Sterling

STERLING BANK LTD

ANNUAL REPORT, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2023

STERLING BANK LTD

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

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REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the members of Sterling Bank Ltd ("the Bank") their report together with the audited consolidated and separate financial statements for the year ended 31 December 2023.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

Legal form

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 January 3, 2006 and the Bank's shares were quoted on the Nigerian Exchange (NGX) until April 6, 2023.

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 Ltd registered Sterling Investment Management SPV Plc ("the SPV") with the Corporate Affairs Commission as a public limited liability company. 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 are collectively referred to as "the Group".

In accordance with the Bank's plan to restructure into a Holding Company to enable it carve out its Non-Interest banking business to a standalone bank, the Bank received the CBN's approvals-in-principle for Sterling Financial Holdings Company PLC (Holdco) and The Alternative Bank LTD, a standalone Non-Interest Bank in September 2020 and November 2021 respectively.

The Central Bank of Nigeria (CBN) granted operating licence to The Alternative Bank and Sterling Financial Holdings Company Plc on June 26, 2023 and June 27, 2023 respectively. With the receipt of the final licences of both the Holdco and the Non- Interest Bank from the CBN, the Alternative Bank, a subsidiary of Sterling Financial Holdings commenced banking business as a standalone entity in July 2023.

The Bank has 160 branches and cash centres as at 31 December 2023.

REPORT OF THE DIRECTORS - Continued

OPERATING RESULTS

Highlights of the Group and the Bank's operating results for the year ended 31 December 2023 are as follows:

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
Gross earnings	211,561	175,140	209,356	172,832
Profit before income tax	21,237	20,757	21,210	20,769
Income tax expense	(839)	(1,459)	(774)	(1,442)
Profit after income tax	20,398	19,298	20,436	19,327
Profit attributable to equity holders	20,398	19,298	20,436	19,327
Total non-performing loans as % of gross loans	5%	4%	5%	4%
Earnings per share (kobo) – Basic	71k	67k	71k	67k
Earnings per share (kobo) – Diluted	71k	67k	71k	67k

Dividend
The Directors did not propose any dividend for the year 2023 (31 December 2022: 15k per share).

REPORT OF THE DIRECTORS - Continued

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
Mr. Asue Ighodalo	Chairman	Resigned 31/12/2023
Mr. Michael Ajukwu	Independent Director	
Mr. Olaitan Kajero	Non-Executive Director	
Mrs. Tairat Tijani	Non-Executive Director	
Mr. Michael Jituboh	Non-Executive Director	
Mr. Ankala Prasad (Indian)	Non-Executive Director	Resigned 10/05/2023
Mr. Manish Singhal	Non-Executive Director	Appointed 03/01/2023
Mr. Ashutosh Kumar	Non-Executive Director	Appointed 09/08/2023
Mrs. Folasade Kilaso	Non-Executive Director	
Mr. Olatunji Mayaki	Non-Executive Director	Appointed as Board Chair effective 01/01/2024
Mrs. Olusola Oworu	Independent Director	
Mr. Abubakar Suleiman	Managing Director/CEO	
Mr. Yemi Odubiyi	Executive Director	Resigned 27/06/2023
Mr. Tunde Adeola	Executive Director	
Mr. Raheem Owodeyi	Executive Director	

REPORT OF THE DIRECTORS - Continued

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 contracts

For the purpose of Section 303 of the Companies and Allied Matters Act, 2020, 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 16.8 of the Nigerian Code of Corporate Governance, the Bank hereby disclose the remuneration paid to its Directors as follows:

	Type of Package Fixed	Description	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 solely owned by Sterling Financial Holdings Company Plc.

