debt instruments at amortised cost*				
	Government bonds at amortised cost (see note (b) below)	4,242	4,255	4,242	4,255
	Other pledged assets (see note (c) below)	109	108	109	108
	Sub-total	4,351	4,363	4,351	4,363
	ECL on Pledged asset at amortised cost	(4)	(3)	(4)	(3)
	Total debt instruments measured at amortised cost	**4,347**	**4,360**	**4,347**	**4,360**
	Total pledged assets	**11,831**	**11,423**	**11,831**	**11,423**

The Bank pledges assets that are on its statement of financial position in various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements.

a) Pledged for clearing activities, as collection bank for government taxes and Interswitch electronic card transactions.

b) Included in other pledged assets are cash collateral for visa card transactions. The deposits are not part of the fund used by the Bank for day to day activities.

18.3 Pledged assets measured at FVOCI

18.3.1 Impairment losses on pledged assets subject to impairment assessment

The table below shows the fair value of the Bank's pledged assets instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group and Bank In millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Internal rating grade				
RR1-RR2	7,484	-	-	7,484
Total	7,484	-	-	7,484

18.3.1 Impairment losses on pledged assets subject to impairment assessment - continued

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

Group and Bank In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2019	7,063	-	-	7,063
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Change in fair value	421	-	-	421
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	7,484	-	-	7,484

Group and Bank In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	6	-	-	6
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	6	-	-	6

Group and Bank In millions of Naira	Stage 1	Stage 2	Stage 3	2018 Total
Internal rating grade				
RR1-RR2	7,063	-	-	7,063
Total	7,063	-	-	7,063

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2018	61,673			61,673
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(54,654)	-	-	(54,654)
Change in fair value	44	-	-	44
At 31 December 2018	7,063	-	-	7,063

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	50	-	-	50
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(45)	-	-	(45)
Unwind of discount (recognised in interest income)	1	-	-	1
At 31 December 2018	6	-	-	6

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37:

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Internal rating grade				
RR1-RR2	4,351	-	-	4,351
Total	4,351	-	-	4,351

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Gross carrying amount as at 1 January 2019	4,363	-	-	4,363
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	(12)	-	-	(12)
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	4,351	-	-	4,351

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
ECL allowance as at 1 January 2019	3	-	-	3
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	1	-	-	1
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	4	-	-	4

Group and Bank *In millions of Naira*	Stage 1	Stage 2	Stage 3	2018 Total
Internal rating grade				
RR1-RR2	**4,363**	-	-	**4,363**
Total	**4,363**	-	-	**4,363**

Group and Bank *In millions of Naira*	Stage 1	Stage 2	Stage 3	2018 Total
Gross carrying amount as at 1 January 2018	**83,506**	-	-	**83,506**
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	**(79,143)**	-	-	**(79,143)**
At 31 December 2018	**4,363**	-	-	**4,363**

Group and Bank *In millions of Naira*	Stage 1	Stage 2	Stage 3	2018 Total
ECL allowance as at 1 January 2018	**67**	-	-	**67**
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	**(65)**	-	-	**(65)**
Unwind of discount (recognised in interest income)	**1**	-	-	**1**
At 31 December 2018	**3**	-	-	**3**

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
19 Loans and advances to customers				
Loans to corporate entities and other organizations	582,940	621,257	582,940	621,257
Loans to individuals	48,758	19,421	48,758	19,421
	631,698	640,678	631,698	640,678
Less:				
Impairment allowance on loans to corporate entities	(11,119)	(17,991)	(11,119)	(17,991)
Impairment allowance on loans to individuals	(1,847)	(1,670)	(1,847)	(1,670)
	618,732	621,017	618,732	621,017

19.1.1 Loans and advances to corporate customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37 and policies on ECL allowances are set out in Note 2.2.2

Group and Bank *In millions of Naira*	31 December 2019 Stage 1	Stage 2	Stage 3	Total
External rating grade				
RR1-RR2	96,651	-	-	96,651
RR3-RR4	350,276	-	-	350,276
RR5-RR6	53,997	71,237		125,235
RR7	-	-	2,157	2,157
RR8	-	-	6,892	6,892
RR9			1,729	1,729
Total	**500,924**	**71,237**	**10,779**	**582,940**

Group and Bank *In millions of Naira*	31 December 2018 Stage 1	Stage 2	Stage 3	Total
External rating grade				
RR1-RR2	103,549	-	-	103,549
RR3-RR4	361,401	-	-	361,401
RR5-RR6	64,388	55,313	-	119,701
RR7	-		43	43
RR8	-	-	15,915	15,915
RR9	-	-	20,648	20,648
Total	**529,338**	**55,313**	**36,606**	**621,257**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

Group and Bank In millions of Naira	Stage 1	31 December 2019 Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	529,338	55,313	36,606	621,257
New assets originated or purchased	126,500	-	-	126,500
Assets derecognised or repaid (excluding write offs)	(137,820)	(21,026)	(1,081)	(159,926)
Transfers to Stage 1	12,456	(12,388)	(68)	-
Transfers to Stage 2	(24,145)	49,845	(25,700)	-
Transfers to Stage 3	(7,358)	(609)	7,967	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	3,847	3,847
Amounts written off	-	-	(11,075)	(11,075)
Foreign exchange adjustments	1,953	102	282	2,337
At 31 December	**500,924**	**71,237**	**10,779**	**582,940**

19.1 Loans and advances to customers - continued

19.1.1 Loans and advances to corporate customers - continued

Group and Bank In Millions of Naira	31 December 2018 Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	546,886	21,279	34,306	602,471
New assets originated or purchased	204,081	-	-	204,081
Assets derecognised or repaid (excluding write offs)	(131,435)	(56,463)	(20,308)	(208,206)
Transfers to Stage 1	14,441	(13,855)	(586)	-
Transfers to Stage 2	(100,275)	100,315	(40)	-
Transfers to Stage 3	(28,218)	(3,473)	31,691	-
Changes to contractual cash flows due to modifications not resulting in derecognition	15	-	-	15
Amounts written off	-	-	(12,339)	(12,339)
Foreign exchange adjustments	23,841	7,511	3,883	35,235
At 31 December, 2018	**529,337**	**55,314**	**36,606**	**621,257**

Group and Bank In Millions of Naira	31 December 2019 Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	1,027	390	16,575	17,991
New assets originated or purchased	4,157			4,157
Assets derecognised or repaid (excluding write offs)	(4,434)	(379)	(592)	(5,405)
Transfers to Stage 1	9	(9)	-	-
Transfers to Stage 2	(18)	6,474	(6,456)	-
Transfers to Stage 3	(210)	-	210	-
Impact on year end ECL of exposures transferred between stages during the period	5	61	2,233	2,299
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	3,032	3,032
Changes to models and inputs used for ECL calculations	-	-		-
Amounts written off	-	-	(11,075)	(11,075)
Foreign exchange adjustments	1	-	118	120
At 31 December 2019	**539**	**6,536**	**4,044**	**11,119**

Group and Bank In Millions of Naira	31 December 2018 Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	2,494	70	23,719	26,283
New assets originated or purchased	66	-	-	66
Assets derecognised or repaid (excluding write offs)	(1,970)	(46)	(6,843)	(8,859)
Transfers to Stage 1	431	(22)	(409)	-
Transfers to Stage 2	(129)	165	(36)	-
Transfers to Stage 3	(78)	(20)	98	-
Impact on year end ECL of exposures transferred between stages during the period	56	246	6,989	7,291
Unwind of discount	372	17	1,541	1,930
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	(297)	(20)	2,227	1,910
Amounts written off	-	-	(12,347)	(12,347)
Foreign exchange adjustments	82	-	1,635	1,717
At 31 December, 2018	**1,027**	**390**	**16,575**	**17,991**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was N10 billion at 31 December (2018:N5.37billion).

The decrease in ECLs of the portfolio was driven by write-offs and recoveries on the gross size of the portfolio.

19.1.2 Loans to Individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairmentallowances. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2

19.1 **Loans and advances to customers - continued**

19.1.2 **Loans to Individuals - continued**

Group and Bank In Millions of Naira	31 December 2019 Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	4,925	-	-	4,925
RR3-RR4	39,707	-	-	39,707
RR5-RR6	811	192	-	1,003
RR7	-	-	1,574	1,574
RR8	-	-	1,336	1,336
RR9	-	-	214	214
Total	**45,443**	**192**	**3,124**	**48,758**

Group and Bank In Millions of Naira	31 December 2018 Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	5,185	-	-	5,185
RR3-RR4	10,008	-	-	10,008
RR5-RR6	949	547	-	1,496
RR7	-	-	415	415
RR8	-	-	1,942	1,942
RR9	-	-	376	376
Total	**16,141**	**547**	**2,733**	**19,421**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to individual lending is, as follows:

Group and Bank In Millions of Naira	Stage 1	31 December 2019 Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	16,141	547	2,733	19,421
New assets originated or purchased	36,176	-	-	36,176
Assets derecognised or repaid (excluding write offs)	(5,418)	(110)	(336)	(5,865)
Transfers to Stage 1	51	(51)	-	-
Transfers to Stage 2	(7)	7	-	-
Transfers to Stage 3	(1,501)	(201)	1,702	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(981)	(981)
Foreign exchange adjustments	-	-	6	6
At 31 December, 2019	**45,443**	**192**	**3,124**	**48,758**

Group and Bank In Millions of Naira	Stage 1	31 December 2018 Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	9,974	971	4,161	15,106
New assets originated or purchased	12,589	-	-	12,589
Assets derecognised or repaid (excluding write offs)	(3,597)	(1,407)	(2,759)	(7,762)
Transfers to Stage 1	377	(40)	(337)	-
Transfers to Stage 2	(894)	1,088	(194)	-
Transfers to Stage 3	(2,308)	(65)	2,373	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(511)	(511)
Foreign exchange adjustments	-	-	-	-
At 31 December, 2018	**16,141**	**547**	**2,733**	**19,421**

Group and Bank In Millions of Naira	Stage 1	31 December 2019 Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	53	78	1,539	1,670
New assets originated or purchased	241	-		241
Assets derecognised or repaid (excluding write offs)	(249)	(8)	(112)	(369)
Transfers to Stage 1				-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(780)	(165)	945	-
Impact on year end ECL of exposures transferred between stages during the period	752	95	437	1,284
Unwind of discount				-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(982)	(982)
Foreign exchange adjustments	-	-	3	3
At 31 December, 2019	**17**	**-**	**1,830**	**1,847**

Group and Bank In Millions of Naira	31 December 2018 Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	181	6	2,755	2,942
New assets originated or purchased	18	-	-	18
Assets derecognised or repaid (excluding write offs)	(151)	(35)	(1,209)	(1,395)
Transfers to Stage 1	285	(1)	(285)	-
Transfers to Stage 2	(13)	207	(194)	-
Transfers to Stage 3	(26)	(1)	27	-
Impact on year end ECL of exposures transferred between stages during the period	(247)	(129)	431	55
Unwind of discount	16	25	164	205
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	(11)	6	361	357
Amounts written off	-	-	(511)	(511)
Foreign exchange adjustments	-	-	-	-
At 31 December	**53**	**78**	**1,539**	**1,670**

The decrease in ECLs of the portfolio was driven by write-offs and recoveries on the gross size of the portfolio.

Loans and advances are granted at different interest rates across the various products.

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
19.1.3	**Classification of loans and advances by rating**				
	Rating				
	RR1-RR2	101,576	108,732	101,576	108,732
	RR3-RR4	389,982	371,409	389,982	371,409
	RR5-RR6	126,237	121,197	126,237	121,197
	RR7	3,731	263	3,731	263
	RR8	8,229	16,950	8,229	16,950
	RR9	1,943	22,127	1,943	22,127
		631,698	640,678	631,698	640,678
19.1.4	**Classification of loans and advances by security**				
	Cash	117,994	113,764	117,994	113,764
	Real estate	152,555	224,679	152,555	224,679
	Stocks/shares	3,978	3,261	3,978	3,261
	Debentures	107,939	106,357	107,939	106,357
	Other securities	238,833	157,302	238,833	157,302
	Unsecured	10,399	35,316	10,399	35,316
		631,698	640,678	631,698	640,678

Other securities includes domiciliation of proceeds, personal guarantees, negative pledge, etc.

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
19.1.5	**sector**				
	Agriculture	39,643	22,785	39,643	22,785
	Communication	15,505	16,653	15,505	16,653
	Consumer	42,932	11,914	42,932	11,914
	Education	783	646	783	646
	Finance and insurance	28,922	32,096	28,922	32,096
	Government	78,912	74,547	78,912	74,547
	Manufacturing	5,754	4,078	5,754	4,078
	Mining & quarrying	3	391	3	391
	Mortgage	4,407	5,857	4,407	5,857
	Oil and gas	215,414	273,742	215,414	273,742
	Others	42,349	57,140	42,349	57,140
	Power	23,875	16,638	23,875	16,638
	Real estate & construction	70,383	56,531	70,383	56,531
	Transportation	37,777	32,226	37,777	32,226
	Non-interest banking	25,038	35,435	25,038	35,435
		631,698	**640,678**	**631,698**	**640,678**

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
20	**Investment securities:**				
(a)	Financial instruments held at fair value through profit or loss (FVTPL)				
	Treasury bills	8,313	4,110	8,313	4,110
	Bonds	4	-	4	-
	Total financial assets measured at FVTPL	**8,317**	**4,110**	**8,317**	**4,110**

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
(b)	Equity instruments at fair value through other comprehensive income				
	Lotus Capital Halal	255	245	255	245
	Africa Export/Import Bank	189	190	189	190
	Nigeria Interbank Settlement System plc	1,004	594	1,004	594
	Africa Finance Corporation	1,835	1,826	1,835	1,826
	Unified Payment System	130	95	130	95
	Investment in AGSMEIS	1,155	682	1,155	682
	Nigeria Mortgage Refinancing Corporation	341	379	341	379
	Binkabi Ltd	180	-	180	-
	E-Purse System Ltd	300	-	300	-
	Tremendoc Ltd	80	-	80	-
	Total equity instruments at FVOCI	**5,470**	**4,011**	**5,470**	**4,011**

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
(c)	Debt instruments at fair value through other comprehensive income				
	Treasury bills	80,684	33,879	80,684	33,879
	Government bonds	48,139	82,829	48,139	82,829
	Euro bonds	6,904	-	6,904	-
	Corporate bonds	5,545	912	5,545	912
	Total debt instruments measured at FVOCI	**141,272**	**117,620**	**141,272**	**117,620**
(d)	Debt instruments at amortised cost				
	Government bonds	101,486	122,502	84,533	105,581
	Corporate bonds	351	678	351	678
	Treasury Bills	238	32	-	-
		102,075	123,212	84,884	106,259
	Less: Allowance for Impairment losses	(131)	(126)	(117)	(112)
	Total debt instruments measured at amortised cost	**101,944**	**123,086**	**84,767**	**106,147**

(e) **Debt instruments measured at FVOCI**

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system and year-end stage classification. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
Internal rating grade				
RR1-RR2	134,343	-	-	134,343
RR3-RR4	1,384	-	-	1,384
RR5-RR6	5,545	-	-	5,545
Total	**141,272**	**-**	**-**	**141,272**

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	2018 Total
Internal rating grade				
RR1-RR2	114,101	-	-	114,101
RR3-RR4	2,607	-	-	2,607
RR5-RR6	912	-	-	912
Total	**117,620**	**-**	**-**	**117,620**

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2019	117,620			117,620
New assets originated or purchased	47,657	-	-	47,657
Assets derecognised or matured (excluding write-offs)	(34,690)	-	-	(34,690)
Change in fair value	10,685	-	-	10,685
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**141,272**	**-**	**-**	**141,272**

Group and Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2018	80,031			80,031
New assets originated or purchased	109,020	-	-	109,020
Assets derecognised or matured (excluding write-offs)	(71,315)	-	-	(71,315)
Change in fair value	(116)	-	-	(116)
At 31 December 2018	**117,620**	**-**	**-**	**117,620**

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

Group and Bank In Millions of Naira	Stage 1 individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2019	161	-	-	161
New assets purchased	62	-	-	62
Assets derecognised or matured (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	6	-	-	6
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**229**	**-**	**-**	**229**

(e) **Debt instruments measured at FVOCI - continued**

Group and Bank In Millions of Naira	Stage 1 individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2018	137	-	-	137
New assets purchased	21	-	-	21
Unwind of discount (recognised in interest income)	3	-	-	3
At 31 December 2018	**161**	**-**	**-**	**161**

(f) **Debt instruments measured at amortised cost**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	100,960	-	-	100,960
RR3-RR4	872	-	-	872
RR5-RR6	-	243	-	243
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**101,832**	**243**	**-**	**102,075**

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	31 December 2018 Total
Internal rating grade				
RR1-RR2	120,265	-	-	120,265
RR3-RR4	2,335	-	-	2,335
RR5-RR6	260	352	-	612
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**122,860**	**352**	**-**	**123,212**

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	83,769	-	-	83,769
RR3-RR4	871	-	-	871
RR5-RR6	-	244	-	244
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**84,640**	**244**	**-**	**84,884**

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	103,311	-	-	103,311
RR3-RR4	2,335	-	-	2,335
RR5-RR6	261	352	-	613
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**105,907**	**352**	**-**	**106,259**

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	122,860	352	-	123,212
New assets originated or purchased	2,246	-	-	2,246
Assets derecognised or matured (excluding write-offs)	(23,274)	(109)	-	(23,383)
At 31 December 2019	**101,832**	**243**	**-**	**102,075**

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	31 December 2018 Total
Gross carrying amount as at 1 January 2018	20,310	490	-	20,800
New assets originated or purchased	104,013	-	-	104,013
Assets derecognised or matured (excluding write-offs)	(1,463)	(138)	-	(1,601)
At 31 December 2018	**122,860**	**352**	**-**	**123,212**

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2019	105,907	352	-	106,259
New assets originated or purchased	2,246	-	-	2,246
Assets derecognised or matured (excluding write-offs)	(23,513)	(109)	-	(23,622)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**84,640**	**243**	**-**	**84,884**

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	31 December 2018 Total
Gross carrying amount as at 1 January 2018	20,310	490	-	20,800
New assets originated or purchased	87,060	-	-	87,060
Assets derecognised or matured (excluding write-offs)	(1,463)	(138)	-	(1,601)
At 31 December 2018	**105,907**	**352**	-	**106,259**

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	94	32	-	126
New assets purchased	15	-	-	15
Assets derecognised or matured (excluding write offs)	(7)	(3)	-	(10)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modification not derecognised				
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	**102**	**29**	**-**	**131**

Group In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	61	43	-	104
New assets purchased	31	-	-	31
Assets derecognised or matured (excluding write offs)	-	(12)	-	(12)
Unwind of discount (recognised in interest income)	2	1	-	3
At 31 December 2018	**94**	**32**	**-**	**126**

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	80	32	-	112
New assets purchased	15	-	-	15
Assets derecognised or matured (excluding write offs)	(7)	(3)	-	(10)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modification not derecognised				-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	88	29	-	117

Bank In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	59	43	-	102
New assets purchased	20	-	-	20
Assets derecognised or matured (excluding write offs)	-	(12)	-	(12)
Unwind of discount (recognised in interest income)	1	1	-	2
At 31 December 2018	**80**	**32**	**-**	**112**

21 Investment in Subsidiary

In 2016, Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public limited liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Total number of issued share capital is 500,000, with 499,999 shares held by Sterling Bank Plc and 1 share held by the managing director, Mr. Abubakar Suleiman. The main objective of setting up the SPV is to raise or borrow money by the issue of bonds or other debt instruments.

Name of company	*Ownership/Percecntage interest*		
Sterling Investment Management Plc	99.9 percent	1	1

Condensed Statement of profit or loss for the Year ended 31 December 2019	Group ₦'million	Elimination Entries ₦'million	Bank ₦'million	Sterling SPV ₦'million
Operating Income	87,603	4,358	87,155	7,114
Operating expenses	(71,093)	(4,358)	(71,080)	(6,676)
Credit loss expense	(5,838)	-	(5,842)	(14)
Profit for the year before tax	10,672	-	10,233	424
Income tax expense	(70)	-	(70)	-
	10,602	-	**10,163**	**424**
Condensed statement of financial position				
As at 31 December 2019				
Assets:				
Cash and balances with Central Bank of Nigeria	156,059	-	156,059	-
Due from banks	69,361	-	69,361	-
Pledged assets	11,831	-	11,831	-
Loans and advances to customers	618,732	(25,709)	618,732	25,709
Investments in securities:				
- Financial assets at fair value through profit or loss	8,317	-	8,317	-
- Debt instruments at fair value through other comprehensive income	141,272	-	141,272	-
- Equity instruments at fair value through other comprehensive income	5,470	-	5,470	-
- Debt instruments at amortised cost	101,944		84,767	17,177
Investment in subsidiary	-	(1)	1	-
Other assets	28,581	-	28,581	-
Property, plant and equipment	18,476	-	18,476	-
Right of use asset	8,896	-	8,896	-
Investment property	4,141	-	4,141	-
Intangible assets	1,933	-	1,933	-
Deferred tax assets	6,971	-	6,971	-
	1,181,984	(25,710)	1,164,808	42,886
Non-current assets held for sale	701	-	701	-
TOTAL ASSETS	**1,182,685**	**(25,710)**	**1,165,509**	**42,886**
LIABILITIES & EQUITY				
Deposits from customers	892,660	-	892,660	-
Current income tax payable	201	-	201	-
Other borrowed funds	82,702	-	82,702	
Debt securities issued	42,655	(25,709)	25,709	42,652
Other liabilities	44,742	-	44,742	-
Provisions	167	-	167	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	6,187	-	5,954	233
Other components of equity	56,217	-	56,220	-
TOTAL LIABILITIES AND EQUITY	**1,182,685**	**(25,710)**	**1,165,509**	**42,886**

21 Investment in Subsidiary - Continued

Condensed statement of cash flows Year ended 31 December 2019	Group ₦'million	Elimination Entries ₦'million	Bank ₦'million	Sterling SPV ₦'million
Net cash flows from/(used in)operating activities	114,541	-	114,414	(9)
Net cash flows (used in)/from in investing activities	(1,399)	-	(1,164)	6,884
Net cash flows used in financing activities	(77,382)	6,983	(77,382)	(6,983)
Net increase in cash and cash equivalents	35,760	6,983	35,868	(107)
Exchange rate movements on cash and cash equivalents	(241)	-	(241)	-
Cash and cash equivalents, beginning of the year	67,774	-	67,667	107
Cash and cash equivalents, end of the year	**103,293**	**6,983**	**103,294**	-
Condensed Statement of profit or loss for the Year ended 31 December 2018				
Operating Income	78,826	(2,883)	79,058	2,651
Operating expenses	(63,494)	2,883	(63,487)	(2,890)
Credit loss expense	(5,843)	-	(5,832)	(11)
Profit/(loss) for the year before tax	9,489	-	9,739	(250)
Income tax expense	(271)	-	(271)	-
Profit/(loss) for the year after tax	**9,218**	-	**9,468**	**(250)**
Condensed statement of financial position				
As at 31 December 2018				
Assets:				
Cash and balances with Central Bank of Nigeria	117,685	-	117,685	-
Due from banks	43,542	-	43,435	107
Pledged assets	11,423	-	11,423	-
Loans and advances to customers	621,017	(25,717)	621,017	25,717
Investments in securities:				
- Financial assets at fair value through profit or loss	4,110	-	4,110	-
- Debt instruments at fair value through other comprehensive income	117,620	-	117,620	-
- Equity instruments at fair value through other comprehensive income	4,011	-	4,011	-
- Debt instruments at amortised cost	123,086		106,147	16,939
Investment in subsidiary	-	(1)	1	-
Other assets	29,446	-	29,446	-
Property, plant and equipment	16,942	-	16,942	-
Intangible assets	1,850	-	1,850	-
Deferred tax assets	6,971	-	6,971	-
	1,097,703	**(25,718)**	**1,080,658**	**42,764**
Non-current assets held for sale	5,218	-	5,218	-
TOTAL ASSETS	**1,102,921**	**(25,718)**	**1,085,876**	**42,764**
LIABILITIES & EQUITY				
Deposits from customers	760,608	-	760,608	-
Current income tax payable	405	-	405	-
Other borrowed funds	119,526	-	119,526	-
Debt securities issued	86,609	(25,717)	69,355	42,970
Other liabilities	37,678	-	37,678	-
Provisions	295	-	295	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	(3,307)	-	(3,101)	(206)
Other components of equity	43,953	(3)	43,956	-
TOTAL LIABILITIES AND EQUITY	**1,102,921**	**(25,721)**	**1,085,876**	**42,764**

21 Investment in Subsidiary - Continued

Condensed statement of cash flows Year ended 31 December 2018	Group ₦'million	Elimination Entries ₦'million	Bank ₦'million	Sterling SPV ₦'million
Net cash flows from/(used in) operating activities	34,847	-	35,086	(239)
Net cash flows (used in)/from investing activities	(42,123)	-	(42,123)	346
Net cash flows used in financing activities	(29,621)	11,758	(41,379)	-
Net (decrease)/increase in cash and cash equivalents	(36,897)	11,758	(37,004)	107
Exchange rate movements on cash and cash equivalents	4,959	-	4,959	-
Cash and cash equivalents, beginning of the year	99,712	-	99,712	-
Cash and cash equivalents, end of the year	**67,774**	**11,758**	**67,667**	**107**

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
22 Other assets				
Financial assets				
Accounts receivable (see note (i))	18,622	10,720	18,622	10,720
Non-financial assets				
Prepayments and other debit balances (see note (ii) below	9,102	17,643	9,102	17,643
Prepaid staff cost	1,282	1,401	1,282	1,401
Stock of cheque books and administrative stationeries	584	516	584	516
Gross other assets	29,591	30,280	29,591	30,280
Allowance for impairment on other assets (note 22.1)	(1,010)	(834)	(1,010)	(834)
	28,581	**29,446**	**28,581**	**29,446**

i. Included in accounts receivable are forex deliverables due from CBN for the Bank's customers.

ii. Included in prepayments for the prior period are Bank premises rent and insurance. In the current year, prepaid rent has been transferred to right of use asset in line with IFRS 16- leases.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
22.1 Movement of allowance for impairment on other assets				
Balance, beginning of year	834	1,275	834	1,275
Charge/(reversal) on other assets (note 11)	392	(217)	392	(217)
Write offs	(216)	(224)	(216)	(224)
Balance, end of year	**1,010**	**834**	**1,010**	**834**

23.1 Property, plant and equipment

GROUP & BANK

The movement during the year was as follows:

	31 December 2019 In millions of Naira	Leasehold Land	Leasehold Building	Leasehold Improvement	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Capital work-in-progress	Total
(a)	**Cost**								
	As at 1 January 2019	2,128	3,904	3,541	10,505	11,403	4,234	812	36,527
	Additions	-	157	360	821	4,359	1,570	585	7,852
	Reclassifications	3	77	12	356	90	97	(634)	-
	Disposals	-	-	-	(131)	(10)	(589)	-	(730)
	As at 31 December 2019	**2,131**	**4,138**	**3,913**	**11,551**	**15,842**	**5,312**	**763**	**43,649**
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2019	195	426	2,218	7,587	6,932	2,228	-	19,585
	Charge for the year	43	81	258	1,441	3,508	961	-	6,292
	Disposals	-	-	-	(129)	(10)	(565)	-	(704)
	As at 31 December 2019	**238**	**507**	**2,476**	**8,899**	**10,430**	**2,624**	-	**25,173**
	Net book value								
	As at 31 December 2019	1,893	3,631	1,437	2,652	5,412	2,688	763	18,476
	As at 31 December 2018	**1,933**	**3,478**	**1,323**	**2,918**	**4,471**	**2,006**	**812**	**16,942**

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N12.3 billion (2018: N8.7 billion).

ii) No item of property,plant and equipment was pledged as security.