REPORT OF THE DIRECTORS - Continued

Donations and Charitable Gifts

The Bank donated a total sum of N304.6million during the year ended 31 December 2023 (2022: N281million) 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)
Bendel Insurance FC Sponsorship	Sponsorship	75.0
Ake Arts and Book Festival	Sponsorship	40.3
Made By Nigeria X EDF Fusion	Sponsorship	30.0
Mamabase Maternal Health Project	Corporate Social Responsibility	30.0
Film Lab Africa British Council Partnership	Corporate Social Responsibility	20.0
Africa Social Impact Summit Support	Corporate Social Responsibility	19.6
Education Support/Collaboration for Schools and Organisations	Corporate Social Responsibility	18.6
Environmental Makeover - Beach Adoption Project	Corporate Social Responsibility	18.0
Start 2 Scale Summit	Sponsorship	8.5
Housing and Urban Development Summit	Sponsorship	7.0
Flood Victims Support	Sponsorship	7.0
Women Empowerment and Advocacy against Gender-Based Violence	Corporate Social Responsibility/Sponsorship	6.5
Collaboration/Partnership on Environmental Sustainability	Corporate Social	5.9
Sponsorship of Conferences on Youth Development	Sponsorship	5.5
Kaduna Books and Arts Festival	Sponsorship	2.0
Ogoni Agricultural Community Support Program	Corporate Social Responsibility	1.4
Other Donations and Collaborations	Corporate Social Responsibility/Sponsorship	9.4
		304.6

REPORT OF THE DIRECTORS - Continued

Gender Analysis of Staff
Analysis of staff employed by the Bank during the year ended 31 December 2023

DESCRIPTION	NUMBER	% TO TOTAL STAFF
Female new hire	406	47.5%
Male new hire	448	52.5%
Total new hire	854	100.0%
Female as at 31 December 2023	1,261	45.2%
Male as at 31 December 2023	1,527	54.8%
Total staff	2,788	100.0%

Analysis of top management positions by gender as at 31 December 2023:

GRADE	FEMALE	MALE	TOTAL
Senior Management (AGM –GM)	12	34	46
Middle Management (DM – SM)	96	200	296
TOTAL	108	234	342

Analysis of Executive and Non-Executive positions by gender as at 31 December 2023:

GRADE	FEMALE	MALE	TOTAL
Executive Director	-	2	2
Managing Director	-	1	1
Non-Executive Director	3	7	10
TOTAL	3	10	13

Total remuneration of Senior Management (Assistant General Managers, Deputy General Managers, General Managers and Executive Directors) in 2023 amounted to N652million (2022: N747million).

Acquisition of own shares
The Bank did not acquire any of its shares during the year ended 31 December 2023 (2022: Nil).

Property, plant and equipment
Information relating to changes in property, plant and equipment is given in Note 24 to the consolidated and separate financial statements.

REPORT OF THE DIRECTORS - Continued

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 Group 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 37 to the consolidated and separate financial statements discloses 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 2023 or their profit for the year then ended.

Auditors

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020 and Section 20.2 of Nigerian Code of Corporate Governance 2018, Messrs. Deloitte & Touche have indicated their willingness to continue as External Auditors of Sterling Bank Ltd.

BY ORDER OF THE BOARD:

Temitayo Adegoke
Company Secretary
FRC/2018/PRO/NBA/002/00000018142
20 Marina, Lagos, Nigeria
21 March, 2024

CORPORATE GOVERNANCE REPORT

The Bank complies with the relevant provisions of the Nigerian Code of Corporate Governance and the Central Bank of Nigeria (CBN) Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria.

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 2023 are as follows:

	Director		Attendance	No. of Meetings
1	Mr. Asue Ighodalo*	Chairman	5	5
2	Mrs. Olusola Oworu	Independent Director	5	5
3	Mr. Olaitan Kajero	Non-Executive Director	5	5
4	Mrs. Tairat Tijani	Non-Executive Director	5	5
5	Mr. Michael Jituboh	Non-Executive Director	5	5
6	Mr. Ankala Prasad (Indian)**	Non-Executive Director	2	2
7	Mrs. Folasade Kilaso	Non-Executive Director	5	5
8	Mr. Michael Ajukwu	Independent Director	5	5
9	Mr. Olatunji Mayaki	Non-Executive Director	5	5
10	Mr. Manish Singhal***	Non-Executive Director	3	3
11	Mr. Ashutosh Kumar****	Non-Executive Director	0	2
12	Mr. Abubakar Suleiman	Managing Director / CEO	5	5
13	Mr. Yemi Odubiyi*****	Executive Director	2	2
14	Mr. Tunde Adeola	Executive Director	5	5
15	Mr. Raheem Owodeyi	Executive Director	5	5

*Retired effective 31 December 2023
** Resigned effective 10 May 2023
*** Appointed effective 3 January 2023
****Appointed effective 9 August 2023
***** Resigned effective 27 June 2023

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 Nomination & 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.

CORPORATE GOVERNANCE REPORT - Continued

Board Credit Committee

- 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:

			Attendance	No. of Meetings
1	Mrs. Olusola Oworu	Chairperson	4	4
2	Mr. Olaitan Kajero	Member	4	4
3	Mrs. Tairat Tijani	Member	4	4
4	Mr. Abubakar Suleiman	Member	4	4
5	Mr. Yemi Odubiyi*	Member	2	2
6	Mr. Tunde Adeola	Member	4	4

*Resigned effective 27 June 2023

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 budgets, 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.

CORPORATE GOVERNANCE REPORT - Continued

Board Finance and General Purpose Committee - continued

- 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 budgets, 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 costs.
- Review major expense lines periodically and approve expenditure within the limit of the Committee as documented in the financial manual of authorities.
- Review contract awards for significant expenditure above EXCO limit.
- Review significant transactions and new business initiatives for the Board's approval.
- To perform any other duties assigned by the Board from time to time.

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

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

*Resigned effective 27 June 2023

CORPORATE GOVERNANCE REPORT - Continued

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 organization'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.
- Oversight of 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 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.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	5	5
2	Mrs. Olusola Oworu	Member	5	5
3	Mr. Michael Ajukwu	Member	5	5
4	Mr. Ankala Prasad*	Member	1	2
5	Mr. Olatunji Mayaki	Member	4	5
6	Mr. Ashutosh Kumar**	Member	1	1
7	Mr. Yemi Odubiyi***	Member	3	3
8	Mr. Abubakar Suleiman	Member	5	5
9	Mr. Raheem Owodeyi	Member	5	5

* Resigned effective 10 May 2023
** Appointed effective 9 August 2023
*** Resigned effective 27 June 2023

CORPORATE GOVERNANCE REPORT - Continued

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 recommendations, 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 uses 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 Internal Auditor;
- 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 Internal Auditor;
- 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;

CORPORATE GOVERNANCE REPORT - Continued

Board Audit Committee - continued

- 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:

			Attendance	No. of Meetings
1	Mr. Michael Ajukwu	Chairman	8	8
2	Mrs. Olusola Oworu	Member	8	8
3	Mr. Michael Jituboh	Member	8	8
4	Mrs. Folasade Kilaso	Member	8	8
5	Mr. Manish Singhal*	Member	6	8

*Appointed effective 3 January 2023

Board Governance Nomination & Remuneration Committee

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

Terms of reference

- Monitoring, reviewing and approving 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;
- The Committee shall 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.
- The Committee shall review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees.
- The Committee shall recommend any proposed change(s) to the Board.

CORPORATE GOVERNANCE REPORT - Continued

Board Governance Nomination & Remuneration Committee - continued

- Recommend to the Board renewal of appointment of Executive and Non-Executive Directors based on the outcome of review of Directors performance.
- To make recommendations on experience required by Board Committee Members, Committee Appointments and Removal, Reporting and other Committee Operational matters.
- To ensure that the Board evaluation is carried out on an annual basis.
- To 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.
- The Committee shall 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.
- The Committee may 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.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Mr. Michael Ajukwu	Chairman	10	10
2	Mr. Michael Jituboh	Member	10	10
3	Mr. Olatunji Mayaki	Member	10	10
4	Mrs. Tairat Tijani	Member	10	10
5	Mrs. Folasade Kilaso	Member	10	10

CORPORATE GOVERNANCE REPORT - Continued

Statutory Audit Committee

The Statutory Audit Committee of the Bank was dissolved effective May 2023 following the re-registration of the Bank as a private limited liability company.