The movement on these accounts during the year was as follows:

	31 December 2018 *In millions of Naira*	Leasehold Land	Leasehold Building	Leasehold improvement	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Capital work-in-progress	Total
		N'000	N '000	N'000	N'000	N'000	N '000	N '000	N'000
(a)	**Cost**								
	As at 1 January 2018	1,966	3,690	3,299	9,839	8,818	3,407	684	31,703
	Additions	181	144	234	544	2,547	1,619	520	5,789
	Reclassifications	-	75	15	226	42	-	(358)	-
	Disposals	(19)	(5)	(7)	(104)	(4)	(792)	-	(931)
	Written off (see ii below)	-	-	-	-	-	-	(34)	(34)
	As at 31 December 2018	**2,128**	**3,904**	**3,541**	**10,505**	**11,403**	**4,234**	**812**	**36,527**
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2018	154	351	1,955	6,085	4,612	2,095	-	15,252
	Charge for the year	41	76	263	1,603	2,323	756	-	5,062
	Disposals	-	(1)	-	(101)	(3)	(623)	-	(728)
	As at 31 December 2018	**195**	**426**	**2,218**	**7,587**	**6,932**	**2,228**	-	**19,585**
	Net book value								
	As at 31 December 2019	**1,933**	**3,478**	**1,323**	**2,918**	**4,471**	**2,006**	**812**	**16,942**
	As at 31 December 2018	**1,812**	**3,339**	**1,344**	**3,754**	**4,206**	**1,312**	**684**	**16,451**

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N8.7 billion.

ii) The write off of N34 million from capital work-in-progress relates to expenditure for branch development which was stalled. This is because the location is no longer viable for business.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
23.2 Right-of-use asset				
	Building	-	**Building**	-
(a) **Cost at Date of initial application of IFRS16**	9,121	-	9,121	-
Additions	577	-	577	-
As at 31 December 2019	**9,698**	-	**9,698**	-
(b) **Accumulated depreciation**				
Depreciation	802	-	802	-
As at 31 December 2019	802	-	802	-
Net book value As at 31 December 2019	**8,896**	-	**8,896**	-

There were no short term leases, leases of low value assets or variable lease payments in the period. This standard was implemented 01 January 2019, hence there are no comparative figures.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
23.3 Investment property				
(a) **Cost**				
Opening balance	-	-	-	-
Reclassification	4,176	-	4,176	-
Balance end of year	4,176	-	4,176	-
(b) **Accumulated depreciation and impairment**				
Opening balance	-	-	-	-
Depreciation	35	-	35	-
Balance end of year	35	-	35	-
Balance as at 31 December	**4,141**	**-**	**4,141**	**-**

The investment property were reclassified from loan given to customers which were repossed. This is from the Non-interest banking transactions

	Level 1	Level 2	Level 3
Fair value of investment property	**-**	**-**	**4,221**

The fair value of the Group's investment property at 31 December 2019 was determined by independent, appropriately qualified external valuers, A.C Otegbulu & Partners (FRC/2013/NIESV/00000001582). The valuations conform to the Estate surveyors and valuers registration board of NIgeria Standards. Fees paid to valuers are based on fixed price contracts.

The method of valuation adopted is the sales comparism and investment method.

The investment property consist of blocks of Buildings located at Prime Water View Gardens Estate 2, Ikate Lekki, Lagos state.

The investment property is driven by the Non-interest banking window of the group in line with the Central Bank of Nigeria guidelines.

	Group 2019	Group 2018	Bank 2019	Bank 2018
Rental income from investment property	224	**-**	224	**-**
Direct operating expenses	(35)	**-**	(35)	**-**
	189		189	
24 Intangible assets				
(a) **Cost**				
Balance at beginning	4,124	3,720	4,124	3,720
Reclassification (see note below)	484	-	484	-
Additions	371	404	371	404
Balance end of year	4,979	4,124	4,979	4,124
(b) **Accumulated amortisation and impairment**				
Beginning of year	2,274	1,606	2,274	1,606
Amortisation for the year	772	668	772	668
Balance end of year	3,046	2,274	3,046	2,274
Net book value				
Balance as at 31 December	**1,933**	**1,850**	**1,933**	**1,850**

Items reclassified were from other assets. Capital expenditures that did not meet the recognition criteria of intangible assets were recorded in other assets until the recognition criteria are met.

		Group 2019	Group 2018	Bank 2019	Bank 2018
25	**Non-current assets held for sale**				
	Opening balance	5,218	-	5,218	-
	Additions	701	5,218	701	5,218
	Reclassification	(4,150)	-	(4,150)	-
	Disposal	(764)	-	(764)	-
	Write-off	(304)	-	(304)	-
	Closing balance	**701**	**5,218**	**701**	**5,218**

Non-financial assets acquired in exchange for loans as part of an orderly realization are recorded as assets held for sale, as the carrying amounts of the assets are recovered principally through sale; the assets are available for sale in their present condition and their sale is highly probable. The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale. Any subsequent write-down of the acquired asset to fair value less costs to sell is recognized in profit or loss, in 'Other operating expenses'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognized in 'Other operating income', together with any realized gains or losses on disposal. Assets that no longer meet the definition of non-current assets held for sale are reclassified to other assets.

	In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
26	**Deposits from customers**				
	Current accounts	417,121	361,212	417,121	361,212
	Savings accounts	120,968	89,546	120,968	89,546
	Term deposits	284,141	234,437	284,141	234,437
	Pledged deposits	70,430	75,413	70,430	75,413
		892,660	**760,608**	**892,660**	**760,608**

Pledged deposits represent contracted cash deposits with the Bank that are held as security for loans granted to customers by the Bank.

	In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
27(a)	**Other borrowed funds**				
	Due to CBN-Agric-Fund (see (27(i))	43,608	49,800	43,608	49,800
	Africa Agric and Trade Investment Fund (see (27(ii))	4,256	-	4,256	-
	Due to CBN-State ECA secured loans (see (27 (iii))	13,733	14,119	13,733	14,119
	Due to Islamic Corporation (see (27(iv))	4,167	6,831	4,167	6,831
	Due To Nigeria Mortgage Refinance Company (see (27(v))	2,323	2,472	2,323	2,472
	Due to CBN - ABP (see (27(vi))	432	436	432	436
	Due to ABSA Bank (see (27(vii))	-	17,975	-	17,975
	Due to AFREXIM (see note 27 (viii)	-	15,263	-	15,263
	Due to CBN - RSSF Fund (See (ix) below)	7,353	7,605	7,353	7,605
	Due to CBN - NESF Fund (See (x) below)	4,000	5,025	4,000	5,025
	Due to BOI (xi)	2,830	-	2,830	-
		82,702	**119,526**	**82,702**	**119,526**

27(b) Movement on other borrowed funds:

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Beginning of year	119,526	212,847	119,526	212,847
Additions during the year	7,086	28,434	7,086	28,434
Repayments during the year	(39,268)	(125,211)	(39,268)	(125,211)
Foreign exchange gain/(loss)	(4,800)	3,235	(4,800)	3,235
Accrued interest	158	221	158	221
	82,702	**119,526**	**82,702**	**119,526**

27(i) Due to CBN-Agric Fund

Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established a Commercial Agricultural Credit Scheme, (CACS) to promote commercial agricultural enterprise in Nigeria. The Bank obtained the loan on behalf of the customers at two (2) percent for on lending to customers at a rate of 9% per annum. Repayment proceeds from CACS projects are repatriated to CBN on quarterly basis. Loans under the agriculture scheme are expected to terminate on 30 September 2025.

27 Other borrowed funds - continued

27(ii) Africa Agriculture Trade Investment Fund

This represents the Naira equivalent of a USD15,000,000 credit facility granted to the Bank by Africa Agriculture and Trade Investment Fund payable in 4 years in 9 installments commencing June 2019. Interest is payable quarterly at LIBOR plus a margin. The facility will mature in March 2023 . The effective interest rate of the loan is 6.84% per annum.

27(iii) Due to CBN-State ECA secured loans

This is a facility granted as a result of the decision made during the June 2015 National Economic Council (NEC) meeting for deposit money banks to extend concessionary loans to state governments using the balance in the Excess Crude Account (ECA) as collateral. Osun and Kwara State Governments indicated theirwillingnesss to work with Sterling Bank Plc on the transaction. The Osun State Government applied for N10 billion while Kwara State Government applied for N5 billion. The facility was approved at the June 2015 National Economic Council meeting. The purpose of the loan is for developmental and infrastructure projects in the States. CBN is granting the loan to the States at 9% annually for 20 years.

27(iv) Due to Islamic Corporation

This represents the Naira equivalent of U.S $11.25 million amortizing Murabaha financing facilities granted by the Islamic Corporation for the development of the private sector for a period of five years effective Januray 2016. The facility attracts a margin of 6.25%.

27(v) Due to Nigeria Mortgage Refinance Company Plc.

This represents a loan agreement between the Bank and Nigeria Mortgage Refinance Company PLC (NMRC) for NMRC to refinance from time to time Mortgage Loans originated by the Bank with full recourse to the Bank on the terms and conditions stated in the agreement. The facility was obtained in 2016 at an interest rate of 15.5% per annum to mature 7 September 2031.

27(vi) Due to Central Bank of Nigeria - Anchor Borrower's Fund (ABP)

Anchor Borrowers Programme (ABP) is an initiative of the Central Bank of Nigeria and was launched by President Muhammadu Buhari in November 2015 in Kebbi State. CBN earmarked N40 billion out of N220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) to be given to farmers in cooperative at a single rate of 9%, & the amount is dependent on the economics of production of each commodity.It is aimed at creating an ecosystem to link small holder farmers (borrowers) and processors (anchor) in the agricultural value chain to achieve job creation, increase domestic production of agricultural commodities/raw materials, improve farmers income and reduce import duty.

27(vii) Due to ABSA

This represents a US$50 million trade finance facility obtained from ABSA Bank for a period of one year. The facility attracts an interest rate of 3months' Libor plus margin of 1.5%. Interest is payable quarterly while the principal is payable at maturity. This facility was fully repaid in December 2019.

27(viii) Due to African Export Import (AFREXIM) Bank

This represents the outstanding Naira equivalent of $50 million medium term amortizing & short term trade loans granted by African Export-Import Bank for a period of five (5) years. The facilities attracts a fixed margin of 7.25% per annum respectively. Interest payable under the agreement is calculated based on the actual number of days elapsed in a year. The Bank will also pay the facility fee charge of 0.5% flat upon signing or at disbursement.This facility was fully repaid in December 2019.

27(ix) Due to CBN - Real Sector Support Facility (RSSF) Fund

The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, value added productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The Facility will be used to support large enterprises for start-ups and expansion financing needs of N500 million up to a maximum of N10.0 billion. The loan tenor is 10 years with moratorium and at all in rate of 9% per annum.

27(x) Due to CBN - Non-Oil Support Export Stimulation Facility (NESF) Fund

Non-Oil Support Export Stimulation Facility (NESF) is designed to redress the declining export credit and reposition the sector to increase its contribution to revenue generation and economic development. It is designed to be accessed by exporters at a single digit of 9% and maximum obligor limit of N5billion. It aims at improving export financing and additional opportunities for exporters to upscale and expand their businesses in improving their competitiveness.

27(xi) Due to Bank of Industry (BOI).

The amount of N2.830b (December 2018: Nil) represents the outstanding balance on the funding granted by BOI under the Small and Medium Enterprise Refinancing and Restructuring Fund (SMERRF). The SMERRF is administered at an all-in interest rate of 10% per annum payable on a monthly basis, one-offee 2% and monitoring fee of 0.125% payable on quarterly basis. The tenor of the facilities range between 5 years to 7 years.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
28 Debt securities issued				
16.5% Debt securities carried at amortised cost (See (iv) below)	8,187	8,503	-	-
16.25% Debt securities carried at amortised cost (See (v) below)	34,468	34,468	-	-
18.86% Debt securities carried at amortised cost (See (i) below)	-	-	5,606	5,171
17.55% Debt securities carried at amortised cost (See (ii) below)	-	-	20,103	20,546
Commercial Paper (See (iii) below)	-	43,638	-	43,638
	42,655	**86,609**	**25,709**	**69,355**

28 Debt securities issued - continued	Group 2019	Group 2018	Bank 2019	Bank 2018
Movements in debt securities issued				
At beginning of the year	86,609	13,068	69,355	9,709
Additions	-	72,295	-	60,537
Repayment	(45,200)	(4,563)	(45,200)	(4,563)
Accrued interest	1,246	5,809	1,554	3,672
	42,655	**86,609**	**25,709**	**69,355**

i This represents N4.7 billion 7-year 18.86% fixed rate subordinated notes issued by the Bank and approved on 25 August 2016 and 3 August 2016 by the Central Bank of Nigeria and the Securities & Exchange Commission, respectively. Interest is payable to the Joint Trustees semi-annually while principal is payable at maturity. The note issued was purchased by Sterling Investment Management SPV Plc.

ii This represents N19.739 billion 7-year 17.55% fixed rate subordinated notes issued by the Bank and approved on 27 November 2018 and 5 October 2018 by the Central Bank of Nigeria and the Securities & Exchange Commission, respectively. Interest is payable to the Joint Trustees semi-annually while principal is payable at maturity. The note issued was purchased by Sterling Investment Management SPV Plc.

iii This represents tranche 6 of N14.4 billion 177-day and tranche 7 of N32.5billion 268-day Commercial Papers issued on 7 August 2018 with implied yields of 13.63% and 13.96%, respectively. The Commercial papers are quoted and traded on the FMDQ OTC Exchange. This was fully repaid in 2019.

iv This represents a N7.9 billion 7-year 16.50% subordinated unsecured non-convertible debenture stock issued by the SPV, and approved on 25 August 2016 and 3 August 2016 by the Central Bank of Nigeria and the Securities & Exchange Commission, respectively. Interest is payable semi-annually on the non-convertible debenture stock due in 2023. The effective interest rate is 17.16% per annum, and until the entire stock has been redeemed, the Issuer (Sterling Investment Management SPV Plc) is obliged to pay interest to the Trustees on behalf of the bond holders.

v This represents a N32.899 billion 7-year 16.25% subordinated unsecured non-convertible debenture stock issued by the SPV, and approved on 27 November 2018 and 5 October 2018 by the Central Bank of Nigeria and the Securities & Exchange Commission, respectively. Interest is payable semi-annually on the non-convertible debenture stock due in 2025. The effective interest rate is 16.887% per annum, and until the entire stock has been redeemed, the Issuer (Sterling Investment Management SPV Plc) is obliged to pay interest to the Trustees on behalf of the bond holders.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
29 Other liabilities				
Financial liabilities				
Other credit balances (note 29.1)	12,940	10,108	12,940	10,108
Customers' deposits for foreign trade	14,820	12,147	14,820	12,147
Lease liability (29.2)	65	-	65	-
Certified cheques	3,698	3,065	3,698	3,065
Creditors and accruals	13,117	12,260	13,117	12,260
	44,640	37,580	44,640	37,580
Non financial fiabilities				
Information technology levy	102	98	102	98
Total Other Liabilities	**44,742**	**37,678**	**44,742**	**37,678**

29.1 Other credit balances includes mostly Bond proceed Collection of N6.9 billion, long outstanding draft N1.3 billion and deposit for FX of N1.5 billion. It also includes upfront fees on financial guarantee contract such as Advance Payment Guarantee and Bid bond, etc. The upfront fees are amortised using the maturity date of the contracts.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
29.2 Lease liability				
As at 1 January	-	-	-	-
Additions	57	-	57	-
Interest on lease liability	8	-	8	-
Payments	-	-	-	-
As at 31 December 2019	**65**	-	**65**	-

Interest on lease liability is included in interest expense using effective interest rate (note 7).

Maturity analysis of lease liability	Less than 3 months N'million	6-12 months N'million	1 - 5 years N'million	Total N'million
	65	-	-	**65**

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
29.3 Provisions				
Provisions for litigations and claims	145	295	145	295
Provision for guarantees and letters of credit	22	-	22	-
	167	**295**	**167**	**295**
Balance, beginning of year 1 January 2018	295	295	295	295
Impact of adopting IFRS 9	-	17	-	17
Reversal of provision	(128)	(17)	(128)	(17)
	167	**295**	**167**	**295**

Provision for litigations: This is provision for litigations and claims against the Bank as at 31 December 2019. 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 reimbursementin respect of this provision. The amount reversed relate to cases resolved outside court that were initially provided for and have been recognized in other sundry income in the statement of profit or loss.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
30 Share capital and equity reserves				
Share capital				
(a) Authorised:				
32,000,000,000 Ordinary shares of 50k each	16,000	16,000	16,000	16,000
(b) Issued and fully-paid:				
28.79 billion (2018: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	14,395

(i) Ordinary shareholding:
The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meeting of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

(ii) Movement in issued and fully paid share capital is as follows:

In Millions of units	Group 2019	Group 2018	Bank 2019	Bank 2018
28.79 billion (2018: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	14,395
	14,395	14,395	14,395	14,395
Movement in nominal share capital in units				
Balance at beginning and end of the year	28,790	28,790	28,790	28,790
	28,790	28,790	28,790	28,790

31 Dividends

In respect of 2019, the Directors proposed that a dividend of 3 Kobo for every 50 kobo share will be paid to shareholders. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in this financial statements until approved and declared by the shareholders. The proposed dividend is subject to withholding tax at the appropriate rate and is payable to shareholders whose names appear in the Register of Members at closure date.

In 2018, the Directors declared and paid dividends of N576 million (2k per share) in respect of 2017 results.

32.1 **Other components of equity**

In Millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
(a) **GROUP**							
Balance at 1 January 2019	(4,597)	5,276	22,260	235	682	20,098	43,953
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	10,685	-	-	-	-	-	10,685
Net change in fair value of equity instrument at FVOCI	403	-	-	-	-	-	403
Changes in allowance for expected credit losses	68	-	-	-	-	-	68
Transfer from regulatory risk reserve (Note 32.1d)	-	-	(889)	-	-	-	(889)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	473	1,524	1,997
Balance at 31 December 2019	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,622**	**56,217**
Balance at 1 January 2018	(2,568)	5,276	15,878	235		18,678	37,498
Impact of adopting IFRS 9	1,224	-	-	-	-	-	1,224
Transfers between reserves (Note 32)	-	-	(9,837)	-	-	-	(9,837)
Restated opening balance under IFRS 9	(1,344)	5,276	6,041	235	-	18,678	28,885
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	(2,684)	-	-	-	-	-	(2,684)
Net change in fair value of equity instrument at FVOCI	(550)	-	-	-	-	-	(550)
Changes in allowance for expected credit losses	(19)	-	-	-	-	-	(19)
Transfer from regulatory risk reserve (Note 32.1d)	-	-	16,219	-	-	-	16,219
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	682	1,420	2,102
Balance at 31 December 2018	**(4,597)**	**5,276**	**22,260**	**235**	**682**	**20,098**	**43,953**

32.1 **Other components of equity continued**

In Millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
(a) **BANK**							
Balance at 1 January 2019	(4,597)	5,276	22,260	235	682	20,100	43,956
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	10,685	-	-	-	-	-	10,102
Net change in fair value of equity instrument at FVOCI	403	-	-	-	-	-	986
Changes in allowance for expected credit losses	68	-	-	-	-	-	68
Transfer from regulatory risk reserve (Note 32.1d)	-	-	(889)	-	-	-	(889)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	473	1,524	1,997
31 December 2019	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,624**	**56,220**
Balance at 1 January 2018	(2,568)	5,276	15,878	235		18,680	37,501
Impact of adopting IFRS 9	1,224	-	-	-	-	-	1,224
Transfers between reserves (Note 32)	-	-	(9,837)	-	-	-	(9,837)
Restated opening balance under IFRS 9	(1,344)	5,276	6,041	235	-	18,680	28,888
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	(2,684)	-	-	-	-	-	(2,684)
Net change in fair value of equity instrument at FVOCI	(550)	-	-	-	-	-	(550)
Changes in allowance for expected credit losses	(19)		-				(19)
Transfer from regulatory risk reserve (Note 32.1d)	-	-	16,219	-	-	-	16,219
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	682	1,420	2,102
31 December 2018	**(4,597)**	**5,276**	**22,260**	**235**	**682**	**20,100**	**43,956**

a. **Statutory reserve**

Nigerian banking regulations require the Bank to make an annual appropriationto a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial InstitutionAct 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. Amount transferred to statutory reserve for the year ended 31 December 2019 was (15% of N10,163 billion) N1,524 billion (2018: N1.420 billion).

b. **Share capital reserve**

The share capital reserve represents the surplus nominal value of the shares of the Bank which were reconstructed in June 2006.

c. **AGSMEIS reserve**

The Bankers' committee at its 331st meeting held on 9 February 2017 approved the Agric-Buisness, Small & Medium Investment Scheme (AGSMEIS) to support Federal Government efforts at promoting Agricultural businesses/Small and Medium Enterprises (SMEs). All deposit money banks are required to set aside 5% of Profit After Tax (PAT) annually after their financial statements have been audited by external auditors and approved by Central Bank of Nigeria (CBN) for publication and remit to CBN within 10 working days after the Annual General Meeting.

d. **Regulatory risk reserve**

The Central Bank of Nigeria stipulates that impairment allowance of financial assets and off balance sheet accounts shall be determined based on the requirements of International Financial Reporting Standards ("IFRS"). The IFRS impairment allowance should be compared with provisions determined under Prudential Guidelines and the difference in Retained Earnings should be treated as follows:

- Where Prudential impairment provision is greater than IFRS impairment provision; transfer the difference from the Retained Earnings to a non-distributable Regulatory Risk Reserve.

Where Prudential impairment provision is less than IFRS impairment provision; the excess charges resulting should be transferred from the Regulatory Risk Reserve account to the Retained Earnings to the extent of the non-distributable reserve previously recognized.

e **SMEEIS reserve**

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. The Group has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN.