The Committee was established in line with Section 404(2) of the Companies and Allied Matters Act, 2020. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and two (2) Non-Executive Directors. The Committee meets every quarter, but could also meet at any other time, as the need arise.

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors

4 Mr. Olaitan Kajero
5 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 internal auditor 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 and 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;

CORPORATE GOVERNANCE REPORT - Continued

Statutory Audit Committee - continued

- 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;
- At least on an annual basis, obtain and review a report by the internal auditor 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;
- Discuss the annual audited financial statements and half yearly unaudited financial statements with Management and external auditors;
- Discuss policies and strategies with respect to risk assessment and management;
- 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 or Group;
- 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:

			Attendance	No. of Meetings
1	Alhaji Mustapha Jinadu, F.IoD	Chairman	3	3
2	Mr. Olaitan Kajero	Member	3	3
3	Mr. Idongesit Udoh	Member	3	3
4	Ms. Christie Vincent	Member	3	3
5	Mrs. Folasade Kilaso	Member	3	3

The Committee was dissolved effective May 2023

CORPORATE GOVERNANCE REPORT - Continued

Dates for Board and Board Committee meetings held in 2023 financial year:

Meetings	Dates									
Board	28-Feb-23	10-May-23	08-Aug-23	18-Nov-23	29-Dec-23					
Board Credit Committee	06-Feb-23	28-Apr-23	19-Jul-23	10-Oct-23						
Board Finance & General Purpose Committee	07-Feb-23	17-Apr-23	20-Jul-23	17-Oct-23						
Board Audit Committee*	22-Feb-23	27-Apr-23	05-Jun-23	25-Jul-23	04-Sep-23	30-Oct-23	08-Nov-23	16-Nov-23		
Board Risk Management Committee*	23-Feb-23	26-Apr-23	05-Jun-23	11-Jul-23	12-Oct-23					
Board Governance Nomination & Remuneration Committee	08-Feb-23	23-Mar-23	13-Apr-23	26-Apr-23	09-May-23	15-Jun-23	25-Jul-23	11-Oct-23	31-Oct-23	11-Dec-23
Statutory Audit Committee**	21-Feb-23	27-Mar-23	19-Apr-23							

* Board Audit Committee and Board Risk Management Committee held a joint meeting on 5 June 2023.
** The Statutory Audit Committee was dissolved at Sterling Bank and transferred to holdco effective May 2023.

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 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 **Technology Steering Committee (TSC)**
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 Ltd has a Succession Planning Policy which is aligned to the Bank's overall organisational development strategy. In line with the policy, Human Capital & Internal Services Division (HCIS Division) is saddled with the responsibility to coordinate the implementation of the Bank's Succession Policy.

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

CORPORATE GOVERNANCE REPORT - Continued

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 whistle blowing channels which are accessible via the website, dedicated telephone hotlines and e-mail addresses 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 45 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 issues relating to the Investment and Securities Act.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THER YEAR ENDED 31 DECEMBER 2023

The Directors of Sterling Bank Ltd accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Bank and its subsidiary as at 31 December 2023, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act, 2011. In preparing the financial statements, the Directors are responsible for:

(a) properly selecting and applying accounting policies;

(b) presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

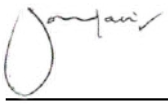
(c) providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

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

The financial statements of the Group for the year ended 31 December 2023 were approved by the directors on 21 March, 2024.

Signed on behalf of the Directors by:

Abubakar Suleiman
Managing Director/CEO
FRC/2013/PRO/DIR/003/00000001275



Olatunji Mayaki
Chairman
FRC/2014/PRO/DIR/003/00000009975

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

(i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and

(ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

(b) We state that management and directors:

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

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

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

The financial statements of the Group and the Bank for the year ended 31 December 2023 were approved by the directors on 21 March, 2024.

Signed by:

Saheed Adegoke
Group Head, Finance & Performance Management
FRC/2012/PRO/ICAN/001/00000000274

Abubakar Suleiman
Managing Director/CEO
FRC/2013/PRO/DIR/003/00000001275

REPORT OF THE BOARD AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2023
TO THE MEMBERS OF STERLING BANK LTD

In accordance with the provision of Section 404 (7) of the Companies and Allied Matters Act 2020, the members of the Board Audit Committee of Sterling Bank Ltd 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 2023 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 404 (7) of the Companies and Allied Matters Act, 2020 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 36(b) to the consolidated and separate financial statements.

Michael Ajukwu
Chairman, Board Audit Committee **20 February, 2024**

Members of the Board Audit Committee are:

1	Mr. Michael Ajukwu	Chairman
2	Mrs. Olusola Oworu	Member
3	Mr. Michael Jituboh	Member
4	Mr. Olaitan Kajero	Member
5	Mr. Manish Singhal	Member

In attendance:
Temitayo Adegoke — Company Secretary

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Nigeria.
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Fax: +234 1 2717801
www.deloitte.com/ng

27 March 2024

The Chairman
Sterling Bank Limited
Sterling Towers,
20 Marina,
Lagos Island

Report of External Auditors Review on the Extent of Compliance with Corporate Governance Requirements

Deloitte & Touche has performed an independent review to determine the extent of Sterling Bank Limited ("Sterling Bank") compliance with the provisions of the Nigerian Code of Corporate Governance 2018 (NCCG 2018), and CBN Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks (CBN CG Guidelines for Banks), for the year ended 31 December 2023.

The review was performed in compliance with Section 18.2 of the CBN CG Guidelines for Banks. Our review was premised on desk review of relevant governance documents, policies, and procedures. Our report presents a synopsis of our review activities, observations, and recommendations. The result of our review has shown that the Bank generally complies with the provisions of the NCCG and the CBN CG Guidelines for Banks.

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

Thank you for the opportunity to work with you on this project. We look forward to other opportunities to add value to your business.

Yours faithfully,
For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF STERLING BANK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of **Sterling Bank Limited** and its subsidiary (the Group and Bank) set out on pages 28 to 185, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 flow for the year then ended, and the notes to the consolidated and separate financial statements including material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **Sterling Bank Limited** as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act Cap B3 LFN 2020, relevant Central Bank of Nigeria guidelines and circulars and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of consolidated and separate Financial Statements in Nigeria.

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

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List of partners and partner equivalents available on the website
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matter

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.

Key Audit Matter	
Identification and measurement of impairment of Loans and advances	**How the matter was addressed in the audit**
As disclosed in note 2.2.2 (vii) to the consolidated and separate financial statements, in line with the provisions of IFRS 9, The Bank identifies and measures loss allowances based on Expected Credit Loss (ECL) model on the following financial instruments. • Financial guarantee contracts issued; and • Loan commitments issued • Financial assets that are debt instruments;	We evaluated the appropriateness of the Directors' assessment of whether credit risk has increased significantly since initial recognition of loans and advances and adequacy of the related disclosures made.
The Bank applies a three-stage approach to measuring ECL on loans commitment issued which migrate through three stages based on changes in credit quality since initial recognition. At each reporting date, the Directors assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset at initial recognition and risk of default at the reporting date. And in determining whether credit risk has increased significantly since initial recognition, the Directors uses internal credit risk grading system, external risk ratings and forecast macroeconomics information like unemployment rate, interest rate, gross domestic product, inflation and commercial property prices. Identification and measurement of impairment of financial instruments is of significance to the audit of the financial statements due to the amount of judgement required by the Directors in determining whether the credit risk has increased significantly since initial recognition of financial assets that includes the consideration of current and future macroeconomics information. Accordingly, for the purposes of our audit, we have identified identification and measurement of impairment of loans and advances as a key audit matter.	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss. Our audit procedures also included challenging the Directors on the reasonableness of the loans and advances staging categorization based on changes in credit quality and risk of default.We involved our Credit Specialist on the engagement to review and challenge the reasonableness of ECL model logic as well as inputs and assumptions (internal credit risk grading system, external risk ratings and forecast macroeconomics information like unemployment rate, interest rate, gross domestic product, inflation and commercial property prices) used by comparing these with industry trends and Banks's historical performance. We assessed the adequacy of the disclosures in the financial statements relating to loans and advances Based on the work performed, we found the Directors key judgements and assumptions to be reasonable. We are satisfied that the related disclosures in the financial statement are appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sterling Bank Limited Annual Report and Financial Statements for the year ended 31 December 2023", which includes the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, the Board Audit and Risk Management Committee's Report, Board Evaluation Report, the Statement of Corporate Responsibility for Financial Statements, and Other National Disclosures as required by Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria (Amendment) Act 2023 which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.
Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act, 2020, the Financial Reporting Council of Nigeria (Amendment) Act 2023 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 and the Bank's abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and 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 relating to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the Group and Bank's 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 and Bank's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year 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 fifth Schedule of Companies and Allied Matters Act 2020 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Group has kept proper books of account, so far as appears from our examination of those books.