33 Commitments and Contingencies

a. **Litigations and claims**

There are litigations and claims against the Bank as at 31 December 2019. These claims arose in the normal course of business and are being contested by the Group. The Directors, having sought advice of professional counsels and are of the opinion that no significant liability will crystalise from these claims. Provisions of N167 million at 31 December 2019 (2018: N295 million) have been made in these financial statements on crystalised claims, refer to note 29.3.

The Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilitiesare offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

Nature of instruments:
To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. These consist of financial guarantees and letters of credits. These obligations are not recognised on the statement of financial position because the risk has not crystallised and we have not identiified any factor to suggest the probability the that the risk will crystallise.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and stand by letters of credit carry a similar credit risk to loans.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off- financial position risk:

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Bonds, guarantees and indemnities	117,924	84,510	117,924	84,510
Letters of credit	27,705	32,951	27,705	32,951
Performance bonds	13,392	12,886	13,392	12,886
	159,021	**130,347**	**159,021**	**130,347**

Above balances represent contingent liabilities for which the customers have not defaulted. As stated in note 2.2.12, any portion that is due for which the Group has become liable are recognised in Other Liabilities (Note 29).

c. **Impairment losses on guarantees and other commitments**

An analysis of changes in the gross carrying amount and the corresponding allowance for impairment losses in relation to guarantees and other commitments is, as follows:

(i) **Financial guarantees**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

31 December 2019 (Group and Bank)

In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	118,639	-	-	118,639
RR3-RR4	-	-	-	-
Total	**118,639**	-	-	**118,639**

31 December 2018 (Group and Bank)

In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	53,548	-	-	53,548
RR3-RR4	30,963	-	-	30,963
Total	**84,510**	-	-	**84,510**

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2019	84,510	-	-	84,510
New exposures	91,581	-	-	91,581
Exposure derecognised or matured/lapsed (excludingwrite offs)	(57,452)	-	-	(57,452)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**118,639**	-	-	**118,639**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2018	82,192	-	-	82,192
New exposures	72,394	-	-	72,394
Exposure derecognised or matured/lapsed (excludingwrite offs)	(70,076)	-	-	(70,076)
At 31 December 2018	**84,510**	-	-	**84,510**

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2019	-	-	-	-
New exposures	18	-	-	18
At 31 December 2019	**18**	-	-	**18**

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	13	-	-	13
New exposures	-	-	-	-
Exposure derecognised or matured (excludingwrite offs)	(13)	-	-	(13)
At 31 December 2018	-	-	-	-

(ii) Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	2019 Total
Internal rating grade				
RR1-RR2	27,705	-	-	27,705
Total	27,705	-	-	27,705

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	2018 Total
Internal rating grade				
RR1-RR2	32,951	-	-	32,951
Total	32,951	-	-	32,951

An analysis of changes in the outstanding exposures and the corresponding ECLs are, as follows:

In Millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	2019 Total
Outstanding exposure as at 1 January 2019	32,951	-	-	32,951
New exposures	16,176	-	-	16,176
Exposure derecognised or matured/lapsed (excludingwrite offs)	(21,422)	-	-	(21,422)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**27,705**	-	-	**27,705**

In Millions of Naira	Stage 1	Stage 2	Stage 3	2018 Total
Outstanding exposure as at 1 January 2018	26,102	-	-	26,102
New exposures	32,951	-	-	32,951
Exposure derecognised or matured/lapsed (excludingwrite offs)	(26,102)	-	-	(26,102)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**32,951**	-	-	**32,951**

In millions of Naira	Stage 1	Stage 2	Stage 3	2019 Total
ECL allowance as at 1 January 2019	-	-	-	-
New exposures	4	-	-	4
Exposure derecognised or matured (excludingwrite offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	4	-	-	4

(ii) Letters of credit - continued

In Millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	4	-	-	4
New exposures	-	-	-	-
Exposure derecognised or matured (excludingwrite offs)	(4)	-	-	(4)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	-	-	-	-

34a **Related party transactions**

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

	In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
(i)	Transactions with the related parties				
	Loans and advances				
a.	Secured loans and advances	10,121	3,223	10,121	3,223
b.	Contingent liabilities	2,852	11,633	2,852	11,633
c.	Transactions and balances with the Bank's subsidiary				
	Sterling Investment Management Plc				
	Debt instruments issued by the Bank	-	-	25,709	25,237
	Interest expense	-	-	4,358	2,334

(ii) Transactions with key management personnel

Key management personnel has been defined as the executive directors and non-executive directors of the Group. Key management personnel and their close family members engaged in the following transactions with the Group during the year:

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Secured loans and advances	343	242	343	242
Deposit liabilities (related parties and key management personnel)	14,488	7,148	14,488	7,148

(iii) Compensation of key management personnel :

The amounts disclosed in the table below are the amounts recognised as an expense during the year related to key executive directors.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Executive compensation	136	124	136	124
Pension contributions	11	11	11	11
	147	135	**147**	**135**

(iv) Directors' remuneration below relates to payment made to non-executive directors and charged as expense during the year. The non-executive directors do not receive pension entitlements from the Bank.

In Millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
Directors' remuneration				
Fees as directors	75	85	75	85
Other emoluments	210	40	210	40
	285	**125**	**285**	**125**

(v) Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are secured. For the year ended 31 December 2019, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2018: Nil).

34b Insider Related Credits

Insider Related Credits are disclosed below in accordance to Central Bank of Nigeria Circular BSD/1/2004

The Group granted various credit facilities meeting the definition of insider related credits at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of N10.1billion (2018: N3.2billion) relating to the Directors and some employees were outstanding on these facilities at the end of the period/year.

31 December 2019

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/ NATURE	FACILITY TYPE
CONOIL PLC	Shareholder	Mike Adenuga	22-Feb-18	28-Feb-20	12,187	8,183	PERFORMING	Negative Pledge	OVERDRAFT
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000	372	PERFORMING	Legal Mortgage and Debenture	OTHER LOANS
OSUNSADE OLUFUNMILOLA	Related to a Director	Mike Adenuga	19-Jul-17	31-Jul-20	2	2	PERFORMING	Personal Guarantee	OVERDRAFT
COMMERCIAL STAFF LOAN	Employees	Employees	NA	NA	2,469	1,564	PERFORMING	Lien on entitlements/indemnity	OTHER LOANS
TOTAL					15,658	10,121			

Letter of credit and bond guarantees.

31 December 2019

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
BLUE CAMEL ENERGY LIMITED	Related to a Director	Abubakar Suleiman	27-Nov-19	27-Mar-20	216	216	Performing	Lien on Proceeds of APG and Personal Guarantee	BANK GUARANTEE
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	08-Dec-14	02-Mar-21	1,244	1,244	Performing	Legal Mortgage and Debenture	BANK GUARANTEE
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	08-Dec-14	02-Mar-21	122	122	Performing	Legal Mortgage and Debenture	LETTER OF CREDIT
LENOX AND BLAIR ESTATE LTD	Related to a Management Staff	Tunde Adeola	29-Feb-16	24-Feb-21	9	9	Performing	Equitable Mortgage	BANK GUARANTEE
AUDEO CLOTHING COMPANY LTD	Related to a Management Staff	Tunde Adeola	07-Jan-15	23-Dec-24	21	21	Performing	Legal Mortgage	BANK GUARANTEE
DO II DESIGNS LIMITED	Related to a Director	Asue Ighodalo	11-Dec-19	09-Feb-20	4	4	Performing	Cash	BANK GUARANTEE
CONOIL PLC	Shareholder	Mike Adenuga	08-Oct-19	03-Apr-20	732	732	Performing	Negative Pledge	LETTER OF CREDIT
STATE BANK OF INDIA / CG POWER & INDUSTRIAL SOLUTION LTD INDIA	Related to a Director	Grama Narasimhan	01-Feb-18	30-Jul-20	4	4	Performing	Corporate Guarantee	BANK GUARANTEE
LOTUS CAPITAL	Related to a Management Staff	Tunde Adeola	19-Oct-16	18-Oct-21	500	500	Performing	Lien on Cash Deposit	BANK GUARANTEE
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**2,852**	**2,852**			

31 December 2018

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/ NATURE	FACILITY TYPE
CONOIL PLC	Related to a Director	Michael Jituboh	22-Feb-18	01-Sep-19	12,187	355	PERFORMING	Negative Pledge	OVERDRAFT
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000	600	PERFORMING	Legal Mortgage and Debenture	OTHER LOANS
FTA ASSOCIATES LIMITED	Related to a Director	Michael Jituboh	28-Jun-18	14-Jan-19	12	1	PERFORMING	Legal Mortgage	TERM LOAN
OSUNSADE OLUFUNMILOLA	Related to a Director	Michael Jituboh	09-Aug-17	31-Jul-20	2	2	PERFORMING	Personal Guarantee	OTHER LOANS
LENOX AND BLAIR ESTATE LTD	Related to a Management Staff	Tunde Adeola	24-Oct-18	14-May-19	1,000	1,021	PERFORMING	Cash Deposit	TERM LOAN
AMBY BUILDMART LIMITED	Related to a Management Staff	Adebimpe Olambiwonnu	18-Dec-18	18-Jun-19	5	3	PERFORMING	Keyman Insurance/ Personal Guarantee	OVERDRAFT
COMMERCIAL STAFF LOAN	Employees	Employees	NA	NA	1,671	1,242	PERFORMING	Lien on entitlements/ indemnity	OTHER LOANS
TOTAL					15,877	3,223			

Letter of credit and guarantees

31 December 2018

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
RITE FOODS LIMITED+B58	Related to a Director	Tairat Tijani	08-Dec-14	02-Mar-21	1,244	1,244	Performing	Legal Mortgage and Debenture	BANK GUARANTEE
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	02-Jul-18	21-Feb-19	2,562	2,562	Performing	LC Cash Collateral	LETTER OF CREDIT
AUDEO CLOTHING COMPANY LTD	Related to a Management Staff	Tunde Adeola	18-Oct-13	23-Dec-24	76	76	Performing	Legal Mortgage	BANK GUARANTEE
LOTUS CAPITAL	Related to a Management Staff	Tunde Adeola	19-Oct-16	18-Oct-21	500	500	Performing	Lien on Cash Deposit	BANK GUARANTEE
LENOX AND BLAIR ESTATE LTD	Related to a Management Staff	Tunde Adeola	29-Feb-16	24-Feb-21	9	9	Performing	Equitable Mortgage	BANK GUARANTEE
STATE BANK OF INDIA	Related to a Director	Grama Narasimhan	01-Feb-18	30-Jul-20	221	221	Performing	Corporate Guarantee	BANK GUARANTEE
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					4,611	4,611			

35 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Group and the Bank as at 31 December 2019 and profit and other comprehensive income attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

In millions of Naira	Group 2019	Group 2018	Bank 2019	Bank 2018
36 Cash and cash equivalents				
Cash and foreign monies (Note 16)	23,572	20,772	23,572	20,772
Unrestricted balances with Central Bank of Nigeria (Note 16)	10,361	3,460	10,361	3,460
Balances held with local banks (Note 17)	7,407	11,898	7,407	11,791
Balances held with banks outside Nigeria (Note 17)	55,953	22,954	55,953	22,954
Money market placements (Note 17)	6,001	8,690	6,001	8,690
	103,294	**67,774**	**103,294**	**67,667**

37. Financial Risk Management

(a) Introduction and overview

Risks are inherent in the lending, trading and all other intermediation activities of the Group. In managing these risks, the Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Group has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Group is exposed to various risks including Credit Risk, Liquidity Risk, Market Risk and Operational Risk in the trading book and banking book. The Group has put in place approved policies, procedures and guidelines for identifying, measuring, managing and controlling these risks.

Risk Management Framework

The Group's risk management framework consists of the governance structure, policies, strategy, processes and techniques for the management of risks faced by the Group. The risk governance structure is modeled according to the three lines of defense. The Board and its committees oversee the risk management framework and approve the corresponding risk management policies and strategies. Senior management provides oversight across the Group to ensure that all material risks are properly identified, measured, mitigated and monitored in order to minimize the impact of adverse events. The Chief Risk Officer (CRO) coordinates the process of monitoring and reporting identified risks. The Risk Management division is complemented by Finance and Performance Management Department, Strategy Department and the Conduct and Compliance Group in the management of strategic, regulatory compliance and reputational risks. Internal Audit Department provides assurance to Management and Board that instituted controls are effective in mitigating identified and emerging risks.

To achieve its risk management objectives, the Group has a risk management framework that comprises the following elements:

- Risk management objectives and philosophy
- Governance structure
- Roles and responsibilities for managing risks
- Risk management process

Three Lines of Defense

The philosophy of the three lines of defense have been adopted in the Group for proactive and efficient identification and management of risks inherent in the Group's activities, processes, system, products and external events as follows:

First line of defence – Strategic Business Functions
This consists of business units and line functions with primary responsibilities for risk management. The first line of defense includes business owners who execute transactions in the Group with the following risk management responsibilities;

- Identify emerging risks at the transaction/business unit level and conduct material risk assessments, at least annually;
- Imbibe risk culture in order to align risk management with business objectives; and
- Implement controls to reduce the likelihood and impact of risks.

Second line of defense – Independent Risk and Control Oversight
This consists of functions responsible for providing independent oversight over key risks like credit, market, liquidity and operational risk and facilitating the implementation of risk controls to ensure that the business and process owners operate within the defined risk appetite and align with approved policies and procedures. They formulate risk management policies, processes and controls, provide guidance and coordination of activities of all other monitoring functions within the Group and identify enterprise trends, synergies and opportunities or change.

Third line of defense – Independent Assurance
This consists of all functions with primary responsibilities for evaluating and providing independent assurance on the adequacy, appropriateness and effectiveness of the risk management process and policy. This function is performed by internal and external audit.

(b) Risk Management Structure

The responsibility for management of risk exposure of the Group rests with the Board. This responsibility is delegated to various committees of the Board.

The Board Risk Management Committee (BRMC) is designated with the responsibility of managing the overall risk exposure of the Group. The Committee reviews and recommends risk management policies and procedures for Board approval.

The Board Credit Committee (BCC) acts on behalf of the Board of Directors on all credit matters. It considers and approves lending exposures, treasury investments exposures, as well as other credit exposures that exceed the mandated approval limit of the Management.

The Management Risk Committee (MRC) is responsible for planning and management of the Group's overall risk profile; including the determination of the Group's risk philosophy, appetite, limits and policies.

The Management Credit Committee (MCC) is vested with the responsibility of credit policy articulation and credit approval that falls within the mandated approval limit. It reviews and recommends credit policy direction to the BCC.

The Assets and Liability Committee ensures that the Group has adequate liquidity to meet the funding need of the Group, and also manages the interest rate and foreign exchange risk of the Group. The Committee also reviews the economic outlook and its likely impact on the Group's current and future performance.

The Criticised Assets Committee (CAC) reviews the non-performing loans and recommends strategies for recovery of bad loans. The Committee also reviews the Group's loan portfolio and validates collateral documentation.

The Enterprise Risk Management Group is saddled with the responsibility of implementing and supervising all risk management policies, guidelines and procedures.

The Conduct and Compliance Department monitors compliance with risk principles, polices and limits across the Group. Exceptions are reported on a daily basis to the Management and appropriate actions are taken to address the threats.

The Internal Audit Department, as part of its annual audit programme, examines the adequacy and level of compliance with the procedures. Result of assessments, findings and recommendations are discussed with the relevant departments, and reported to the Board Audit Committee.

(c) Risk measurement and reporting systems

Quantitative and qualitative assessment of credit risks is carried out through a rigorous internal ratings system. The Group also carries out scenario analysis as stated in the Group's credit policy guide and stress testing to identify potential exposure under stressed market situations.

Monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limit reflects both the quantitative and qualitative risk appetite of the Group. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the Group's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Group through regular risk reports.

(d) Risk Mitigation

The Group has in place a set of management actions to prevent or mitigate the impact of business risks on earnings. Business risk monitoring, through regular reports and oversight, results in corrective actions to plans and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

a. Acceptable collateral for each credit product;
b. Required documentation/perfection of collaterals;
c. Conditions for waiver of collateral requirement and approval of collateral waiver; and
d. Acceptance of cash and other forms of collateral denominated in foreign currency.

Finally, master netting arrangements for credit facilities collateralised partly with deposits are settled by set-off based on underlying set-off agreement.

(e) Risk Appetite

The Group's risk appetite is an expression of the maximum level of risk the Group is willing and able to accept in pursuit of its strategic and financial objectives expressed in the strategic plan. The risk appetite statement expresses the degree of risk acceptable to the group in achieving its strategic plan. The group shall consider the following in defining the Risk Appetite Statement:

- Strategic Objectives
- Management perspective
- Economic conditions
- Stakeholders expectations
- Target benchmarking
- Regulatory threshold

The methodology described below is used in updating the Group's risk appetite framework.

(f) Concentration Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid concentration risk, credit concentration limits are set and monitored along industries and sectors, geography, collaterals and products. The ultimate objective of managing credit portfolio concentration risk is to ensure proper diversification of the risk assets portfolio. Concentration limits are also in place to manage Investment Portfolio and customer deposit concentration in the management of liquidity risk.

(g) Credit Risk Management

The Group's credit risk management activities are based on certain fundamental principles. The effectiveness of risk management process throughout the Group is based on a formal governance structure with systemic reporting processes within a well-defined control environment.

The Group's risk policy allows its personnel take initiatives and responsibility towards proactive identification of risks in products and services delivered to the market.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still make sufficient profit. Credit risks are examined for all credit-related transactions including investments and trading transactions. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

(h) Risk Management Architecture

Risks are managed such that the risk profile and the Group's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(i) Organization Structure

Sterling Bank is a national bank having divested its subsidiaries and affiliates following receipt of its new national commercial banking license in 2011 financial year. Sterling Bank has restructured its business activities along business lines with primary focus on the following market segments:

- Corporate and Investment Banking
- Commercial Banking
- Institutional Banking
- Retail and Consumer Banking
- Non Interest Banking
- Sterling Investment Management Plc.

Corporate and Investment Banking – The Corporate and Investment Banking Group provides services to corporate entities with annual turnover greater than N5 billion. The target market covers the following sectors: oil and gas, public sector, manufacturing, power and utilities, telecommunications and financial institutions.

Commercial Banking –. The Commercial Banking Group provides services to businesses with turnover above N600 million and below N5 Billion .

Institutional Banking - The Institutional Banking business covers government related institutions which include Federal Government ministries, departments, agencies, states and local governments.

Retail and Consumer Banking – Retail Banking Group serves individuals consisting of mass market, affluent, youths and high net worth. The Retail Banking Group customer segmentation consist of:

- High net-worth individuals who earn N30 million (thirty million naira) and above annually or have net investable assets of $150,000 (one hundred and fifty thousand US dollars) and above
- Mass affluent professionals who earn between N6 million (six million naira) and N30million (thirty million naira) annually
- Mass market professionals who earn less than N6 million (six million naira) annually
- Youth below 25 years of age

The Bank's product include: savings accounts, current accounts, fixed deposit accounts, e-banking, local and international funds transfer, trade finance, project finance, mortgage finance, bankers' acceptances and commercial paper.

In addition to the business segments, the Bank is also supported by the activities of the following Strategic Resource Functions:

- Enterprise Risk Management
- Internal Audit
- Strategy and Innovation
- Finance and Performance Management
- General Internal Services
- Human Capital Management
- Channel Operations
- Trade Services
- Information Technology
- Brand Marketing and Communications
- Customer Experience Management
- Legal and Company Secretariat
- Conduct & Compliance
- Centralised Processing Centre
- Health, Safety and Environment
- Enterprise Quality Assurance

Non-Interest Banking - The Non-Interest Banking business segment of the Bank provides solutions that are consistent with Islamic laws and guided by Islamic economics. Non-Interest Banking is an alternative form of financial intermediation that is based on Islamic commercial jurisprudence. However, it is not exclusively for people of particular faith or religion, it is a financial product or service that is universally accessible by people of diverse religious or ethical beliefs across the globe.

Sterling Investment Management Plc: In 2016, Sterling Bank Plc registered Sterling Investment Management Plc ("the SPV") with the Corporate Affairs Commission as a public limited liability company limited. The main objective of setting up the SPV was to raise or borrow money by the issuance of bonds or other debt instruments. The SPV is a subsidiary and is consolidated in the financial statements of the Bank

(j) Methodology for Risk Rating

The Group has a credit rating and scoring system developed for rating exposures. They were developed in line with international best practice. Exposures are created by Corporate, Commercial and Retail business segments. The credit risk rating system assigns scores using various risk parameters based on the information provided by the borrower.

The rating is derived by adding the scores from all the risk parameters and the outcome of the rating is important for approval /rejection of the loan request.

Retail Loans:

Retail loans are governed by standard credit product programs and categorized as Consumer & MSME loans. Consumer loans are availed to individuals while MSME loans are granted to unstructured businesses. Unstructured businesses are small and medium scale businesses that rarely keep proper accounting records. Retail and SME scorecards are used for assessing Consumer and MSME loans respectively.

Commercial and Corporate Loans:

Commercial and Corporate Customers are rated using risk rating models. Depending on the underlying business transaction, Specialized Lending Models are also used for assessing specialized loans to Corporate and Commercial Customers. The rating methodology is based on both quantitative and qualitative factors. Quantitative factors are mainly the financial ratios, account conduct among others. Qualitative factors are based on the following risk categories: a. Business Risk b. Industry Risk c. Management Risk

Credit Scoring System:

The risk rating methodology is based on the following fundamental analyses (financial analysis and non-financial analysis):

Structured Businesses
The factors to be considered are:
Quantitative factors are basically the financial ratios which include:

a. Leverage ratios
b. Liquidity ratios
c. Profitability ratios
d. Interest Coverage ratios
e. Activity ratio

Qualitative factors. These include:
a. Industry
   i. Size of the business

ii. Industry growth
iii. Market Competition
iv. Entry/Exit barriers

b. Management:
i. Experience of the management team
ii. Succession Planning
iii. Organizational structure

c. Security:
i. Collateral type
ii. Collateral coverage
iii. Guarantee i.e. the worth of Personal Guarantee/ Corporate Guarantee pledged as support.

d. Relationship with the Bank:
i. Account turnover (efficiency ratio)
ii. Account conduct
iii. Compliance with covenants/conditions
iv. Personal deposits with the bank.

Unstructured Businesses:
These are customers that rarely keep proper accounting records, hence the maximum limit that can be availed to them is restricted to N20m.

The factors to be considered are:
Quantitative factors. These include:

(i) Contract related transactions
a) Net Profit Margin
b) Counterparty – Nature/Financial capacity of the Principals

(ii) Other Facilities
a) Account turnover
b) Repayment history

Qualitative factors. These include:
Management:
i. Experience/Technical competence with evidence
ii. Succession Planning

I. Industry
ii. Industry growth
iii. Share of the market
iv. Regulations: Whether the industry is regulated or not
v. Entry/Exit

In general, the following are considered in assessing facility request

(I) Character

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Group lends directly or who manage the enterprises to which the Group lends. Character is the single most important factor in the credit decision.

(ii) Capacity

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment

(iii) Capital

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

(iv) Cash Collaterised Facilities

Cash collaterised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected. For cash collaterised facilities, the key issue is safety margin. Local cash deposits shall provide 110% coverage for the Bank's exposure. Foreign currency deposits pledged shall provide minimum 120% coverage for the Bank's exposure.

(v) Pricing

The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the Group. The average score computed often determines the minimum level of interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Asset and Liability Management Department and other rates are either above or below it. The average score computed often determine the minimum level of interest chargeable. This interest rate determined would be a guide.

(vi) Collateral/Security

Collateral, often referred to as credit risk mitigant, gives additional assurance to recovering loans granted to customers. The pledged collateral is documented and continuously reviewed as to its value and marketability. Collaterals/securities are reviewed and scored based on the following parameters:

- Whether secured or not secured
- If secured, what type of security
- Perfectible legal mortgage
- Equitable mortgage
- Chattel mortgages
- Location of security/collateral
- Loan to value ratio of collateral offered
- Marketability of security/collateral
- Whether collateral is a specialised asset or general purpose - type asset.
- Depreciating or appreciating value over time.

Enterprise risk review

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Risks are an inevitable consequence of being in business.

The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Enterprise Risk Management Group (ERM) within the policies approved by the Board of Directors. The ERM group identifies, evaluates and manages respective aspects of financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, market risk and operational risk. In addition, the Audit Division is responsible for the independent review of risk management and the control environment. The most important types of risk are Credit risk, Liquidity risk, Market risk and Operational risk. Market risk includes currency risk, interest rate and other price risk.

37.1 Credit risk

Credit exposures arise principally in lending activities carried out through loans and advances, debt securities and other instruments in the Group's risk asset portfolio. Credit risk is also inherent in off-balance sheet financial instruments.

The Group manages credit risks, which has been defined as the potential for a counterparty to default on financial obligations leading to financial losses. Credit risk is the principal source of risk to the Group arising from loans and advances extended to customers under the corporate, commercial, and retail business lines.