Deloitte.

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

iv) In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 36b.

v) During the year, the bank contravened certain sections of the Banks and Other Financial Institutions (BOFIA) Act, 2020 and CBN circular/guidelines. Details of the contravention and the related penalty is as disclosed in note 42 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
10 May 2024

Engagement partner: **Michael Daudu**
FRC/2013/PRO/ICAN/004/00000000845

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

In millions of Naira	Note(s)	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest income using effective interest rate	6	150,563	128,434	148,358	126,126
Interest expense using effective interest rate	7	(70,523)	(52,042)	(68,355)	(49,765)
Net interest income		**80,040**	**76,392**	**80,003**	**76,361**
Fees and commision income	8	33,184	28,384	33,184	28,384
Fees and commision expense	8	(8,538)	(6,009)	(8,538)	(6,009)
Net fees and commision income		**24,646**	**22,375**	**24,646**	**22,375**
Net trading income	9	19,130	7,692	19,130	7,692
Other operating income	10	8,684	10,630	8,684	10,630
Credit loss expense	11	(12,166)	(9,122)	(12,161)	(9,084)
Personnel expenses	12	(20,641)	(16,944)	(20,641)	(16,944)
Operating expenses	13.1	(56,005)	(52,502)	(56,000)	(52,497)
Depreciation and amortisation	13.2	(4,581)	(4,879)	(4,581)	(4,879)
Other property, plant and equipment costs	13.3	(17,870)	(12,885)	(17,870)	(12,885)
Profit before income tax expense		**21,237**	**20,757**	**21,210**	**20,769**
Income tax expense	14(a)	(839)	(1,459)	(774)	(1,442)
Profit after income tax		**20,398**	**19,298**	**20,436**	**19,327**
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent period:					
Revaluation gains on equity instruments at fair value through other comprehensive income		5,797	5,648	5,797	5,648
Total items that will not be reclassified to profit or loss in subsequent period		5,797	5,648	5,797	5,648
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		3,721	(4,610)	3,721	(4,610)
- Changes in allowance for expected credit losses		760	(18)	760	(18)
Net (losses)/gains on debt instruments at fair value through other comprehensive income		4,481	(4,628)	4,481	(4,628)
Total items that will be reclassified to profit or loss in subsequent period		**4,481**	**(4,628)**	**4,481**	**(4,628)**
Other comprehensive income/(loss) for the year, net of tax		**10,278**	**1,020**	**10,278**	**1,020**
Total comprehensive income for the year, net of tax		**30,676**	**20,318**	**30,714**	**20,347**
Profit attributable to:					
Equity holders of the Bank		20,398	19,298	20,436	19,327
Total comprehensive income attributable to:					
Equity holders of the Bank		30,676	20,318	30,714	20,347
Earnings per share - basic (in kobo)	15	71k	67k	71k	67k
Earnings per share - diluted (in kobo)	15	71k	67k	71k	67k

*Income from these instruments is exempted from tax.