There is also credit risk in off-balance sheet financial instruments. Credit risk is managed by the Enterprise Risk Management Group (ERM). They report to the MD/Chief Executive Officer who in turn reports to the Board of Directors.

Main Characteristics and Elements of Credit Risk Management;

(a) Credit Portfolio Planning

In line with the Group's planning cycle, credit portfolio plans are developed and approved at the overall Group and individual business unit level.

Credit portfolio planning entails definition and agreement of target risk asset threshold for different sectors, definition of target markets and criteria for risk acceptance at the corporate level and across each credit creating business unit in the Group.

(b) Exposure Development and Creation

Exposure Development and creation incorporates the procedures for preliminary screening of facility requests, detailed credit risk analysis and risk rating, risk triggered review and approval of facilities, and controlled credit availment of approved facilities, processes and guidelines for developing credit opportunities and creating quality risk assets in line with the Group's risk management policies.

(c) Exposure Management

To minimize the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear guidelines for management of the risk asset portfolio and individual risk exposures are defined. Exposure management entails collateral management, facility performance monitoring, quality reviews, risk asset classification and reporting.

(d) Delinquency Management/Loan Workout

In the undesired event of decline in risk asset quality, prompt identification and management of delinquent loans significantly reduces credit risk losses in the Group. The delinquency management/loan workout module of the integrated risk management framework outlines the approach for identification and management of declining credit quality. This also covers loan workout where all activities are geared towards resuscitating non-performing loans, and the first stage in the process of recognizing possible credit loss

(e) Credit Recovery

Deliberate actions are taken proactively to minimize the Group's loss on non-performing loans. Directions are provided in the Credit Policy guide for winding down the Group's exposure, waivers, write-offs, etc. In the event of recovery, process for recognizing income and previously written-off amounts is also defined.

The Group's Risk Management Objectives and Policies

The Group's risk management objectives and policies for credit risk include the following:

1. To ensure optimal earnings through high quality risk portfolio.

2. Clear articulation of criteria for decision making.

3. Description of specific activities and tasks with respect to the creation and management of risk assets.

4. Definition of non-performing loans as those with interest and principal repayment outstanding for 90 days or more.

5.. Other criteria are also defined for determining impaired loans. These include:

    - Borrower's business recording consistent losses which might impair the cash flow, and loan repayment.

- Borrower's networth being grossly eroded due to some macroeconomic events.
- Lack of commuication from the borrower.
- Security offered has deteriorated in value and full payment cannot be guaranteed from normal operating sources.
- Where the Group consents to loan restructuring, resulting in diminished financial obligation.
- Demonstrated material forgiveness of debt or postponement of scheduled payment.

Categorization of collaterals to determine the acceptable security for the mitigation of impairment impact on the Income Statement.

(f) Risk Management Architecture

Risks are managed such that the risk profile and the Bank's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(ii) Credit risk measurement

Before a sound and prudent credit decision can be made, the credit risk of the borrower or counterparty must be accurately assessed. Each application is analyzed and assigned one of 9 (nine) grades using a credit rating system developed by the Group for all exposures to credit risk. Each grade corresponds to a borrower's or counterparty's probability of default.The Group's credit risk management activities are based on certain fundamental principles.

The effectiveness of risk management process throughout the Group is based on a simple formal governance structure with regular reporting processes within a well-defined control environment.

The Group's risk policy allows its personnel take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

(iii) Credit granting process

Credit granting decisions are based on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Group's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management teams and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risk.

(a) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects the following components:

(i) the character and capacity of the client or counterparty to pay down on its contractual obligations;
(ii) current exposures to the counterparty and its likely future development;
(iii) credit history of the counterparty; and
(iv) the likely recovery ratio in case of default obligations - using value of collateral and other ways out.

The Group's rating scale, which is shown below, reflects the range of scores defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their credit risk changes.

The risk rating scale and the external rating equivalent is detailed below:

Risk Rating	External Rating Equivalent	Score Range	Remarks
RR-1	AAA TO AA-	90-100	Superior
RR-2	A+ TO A-	80-89.99	Strong
RR-3	BBB+ TO BBB-	70-79.99	Good
RR-4	BB+ TO BB-	50-69.99	Satisfactory
RR-5	B+ TO B-	40-49.99	High risk
RR-6	CCC+ TO CCC-	30-39.99	Watch list
RR-7	CC+ TO C	20-29.99	Substandard
RR-8	D	10-19.99	Doubtful
RR-9	D	<10	Lost

(b) Debt Securities and Other Bills

For debt securities and other bills, external rating such as Agusto rating or their equivalents are used by Treasury Department primarily to manage their liquidity risk exposures.

(iv) Credit Risk Control & Mitigation policy

The Group manages concentration risks to counterparties, groups, sectors and countries. The level of credit risk undertaken is controlled by setting limits on exposures to individuals, groups, geographical and sectoral segments and facilitate continuous monitoring of adherence to set limits. The limits set are reviewed periodically and approved by the Board of Directors.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and sectoral segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by industry sector and by geography are reviewed and approved annually by the Board of Directors.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Group also sets internal credit approval limits for various levels in the credit process and is shown in the following table:

Authority level	Approval limit (Naira)
Full Board	Above 1,500,000,000
Board, Credit Committee	1,500,000,000
Management Credit Committee	750,000,000
Managing Director	500,000,000
Executive Director	150,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances demand. Some other specific control and mitigation measures are outlined below:

(a) Collateral Acceptability

The guiding principles behind collateral acceptability are adequacy and marketability. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

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.

Long-term finance and lending to corporate entities as well as individuals are generally secured. However, in order to minimize losses, the Group will seek additional collateral from the counter party when there are indicators of devaluation in existing collateral value.

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, with the exception of asset backed securities and similar instruments, which are secured by portfolios of financial instruments.

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

(b) Master Netting Arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counter parties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if default occurs, all amounts with the counter party are settled on net basis.

The following gross amounts are subject to a master netting arrangement between the Bank and counter parties.

In Millions of Naira	2019	2018
Financial assets:		
Loans and advances	117,994	113,723
Financial liabilities:		
Collaterised deposits	119,494	107,061

These amounts are currently not presented net on the statement of financial position due to the performing status of the facilities; If the items were to be netted, the following net asset will be presented on the statement of financial position:

In Millions of Naira	2019	2018
Net financial assets/ liabilities:		
Loans and advances	0	6,662

(c) Credit-related Commitments

The primary purpose of these instruments is to create other avenues for lending. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore, carry less risk than a direct loan.

(d) Credit Concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Breakdown of Exposures by Geographic Areas

S/N	Region	2019 (N'Million)	2018 (N'Million)
1	Abuja	10,651	8,487
2	Lagos	444,639	488,435
3	North Central	22,480	1,188
4	North East	3,479	2,690
5	North West	4,879	2,532
6	South East	4,032	694
7	South South	90,344	83,207
8	South West	51,195	53,445
	Grand Total	631,698	640,678

Maximum exposure to credit risk before collateral held or other credit enhancements

The Bank's maximum exposure to credit risk as at 31 December 2019 and 31 December 2018 is represented by the net carrying amounts of the financial assets set out below:

Group

Type of collateral or credit enhancement

31 December 2019		Fair value of collateral and credit enhancements held						
Financial assets	Maximum exposure to credit risk N'million	Cash N'million	Secured against Real Estate N'million	Stocks/ shares N'million	Debenture N'million	Others N'million	Total collateral value N'million	Net exposure N'million	Associated ECLs N'million
Cash and balances with Central Bank of Nigeria	156,059	-	-	-	-	-	-	156,059	-
Due from banks	69,361	-	-	-	-	7,200	7,200	62,161	-
Pledged assets	11,831	-	-	-	-	-	-	11,831	(4)
Loans and advances to customers	-	-	-	-	-	-	-	-	-
- Corporate loans	582,940	119,230	249,130	3,733	1,016,346	-	1,338,438	-	(11,119)
- Individual/retail loans	48,758	264	11,923	-	-	-	12,187	36,571	(1,847)
Debt instruments at amortised cost	102,075	-	-	-	-	-	-	102,075	(131)
Total financial assets at amortised cost	**971,024**	**119,494**	**261,053**	**3,733**	**1,016,346**	**7,200**	**1,407,825**	**368,697**	**(13,100)**
Derivative financial assets	-	-	-	-	-	-	-	-	-
- Financial assets at fair value through profit or loss	8,317	-	-	-	-	-	-	8,317	-
- Total financial instruments at fair value through profit or loss	**8,317**	-	-	-	-	-	-	**8,317**	-
- Debt instruments at fair value through other comprehensive income	141,272	-	-	-	-	-	-	141,272	-
Total debt instruments at fair value through other comprehensive income	**141,272**	-	-	-	-	-	-	**141,272**	-
Financial guarantees	118,639	53,665	4,707	-	13,053	20,579	92,003	26,636	(18)
Letters of credit for customers	27,705	4,846	15,117	-	14,326	-	34,290	-	(4)
	1,266,957	178,005	280,877	3,733	1,043,725	27,779	1,534,118	544,922	(13,122)

Bank

Type of collateral or credit enhancement

31 December 2019	Fair value of collateral and credit enhancements held								
	Maximum exposure to credit risk	Cash	Secured against Real Estate	Stocks/ shares	Debenture	Others	Total collateral	Net exposure	Associated ECLs
Financial assets	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	156,059	-	-	-	-	-	-	156,059	-
Due from banks	69,361	-	-	-	-	7,200	7,200	62,161	-
Pledged assets	11,831	-	-	-	-	-	-	11,831	(4)
Loans and advances to customers	-	-	-	-	-	-	-	-	
- Corporate loans	582,940	119,230	249,130	3,733	1,016,346	-	1,388,438	-	(11,119)
- Individual/retail loans	48,758	264	11,923	-	-	-	12,187	36,571	(1,847)
Debt instruments at amortised cost	84,884	-	-	-	-	-	-	84,884	(117)
Total financial assets at amortised cost	**953,833**	**119,494**	**261,053**	**3,733**	**1,016,346**	**7,200**	**1,407,825**	**351,506**	**(13,086)**
Derivative financial assets	-	-	-	-	-	-	-	-	-
- Financial assets at fair value through profit or loss	8,317	-	-	-	-	-	-	8,317	-
Total financial instruments at fair value through profit or loss	**8,317**	-	-	-	-	-	-	**8,317**	-
- Debt instruments at fair value through other comprehensive income	141,272	-	-	-	-	-	-	141,272	-
Total debt instruments at fair value through other comprehensive income	**141,272**	-	-	-	-	-	-	**141,272**	-
Financial guarantees	118,639	53,665	4,707	-	13,053	20,579	92,003	26,636	(18)
Letters of credit for customers	27,705	4,846	15,117	-	14,326	-	34,290	-	(4)
	1,249,766	178.005	280,877	3,733	1,043,725	27,779	1,534,118	527,731	(13,108)

Group

Type of collateral or credit enhancement

31 December 2018	Fair value of collateral and credit enhancements held								
	Maximum exposure to credit risk	Cash	Secured against Real Estate	Stocks/ shares	Debenture	Others	Total collateral	Net exposure	Associated ECLs
Financial assets	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	117,685		-	-	-	-	-	117,685	-
Due from banks	43,542		-	-	-	4,191	4,191	39,351	-
Pledged assets	11,423		-	-	-	-	-	11,423	9
Loans and advances to customers		-					-		
- Corporate loans	621,257	106,670	214,076	3,870	1,051,614	-	1,376,231	(754,974)	17,991
- Individual/retail loans	19,421	391	13,902	-	-	-	14,294	5,127	1,670
Debt instruments at amortised cost	123,212		-	-	-	-	-	123,212	126
Total financial assets at amortised cost	**936,539**	**107,061**	**227,979**	**3,870**	**1,051,614**	**4,191**	**1,394,715**	**(458,176)**	**19,796**
Derivative financial assests	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through profit or loss	117,620		-	-	-	-	-	117,620	-
Total financial instruments at fair value through OCI	**117,620**		-	-	-	-	-	**117,620**	-
- Debt instruments at fair value through profit or loss	4,110		-	-	-	-	-	4,110	161
Total debt instruments at fair value through other comprehensive income	**4,110**		-	-	-	-	-	**4,110**	**161**
Financial guarantees	84,510	10,128	6,280	-	9,161	-	25,569	71,827	-
Letters of credit for customers	32,951	2,413	-	-	235	-	2,648	30,303	-
Other commitments	-	-	-	-	-	-	-	-	-
	1,175,730	119,602	234,259	3,870	1,061,010	4,191	1,422,932	(234,316)	19,957

Bank

Type of collateral or credit enhancement

31 December 2018	Fair value of collateral and credit enhancements held								
	Maximum exposure to credit risk	Cash	Secured against Real Estate	Stocks/ shares	Debenture	Others	Total collateral	Net exposure	Associated ECLs
Financial assets	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	117,685	-	-	-	-	-	-	117,685	-
Due from banks	43,542	-	-	-	-	4,191	4,191	39,351	-
Pledged assets	11,423	-	-	-	-	-	-	11,423	9
Loans and advances to customers									
- Corporate loans	621,257	106,670	214,076	3,870	1,051,614	-	1,376,231	(754,974)	17,991
- Individual/retail loans	19,421	391	13,902	-	-	-	14,294	5,127	1,670
Debt instruments at amortised cost	106,259	-	-	-	-	-	-	106,259	112
Total financial assets at amortised cost	**919,586**	**107,061**	**227,979**	**3,870**	**1,051,614**	**4,191**	**1,394,715**	**(475,129)**	**19,782**
Derivative financial assets	-	-	-	-	-	-	-	-	-
- Debt instruments at fair value through profit or loss	117,620	-	-	-	-	-	-	117,620	0
Total financial instruments at fair value through OCI	**117,620**	-	-	-	-	-	-	**117,620**	-
- Debt instruments at fair value through profit or loss	4,110	-	-	-	-	-	-	4,110	161
Total debt instruments at fair value through other comprehensive income	**4,110**	-	-	-	-	-	-	**4,110**	**161**
Financial guarantees	84,510	10,128	6,280	-	9,161	-	25,569	71,827	-
Letters of credit for customers	32,951	2,413	-	-	235	-	2,648	30,303	-
Other commitments	-	-	-	-	-	-	-	-	-
	1,158,777	119,602	234,259	3,870	1,061,010	4,191	1,422,932	(251,269)	19,943

Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentration of credit risk at 31 December 2019, is set out below:

Group 31 December 2019	Cash and bank balances N'million	Due from banks N'million	Pledged assets N'million	Loans and advances N'million	Debt instruments at fair value through profit or loss N'million	Debt instruments at amortised cost N'million	ebtt instruments at fair value through OCI N'million	inancial guarantees N'million	Letters of credit for customers N'million	Total N'million
Concentration by sector:										
Corporate	-	-	-	-	-	317	5,545	-	-	5,862
Agriculture	-	-	-	39,278	-	-	-	142	348	39,768
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	15,486	-	-	-	1,574	208	17,268
Consumer	-	-	-	41,988	-	-	-	-	-	41,988
Education	-	-	-	781	-	-	-	-	-	781
Finance and Insurance	-	69,361	-	28,760	-	-	-	948	-	99,069
Government	132,487	-	11,831	78,816	8,317	101,627	135,727	14,474	10,617	493,896
Manufacturing	-	-	-	5,742	-	-	-	4,285	6,774	16,801
Mining & Quarrying	-	-	-	3	-	-	-	-	-	3
Mortgage	-	-	-	3,466	-	-	-	-	-	3,466
Oil & Gas	-	-	-	214,743	-	-	-	8,420	5,686	228,849
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	23,572	-	-	42,025	-	-	-	6,951	2,900	75,448
Power	-	-	-	23,814	-	-	-	216	136	24,166
Real Estate & Construction	-	-	-	69,177	-	-	-	42,568	-	111,745
Transportation	-	-	-	30,107	-	-	-	39,061	1,035	70,203
Non-Interest Banking	-	-	-	24,547	-	-	-	-	-	24,547
	156,059	69,361	11,831	618,732	8,317	101,944	141,272	118,639	27,705	1,253,860
Concentration by location:										
Nigeria	156,059	13,562	11,831	618,732	8,317	101,944	141,272	118,639	27,705	1,198,061
America	-	24,380	-	-	-	-	-	-	-	24,380
Europe	-	13,152	-	-	-	-	-	-	-	13,152
Africa	-	18,267	-	-	-	-	-	-	-	18,267
Asia	-	-	-	-	-	-	-	-	-	-
	156,059	69,361	11,831	618,732	8,317	101,944	141,272	118,639	27,705	1,253,860

Bank 31 December 2019	Cash and bank balances N'million	Due from banks N'million	Pledged assets N'million	Loans and advances N'million	Debt instruments at fair value through profit or loss N'million	Debt instruments at amortised cost N'million	Debt instruments at fair value through OCI N'million	Financial guarantees N'million	Letters of credit for customers N'million	Total N'million
Concentration by sector:										
Corporate	-	-	-	-	-	317	5,545	-	-	5,862
Agriculture	-	-	-	39,278	-	-	-	142	348	39,768
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	15,486	-	-	-	1,574	208	17,268
Consumer	-	-	-	41,988	-	-	-	-	-	41,988
Education	-	-	-	781	-	-	-	-	-	781
Finance and Insurance	-	69,361	-	28,760	-	-	-	948	-	99,069
Government	132,487	-	11,831	78,816	8,317	84,450	135,727	14,474	10,617	476,719
Manufacturing	-	-	-	5,742	-	-	-	4,285	6,774	16,801
Mining & Quarrying	-	-	-	3	-	-	-	-	-	3
Mortgage	-	-	-	3,466	-	-	-	-	-	3,466
Oil & Gas	-	-	-	214,743	-	-	-	8,420	5,686	228,849
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	23,572	-	-	42,025	-	-	-	6,951	2,900	75,448
Power	-	-	-	23,814	-	-	-	216	136	24,166
Real Estate & Construction	-	-	-	69,177	-	-	-	42,568	-	111,745
Transportation	-	-	-	30,107	-	-	-	39,061	1,035	70,203
Non-Interest Banking	-	-	-	24,547	-	-	-	-	-	24,547
	156,059	69,361	11,831	618,732	8,317	84,767	141,272	118,639	27,705	1,236,683
Concentration by location:										
Nigeria	156,059	13,562	11,831	618,732	8,317	84,767	141,272	118,639	27,705	1,180,884
America	-	24,380	-	-	-	-	-	-	-	24,380
Europe	-	13,152	-	-	-	-	-	-	-	13,152
Africa	-	18,267	-	-	-	-	-	-	-	18,267
Asia	-	-	-	-	-	-	-	-	-	-
	156,059	69,361	11,831	618,732	8,317	101,944	141,272	118,639	27,705	1,236,683

Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2018, is set out below:

Group 31 December 2018	Cash and bank balances N'million	Due from banks N'million	Pledged assets N'million	Loans and advances N'million	Debt instruments at fair value through profit or loss N'million	Debt instruments at amortised cost N'million	Debt instruments at fair value through OCI N'million	Financial guarantees N'million	Letters of credit for customers N'million	Total N'million
Concentration by sector:										
Corporate	-	-	-	-	-	677	912	50	-	1,639
Agriculture	-	-	-	22,703	-	-	-	-	14	22,717
Capital Market	-	-	-		-	-	-	395	-	395
Communication	-	-	-	16,593	-	-	-	3,913	-	20,506
Consumer	-	-	-	10,491	-	-	-	-	-	10,491
Education	-	-	-	646	-	-	-	-	-	646
Finance and Insurance	-	43,542	-	31,601	-	-	116,708	2,300	78	194,230
Government	117,685	-	11,423	74,453	4,110	122,409	-	2,547	6,477	339,103
Manufacturing	-	-	-	4,076	-	-	-	-	7,539	11,615
Mining & Quarrying	-	-	-	391	-	-	-	-	-	391
Mortgage	-	-	-	5,613	-	-	-	3,322	-	8,936
Oil & Gas	-	-	-	265,895	-	-	-	10,357	10,552	286,805
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	55,305	-	-	-	13	7,468	62,786
Power	-	-	-	16,637	-	-	-	52,479	771	69,887
Real Estate & Construction	-	-	-	55,957	-	-	-	9,134	51	65,141
Transportation	-	-	-	25,487	-	-	-	-	-	25,487
Non-Interest Banking	-	-	-	35,168	-	-	-	-	-	35,168
	117,685	43,542	11,423	621,017	4,110	123,086	117,620	84,510	32,951	1,155,944
Concentration by location:										
Nigeria	117,685	20,575	11,423	621,017	4,110	123,086	117,620	84,510	32,951	1,132,977
America	-	11,881	-	-	-	-	-	-	-	11,881
Europe	-	11,063	-	-	-	-	-	-	-	11,063
Africa	-	21	-	-	-	-	-	-	-	21
Asia	-	2	-	-	-	-	-	-	-	2
	117,685	43,542	11,423	621,017	4,110	123,086	117,620	84,510	32,951	1,155,944

Bank 31 December 2018	Cash and bank balances N'million	Due from banks N'million	Pledged assets N'million	Loans and advances N'million	Debt instruments at fair value through profit or loss N'million	Debt instruments at amortised cost N'million	Debt instruments at fair value through OCI N'million	Financial guarantees N'million	Letters of credit for customers N'million	Total N'million
Concentration by sector:										
Corporate	-	-	-	-	-	677	912	50	-	1,639
Agriculture	-	-	-	22,703	-	-	-	-	14	22,717
Capital Market	-	-	-		-	-	-	395	-	395
Communication	-	-	-	16,593	-	-	-	3,913	-	20,506
Consumer	-	-	-	10,491	-	-	-	-	-	10,491
Education	-	-	-	646	-	-	-	-	-	646
Finance and Insurance	-	43,435	-	31,601	-	-	116,708	2,300	78	194,123
Government	117,685	-	11,423	74,453	4,110	105,470	-	2,547	6,477	322,164
Manufacturing	-	-	-	4,076	-	-	-	-	7,539	11,615
Mining & Quarrying	-	-	-	391	-	-	-	-	-	391
Mortgage	-	-	-	5,613	-	-	-	3,322	-	8,936
Oil & Gas	-	-	-	265,895	-	-	-	10,357	10,552	286,805
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	55,305	-	-	-	13	7,468	62,786
Power	-	-	-	16,637	-	-	-	52,479	771	69,887
Real Estate & Construction	-	-	-	55,957	-	-	-	9,134	51	65,141
Transportation	-	-	-	25,487	-	-	-	-	-	25,487
Non-Interest Banking	-	-	-	35,168	-	-	-	-	-	35,168
	117,685	43,435	11,423	621,017	4,110	106,147	117,620	84,510	32,951	1,138,898
Concentration by location:										
Nigeria	117,685	20,468	11,423	621,017	4,110	106,147	117,620	84,510	32,951	1,115,931
America	-	11,881	-	-	-	-	-	-	-	11,881
Europe	-	11,063	-	-	-	-	-	-	-	11,063
Africa	-	21	-	-	-	-	-	-	-	21
Asia	-	2	-	-	-	-	-	-	-	2
	117,685	43,435	11,423	621,017	4,110	106,147	117,620	84,510	32,951	1,138,898

Commitments and Guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee isthe maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

GROUP & BANK In millions of Naira	2019	2018
Bonds, guarantees and indemnities	118,639	84,510
Letters of credit	27,705	32,951
Others	-	-
	146,344	117,461

Maturity profile of contingents and commitments

As at 31 December 2019 In millions of Naira	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Bonds, guarantees and indemnities	-	5,307	43,409	37,854	32,068	118,639
Letters of credit	-	27,705	-	-	-	27,705
Total undiscounted financial assets (A)	-	33,012	43,409	37,854	32,068	146,344

As at 31 December 2018	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
	N'0001	N'0001	N'0001	N'0001	N'0001	N'0001
Bonds, guarantees and indemnities	-	10,638	25,792	44,421	3,658	84,510
Letters of credit	-	32,951	-	-	-	32,951
Total undiscounted financial assets (A)	-	43,589	25,792	44,421	3,658	117,461

Credit Quality of Financial Assets - continued

The Standardized Approach has been used in assessing the Bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines. Credit assessments applied to items in the Group's book and trading book are assigned in accordance with the regulatory guidelines.

31 December 2019 Assets In millions of Naira	Defaulted exposures	Non defaulted exposures	carrying values of: Allowances/ impairments	Net values
Loans and advances to customers	13,902	617,796	(12,966)	618,732
Debt securities	-	25,709	-	25,709
Off balance sheet exposures	-	146,344	-	146,344
Total	13,902	789,849	(12,966)	790,785

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	156,059	-	-	-	156,059	156,059
Due from banks	69,361	-	-	-	69,361	69,361
Pledged assets	11,825	-	-	-	11,825	11,831
Loans and advances to customers	101,576	389,982	126,237	13,902	631,698	618,732
Financial assets at fair value through profit or loss	8,317			-	8,317	8,317
Investments securities - FVOCI	134,343	1,384	5,545	-	141,272	141,272
Investments securities - amortised	100,961	872	243	-	102,075	101,944
Other assets	-	18,622	-	-	18,622	18,622
Total	582,442	410,860	132,025	13,902	1,139,230	1,126,138

The Standardized Approach has been used in assessing the Group's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines.

31 December 2018 Assets In millions of Naira	Defaulted exposures	Non defaulted exposures	carrying values of: Allowances/ impairments	Net values
Loans and advances to customers	39,340	601,337	(19,661)	621,017
Debt securities	-	25,717	-	25,717
Off balance sheet exposures	-	117,461	-	117,461
Total	39,340	744,515	(19,661)	764,195

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	117,685	-	-	-	117,685	117,685
Due from banks	43,435	-	-	-	43,435	43,435
Pledged assets	11,432	-	-	-	11,432	11,423
Loans and advances to customers	108,732	371,409	121,197	39,340	640,678	621,017
Financial assets at fair value through profit or loss	4,110	-	-	-	4,110	4,110
Investments securities - FVOCI	117,781	-	-	-	117,781	117,620
Investments securities held to maturity	123,212	-	-	-	123,212	123,086
Other assets	-	10,720	-	-	10,720	9,886
Total	526,388	382,129	121,197	39,340	1,069,054	1,048,262

Credit Mitigation Techniques

The Group has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reductions in exposures where necessary. Credit control and mitigation policies are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include:

- Acceptable collateral for each credit product.
- Required documentation/perfection of collaterals
- Conditions for waiver of collateral requirement and approval of collateral waiver.
- Acceptance of cash and other forms of collateral denominated in foreign currency.

31 December 2019

Assets In millions of Naira	Exposure unsecured	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
Loans and advances to customers	10,399	621,299	-	-	-
Debt Securities	25,710	-	-	-	-
Total	36,109	621,299	-	-	-
of which defaulted	73	13,829	-	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes	Exposures pre Credit Conversion Factor and Credit Risk Mitigation		Exposures post Credit Conversion Factor and Credit Risk Mitigation		
In millions of Naira	on balance sheet	off- balance sheet	on balance sheet	off- balance sheet	Risk Weighted Assets (RWA)
Sovereigns and their central banks	375,771	-	375,771	-	-
Non-central government public sector entities	131,961	25,094	75,089	9,012	83,462
Supervised institutions	56,715	102	56,712	-	26,124
Corporates	315,916	111,000	249,959	861	260,957
Regulatory retail portfolios	40,633	21	40,454	-	30,340
Secured by residential property	44,235	-	44,089	-	41,290
Secured by commercial real estate	86,641	-	86,641	-	86,641
Past due loans	8,033	-	18,170	-	7,829
Higher –risk categories	5,470	-	5,470	-	8,205
Other assets	91,239	23,520	91,239	10,543	72,711
Total	**1,156,615**	**159,738**	**1,043,596**	**20,416**	**617,560**

31 December 2018

Assets In millions of Naira	Exposure unsecured	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
Loans and advances to customers	35,311	605,367	368,633	-	-
Debt Securities	25,237	-	-	-	-
Total	60,548	605,367	368,633	-	-
of which defaulted	8,027	21,862	25,967	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes	Exposures pre Credit Conversion Factor and Credit Risk Mitigation		Exposures post Credit Conversion Factor and Credit Risk Mitigation		
In millions of Naira	on balance sheet	off- balance sheet	on balance sheet	off- balance sheet	Risk Weighted Assets (RWA)
Sovereigns and their central banks	338,038	-	338,038	-	-
Non-central government public sector entities	79,895	17,578	46,502	3,056	49,256
Supervised institutions	23,124	865	23,124	-	4,737
Corporates	370,227	95,811	300,896	1,120	302,016
Regulatory retail portfolios	8,031	11	7,972	-	5,979
Secured by residential property	67,147	-	67,115	-	62,328
Secured by commercial real estate	80,946	-	80,928	-	80,928
Past due loans	21,123	-	21,123	-	21,002
Higher –risk categories	4,091	-	4,091	-	6,136
Other assets	84,510	16,081	84,510	3,868	57,985
Total	**1,077,131**	**130,346**	**974,298**	**8,044**	**590,367**

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2019 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Post CCF and Post CRM)
Sovereigns	375,771	-	-	-	-	-	375,771
Non-central government public sector entities (PSEs)	-	2,475	7,604	-	74,023	-	84,101
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	38,209	41	-	18,462	-	56,712
Corporates	-	861	-	-	260,096	-	260,957
Regulatory Retail Portfolios	-	-	-	40,454	-	-	40,454
Secured by Mortgages on Residential Properties	-	-	-	11,198	32,891	-	44,089
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	86,641	-	86,641
Past due loans	-	-	2,305	-	3,832	1,896	8,033
Higher –risk categories	-	-	-	-	-	5,470	5,470
Other assets	23,572	6,873	10,543	-	60,793	-	101,782
Total	399,344	48,418	20,493	51,652	536,738	7,366	1,064,012

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2019 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Pre CCF and CRM)
Sovereigns	375,771	-	-	-	-	-	375,771
Non-central government public sector entities (PSEs)	-	10,969	15,192	-	130,894	-	157,055
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	38,209	143	-	18,465	-	56,817
Corporates	-	16,965	94,035	-	315,916	-	426,916
Regulatory Retail Portfolios	-	-	21	40,633	-	-	40,654
Secured by Mortgages on Residential Properties	-	-	-	11,236	32,999	-	44,235
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	86,641	-	86,641
Past due loans	-	-	2,305	-	3,832	1,896	8,033
Higher –risk categories	-	-	-	-	-	5,470	5,470
Other assets	23,572	6,996	23,398	-	60,793	-	114,759
Total	**399,344**	**73,139**	**135,095**	**51,869**	**649,541**	**7,366**	**1,316,353**

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2018 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Post CCF and Post CRM)
Sovereigns	338,038	-	-	-	-	-	338,038
Non-central government public sector entities (PSEs)	-	3,433	-	-	46,125	-	49,558
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	22,956	45	-	123	-	23,124
Corporates	-	1,120	-	-	300,896	-	302,016
Regulatory Retail Portfolios	-	-	-	7,972	-	-	7,972
Secured by Mortgages on Residential Properties	-	-	-	19,146	47,968	-	67,114
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	80,928	-	80,928
Past due loans	-	-	(1,094)	-	19,176	852	21,123
Higher –risk categories	-	-	-	-	-	4,091	4,091
Other assets	20,772	(12,413)	(3,479)	-	51,712	-	88,378
Total	**358,810**	**39,923**	**4,619**	**27,118**	**546,929**	**4,943**	**982,342**

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2018 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Pre CCF and CRM)
Sovereigns	338,038	-	-	-	-	-	338,038
Non-central government public sector entities (PSEs)	-	15,656	2,300	-	79,518	-	97,474
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	22,956	910	-	123	-	23,989
Corporates	-	15,097	80,714	-	370,227	-	466,038
Regulatory Retail Portfolios	-	-	11	8,031	-	-	8,042
Secured by Mortgages on Residential Properties	-	-	-	19,178	47,968	-	67,147
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	80,946		80,946
Past due loans	-	-	1,094	-	19,176	852	21,123
Higher –risk categories	-	-	-	-	-	4,091	4,091
Other assets	20,772	(14,601.47)	(13,505.23)	-	51,712		100,591
Total	**358,810**	**68,310**	**98,534**	**27,209**	**649,671**	**4,943**	**1,207,477**

Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments (except for specialised lending facilities where the 90 days past due is rebutted and 180 days past due is used instead). The Group considers treasury and interbank balances defaulted and takes immediate action when the required intra-day payments are not settled by the close of business as outlined in the individual agreements.

As a part of the qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Significant financial difficulty of the issuer or the borrower; A breach of contract, such as a default (debt service default or technical default) or past due event.
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Bank would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- The Bank puts the credit obligation on non-accrued status.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank. It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at lease 90 consecutive days. The decision whether to classify an asset as Stage 2 or Stage 1 once cured, depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant reduction in credit risk.

The following probationary period is applied in transferring financial asset back to a lower stage following a significant reduction in credit risk:

- When there is evidence of a significant reduction in credit risk for a financial instrument in stage 2, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.
- When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 2.
- When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 180 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.

The Bank's internal rating and Probability of Default (PD) estimation process

The Group runs separate models for its key portfolios in which its customers are rated from RR-1 to RR-9 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplementary external information that could affect the borrower's behaviour. These information sources are first used to determine the ratings within the Bank's risk management framework. The internal credit grades are assigned based on these assessments.

PD is an estimate of the likelihood of default over a given time horizon which is based on the historical default data of the Bank which are then adjusted for IFRS 9 ECL calculations by incorporating forward looking information. This is further assessed based on three economic scenarios (Base, Upturn and Downturn) with appropriate probabity weights assigned to derive the probaility weighted ECLs.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group analyses available information such as financial information and other external data to conduct credit assessments and assign internal ratings.

Corporate lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit rating model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond.

- Any macro-economic or geopolitical information, e.g., GDP growth for the specific industry and geographical segments where the client operates. Industry or sector information to assess the competitive position of the obligors with regards to market share.

- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

- The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

Retail/MSME lending

Retail lending comprises, asset finance, unsecured personal loans, credit cards and overdrafts. These products, along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool . Key inputs into the models are:

:

- Consumer/Retail lending products: personal income/salary levels based on records of current accounts, personal indebtedness, demographic information and loan-to-value ratios (mortgages).

- MSMEs: financial , management and industry information. In additition, historical account performance is evaluated.

The Bank's internal credit rating grades

Internal risk rating grade	External rating equivalent	Remarks
RR -1	AAA TO AA-	Superior
RR -2	A+ TO A-	Strong
RR -3	BBB+ TO BBB-	Good
RR -4	BB+ TO BB-	Satisfactory
RR -5	B+ TO B-	High Risk
RR -6	CCC+ TO CCC-	Watch List
RR -7	CC+ TO C	Substandard
RR -8	D	Doubtful
RR -9	D	Lost

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12m ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to multiple scenarios.

Loss given default

LGD is the portion of the loan determined to be irrecoverable at the time of loan default. The Group estimates the general Life Time LGD curves based on an Intensity Matrix, which is built on top of the actual migration of exposure in between the Credit Risk States (buckets). The secured portion of the LGD adjusted for collateral values while recovery data is observed for the unsecured portion of the LGD. The models in calculating the LGD considers in its computation a wider set of transaction characteristics (e.g. product type, collateral, recovery cost, time to recovery e.t.c.).

The Group segments its products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime (LT) ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers both qualitative and quantitative factors in assessing whether credit risk has increased significantly on any exposure. Some of these factors include significant increase in PD since initial recognition, expectation of forbearance and restructuring due to financial difficulties.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition, except where rebuttable.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 19c), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3.0 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Central Bank of Nigeria, Nigeria Bureau of Statistics, BMI Research, Trading Economics etc.) and a team of expert within its Enterprise Risk Management Group verifies the accuracy of inputs to the Group' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2018 and 2019.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

The Group and Bank

31 December 2019 Key drivers	ECL Scenario	Assigned probabilities	2020	2021	2022	2023	2024	Subseqeunt years
GDP growth rate%	Upside	23%	2.75%	2.75%	3.41%	4.51%	4.95%	4.95%
	Base Case	58%	2.50%	2.50%	3.10%	4.10%	4.50%	4.50%
	Downside	20%	2.25%	2.25%	2.79%	3.69%	4.05%	4.05%
Exchange rate	Upside	23%	338.27	363.93	383.61	436.33	436.82	436.82
	Base Case	58%	375.86	370.00	390.00	443.60	444.10	444.10
	Downside	20%	413.40	407.00	429.00	487.96	488.51	488.51
Inflation rate %	Upside	23%	12.60%	11.25%	9.00%	7.20%	6.30%	6.30%
	Base Case	58%	14.00%	12.50%	10.00%	8.00%	7.00%	7.00%
	Downside	20%	15.40%	14.00%	11.00%	9.00%	8.00%	8.00%

31 December 2018 Key drivers	ECL Scenario	Assigned probabilities	2019	2020	2021	2022	2023	Subseqeunt years
GDP growth rate%	Upside	23%	2.75%	5.06%	5.61%	4.51%	4.95%	4.95%
	Base Case	58%	2.50%	4.60%	5.10%	4.10%	4.50%	4.50%
	Downside	20%	2.25%	4.14%	4.59%	3.69%	4.05%	4.05%
Exchange rate	Upside	23%	338.27	387.43	398.84	399.27	399.69	399.69
	Base Case	58%	375.86	430.47	443.16	443.63	444.10	444.10
	Downside	20%	413.40	473.50	487.50	488.00	488.50	488.50
Inflation rate %	Upside	23%	12.60%	11.70%	7.20%	7.20%	7.20%	7.20%
	Base Case	58%	14.00%	13.00%	8.00%	8.00%	8.00%	8.00%
	Downside	20%	15.40%	14.30%	8.80%	8.80%	8.80%	8.80%

At the beginning of each year, the key economic indicators used in ECL models for the Group are always reassessed to reflect current and accurate data
.The following tables outline the impact of multiple scenarios on the allowance:

Group

31 December 2019	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
Upside (23%)	52	30	2,531	420	4	1
Base (58%)	132	75	6,402	1,063	11	2
Downside (19%)	45	26	2,186	363	4	1
Total	**229**	**131**	**11,119**	**1,847**	**18**	**4**

31 December 2018	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In thousands						
Upside (23%)	92	68	4,096	380	-	-
Base (58%)	56	43	10,358	961	-	-
Downside (19%)	22	15	3,537	328	-	-
Total	**170**	**126**	**17,991**	**1,670**	**-**	**-**

Bank

31 December 2019	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In thousands						
Upside (23%)	28	27	2,531	420	4	1
Base (58%)	70	67	6,402	1,063	11	2
Downside (19%)	24	23	2,186	363	4	1
Total	**121**	**117**	**11,119**	**1,847**	**18**	**4**

31 December 2019	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In thousands						
Upside (23%)	92	63	4,096	380	-	-
Base (58%)	56	38	10,358	961	-	-
Downside (19%)	22	11	3,537	328	-	-
Total	170	112	17,991	1,670	-	-

Overview of modified financial assets

From a risk management point of view, once an asset is forborne or modified, the Group's credit recovery department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.
The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification gain earned by the Bank

Group	2019	2018
Amortised costs of financial assets modified during the period	12,212	33,946
Net modification loss	119	28
Amortised cost after modification	12,332	33,974
Bank	**2019**	**2018**
Amortised costs of financial assets modified during the period	12,212	33,946
Net modification loss	119	28
Amortised cost after modification	12,332	33,974

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12m ECL measurement during the period:

	Post-modification		Pre-modification	
31 December 2019 In millions of Naira	Gross carrying amount	Correpondings ECL	Gross carrying amount	Correpondings ECL
Facilities that have cured since modification and are now measured using 12 months ECLs (Stage 1)	-	-	-	-
Facilities that reverted to (Stage 2/3) LT ECLs having once cured	-	-	-	-

	Post-modification		Pre-modification	
31 December 2018 In millions of Naira	Gross carrying amount	Correpondings ECL	Gross carrying amount	Correpondings ECL
Facilities that have cured since modification and are now measured using 12 months ECLs (Stage 1)	-	-	-	-
Facilities that reverted to (Stage 2/3) LT ECLs having once cured	-	-	-	-

(e) Liquidity risk

1. Liquidity risk and Funding Management: The Group is exposed to two types of liquidity risk; Market/Trading Liquidity Risk is the risk of inability to conduct transaction at current market price because of the size of the transaction, this type of liquidity risk comes to play when certain assets cannot be liquidated at short notice due to market illiquidity.

2. Funding Liquidity Risk relates to the Group's ability to raise the necessary cash to roll over its debt; to meet the cash, margin, and collateral requirements of counterparties; and to satisfy capital withdrawals. Funding liquidity risk is managed through holding cash and cash equivalents, setting credit lines in place, and monitoring buying power. (Buying power refers to the amount a trading counterparty can borrow against assets under stressed market conditions)

The Asset & Liability Committee (ALCO) is responsible for managing the liquidity of the Group, this function is delegated to the Asset & Liability Management (ALM) Department that manage the day-to-day liquidity requirements of the Group, and also act as secretariat to ALCO. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, also when there is unexpected delay in repayment of loans (term liquidity risk) or unexpectedly high payment outflow (withdrawal/call risk).

In line with the Liquidity Risk Management Framework, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short–term bank placements and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Presented below is the process used in managing liquidity:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;

Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

Monitoring balance sheets liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting Department).

(e) Liquidity Risk Measurement Techniques

Liquidity positions are measured by calculating the net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management policy.
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and Government Bonds for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the CBN.

The following table reflects the Group's regulatory liquidity ratio for the years indicated.

	As at 31 December 2019	As at 31 December 2018
At end of year	39.50%	42.19%
Average for the year	37.36%	36.60%
Maximum for the year	44.45%	43.60%
Minimum for the year	30.57%	30.60%

In addition to the above, the Group also applies the following metrics in measuring liquidity risk and ensuring that day-to-day funding requirements are met.

1. **Liquidity Coverage Ratio (LCR)** - The LCR aims to ensure that the Group has sufficient unencumbered highquality liquid assets ('HQLA') to withstand a stressed 30-day funding scenario. HQLA consist of cash or assets that can easily be converted into cash at little or no loss of value to cover any net outflow. The minimum requirement is 100%.

On a Business-As-Usual (BAU) basis, the Group's LCR as at 31 December 2019 was 123%. The LCR indicates that the Group has adequate liquidity to support its current level of growth.

Liquidity Risk Management Governance

2. **Net Stable Funding Ratio (NSFR)** – The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

   It measures the amount of available stable funding relative to the required stable funding. This ratio should be equal to at least 100% on an ongoing basis. It is designed to complement the LCR. The Group's NSFR of 123.56% as at 31 December 2019, was well above the Basel requirement of 100% and internal risk tolerance level.

3. **Liquidity Gap:** 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.

4. **Liquidity Ratios:** Liquidity ratios describe the structure and shape of the balance sheet in business-as-usual conditions and allow the ALCO to monitor changes in structural liquidity. The Group establishes various liquidity ratios to indicate the business's ability to meet short-term obligations with liquid assets, identify any mismatches between long-term funding sources and uses and review the ability of the banking business to fund loans through customer deposits.

The ALCO sets the internal liquidity ratios targets aimed at ensuring that the Group meets its liquidity needs under going concern and stressed market conditions.

Key liquidity risk metrics as at 31st December 2019 is shown below:

	As at 31 December 2019	As at 31 December 2018
Liquidity Ratio	39.50%	42.19%
Net Interbank Borrowing / Total Deposit	0.00%	0.00%
Loan/ Deposit Ratio	65.48%	70.61%
Current and Savings Account/Total Deposit	62.00%	59.26%

5. **Stress Testing:** In addition, stress testing and scenario analysis are used to assess the financial and management capabilities of the Group to continue operating effectively under extreme but still viable trading conditions. A liquidity stress test is conducted, at least monthly, reviewing the impact of an accelerated run-off from funding sources and changes in normal business situation.

The ALCO integrates the results of the stress testing process into the Group's strategic planning process (e.g. Management could adjust its asset-liability composition) and the firm's day-to-day risk management practices (e.g. through monitoring sensitive cash flows or reducing concentration limits).

To ensure that liquidity risk is controlled within the Group, limits and triggers are set. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to particular sources of liabilities, asset-liability mismatches and counterparty concentrations.

These limits include liquidity ratio limits (Loan/Deposit, Liquid Assets/Customer Liabilities, Medium Term Funding Ratio, Core Funding Ratio etc.), Maturity Mismatch limits, Cumulative Outflow limit as well as Concentration limits. Furthermore, diversification of the Group's funding profile in terms of investor types, regions, products and instruments is also an important element of controlling liquidity risk.

Liquidity Contingency Funding Plan

The Group has an approved liquidity Contingency Funding Plan (CFP or the Plan) for managing unanticipated stressful scenarios that could result in a significant erosion of group-specific or general market liquidity. The Plan details the policies, procedures and actions for responding to contingent liquidity events as well as incorporates early warning indicators to monitor market conditions.

Such early warning indicators include, among others, decline in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash.

The Contingency Funding plan covers the available sources of contingent 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 requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the Contingency Funding Plan.

In the period between 31 December 2018 and 31 December 2019, the Group's total deposit base grew on a yearly basis by 17.5% from N760billion to N893billion. It is instructive to note that 47% of the customer deposits were Demand deposits.

Group

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

31 December 2019		Carrying amount	Gross norminal Inflow (outflow)	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
Financial assets	Notes	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank of Nigeria	16	156,059	156,059	32,773	-	-	-	123,286
Due from banks	17	69,361	69,361	69,361	-	-	-	-
Pledged assets	18	11,831	15,450		6,169	2,221	1,360	5,700
Loans and advances to customers	19	618,732	875,429	121,358	129,543	108,318	419,253	96,957
Investment securities:								
- Financial assets at fair value through profit or loss	20a	8,317	8,317	2,323	2,024	3,970	-	-
- Debt instruments at fair value through comprehensive income	20c	141,272	168,939	30,475	16,345	72,950	43,529	5,641
- Equity instruments at fair value through other comprehensive income	20b	5,470	5,470	-	-	-	-	5,470
- Debt instruments at amortised cost	20d	101,944	162,217	4,897	1,604	7,355	99,759	48,602
		1,112,986	**1,461,242**	**261,187**	**155,685**	**194,814**	**563,901**	**285,656**
Financial liabilities								
Deposits from customers	27	892,660	898,455	371,470	39,104	120,601	180,672	186,609
Debt securities issued & other borrowed funds	28&29	125,357	218,763	2,032	10,844	52,299	71,334	82,254
Other liabilities - Customers' deposits for foreign trade	30	14,820	14,820	14,820	-	-	-	-
Creditors & accruals	30	13,117	13,117	13,117	-	-	-	-
		1,045,954	**1,145,155**	**401,439**	**49,948**	**172,900**	**252,006**	**268,862**
Gap (asset - liabilities)		67,032	316,087	(140,251)	105,737	21,914	311,895	16,794
Cumulative liquidity gap				(140,251)	(34,515)	(12,601)	299,294	316,088

Group

31 December 2018 Financial assets	Notes	Carrying amount N'million	Gross norminal Inflow (outflow) N'million	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1-5 years N'million	More than 5 years N'million
Cash and balances with Central Bank of Nigeria	16	117,685	117,685	24,233	-	-	-	93,452
Due from banks	17	43,542	43,542	43,542	-	-	-	-
Pledged assets	18	11,423	11,665	2,165	-	5,500	-	4,000
Loans and advances to customers	19	621,017	743,967	50,318	44,519	124,682	448,337	76,111
Investment securities:								
- Financial assets at fair value through profit or loss	20a	4,110	4,110	1,128	2,982	-	-	-
- Debt instruments at fair value through comprehensive income	20c	117,620	180,188	18,420	1,650	35,049	56,138	68,932
- Equity instruments at fair value through other comprehensive income	20b	4,011	4,011	-	-	-	-	4,011
- Debt instruments at amortised cost	20d	123,086	156,547	5,224	9,424	7,828	54,933	79,137
		1,042,494	**1,261,715**	**145,029**	**58,575**	**173,059**	**559,408**	**325,644**
Financial liabilities								
Deposits from customers	27	760,608	822,317	309,618	43,803	78,832	219,812	170,253
Debt securities issued & other borrowed funds	28&29	206,135	220,120	106,471	29,733	21,414	12,768	49,735
Other liabilities - Customers' deposits for foreign trade	30	12,147	12,147	12,147	-	-	-	-
Creditors & accruals	30	10,966	10,966	10,966	-	-	-	-
		989,856	**1,065,551**	**439,202**	**73,536**	**100,245**	**232,580**	**219,988**
Gap (asset - liabilities)		52,638	196,164	(294,173)	(14,961)	72,814	326,828	105,656
Cumulative liquidity gap		-	-	(294,173)	(309,134)	(236,320)	90,508	196,164

Bank

31 December 2019 Financial assets	Notes	Carrying amount N'million	Gross norminal Inflow (outflow) N'million	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1-5 years N'million	More than 5 years N'million
Cash and balances with Central Bank of Nigeria	16	156,059	156,059	32,773	-	-	-	123,286
Due from banks	17	69,361	69,361	69,361	-	-	-	-
Pledged assets	18	11,831	15,450		6,169	2,221	1,360	5,700
Loans and advances to customers	19	618,732	875,429	121,358	129,543	108,318	419,253	96,957
Investment securities:								
- Financial assets at fair value through profit or loss	20a	8,317	8,317	2,323	2,024	3,970	-	-
- Debt instruments at fair value through other comprehensive income	20c	141,272	168,939	30,475	16,345	72,950	43,529	5,641
- Equity instruments at fair value through other comprehensive income	20b	5,470	5,470	-	-	-	-	5,470
- Debt instruments at amortised cost	20d	84,767	133,758	4,897	428	5,938	88,586	33,910
		1,095,809	**1,432,783**	**261,187**	**154,508**	**193,397**	**552,728**	**270,964**
Financial liabilities								
Deposits from Banks	26							
Deposits from customers	27	892,660	898,455	371,470	39,104	120,601	180,672	186,609
Debt securities issued & other borrowed funds	28&29	108,411	140,565	1,374	8,171	48,969	38,042	44,009
Other liabilities - Customers' deposits for foreign trade	30	14,820	14,820	14,820	-	-	-	-
Creditors & accruals	30	13,117	13,117	13,117	-	-	-	-
		1,029,008	**1,066,958**	**400,781**	**47,275**	**169,569**	**218,715**	**230,618**
Gap (asset - liabilities)		66,800	365,826	(139,594)	107,233	23,827	334,013	40,346
Cumulative liquidity gap				(139,594)	(32,361)	(8,533)	325,480	365,826

Bank

31 December 2018 Financial assets	Notes	Carrying amount N'million	Gross norminal Inflow (outflow) N'million	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1-5 years N'million	More than 5 years N'million
Cash and balances with Central Bank of Nigeria	16	117,685	117,685	24,233	-	-	-	93,452
Due from banks	17	43,435	43,435	43,435	-	-	-	-
Pledged assets	18	11,423	11,665	2,165	-	5,500		4,000
Loans and advances to customers	19	621,017	743,967	50,318	44,519	124,682	448,337	76,111
Investment securities:								
- Financial assets at fair value through profit or loss	20a	4,110	4,110	1,128	2,982	-	-	-
- Debt instruments at fair value through comprehensive income	20c	117,620	180,188	18,420	1,650	35,049	56,138	68,932
- Equity instruments at fair value through other comprehensive income	20b	4,011	4,011	-	-	-	-	4,011
- Debt instruments at amortised cost	20d	106,147	139,607	5,224	9,424	7,828	54,933	62,197
		1,025,448	**1,244,668**	**144,922**	**58,575**	**173,059**	**559,408**	**308,704**
Financial liabilities								
Deposits from customers	27	760,608	822,317	309,618	43,803	78,832	219,812	170,253
Debt securities issued & other borrowed funds	28&29	188,881	202,386	92,136	29,733	21,414	12,768	46,336
Other liabilities - Customers' deposits for foreign trade	30	12,147	12,147	12,147	-	-	-	-
Creditors & accruals	30	10,966	10,966	10,966	-	-	-	-
		972,602	**1,047,817**	**424,867**	**73,536**	**100,245**	**232,580**	**216,589**
Gap (asset - liabilities)		52,846	196,851	(279,945)	(14,961)	72,814	326,828	92,115
Cumulative liquidity gap		-	-	(279,945)	(294,906)	(222,092)	104,736	196,851

While there is a negative cumulative liquidity gap within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

(f) Market Risk

Market risk is the risk that earnings or capital would be adversely affected by changes in the level, correlation or volatility of market factors. Market factors include interest rates, foreign exchange rates, equity prices, and commodity prices. This risk arises mainly from trading activities as well as through non-traded risk in the banking book.