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

In millions of Naira	Note(s)	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
ASSETS					
Cash and balances with Central Bank of Nigeria	16	592,566	431,488	592,566	431,488
Due from banks	17	234,954	86,459	234,948	86,171
Pledged assets	18	11,272	23,098	11,272	23,098
Derivative financial assets	19	276	807	276	807
Loans and advances to customers	20	862,699	737,735	862,699	737,735
Investments in securities:					
- Financial assets at fair value through profit or loss	21(a)	2,112	921	2,112	921
- Debt instruments at fair value through other comprehensive income	21(b)	284,423	230,636	284,423	230,636
- Equity instruments at fair value through other comprehensive income	21(c)	29,114	25,227	29,114	25,227
- Debt instruments at amortised cost	21(d)	130,730	106,889	116,693	89,806
Investment in subsidiary	22	-	-	1	1
Other assets	23	232,809	171,911	232,809	171,911
Property, plant and equipment	24.1	22,984	17,913	22,984	17,913
Right-of-use asset	24.2	9,103	8,342	9,103	8,342
Investment property	24.3	-	5,584	-	5,584
Intangible assets	25	570	950	570	950
Deferred tax assets	14(i)	7,757	7,005	7,757	7,005
		2,421,369	1,854,965	2,407,327	1,837,595
Non-current assets held for sale	26	-	3,027	-	3,027
TOTAL ASSETS		**2,421,369**	**1,857,992**	**2,407,327**	**1,840,622**
LIABILITIES					
Deposits from Banks	27	-	37,178	-	37,178
Deposits from customers	28	1,747,510	1,327,805	1,747,510	1,327,805
Current income tax payable	14(b)	1,414	1,607	1,316	1,573
Other borrowed funds	29	183,067	133,270	183,067	133,270
Debt securities issued	30	33,959	42,388	20,357	25,431
Other liabilities	31.1	294,346	160,257	294,412	160,324
Provisions	31.2	718	1,489	718	1,489
TOTAL LIABILITIES		**2,261,014**	**1,703,994**	**2,247,380**	**1,687,070**
EQUITY					
Share capital	32.1(b)	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
Retained earnings		22,226	44,922	21,818	44,476
Other components of equity	34	80,975	51,922	80,975	51,922
Total equity		**160,355**	**153,998**	**159,947**	**153,552**
TOTAL LIABILITIES AND EQUITY		**2,421,369**	**1,857,992**	**2,407,327**	**1,840,622**

The consolidated and separate financial statements were approved by the Board of Directors on 21 March, 2024 and signed on its behalf by:

Abubakar Suleiman
Managing Director/ Chief Executive Officer
FRC/2013/PRO/DIR/003/00000001275

Saheed Adegoke
Group Head, Finance & Performance Management
FRC/2012/PRO/ICAN/001/00000000274

Olatunji Mayaki
Chairman
FRC/2014/PRO/DIR/003/00000009975

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	PPPRA reserve	Total other components of equity	Retained earnings	Total
GROUP												
At 1 January 2023	14,395	42,759	6,695	5,276	10,195	235	3,347	28,200	(2,026)	51,922	44,922	**153,998**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	20,398	**20,398**
Other comprehensive income for the year, net of tax:												
Net change in fair value of other financial instruments at FVOCI	-	-	3,721	-	-	-	-	-	-	3,721	-	**3,721**
Net change in fair value of equity instruments at FVOCI	-	-	5,797	-	-	-	-	-	-	5,797	-	**5,797**
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	760	-	-	-	-	-	-	760	-	**760**
Total comprehensive income	-	-	10,278	-	-	-	-	-	-	10,278	20,398	**30,676**
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(4,319)	**(4,319)**
Unwinding of PPPRA reserve	-	-	-	-	-	-	-	-	2,026	2,026	(2,026)	**-**
Transfer from regulatory risk reserve (Note 34.1d)	-	-	-	-	12,662	-	-	-	-	12,662	(12,662)	**-**
Transfer to statutory risk and AGSMEIS reserves (Notes 34.1a & 34.c)	-	-	-	-	-	-	1,022	3,065	-	4,087	(4,087)	**-**
Distribution to parent company*	-	-	-	-	-	-	-	-	-	-	(10,000)	**(10,000)**
Carve-out of non-interest banking window*	-	-	-	-	-	-	-	-	-	-	(10,000)	**(10,000)**
As at 31 December 2023	**14,395**	**42,759**	**16,973**	**5,276**	**22,857**	**235**	**4,369**	**31,265**	**-**	**80,975**	**22,226**	**160,355**