The Group's objective is to control and manage market risk exposures within the acceptable risk appetite approved by the Board while optimizing returns. The Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

Central to the Group's market risk management is the deployment of appropriate tools and methodologies tailored towards identifying, measuring, monitoring, controlling and reporting the Group's exposure to each market risk factor.

Market Risk Management and Control Framework

The Group has put in place a robust and clearly defined market risk management framework, which essentially provides the Board and Management with guidance on market risk management processes. All teams involved in the management and control of market risk are required to fully comply with the policy statements to ensure the Group is not exposed to market risk beyond the qualitative and quantitative risk tolerances.

ALCO manages market and liquidity risks across the Group and meets monthly to review, approve and make recommendations concerning the risk profile including limits, utilization and strategy. They also recommend, to the Board, amendments to the market risk policy.

A dedicated market risk team, independent of the trading and business units, is responsible for implementing the market risk control framework and assumes day-to-day responsibility for market risk management. A limit framework is set within the context of the approved market risk appetite while daily market risk dashboard and stress testing reports are generated.

Risk limits, which are monitored daily by the Market Risk team include stop loss limits, unhedged open positions, VaR, duration amongst others. Daily positions of the Group's trading and FVTOCI portfolios are marked-to- market to enable the Group have an accurate view of its trading exposures.

Market Risk Governance Structure

Board of Directors

The Board is responsible for the overall governance of Market Risk management process.

Board Risk Management Committee

The Board Risk Management Committee promotes effective management of Market Risk. The Committee also help to foster the establishment and maintenance of an effective Market Risk culture.

Management Risk Committee (MRC)

The Management Risk Committee (MRC) is responsible for implementing the Bank's Market Risk management policies and procedures.

Asset and Liability Management Committee

The overall authority and management of Market Risk in the Group is vested in the Asset and Liability Management Committee (ALCO).

Chief Risk Officer

The Chief Risk Officer provides direction on the implementation of market risk management framework as well as supervises and monitors on regular basis, the Market Risk profile of the Group.

Market and Liquidity Risk Management (MLRM) Team

- The MLRM Team has primary ownership of the policy and ensure its implementation.
- This include identifying, measuring, monitoring and reporting market risks within the Group while developing policies and guidelines for its effective management.

Market Risk Measurement Techniques

The major measurement techniques used by the Group to monitor and control Market Risk exposures are outlined below.

1 **Value at Risk (VaR):** Is a technique that produces estimates of the potential change in the market value of a portfolio over a specified time horizon at a given confidence level. In line with the Group's policy, VaR assumes a time horizon of one trading day and a confidence level of 99% for internal risk management purposes bearing in mind present market realities, the Group's level of exposure as well as the composition of its portfolio.

However, the Group equally computes an S-VaR (stressed VaR). The VaR model is based on the Historical simulation model, utilising data across a minimum of 252 trading days. VaR is computed on all trading portfolio i.e. fixed income securities and foreign exchange trading position. The model, which is validated, is an important market risk measurement and control tool.

The Group's trading VaR for the financial year is reflected in the table below.

2019 (all figures in N'million)	Interest Rate	Foreign Exchange
VaR as at 31 Dec 2019	81	0.5

Back-testing

In order to verify that the results acquired from VaR calculations are consistent and reliable, the model is always back-tested. Back-testing is an integral part of VaR reporting in the Group's risk management processes. Back- testing is a procedure where actual profits and losses are compared to projected VaR estimates aimed at ensuring that the model yields accurate risk estimates.

We would expect, on average, to see two or three profits and two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of profits or losses in excess of VaR over this period can therefore be used to measure how well the models are performing.

All exceptions generated from the back-testing process are documented with suitable explanation. Based on the exception classification, necessary action is taken on risk models by the Market & Liquidity Risk Management Team with directive from the ALCO.

2. **Stress Testing:** The stress testing methodology is a forward-looking quantitative evaluation of the impact of extreme economic and financial market conditions on the Group's trading book. Due to volatilities in the operating environment, the Group conducts stress tests to evaluate the potential losses originating from impact of market risk factors under extreme market conditions. The stress testing includes the impact of exceptional changes in market rates and prices on the fair value of the Fair Value through Profit and loss (FVPL) and Fair value through Comprehensive income (FVOCI) portfolios. The Group calculates:

- risk factor stress testing, where stress movements are applied to each risk ;
- historical stress tests where shocks based on historical movements are assumed and applied; and
- ad-hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the ALCO who may respond by modifying the portfolio and taking other strategic steps to reduce the expected impact in the event that these risks crystallizes. The stress test results may also be presented to the Board.

f (i) Interest Rate Risk

Interest rate risk in the banking book is the risk of an adverse impact on earnings or capital due to changes in market interest rates. Changes in interest rates affect earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the assets, liabilities, and off-balance- sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

The Group's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the group's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Group.

Overall, management of the Group's non-trading interest rate risk positions lies with the ALCO. In addition to various strategies, the ALCO defines the internal transfer pricing framework constructed to ensure that interest rate risk arising from mismatches in the maturity profile of assets and liabilities is managed to achieve a balanced repricing cumulative gap position that is in line with the limits set by the Board. The ALCO also makes judgmental assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or re-pricing dates.

Measurement of Interest Rate Risk in the Banking Book

Generally, the primary source of interest rate risk is the differences in the timing of the repricing of the assets, liabilities and off-balance sheet instruments. Repricing mismatches generally occur from borrowing short term to fund long term assets or borrowing long term to fund long term assets. These activities can expose an institutions earnings and economic value of equity (EVE) to changes in market interest rate.

The measures applied by the Group in monitoring and controlling interest rate risk in the banking book includes:

Net Interest Income (NII) Sensitivity – An integral part of the Group's management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income while applying different rate scenarios (simulation modelling) where other macro-economic metrics are held constant. This monitoring is undertaken at the ALCO level. The Group applies a combination of scenarios and assumptions relevant to our peculiar businesses in forecasting one-year net interest income sensitivities across a range of interest rate scenarios.

Economic Value of Equity (EVE) - EVE represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario i.e. the current book value of equity plus the present value of future net interest income in this scenario. This can be used to assess the economic capital required to support interest rate risk in the banking book (IRRBB). An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. Operating entities are required to monitor EVE sensitivity as a percentage of capital resources.

The following tables provide information on the extent of the Group's interest rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to interest rate fluctuations. The amounts are based on interest rate maturities. However, saving and current accounts have a non-defined interest maturity. A quantitative assessment of the interest rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for interest rate risk.

		RATE SENSITIVITY OF ASSETS AND LIABILITIES					
Group (a) 31 December 2019	Notes	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Due from banks	17	6,001	-	-	-	-	6,001
Loans and advances to customers	20	118,805	45,658	75,881	253,759	76,194	570,295
Investment securities:							
- Financial assets at fair value through profit or loss	21a	2,323	2,024	3,970	-	-	8,317
- Debt instruments at fair value through other comprehensive income	21b	13,638	15,204	66,789	28,994	16,649	141,272
- Debt instruments at amortised cost	21c	-	-		69,770	32,174	101,944
		140,767	62,885	146,639	352,523	125,016	827,830
Non-derivative liabilities:							
Deposits from Customers	26	331,182	122,867	143,600	159,409	135,602	892,660
Other borrowed funds & Debt securities issued	27 & 28	-	-	-	8,432	28,033	36,465
		331,182	122,867	143,600	167,840	163,635	929,125
Total interest sensitivity gap		(190,415)	(59,982)	3,039	184,682	(38,619)	(101,295)

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Position)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	(0.02)	(92,523)	(1,850.45)	1,850.45
from 1 to 3 months	335	0.02	(0.02)	(126,974)	(2,330.75)	2,330.75
from 3 to 6 months	275	0.02	(0.02)	13,623	205.28	(205.28)
from 6 to 12 months	185	0.02	(0.02)	6,661	67.52	(67.52)
Total				(199,212)	(3,908)	3,908

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(92,522.56)	(74)
from 1 to 3 months	0.32%	(126,973.86)	(406)
from 3 to 6 months	0.72%	13,623 .33	98
from 6 to 12 months	1.43%	6,661.08	95
1 years to 2 years	2.77%	170,809.29	4,731
2 years to 3 years	4.49%	20,431.36	917
3 years to 4 years	6.14%	10,491.56	644
4 years to 5 years	7.71%	2,457.00	189
5 years to 7 years	10.15%	(42,718.36)	(4,336)
7 years to 10 years	13.26%	(14,259.15)	(1,891)
10 years to 15 years	17.84%	(21,656.89)	(3,864)
15 years to 20 years	22.43%	22,257.00	4,992
More than 20 years	26.03%	(30,115.41)	(7,839)
Total		(81,516)	(6,742)

		RATE SENSITIVITY OF ASSETS AND LIABILITIES					
Group (a) 31 December 2018	Notes	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Financial Assets							
Due from banks	17	8,690	-	-	-	-	8,690
Loans and advances to customers	20	43,708	21,008	79,650	341,876	87,537	573,779
Investment securities:							
- Financial assets at fair value through profit or loss	21a	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	21b	13,857	28,027	379	46,570	28,787	117,620
- Debt instruments at amortised cost	21c	-	-	2,123	35,033	85,692	122,847
Total financial assets (A)		67,382	52,017	82,152	423,479	202,016	827,046
Non-derivative liabilities:							
Deposits from Customers	26	381,439	30,550	75,650	134,467	138,502	760,608

Group (a) 31 December 2018	Notes	RATE SENSITIVITY OF ASSETS AND LIABILITIES Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Deposits from Customers	26	381,439	30,550	75,650	134,467	138,502	760,608
Other borrowed funds & Debt securities issued	27 & 28	-	43,638	17,974	22,081	45,443	129,136
Total financial Liabilities (B)		381,439	74,188	93,624	156,548	183,945	889,744
Net financial assets/ (liabilities)		(314,057)	(22,170)	(11,473)	266,930	18,071	(62,698)

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Position)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	(0.02)	(153,526)	(3,070.52)	3,070.52
from 1 to 3 months	335	0.02	(0.02)	(62,891)	(1,154.44)	1,154.44
from 3 to 6 months	275	0.02	(0.02)	(15,004)	(226.09)	226.09
from 6 to 12 months	185	0.02	(0.02)	(11,516)	(116.74)	116.74
Total				(242,938)	(4,568)	4,568

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(153,526)	(123)
from 1 to 3 months	0.32%	(62,891)	(201)
from 3 to 6 months	0.72%	(15,004)	(108)
from 6 to 12 months	1.43%	(11,516)	(165)
1 years to 2 years	2.77%	31,020	859
2 years to 3 years	4.49%	101,596	4,562
3 years to 4 years	6.14%	12,681	779
4 years to 5 years	7.71%	22,758	1,755
5 years to 7 years	10.15%	37,664	3,823
7 years to 10 years	13.26%	(16,879)	(2,238)
10 years to 15 years	17.84%	(7,616)	(1,359)
15 years to 20 years	22.43%	(5,074)	(1,138)
More than 20 years	26.03%	-	-
Total		(66,788)	6,445

Bank 31 December 2019	Notes	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
RATE SENSITIVITY OF ASSETS AND LIABILITIES							
Non-derivative assets:							
Due from banks	17	6,001	-	-	-	-	6,001
Loans and advances to customers	19	118,805	45,658	75,881	253,759	76,194	570,295
Investment securities:	21	-	-	-	-	-	-
- Financial assets at fair value through profit or loss		2,323	2,024	3,970	-	-	8,317
- Debt instruments at fair value through other comprehensive income		13,638	15,204	66,789	28,994	16,649	141,272
- Debt instruments at amortised cost			-	-	58,014	26,753	84,767
		140,767	62,885	146,639	340,767	119,595	810,652
Non-derivative liabilities:							
Deposits from Customers	26	331,182	122,867	143,600	159,409	135,602	892,660
Other borrowed funds & Debt securities issued	27 & 28	-	-	-	8,432	28,033	36,465
		331,182	122,867	143,600	167,840	163,635	929,125
Total interest sensitivity gap		(190,415)	(59,982)	3,039	172,926	(44,040)	(118,472)

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Position)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	(0.02)	(92,523)	(1,850)	1,850
from 1 to 3 months	335	0.02	(0.02)	(126,974)	(2,331)	2,331
from 3 to 6 months	275	0.02	(0.02)	13,623	205	(205)
from 6 to 12 months	185	0.02	(0.02)	4,656	47	(47)
Total				(201,217)	(3,929)	3,929

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(92,523)	(74)
from 1 to 3 months	0.32%	(126,974)	(406)
from 3 to 6 months	0.72%	13,623	98
from 6 to 12 months	1.43%	4,656	67
1 years to 2 years	2.77%	168,804	4,676
2 years to 3 years	4.49%	18,426	827
3 years to 4 years	6.14%	10,492	644
4 years to 5 years	7.71%	8,952	690
5 years to 7 years	10.15%	(36,281)	(3,683)
7 years to 10 years	13.26%	(16,265)	(2,157)
10 years to 15 years	17.84%	(23,662)	(4,221)
15 years to 20 years	22.43%	22,257	4,992
More than 20 years	26.03%	(30,115)	(7,839)
Total		(78,610)	(6,385)

Bank 31 December 2018	RATE SENSITIVITY OF ASSETS AND LIABILITIES On demand N'million	Less than 3 months N'million	3-12 months N'million	1 - 5 years N'million	Over than 5 years N'million	Total N'million
Financial assets						
Non-derivative assets:						
Due from banks	8,690		-	-	-	8,690
Loans and advances to customers	43,708	21,008	79,650	341,876	87,537	573,779
Investment securities:						
- Financial assets at fair value through profit or loss	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	13,857	1,508	26,897	46,570	28,787	117,620
- Debt instruments at amortised cost	-	-	2,123	31,308	72,477	105,907
Total financial assets (A)	67,382	25,499	108,670	419,754	188,801	810,106
Non-derivative liabilities:						
Deposits from customers	381,439	30,550	75,650	134,467	138,502	760,608
Other borrowed fund & Debt securities issued	-	43,638	17,974	22,095	27,709	111,416
Total financial liabilities (B)	381,439	74,188	93,624	156,562	166,211	872,025
Net financial assets/ (liabilities)	(314,057)	(48,689)	15,045	263,192	22,590	(61,919)

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Position)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	(0.02)	(152,632)	(3,053)	3,053
from 1 to 3 months	335	0.02	(0.02)	(63,552)	(1,167)	1,167
from 3 to 6 months	275	0.02	(0.02)	(12,255)	(185)	185
from 6 to 12 months	185	0.02	(0.02)	28,571	290	(290)
Total				(199,868)	(4,114)	4,114

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(152,631.99)	(122)
from 1 to 3 months	0.32%	(63,552.46)	(203)
from 3 to 6 months	0.72%	(12,255.11)	(88)
from 6 to 12 months	1.43%	28,571.37	409
1 years to 2 years	2.77%	31,020.50	859
2 years to 3 years	4.49%	101,595.89	4,562
3 years to 4 years	6.14%	8,956.18	550
4 years to 5 years	7.71%	22,757.55	1,755
5 years to 7 years	10.15%	52,088.86	5,287
7 years to 10 years	13.26%	(20,603.98)	(2,732)
10 years to 15 years	17.84%	(11,341.14)	(2,023)
15 years to 20 years	22.43%	(8,224.82)	(1,845)
More than 20 years	26.03%	-	-
Total		(23,619)	6,407

f (ii) Foreign Currency Risk

Foreign exchange risk is the risk that fluctuations in the prevailing foreign exchange rates would affect the value of the Group's assets and liabilities as well as off-balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate.

Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, securities, future cash flows in foreign currencies arising from foreign currency transactions.

Exposures to foreign exchange risk are consistently monitored by limit structures for overnight and intraday positions.

The ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily since an effective overview of such risk is a critical element of the Group's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and Management aims to ensure that the risk tolerance is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

(a) The table below summarises the Group's exposure to foreign exchange risk at 31st December 2019.
Foreign Currency Concentrations risk as at 31 December 2019

Group	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank of Nigeria	132,536	10,244	745	2,173	-	145,698
add un-restricted balance	10,361	-	-	-	-	10,361
Due from other banks	31,842	30,433	2,883	4,197	7	69,361
Financial assets to maturity pledged as collateral	11,722	109				11,831
Loans and advances to customer	484,522	134,210	-	-	-	618,732
Financial assets at fair value through profit or loss	8,317	-	-	-	-	8,317
- Debt instruments at fair value through other comprehensive income	134,368	6,904	-	-	-	141,272
Debt instruments at amortised cost	101,944		-	-	-	101,944
Other assets	14,722	13,963	4	-	6	28,695
Total financial assets (A)	930,333	195,864	3,632	6,370	13	1,136,211
Liabilities						
Due to customers	705,150	181,449	3,608	2,437	15	892,660
Debts issued and other borrowed funds	116,925	8,432	-	-	-	125,357
Other financial liabilities	29,441	13,283	1,986	12	20	44,742
Total financial liabilities (B)	851,516	203,164	5,594	2,450	35	1,062,759
Net financial assets/ (liabilities)	78,817	(7,300)	(1,962)	3,920	(22)	73,452

(a) Foreign currency concentrations risk as at 31 December 2019

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,398)	(1,962)	3,920	(4,462)
Closing Exchange Rate (Naira/Currency)	365	482	410	-
10% Currency Appreciation (-)	328	434	369	-
10% Currency Depreciation (+)	401	530	451	-
Effect of 10% appreciation on Profit	640	196	(392)	444
Effect of 10% depreciation on Profit	(640)	(196)	392	(444)

Group 31 December 2018	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank of Nigeria	103,373	4,073	399	6,380	-	114,225
add un-restricted balance	3,460	-	-	-	-	3,460
Due from other banks	16,268	24,719	415	2,053	88	43,542
Financial assets to maturity pledged as colleteral	11,315	108	-	-		11,423
Loans and advances to customers	432,522	188,976	-	-	-	621,498
Financial assets measured at fair value through profit or loss	4,110	-	-	-	-	4,110
Financial assets at fair value through other comprehensive income	121,631	-	-	-	-	121,631
Financial investment at amortized cost	123,087	-	-	-	-	123,087
Other assets	16,715	12,115	13	-	123	28,966
Total financial assets (A)	832,481	229,991	827	8,432	211	1,071,942
Liabilities						
Due to customers	561,071	194,109	2,892	2,535	-	760,608
Debt issued and other borrowed funds	172,890	33,245	-	-	-	206,135
Other financial liabilities	24,801	9,173	172	2,044	195	36,384
Total financial liabilities (B)	758,762	236,526	3,064	4,580	195	1,003,127
Net financial assets/ (liabilities)	73,719	6,535	(2,237)	3,853	16	68,815

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,535)	(1,962)	3,853	(4,920)
Closing Exchange Rate (Naira/Currency)	359	459	411	-
1% Currency Appreciation (-)	323	413	370	-
1% Currency Depreciation (+)	395	505	452	-
Effect of 1% appreciation on Profit	653	224	(385)	492
Effect of 1% depreciation on Profit	(653)	(224)	385	(492)

(a) Foreign Currency Concentrations Risk as at 31 December 2019

Bank 31 December 2019	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank of Nigeria	132,536	10,244	745	2,173	-	145,698
add un-restricted balance	10,361					10,361
Due from other banks	31,842	30,433	2,883	4,197	7	69,361
Financial assets to maturity pledged as collateral	11,722	109	-	-	-	11,831
Loans and advances to customer	483,619	135,112	-	-	-	618,732
Financial assets at fair value through profit or loss	8,317	-	-	-	-	8,317
- Debt instruments at fair value through other comprehensive income	134,368	6,904	-	-	-	141,272
Debt instruments at amortised cost	84,767	-	-	-	-	84,767
Other assets	14,722	13,963	4	-	6	28,695
Total financial assets (A)	912,253	196,766	3,632	6,370	13	1,119,034
Liabilities						
Due to customers	705,150	181,449	3,608	2,437	15	892,660
Debts issued and other borrowed funds	99,979	8,432	-	-	-	108,411
Other financial liabilities	29,441	13,283	1,986	12	20	44,742
Total financial liabilities (B)	834,570	203,164	5,594	2,450	35	1,045,813
Net financial assets/ (liabilities)	77,682	(6,398)	(1,962)	3,920	(22)	73,220

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,398)	(1,962)	3,920	(4,462)
Closing Exchange Rate (Naira/Currency)	365	482	410	-
10% Currency Appreciation (-)	328	434	369	-
10% Currency Depreciation (+)	401	530	451	-
Effect of 10% appreciation on Profit	640	196	(392)	444
Effect of 10% depreciation on Profit	(640)	(196)	392	(444)

Group 31 December 2018	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank of Nigeria	103,373	4,073	399	6,380	-	114,225
add un-restricted balance	3,460	-	-	-	-	3,460
Due from other banks	16,161	24,719	415	2,053	88	43,435
Financial assets to maturity pledged as colleteral	11,315	108	-	-		11,423
Loans and advances to customers	432,042	188,976	-	-	-	621,018
Financial assets measured at fair value through profit or loss	4,110	-	-	-	-	4,110
Financial assets at fair value through other comprehensive income	121,631	-	-	-	-	121,631
Financial investment at amortized cost	106,147	-	-	-	-	123,147
Other assets	16,715	12,115	13	-	123	28,966
Total financial assets (A)	814,954	229,991	827	8,432	211	1,054,415
Due to banks	-	-	-	-	-	-
Due to customers	561,071	194,109	2,892	2,535	0	760,608
Debt issued and other borrowed funds	155,156	33,245				188,401
Other financial liabilities	24,801	9,173	172	2,044	195	36,384
Total financial liabilities (B)	741,028	236,526	3,064	4,580	195	985,393
Net financial assets/ (liabilities)	73,926	6,535	(2,237)	3,853	16	69,022

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,535)	(2,237)	3,853	(4,920)
Closing Exchange Rate (Naira/Currency)	359	459	411	-
1% Currency Appreciation (-)	323	413	370	-
1% Currency Depreciation (+)	395	505	452	-
Effect of 1% appreciation on Profit	653	224	(385)	492
Effect of 1% depreciation on Profit	(653)	(224)	385	(492)

(g) Operational Risk Management

Operational risk in the Group is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks.

Operational risk exists in all activities, processes, products and systems. The Group aims to maintain operational risk within its risk appetite through a strategy anchored on the sustenance of a strong risk culture of individual and collective awareness and understanding of operational risk, accountability and transparency on operational risk issues at all levels, deployment of robust operational risk policies, processes and tools, and collaboration across all the business units and support functions in managing operational risk.

Operational Risk Governance Structure

Operational risk is managed in the Group along three lines of defense. The first line consists of the business units who own and are directly responsible for managing the risk. They identify and report operational risks in their activities and communicate these risks to the second line of defense which includes the independent risk management and control functions. This line formulates the risk management policies, processes and tools, and provides support in enhancing and monitoring the effectiveness of controls in the business units and support functions, while the third line of defense, the Internal Audit department, provides independent assurance on the adequacy, appropriateness and effectiveness of the risk management policies and process on an ongoing basis.

The Group maintains a dedicated Operational Risk Management (ORM) function which formulates the operational risk management strategy, policy and framework. The department, through the Chief Risk Officer, has a reporting line to the Executive Management, Management Risk Committee and Board Risk Management Committee, depicting a robust governance structure. The Board approves the Group's ORM policy and appetite. The Management Risk Committee reviews operational risk management reports quarterly and defines action plans to minimize material risks to acceptable levels. In addition, the ORM department collaborates with the Conduct and Compliance Division to ensure effective implementation of the ORM framework in the business units and support functions. It also works closely with the business units to manage operational risk based on the outcomes of the monitoring activities of the Conduct and Compliance Division.

The ORM department is audited regularly by the Group's internal and external auditors.

Operational Risk Management Framework

The Group has a robust framework for managing operational risk. The framework defines the core governing principles and processes for the effective identification, assessment, mitigation, and monitoring of operational risks in line with regulatory requirements and international best practices. The key processes and tools in the ORM framework include the following:

1. Risk and Control Self-Assessment

The Group's Risk and Control Self-Assessment (RCSA) program provides a structured approach for business owners to identify material risks in their business areas, assess the effectiveness of controls in mitigating the risks and implement actions to proactively address the identified vulnerabilities. RCSA helps senior management to assess the overall effectiveness of the control environment, improve risk decision making, and optimize controls to meet business objectives.

The RCSA is also a rich source of information for developing heat maps that highlight the Group's areas of vulnerability, risk concentration and materiality.

The RCSA program was redesigned and enhanced in the third quarter of the year to improve the risk identification and control assessment process, ensure ownership of risks at senior levels within the business, and enhance the monitoring and resolution of issues.

Risk assessments of new and existing products, processes and applications are also conducted to identify material operational risks and ensure adequacy and effectiveness of implemented mitigating controls.

2. Key risk indicators

The Group uses Key Risk Indicators which provide early warning signals of changes in the risk profile to monitor and mitigate key threats to the achievement of strategic goals. Material breaches are reported monthly and quarterly to Management for timely remediation.

3. Operational Risk Event Data Collection

The Group maintains a comprehensive internal loss database aligned with regulatory and Basel standards for collecting, analyzing and reporting operational risk events and losses. The data on the Group's historical loss experience provides meaningful information for assessing the exposure to operational risk, developing risk scenarios, prioritizing risk decisions, and implementing controls to mitigate risks. Strict reporting requirements are in place to ensure that operational risk incidents are escalated to relevant stakeholders for timely decision making. Adequate risk transfer mechanisms including insurance and outsourcing are in place to minimize the impact of operational risk events on the Group. The lessons learnt from operational risk events and losses are communicated across the Bank and used in improving the control environment.

4. Scenario Analysis

The Operational Risk Management department utilizes scenario analysis of the Group's internal historical losses and material external risk events in modelling tail risk events, determining the potential impact on the organization, and proactively developing action plans to mitigate the risks.

Business Continuity Management

The Group obtained the Business Continuity Management System (BCMS) certification (ISO 22301) within the year in line with international principles and standards. This certification indicates that a comprehensive Business Continuity Plan and robust recovery processes and systems are in place to build resilience, safeguard the Bank's employees and assets, maintain strategic communications, minimize service disruption and losses, and ensure timely recovery and resumption of operations and technology infrastructure in the event of a disaster. The Bank's dedicated Business Continuity Manager coordinates the activities of the BCMS and ensures the development, implementation and testing of the BCP is in line with international standards and best practices.

The Operational Risk Management framework is supported by other departmental policies and procedures that guide the daily activities of the business units and functions and ensure adequate controls are implemented to mitigate risks. The policies and procedures are regularly reviewed and updated, and the processes redesigned or automated where required, to improve operational efficiency and the effectiveness of controls across the Bank.

Periodic reports on the identified operational risks are circulated to the relevant stakeholders for timely remediation of issues, enhancement of controls and to increase awareness of operational risk across the Bank.

Operational Risk Capital Charge

The Bank uses the Basic Indicator Approach for computing the capital charge for operational risk in line with regulatory requirements.

31 December 2019 Nature of item	capital charge factor	First year (N'million)	Second year (N'million)	Third year (N'million)	Aggregate Gross Income (years 1 to 3)	Capital charges (N'million)
Basic Indicator Approach (BIA)						
Gross Income	15%	73,231	79,012	87,126	239,369	35,905
Number of years with positive annual gross income	–	–	–	–	–	3
Mean Average of Aggregate Capital	–	–	–	–	–	11,968
Calibrated Risk Weighted Amount (BIA)	–	–	–	–	–	149,606

31 December 2018 Nature of item	capital charge factor	First year (N'million)	Second year (N'million)	Third year (N'million)	Aggregate Gross Income (years 1 to 3)	Capital charges (N'million)
Basic Indicator Approach (BIA)						
Gross Income	15%	68,264	73,231	82,468	223,963	33,594
Number of years with positive annual gross income	–	–	–	–	–	3
Mean Average of Aggregate Capital	–	–	–	–	–	11,198
Calibrated Risk Weighted Amount (BIA)	–	–	–	–	–	139,977

(h) Capital management

(a) Regulatory capital

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. In implementing current capital requirements, the Central Bank of Nigeria requires the Bank to maintain a 10% minimum ratio for total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as fair value through other comprehensive income

Various limits are applied to elements of the capital base. The qualifying Tier 2 capital is limited to 33.3% of Tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of the following reserves in the computation of total qualifying capital:

- Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines,
- Collective impairment on loans and receivables and other financial assets,
- Other Comprehensive Income (OCI) Reserves will be recognized as part of Tier 2 capital subject to the limits set in paragraph 3.2 of the CBN Guidance, and Notes on the Calculation of Regulatory Capital

(b) Capital Adequacy Ratio

In accordance with Central Bank of Nigeria regulations, a minimum threshold of 10% is to be maintained when computing the ratio qualifying capital to risk weighted assets.

The capital adequacy computation for the year ended 31 December 2018 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/BAS/08/031 and dated 24 June 2015. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Sterling Bank, in line with the directives from the Central Bank of Nigeria (CBN), has adopted the following approaches for its Pillar 1 capital calculations:

- Credit Risk – Standardised Approach
- Market Risk – Standardised Approach
- Operational Risk – Basic indicator approach, which is 15% of the average gross income for the past 3 year.

Constituents of Capital Tier 1 capital	Note	Group 2019 (N'million)		Bank 2019 (N'million)	Bank 2018 (N'million)
Paid- up share capital	30	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
General reserve (Retained earnings)		6,187	(3,307)	5,954	(3,101)
SMEEIS reserve		235	235	235	235
AGSMEIS reserve		1,155	682	1,155	682
Statutory reserve		21,622	20,098	21,624	20,100
Other reserves		5,276	5,276	5,276	5,276
Tier 1 Capital Before Regulatory Deduction		91,629	80,138	91,398	80,346
Regulatory Deduction					
Deferred tax assets		(6,971)	(6,971)	(6,971)	(6,971)
Other intangible assets		(1,933)	(1,850)	(1,933)	(1,850)
Total Regulatory Deduction		(8,904)	(8,821)	(8,904)	(8,821)
Tier 1 Capital after Regulatory Deduction		82,725	71,317	82,494	71,525
Tier 2 capital: Instruments & Reserves					
Sub- ordinated debt *		21,016	28,370	20,939	24,682
Other comprehensive income		6,559	(4,597)	6,559	(4,597)
Eligible Tier 2 Capital		27,575	23,773	27,498	20,085
Total regulatory capital		110,299	95,090	109,992	91,610
Risk-weighted assets		748,358	712,274	748,119	712,253
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		14.74%	13.35%	14.70%	12.86%

*Recognition of capital instrument in Tier 2 capital in its final five years to maturity is amortized on a straight-line basis by 20% per annum.

Description of Tier 2 Capital (Sub-ordinated debt

Particulars	Place	Issue date	Date of maturity	Coupon rate	N'million
Non- convertible debenture stock	Nigeria	25 August 2016	25 August 2023	18.86%	5,606
Non- convertible debenture stock	Nigeria	5 October 2018	5 October 2025	17.55%	20,103

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory requirements for current and future business needs, including under stress scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's philosophy, processes, and techniques for managing risks across the Bank. Furthermore, it describes the controls management has implemented to reduce the likelihood of occurrence and minimize the impact of risk events on the business and includes information on the Bank's governance structure, and policies that support risk and capital management systems.

Internal Capital Adequacy Assessment Process (ICAAP)

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets (N'million)	Capital requirements (N'million)
1	**Credit Risk**		
1.01	Sovereign	-	-
1.02	Public Sector Entities	19,666	1,995
1.03	State and Local Government	54,785	5,558
1.04	Multilateral Development Bank	-	-
1.05	Supervised Institutions	26,124	2,651
1.06	Corporate and Other Persons	260,096	26,389
1.07	Regulatory Retail Portfolio	30,340	3,078
1.08	Secured by Mortgages on Residential Properties	41,290	4,189
1.09	Exposures Secured by Mortgages on Commercial Real Estates	86,641	8,791
1.10	Past Due	7,829	794
1.11	Higher Risk Exposures	8,205	833
1.12	Other Balance Sheet Exposures	62,168	6,308
1.13	Off Balance Sheet Exposures	20,416	2,071
1.14	Regulatory Adjustment	(21,371)	-
2	**Market risk**		
2.01	Interest Rate Risk	471	38
2.02	Foreign Exchange Risk	1,852	148
3	**Operational risk**		
3.01	Basic Indicator Approach	149,606	11,968
4	**Capital Adequacy Ratio**		
4.01	Tier 1 Capital Adequacy Ratio	11.03%	-
4.02	Total Capital Adequacy Ratio	14.70%	-

(iii) 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 the 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 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 objectives.

38. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2019.

Maturity analysis of assets and liabilities.

- Group 31 December 2019 Assets	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	32,773	-	-	-	123,286	156,059
Due from banks	69,361	-	-	-	-	69,361
Pledged assets	-	7,904	-	3,927	-	11,831
Loans and advances to customers	128,509	48,934	82,560	274,001	84,727	618,732
Investment in securities:	-	-	-	-	-	-
- Financial assets at fair value through profit or loss	2,323	2,024	3,970	-	-	8,317
- Debt instruments at fair value through other comprehensive income	13,638	15,204	66,789	28,994	16,649	141,272
- Equity instruments at fair value through other comprehensive income	-	-	-	-	5,470	5,470
- Debt instruments at amortised cost	-	-		69,770	32,174	101,944
Other assets	-	-	-	28,581	-	28,581
Total	246,604	74,065	153,318	405,273	262,306	1,141,567
Group						
Deposits from customers	331,182	122,867	143,600	159,409	135,602	892,660
Debts issued and other borrowed funds	-	-	-	16,617	108,740	125,357
Other liabilities	-	-	-	44,742	-	44,742
Total	331,182	122,867	143,600	220,767	244,342	1,062,759
Net	(84,578)	(48,802)	9,718	184,506	174,787	78,808

Group 31 December 2018	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	24,233	-	-	-	93,452	117,685
Due from banks	43,542	-	-	-	-	43,542
Pledged assets	2,120	-	5,386	-	3,917	11,423
Loans and advances to customers	43,708	21,008	95,397	357,622	103,282	621,017
Investment in securities:						
- Financial assets at fair value through profit or loss	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	13,857	28,027	379	46,570	28,787	117,620
- Equity instruments at fair value through other comprehensive income		-	-	-	4,011	4,011
- Debt instruments at amortised cost	-	-	2,123	35,033	85,931	123,086
Other assets	-	-	-	29,446	-	29,446
Total	128,587	52,017	103,284	468,671	319,380	1,071,939
Deposits from customers	381,439	30,550	75,650	134,467	138,502	760,608
Debts issued and other borrowed funds	99,706	27,844	20,053	11,957	46,575	206,135
Other liabilities	-	-	-	37,678	-	37,678
Total	481,145	58,393	95,703	184,102	185,077	1,004,421
Net	(352,558)	(6,376)	7,580	284,569	276,989	67,518

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2019.

Maturity analysis of assets and liabilities

- Bank 31 December 2019 Assets	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	32,773	-	-	-	123,286	156,059
Due from banks	69,361	-	-	-	-	69,361
Pledged assets	-	7,904	-	3,927	-	11,831
Loans and advances to customers	128,509	48,934	82,560	274,001	84,727	618,732
Investment in securities:	-	-	-	-	-	
- Financial assets at fair value through profit or loss	2,323	2,024	3,970	-	-	8,317
- Debt instruments at fair value through other comprehensive income	13,638	15,204	66,789	28,994	16,649	141,272
- Equity instruments at fair value through other comprehensive income	-	-	-	-	5,470	5,470
- Debt instruments at amortised cost	-	-		58,014	26,753	84,767
Investment in subsidiary	-	-	-	-	1	1

- Bank Maturity analysis of assets and liabilities 31 December 2019 Assets	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Other assets	-	-	-	28,581	-	28,581
Total	246,604	74,065	153,318	393,517	256,886	1,124,391
Deposits from customers	-	-	-	-	-	-
Deposits from customers	331,182	122,867	143,600	159,409	135,602	892,660
Debts issued and other borrowed funds	-	-	-	14,037	94,374	108,411
Other liabilities	-	-	-	44,742	-	44,742
Total	331,182	122,867	143,600	218,187	229,976	1,045,813
Net	(84,578)	(48,802)	9,718	175,329	26,910	78,578

- Bank Maturity analysis of assets and liabilities 31 December 2018	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	24,233	-	-	-	93,452	117,685
Due from banks	43,542	-	-	-	-	43,542
Pledged assets	2,120	-	5,386	-	3,917	11,423
Loans and advances to customers	43,708	21,008	95,397	357,622	103,282	621,017
Investment in securities:						
- Financial assets at fair value through profit or loss	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	13,857	28,027	379	46,570	28,787	117,620
- Equity instruments at fair value through other comprehensive income		-	-	-	4,011	4,011
- Debt instruments at amortised cost	-	-	2,123	35,033	68,992	106,147
Investment in subsidiary	-	-	-	-	1	1
Other assets	-	-	-	29,446	-	29,446
Total	128,587	52,017	103,284	468,671	302,443	1,054,895
Deposits from customers	381,439	30,550	75,650	134,467	138,502	760,608
Debts issued and other borrowed funds	99,706	27,844	20,053	12,437	28,841	188,881
Other liabilities	-	-	-	37,678	-	37,678
Total	481,145	58,393	95,703	184,582	167,343	987,167
Net	(352,558)	(6,376)	7,580	284,089	135,099	67,728

39 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.19. The Group measures fair values using the following fair value hierarchy that reflects the nature and process 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 directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., 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.

Fair value measurement hierarchy for assets & liabilities as at 31 December 2019:

Group	Note	Level 1 (N'million)	Level 2 (N'million)	Level 3 (N'million)	Total (N'million)
Assets measured at fair value					
Pledged assets – FVOCI	18.1		-		-
Debt instruments at FVTPL	20(a)		8,277		8,277
Debt instruments measured at FVOCI	21(c)		-		-
Equity instruments at fair value through other comprehensive income			5,470		5,470
Assets for which fair value are disclosed					
Pledged assets at Amortised cost			11,831		11,831
Loans and advances to customers			582,656		582,656
Debt instruments at amortised cost			57,748		57,748
Liabilities for which fair values are disclosed:					
Deposits from customers			857,198		857,198
Other borrowed funds			69,808		69,808
Debt securities issued			39,268		39,268
- 31 December 2018					
Pledged assets – FVOCI	18.1		11,831		11,831
Debt instruments at FVTPL	20(a)		4,110		4,110
Debt instruments measured at FVOCI	21(c)		117,620		117,620
Equity instruments at fair value through other comprehensive income			4,011		4,011
Assets for which fair value are disclosed					
Pledged assets at Amortised cost			2,579		2,579
Loans and advances to customers			794,744		794,744
Debt instrument at Amortised cost			80,912		80,912
Liabilities for which fair values are disclosed:					
Deposits from customers			720,414		720,414
Other borrowed funds			106,623		106,623
Debt securities issued			83,223		83,223

Fair value measurement hierarchy for assets & liabilities as at 31 December 2019:

Bank	Note	Level 1 (N'million)	Level 2 (N'million)	Level 3 (N'million)	Total (N'million)
Assets measured at fair value					
Pledged assets – FVOCI	18.1		-		-
Debt instruments at FVTPL	20(a)		8,277		8,277
Debt instruments measured at FVOCI	21(c)		-		-
Equity instruments at fair value through other comprehensive income			5,470		5,470
Assets for which fair value are disclosed			-		
Pledged assets at Amortised cost			11,831		11,831
Loans and advances to customers			582,656		582,656
Debt instruments at amortised cost			48,815		48,815
Liabilities for which fair values are disclosed:					
Deposits from customers			857,198		857,198
Other borrowed funds			69,808		69,808
Debt securities issued			25,149		25,149
- 31 December 2018					
Pledged assets – FVOCI	18.1		7,063		7,063
Debt instruments at FVTPL	20(a)		4,110		4,110
Debt instruments measured at FVOCI	21(c)		117,620		117,620
- Equity instruments at fair value through other comprehensive income			4,011		4,011
Assets for which fair value are disclosed					
Pledged assets at Amortised cost			2,579		2,579
Loans and advances to customers			794,744		794,744
Debt instrument at Amortised cost			67,369		67,369
Liabilities for which fair values are disclosed:					
Deposits from customers			720,414		720,414
Other borrowed funds			106,623		106,623
Debt securities issued			68,795		68,795

Group	Carrying amount 2019 N'million	Carrying amount 2018 N'million	Fair value amount 2019 N'million	Fair value amount 2018 N'million
Financial assets				-
Cash and balances with Central Bank of Nigeria	156,059	117,685	156,059	117,685
Due from banks	69,361	43,542	69,361	43,542
Pledged assets	11,831	11,423	11,831	11,423
Loans and advances to customers	618,732	621,497	582,656	794,744
Investment in securities:				
- Financial assets at fair value through profit or loss	8,317	4,110	8,317	4,108
- Debt instruments at fair value through other comprehensive income	141,272	117,620	141,272	112,280

Group	Carrying amount 2019 N'million	Carrying amount 2018 N'million	Fair value amount 2019 N'million	Fair value amount 2018 N'million
- Equity instruments at fair value through other comprehensive income	5,470	4,011	5,470	3,765
- Debt instruments at amortised cost	101,944	123,086	57,748	80,912
Total	1,112,986	1,042,974	1,032,714	1,168,459
Financial liabilities				
Deposits from customers	892,660	760,608	857,198	720,414
Other borrowed funds	82,702	119,526	69,808	106,623
Debt securities issued	42,655	86,609	39,268	83,223
Customer deposits for foreign trade	14,820	12,147	14,820	12,147
Creditors and accruals	13,117	10,966	13,117	10,966
Total	1,045,954	989,856	994,211	933,373

Group	Carrying amount 2019 N'million	Carrying amount 2018 N'million	Fair value amount 2019 N'million	Fair value amount 2018 N'million
				-
Financial assets				
Cash and balances with Central Bank of Nigeria	156,059	117,685	176,057	117,685
Due from banks	69,361	43,435	69,360	43,435
Pledged assets	11,831	11,423	11,831	11,423
Loans and advances to customers	618,732	621,017	582,656	794,744
Investment in securities:				
- Financial assets at fair value through profit or loss	8,317	4,110	8,277	4,108
- Debt instruments at fair value through other comprehensive income	141,272	117,620	120,775	112,280
- Equity instruments at fair value through other comprehensive income	5,470	4,011	5,470	3,765
- Debt instruments at amortised cost	84,767	106,147	48,815	68,795
Total	1,095,809	1,025,448	1,023,241	1,156,235
Financial liabilities				
Deposits from customers	892,660	760,608	857,198	720,414
Other borrowed funds	82,702	119,526	69,808	106,623
Debt securities issued	25,709	69,355	25,149	68,795
Customer deposits for foreign trade	14,820	12,147	14,820	12,147
Creditors and accruals	13,117	10,966	13,117	10,966
Total	1,029,008	972,602	980,092	918,945

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value

The management assessed that cash and balances with Central Bank of Nigeria, creditors & accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity; it is assumed that the carrying amounts approximates their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non- current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining FVOCI financial assets are measured using quoted market prices in active markets which are adjusted for using the accrued interest to date.
The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2019 was assessed to be insignificant.

For loans and advances, a discounted cash flow model is used based on various fair value of the loan portfolio by discounting the future cash flows on these loans using interest rates on loans and remaining days to maturity of each of the cash flows.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

40 Compliance with banking regulations

Included in fines and penalties are contraventions with certain Central Bank of Nigeria's guidelines and circulars listed below:

Circular/Letters	Nature of contravention	2019 Penalty N'million	2018 Penalty N'million
June 2017 Risk Based Examination findings	Customer complaint resolution	-	2.00
	Information on Credit printout	-	2.00
	Treatment of Bankers Acceptance	-	2.00
June 2016 Risk Based Examination findings	Construction of Bank's Head Office Annex	-	2.00
	AMCON related customer	-	2.00
Consumer Protection Compliance	Status Enquiry	-	2.00
Publication of 2017 Annual Report & Financial Statements (CBN and NSE)	Breach of timeline	-	3.30
Daily returns		-	0.03
Risk Based Examination findings , BSD/9/2004 - Large exposure and connected lending	Facility exposure to insider related higher than limit	2.00	-
	Not obtaining BVN on inactive credit customers; 2017 RBS examination.	2.00	-
		4.00	15.33

41.a Customer Complaints

In line with Circular No: FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2019 is as set out below:

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
Financial year	2019	2018	2019 N'million	2018 N'million	2019 N'million	2018 N'million
Pending complaints b/f	6	132	269	439	269	–
Complaints received	74,833	53,887	5,875	4,729	–	–
Complaints resolved	69,093	54,013	1,420	4,899	1,420	4,899
Unresolved complaints escalated to CBN for intervention	NIL	2	N/A	130	N/A	–
Unresolved complaints pending with the bank c/f	94	6	20	269	N/A	–

41.b Report to the CBN on Fraud and Forgeries

In line with Section 5.1.2 (L) of the CBN Code of Corporate Governance, the breakdown of fraud and forgeries for the year is represented below:

	2019	2018
Number of fraud incidents	92	106
Amount involved (N'000)	165,937	143,999
Amount involved ($'000)	21	-
Actual/Expected Loss (N'000)	109,530	62,088
Actual/Expected Loss ($'000)	21	-

42 Card Usage data

In line with the Central Bank of Nigeria guidelines for card issuance and usage in Nigeria, Section 11.0, the report on card issuance and usage for the year ended 31 December 2019 is set out below:

	31 December 2019		31 December 2018	
Product	Volume	Value N'million	Volume	Value N'million
Visa	451	6,561	143	3,230
Verve	82,427	964,279	29,186	302,626

43 Whistle Blowing

The Bank complied with the provisions of CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2019.

44 Non-Audit Services

During the year, the Bank's auditor, Ernst & Young, provided the following permissible non-audit services to the Bank:

Description of the service	2019 N'million	2018 N'million
i) Business Diagnostic Review	25	-
ii) Corporate Goverance Review	4	4
iii) Validation of IFRS 9 ECL Model	-	13

In the Bank's opinion, the provision of these services did not impair the independence and objectivity of the external auditor.

45 Reclassifications

During the period, the Group changed the presentation of the following items. The impact on the comparative figures are disclosed below.

	Net Fee & Commission income			N'million
a)	Fee & Commission income as per FY2018			15,211
	Less: E-business expenses Note 13.2			(3,456)
	Now reported			11,755
b)	Operating income as per FY 2018			82,514
	Less: E-business expenses Note 13.2			(3,456)
	Now reported			79,058
c)	General & Administration expenses as per FY 2018			24,276
	Less: E-business expenses Note 13.2			(3,456)
	Now reported			20,820
	Total expenses as per FY 2018			66,943
	Less: E-business expenses Note 13.2			(3,456)
	Now reported			63,487
d)	**Prudential provision**	Note		
	Impairment allowance on debt instruments and pledged assets at amortised cost	18.3.2 & 20(h)		115
	Splits to two as:			
	Impairment allowance on debt instruments at amortised cost	18.3.2	112	
	Impairment allowance on pledged assets at amortised cost	20(h)	3	
				115

e) **Segment Report Note 5**

Fees & Commission income reported as "Net fees and commision income"

31 December 2018 In millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Total
Net fees and commission income	7,063	1,208	4,102	2,838	-	-	15,211
Less : Fee expense	(2,906)	(94)	(68)	(388)			(3,456)
Now reported as	4,157	1,114	4,034	2,450	-	-	11,755

f)	**Five year summary**	
	Gross Earnings as per FY2018	151,247
	Less : E-business expenses Note 13.2	(3,456)
	Now reported.	147,791

Other National Disclosures:
Statements Of Value Added For The Year Ended 31 December 2019

	Group				Bank			
	2019 N'million	%	2018 N'million	%	2019 N'million	%	2018 N'million	%
Gross earnings	150,195		148,708		147,439		147,791	
Interest expense	(62,592)		(69,882)		(60,284)		(68,733)	
	87,603		78,826		87,155		79,058	
Exceptional income								
Net impairment	(5,838)		(5,843)		(5,842)		(5,832)	
Bought-in-materials and services -local	(48,280)		(44,570)		(48,267)		(44,563)	
Value added	33,485	100	28,413	100	33,046	100	28,663	100
Applied to pay:								
Employee as wages, salaries and pensions	14,912	45	13,194	46	14,912	45	13,194	46
Income taxes	70	-	271	1	70	-	271	1
Retained in business:								
Depreciation and amortisation	7,901	24	5,730	20	7,901	24	5,730	20
Profit for the year	10,602	31	9,218	33	10,163	31	9,468	33
	33,485	100	28,413	100	33,046	100	28,663	100

Value added is the wealth created by the efforts of the Bank and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

Other National Disclosures:
Four-Year Financial Summary - Group

AS AT	31 DECEMBER			
	2019 N'million	2018 N'million	2017 N'million	2016 N'million
ASSETS				
Cash and balances with Central Bank of Nigeria	156,059	117,685	122,630	107,859
Due from other banks	69,361	43,542	51,066	31,289
Pledged assets	11,831	11,423	145,179	86,864
Derivative financial assets	-	-	-	8
Loans and advances to customers	618,732	621,017	598,073	468,250
Investment securities:		-		
- Financial assets at fair value through profit or loss	8,317	4,110	6,883	1,653
- Debt instruments at fair value through other comprehensive income	141,272	117,620	-	-
- Equity instruments at fair value through other comprehensive income	5,470	4,011	-	-
- Debt instruments at amortised cost	101,944	123,086	-	-
- Available for sale	-	-	80,031	34,867
- Held to maturity	-	-	24,075	54,724
Other assets	28,581	29,446	18,728	21,676
Property, plant and equipment	18,476	16,942	16,451	14,604
Right-of-use asset	8,896	-	-	-
Investment property	4,141	-	-	-
Intangible assets	1,933	1,850	2,114	2,037
Deferred tax assets	6,971	6,971	6,971	6,971
	1,181,984	1,097,703	1,072,201	830,803
Non-current assets held for sale	701	5,218	-	-
TOTAL ASSETS	1,182,685	1,102,921	1,072,201	830,803
LIABILITIES				
Deposits from banks	-	-	11,048	23,769
Deposits from customers	892,660	760,608	684,834	584,734
Derivative financial liabilities	-	-	-	8
Current income tax liabilities	201	405	232	941
Other borrowed funds	82,702	119,526	212,847	82,450
Debt securities issued	42,655	86,609	13,068	11,976
Other liabilities	44,742	37,678	48,234	40,950
Provisions	167	295	295	295
TOTAL LIABILITIES	1,063,127	1,005,121	970,558	745,123
NET ASSETS	119,558	97,800	101,643	85,680
EQUITY				
Share capital	14,395	14,395	14,395	14,395
Share premium	42,759	42,759	42,759	42,759
Retained earnings	6,187	(3,307)	6,991	6,245
Other components of equity	56,217	43,953	37,498	22,282
Attributable to equity holders of the Bank	119,558	97,800	101,643	85,681
Other Commitments and Contingencies	159,021	130,347	131,106	111,260

PROFIT OR LOSS ACCOUNT FOR YEAR ENDED	2019 N'million	2018 N'million	2017 N'million	2016 N'million
Gross earnings	150,195	148,708	133,490	111,238
Profit before income tax expense	10,672	9,489	8,105	6,019
Income tax expense	(70)	(271)	(85)	(837)
Profit after income tax	10,602	9,218	8,020	5,182
Earning per share in Kobo (Basic/Diluted)	37k	32k	28k	18k

Other National Disclosures:
Five-Year Financial Summary - Bank

AS AT	31 DECEMBER				
	2019 N'million	2018 N'million	2017 N'million	2016 N'million	2015 N'million
ASSETS					
Cash and balances with Central Bank of Nigeria	156,059	117,685	122,630	107,859	115,924
Due from other banks	69,361	43,435	51,066	31,289	68,799
Pledged assets	11,831	11,423	145,179	86,864	69,338
Derivative financial assets	-	-	-	8	-
Loans and advances to customers	618,732	621,017	598,073	468,250	338,726
Investment securities:					
- Financial assets at fair value through profit or loss	8,317	4,110	6,883	1,653	4,693
- Debt instruments at fair value through other comprehensive income	141,272	117,620	-	-	-
- Equity instruments at fair value through other comprehensive income	5,470	4,011	-	-	-
- Debt instruments at amortised cost	84,767	106,147	-	-	-
- Available for sale	-	-	80,031	34,867	119,479
- Held to maturity	-	-	20,671	54,724	45,360
Investment in subsidiary	1	1	1	1	-
Other assets	28,581	29,446	18,728	21,676	13,903
Property, plant and equipment	18,476	16,942	16,451	14,604	15,258
Right-of-use asset	8,896	-	-	-	-
Investment property	4,141	-	-	-	-
Intangible assets	1,933	1,850	2,114	2,037	1,000
Deferred tax assets	6,971	6,971	6,971	6,971	6,971
	1,164,808	1,080,658	1,068,798	830,803	799,451
Non-current assets held for sale	701	5,218	-	-	-
TOTAL ASSETS	1,165,509	1,085,876	1,068,798	830,803	799,451
LIABILITIES					
Deposits from banks	-	-	11,048	23,769	-
Deposits from customers	892,660	760,608	684,834	584,734	590,889
Derivative financial liabilities	-	-	-	8	-
Current income tax liabilities	201	405	232	941	780
Other borrowed funds	82,702	119,526	212,847	82,450	60,286
Debt securities issued	25,709	69,355	9,709	11,976	4,564
Other liabilities	44,742	37,678	48,234	40,950	47,367
Provisions	167	295	295	295	-
TOTAL LIABILITIES	1,046,181	987,867	967,199	745,123	703,886
NET ASSETS	119,328	98,009	101,599	85,681	95,565
EQUITY					
Share capital	14,395	14,395	14,395	14,395	14,395
Share premium	42,759	42,759	42,759	42,759	42,759
Retained earnings	5,954	(3,101)	6,944	6,245	10,042
Other components of equity	56,220	43,956	37,501	22,282	28,369
Attributable to equity holders of the Bank	119,328	98,009	101,599	85,681	95,565
Other Commitments and Contingencies	159,021	130,347	131,106	111,260	166,245

PROFIT OR LOSS ACCOUNT FOR YEAR ENDED	2019 N'million	2018 N'million	2017 N'million	2016 N'million	2015 N'million
Gross earnings	147,439	147,791	133,022	111,238	110,194
Profit before income tax expense	10,233	9,739	8,039	6,019	11,016
Income tax expense	(70)	(271)	(85)	(837)	(724)
Profit after income tax	10,163	9,468	7,954	5,182	10,293
Earning per share in Kobo (Basic/Diluted)	35k	33k	28k	18k	36k
Dividend per share	3k	0k	2k	0k	9k

Share Capital **History**

Date	Authorised Share Capital		Issued & Fully Paid up		Consideration
	Increase ₦	Cumulative ₦	Increase ₦	Cumulative ₦	
1960	-	500,000	-	500,000	Cash
1970	1,000,000	1,500,000	1,000,000	1,500,000	Scrip
1973	1,000,000	2,500,000	-	1,500,000	-
1974	-	2,500,000	625,000	2,125,000	Scrip
1975	-	2,500,000	375,000	2,500,000	Scrip
1979	2,500,000	5,000,000	1,000,000	3,500,000	Scrip
1982	2,500,000	7,500,000	1,400,000	4,900,000	Scrip
1983	-	7,500,000	2,450,000	7,350,000	Cash
1984	3,000,000	10,500,000	3,150,000	10,500,000	Scrip
1985	4,500,000	15,000,000	-	10,500,000	-
1987	5,000,000	20,000,000	5,250,000	15,750,000	Scrip
1989	30,000,000	50,000,000	15,750,000	31,500,000	Scrip
1991	50,000,000	100,000,000	31,500,000	63,000,000	Scrip
1992	-	100,000,000	-	63,000,000	-
1994	-	100,000,000	31,500,000	94,500,000	Scrip
1995	50,000,000	150,000,000	47,250,000	141,750,000	Scrip
1997	450,000,000	600,000,000	-	141,750,000	Scrip
1998	-	600,000,000	212,625,000	354,375,000	Scrip
1999	-	600,000,000	177,188,000	531,563,000	Scrip
2001	400,000,000	1,000,000,000	132,890,125	664,453,125	Scrip
2003	500,000,000	1,500,000,000	132,890,125	797,343,750	Scrip
2003	-	1,500,000,000	34,344,239	831,687,989	Cash
2004	1,000,000,000	2,500,000,000	171,229,880	1,002,917,869	Scrip
2004	-	2,500,000,000	240,375,737	1,243,293,605	Cash
2005	2,000,000,000	4,500,000,000	621,646,803	1,864,940,408	Scrip
2006	5,500,000,000	10,000,000,000	522,045,592	2,386,986,000	Cash
2006	-	10,000,000,000	2,889,437,825	5,276,423,825	Merger
2008	2,000,000,000	12,000,000,000	6,658,513,143	11,934,936,968	Merger Adjustment
2008	-	12,000,000,000	-	6,281,545,772	Reconstruction
2011	-	12,000,000,000	1,570,386,444	7,851,932,216	ETB Merger
2013	-	12,000,000,000	2,944,474,581	10,796,406,797	Rights Issue
2014	4,000,000,000	16,000,000,000	3,598,802,266	14,395,209,063	Private Placement

BASIC INFORMATION

*"With significant investments earmarked for the **Renewable Energy** sector, our focus is to create aggregator platforms that connects all players within the sector and finance projects that provide clean energy to communities and businesses."*

Senior **Management**

S/N	Staff Name	Function	Current Grade
1	SULEIMAN ABUBAKAR	MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER	Group Managing Director
2	NARASIMHAN GRAMA SRINATH	ED - RETAIL AND CONSUMER BANKING	Executive Director
3	ODUBIYI YEMI	ED - CORPORATE AND INVESTMENT BANKING	Executive Director
4	EMEFIENIM EMMANUEL EFE	ED - INSTITUTIONAL BANKING	Executive Director
5	ADEOLA TUNDE	ED - COMMERCIAL BANKING	Executive Director
6	OWODEYI RAHEEM BANKOLE	ED - OPERATIONS & SERVICES / CHIEF OPERATING OFFICER	Executive Director
7	BAKARE MOJISOLA	DIVISIONAL HEAD,CORPORATE CLIENT COVERAGE AND SALES	General Manager
8	ADEGUN ADEGBOYEGA ADELANI	GROUP HEAD, INVESTMENT BANKING	General Manager
9	ONI OLAYINKA ABIODUN	CHIEF DIGITAL OFFICER	General Manager
10	ORIMOLOYE IFEDAYO	CHIEF RISK OFFICER	General Manager
11	FASINRO MORONFOLU OLASENI	CHIEF CLIENT ENGAGEMENT OFFICER	General Manager
12	OLUFEMI JAIYEOLA MUQTADIR	CHIEF COMPLIANCE OFFICER	General Manager
13	AWOSANYA IRENE OLUBUKOLA	GROUP HEAD, AGRIC FINANCE AND SOLID MINERALS	General Manager
14	ADEROJU ABIODUN	GROUP HEAD, CREDIT COLLECTIONS AND RECOVERY	Deputy General Manager
15	OBE ENIOLA	SECTOR LEAD, ONE EDUCATION	Deputy General Manager
16	OLAMBIWONNU ADEBIMPE	GROUP HEAD, FINANCE AND PERFORMANCE MANAGEMENT	Deputy General Manager
17	ATILOLA SHINA, BASHIRU	DIVISIONAL HEAD, RETAIL AND CONSUMER BANKING	Deputy General Manager
18	DALLEY TEMITOPE MOSUNMOLA	CHIEF HUMAN RESOURCES OFFICER	Deputy General Manager
19	OSHEKU CYRIL	CHIEF AUDIT EXECUTIVE	Deputy General Manager
20	LEWIS OLUFUNMILAYO	GROUP HEAD, FMCG, MANUFACTURING AND POWER	Deputy General Manager
21	ABOKI UMMA YUSUF	BUSINESS EXECUTIVE - INSTITUTIONAL, NORTH WEST	Deputy General Manager
22	EBHOHIMHEN EHIANETA MONDRITZ	BUSINESS EXECUTIVE - INSTITUTIONAL, ABUJA	Deputy General Manager
23	NWAOBA BONAVENTURE KELECHI	GROUP HEAD, TRANSACTION BANKING AND CORPORATE SOLUTIONS	Deputy General Manager
24	ADEYEMI ADEMOLA	BUSINESS EXECUTIVE - INSTITUTIONAL, SOUTH WEST 2	Deputy General Manager
25	ALIU LATEEF	GROUP HEAD, CHANNEL OPERATIONS	Deputy General Manager
26	OJO ABIOLA OLUGBENGA	BUSINESS EXECUTIVE - COMMERCIAL, LAGOS-ISLAND	Deputy General Manager
27	LAWAL KASHETOLULOPE AYOKUNLE	GROUP HEAD, CLIENT COVERAGE AND FINANCIAL INSTITUTIONS	Deputy General Manager
28	FAMOGBIELE OLUWABUNMI ADERONKE	BUSINESS EXECUTIVE- COMMERCIAL, LAGOS-IKEJA	Assistant General Manager
29	ODUTOLA ABIODUN ADEBOLA	HEAD, STRUCTURED SOLUTIONS	Assistant General Manager
30	AKINTOLA AYODEJI OLUSOJI	HEAD, TRANSPORT AND MARITIME.	Assistant General Manager
31	EZEH EBERE ELIZABETH	BUSINESS EXECUTIVE - RETAIL, SOUTH EAST 2	Assistant General Manager
32	ALAIYA DARE YUNUS	HEAD, LEGAL, CONTRACTS AND TRANSACTIONS	Assistant General Manager
33	AKINWANDE FOLUKE GRACE	HEAD, FINANCIAL/REGULATORY REPORTING	Assistant General Manager
34	OYINLOYE OLUREMI	ONE EDUCATION REGIONAL MANAGER	Assistant General Manager
35	ABURE MONDAY	BUSINESS EXECUTIVE -INSTITUTIONAL, MID-WEST	Assistant General Manager
36	OLALUSI OLANREWAJU	HEAD, STRUCTURED SOLUTIONS	Assistant General Manager
37	YINUSA OLAWALE	GROUP HEAD, CENTRAL PROCESSING CENTRE	Assistant General Manager
38	ADEWUNMI OLUREMI ADEBUNMI	HEAD, LEARNING AND DEVELOPMENT	Assistant General Manager
39	OSHODI BASHEER ADEBOLA	GROUP HEAD, NON-INTEREST BANKING	Assistant General Manager
40	ALI MOHAMMED AMTAI	BUSINESS EXECUTIVE - INSTITUTIONAL, NORTH EAST	Assistant General Manager
41	MOHAMMED GARBA	GROUP HEAD, NIB SALES	Assistant General Manager
42	NIRAN-OLADUNNI MOJIBOLA ABIMBO	BUSINESS EXECUTIVE - INSTITUTIONAL, LAGOS	Assistant General Manager
43	OBUKOFE CHARLES	BUSINESS EXECUTIVE - INSTITUTIONAL, ASABA/SOUTH EAST	Assistant General Manager
44	OFFIONG ANIEBIET	BUSINESS EXECUTIVE - INSTITUTIONAL, SOUTH SOUTH	Assistant General Manager
45	KAITA ABUBAKAR ABDULMALIK	BUSINESS EXECUTIVE - INSTITUTIONAL, NORTH WEST	Assistant General Manager
46	OGUNSANYA OLUMUYIWA ADEMOLA	GROUP HEAD, EMERGING CORPORATE	Assistant General Manager
47	IBIDAPO MARTINS AFOLABI	GROUP HEAD, BRAND MANAGEMENT AND COMMUNICATIONS /CHIEF MARKETING OFFICER	Assistant General Manager
49	BAMIDELE FASEEMO	GROUP HEAD, OIL AND GAS	Assistant General Manager
50	EDWARD ONWUBUYA CHUKWUEMEKA	HEAD, INTELLIGENCE AND INVESTIGATION	Assistant General Manager
51	ALABEDE OLADIPO AFEEZ	GROUP HEAD, DIGITAL BANKING	Assistant General Manager
52	ADEGOKE TEMITAYO	CHIEF LEGAL COUNSEL AND COMPANY SECRETARY	Assistant General Manager
53	EBENEZER AHISU VIAVO	HEAD, ENTERPRISE INFRASTRUCTURE MANAGEMENT	Assistant General Manager
54	FATAI TELLA AJIBOLA	CHIEF DATA OFFICER	Assistant General Manager
55	UBONG ISONG NNA	RETAIL BUSINESS EXECUTIVE - SOUTHEAST 1	Assistant General Manager

FORMS

"Our investments in the ***Transportation*** *sector, primarily the mass transit system – harnessing technology to de-risk the system – has paved the way for transparency and efficiency in collections and service delivery, whilst revealing the potentials of the sector to prospective investors. Our goal is to replicate this system nationwide to drive efficiency in mass transit"*

Sterling

Change Of
Address Form

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

I/We hereby request to change my/our address in books of:

NAME OF COMPANY: **STERLING BANK PLC**

OLD ADDRESS:____

____

____

____

NEW ADDRESS:____

____

____

____

Registrar account No: __________________________________

Shareholder’s Full Names:_______________________________

E-mail: ____

Mobile Phone No: ____________________________________

Shareholder’s Signature

(1) ____

(2) ____

NB: Corporate Seal/stamp required for (Corporate Shareholder)

E-bonus/Offer
/Rights Form

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

Please credit my/our account at Central Securities Clearing System Limited (CSCS) with all subsequent allotments and bonuses due to me/us in the books of:

NAME OF COMPANY: **STERLING BANK PLC**

PERSONAL DATA

Surname: ______________________________

Other Names ______________________________

Address: ______________________________

Mobile Phone No.: ______________________________

E-mail: ______________________________

Shareholder's Signature

(1) ______________________________

(2) ______________________________

NB: Corporate Seal/stamp required for (Corporate Shareholders)

CSCS DETAILS

Stockbroker: ______________________________

Clearing House Number: C ______________________________

Authorized Signature & Stamp of Stockbroker ______________________________

Please attach a copy of your CSCS statement as evidence of opening the CSCS account

Sterling

Mandate For Dividend Payment To Bank
E-dividend Form

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

I/We hereby request that subsequently all my/our dividends due or which may become due in my/our holding in the book of Sterling Bank Plc be paid electronically to my/our Bank with below details:

Shareholder's Full Name: ______________________________

Bank Name: ______________________________

Account Number (NUBAN): ______________________________

BVN: ______________________________

Bank Branch Address: ______________________________

E-mail: ______________________________

Mobile Phone No.: ______________________________

Shareholder Signature: ______________________________

Joint holders

(1) ____________________ (2) ____________________

If Corporate

Authorised signatures: (1) ____________________ (2) ____________________

NB: Corporate Seal/Stamp required for (Corporate Shareholders)

____

Authorised Signature and Stamp of Banker's:

____

PLEASE ATTACH VALID MEANS OF IDENTIFICATION

Shareholder's Data
Update Form

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.

SHAREHOLDER DETAILS

In order to effectively communicate with and to provide you with information on developments within Sterling Bank Plc, kindly complete your shareholder's details below

Surname ______________________________

Other names ______________________________

Address ______________________________

____

Registrar A/C No.:______________________________

Postal Address ______________________________

E-mail Address______________________________

Mobile Phone No.: ______________________________

Sharholder's Signature OR Thumbprint ______________________________

CSCS INFORMATION

I/We hereby request that subsequently all my/our dividends due or which may become due in my/our holding in Sterling Bank Plc indicated below to transfer to CSCS electronically:

CLEARING HOUSE NUMBER:

C									

NAME OF STOCKBROKERS

____

Joint holders

(1)______________________ (2) ______________________

If Corporate

Authorised signatures: (1)______________________ (2) ______________________

NB: Corporate Seal/stamp required for (corporate Shareholder)

Kindly return duly completed form to the Registrar:
Pace Registrars Limited RC 248500
8th Floor, Knight Frank Building
24, Campbell Street, Lagos

P.M.B.12735 Lagos, Nigeria
Tel:01-2806987-8, 2805538, Email:
info@paceregistrar.com,
website: www.paceregistrar.com

Sterling

Proxy **Form**

58TH ANNUAL GENERAL MEETING

I/WE, ____

being a member/members of Sterling Bank Plc hereby appoint Mr. Asue Ighodalo or failing him, Mr. Abubakar Suleiman or failing him, Mrs. Temitayo Adegoke, or failing her, Brig. Gen E.E. Ikwue (Rtd), or failing him, Sir Sunny Nwosu, or failing him, Mr. Mathew Akinlade, or failing him, Mr. Boniface Okezie, or failing him, Mr. Gbenga Idowu as my/our proxy, to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held at MUSON Centre, Onikan, Lagos on Wednesday, 20th May, 2020 at 10.00 a.m or at any adjournment thereof.

Dated this__________ day of __________ 2020

Shareholder's Signature ____

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve the Audited Financial Statements		
2.	To declare a Dividend		
3.	To elect/re-elect Directors		
	a. To elect Mr. Ramesh Rajapur as a Non-Executive Director		
	b. To elect Mr. Tunde Adeola as an Executive Director		
	c. To elect Mr. Raheem Owodeyi as an Executive Director		
	d. To re-elect Mr. Asue Ighodalo as a Non-Executive Director		
	e. To re-elect Mr. Olaitan Kajero as a Non-Executive Director		
4.	To approve the appointment of Messrs. Deloitte & Touche as the new Auditors of the Company		
5.	To authorize the Directors to fix the remuneration of Auditors		
6.	To elect members of the Audit Committee		

Please indicate with an '**X**' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion

NOTE:

i. Further to the directive of the Federal and State Government on the restriction of large public gatherings due to COVID- 19 pandemic, the Corporate Affairs Commission (CAC) has approved that the AGM be conducted through the use of proxies by Shareholders of the Bank. Members are therefore advised that attendance at the AGM shall only be by proxy. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her/its place. A proxy need not be a member of the Company. In view of the above, members should appoint a proxy of their choice from the following proposed proxies to represent them at the meeting: (a) Mr. Asue Ighodalo, (b) Mr. Abubakar Suleiman, (c) Mrs. Temitayo Adegoke, (d) Brig. Gen E.E. Ikwue (Rtd), (e) Sir Sunny Nwosu, (f) Mr. Mathew Akinlade, (g) Mr. Boniface Okezie, and (h) Mr. Gbenga Idowu.

ii. A duly executed proxy form should be deposited with the Registrars, Pace Registrars Limited, Akuro House, 24 Campbell Street, Lagos or via email at info@paceregistrars.com, not less than 48 hours before the time fixed for the meeting.

iii. For the appointment of a proxy to be valid for the purposes of the meeting, the Company has made arrangements to bear the cost of stamp duties on the instruments of proxy.

ADMISSION CARD Before posting the above card, please tear off and retain this part

STERLING BANK PLC
58th Annual General Meeting

Please admit the Shareholder named on this card or his duly appointed proxy to the Annual General Meeting of the Company to be held at MUSON Centre, Onikan, Lagos on Wednesday, the 20th day of May, 2020 at 10.00a.m.

Name of Shareholder/Proxy	Address	Signature

This card is to be signed at the venue in the presence of the Registrars

sterling.ng