*See details in Note 47(b)
The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2022

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	PPPRA reserve	Total other components of equity	Retained earnings	**Total**
GROUP												
Balance at 1 January 2022	14,395	42,759	5,675	5,276	10,247	235	2,381	25,301	(4,051)	45,064	34,341	**136,559**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	19,298	**19,298**
Other comprehensive income for the year, net of tax:	-	-		-	-	-	-	-	-	-	-	**-**
Net change in fair value of other financial instruments at FVOCI	-	-	(4,610)	-	-	-	-	-	-	(4,610)		**(4,610)**
Net change in fair value of equity instruments at FVOCI	-	-	5,648	-	-	-	-	-	-	5,648		**5,648**
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	(18)	-	-	-	-	-	-	(18)		**(18)**
							-					
Total comprehensive income	-	-	1,020	-	-	-	-	-	-	1,020	19,298	**20,318**
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(2,879)	**(2,879)**
Unwinding of PPPRA reserve					-	-	-	-	2,025	2,025	(2,025)	**-**
Transfer to regulatory risk reserve (Note 34.1d)					(52)	-	-	-	-	(52)	52	**-**
Transfer to statutory reserve and AGSMEIS reserves (Notes 34.1a & 34.c)			-	-		-	966	2,899	-	3,865	(3,865)	**-**
As at 31 December 2022	**14,395**	**42,759**	**6,695**	**5,276**	**10,195**	**235**	**3,347**	**28,200**	**(2,026)**	**51,922**	**44,922**	**153,998**

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2023

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	PPPRA reserve	Total equity reserves	Retained earnings	Total
BANK												
Balance at 1 January 2023	**14,395**	**42,759**	**6,695**	**5,276**	**10,195**	**235**	**3,347**	**28,200**	**(2,026)**	**51,922**	**44,476**	**153,552**
	14,395	**42,759**	**6,695**	**5,276**	**10,195**	**235**	**3,347**	**28,200**	**(2,026)**	**51,922**	**44,476**	**153,552**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	20,436	**20,436**
Comprehensive income for the year:												
Net change in fair value of other financial instruments at FVOCI	-	-	3,721	-	-	-	-	-	-	3,721	-	**3,721**
Net change in fair value of equity instrument at FVOCI	-	-	5,797	-	-	-	-	-	-	5,797	-	**5,797**
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	760	-	-	-	-	-	-	760	-	**760**
Total comprehensive income	-	-	10,278	-	-	-		-	-	10,278	20,436	**30,714**
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(4,319)	**(4,319)**
Unwinding of PPPRA reserve	-	-	-	-	-	-	-	-	2,026	2,026	(2,026)	-
Transfer from regulatory risk reserve (Note 34.1d)	-	-	-	-	12,662	-	-	-	-	12,662	(12,662)	-
Transfer to statutory risk and AGSMEIS reserves (Notes 34.1a & 34.c)	-	-	-	-	-	-	1,022	3,065	-	4,087	(4,087)	-
Distribution to parent company*	-	-	-	-	-	-	-	-	-	-	(10,000)	**(10,000)**
Carve-out of non-interest banking window*	-	-	-	-	-	-	-	-	-	-	(10,000)	**(10,000)**
Balance at 31 December 2023	**14,395**	**42,759**	**16,973**	**5,276**	**22,857**	**235**	**4,369**	**31,265**	**-**	**80,975**	**21,818**	**159,947**

*See details in Note 47(b)

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2022

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	PPPRA reserve	Total equity reserves	Retained earnings	**Total**
BANK												
Balance at 1 January 2022	14,395	42,759	5,675	5,276	10,247	235	2,381	25,301	(4,051)	45,064	33,866	**136,084**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	19,327	**19,327**
Comprehensive income for the year:												**-**
Net change in fair value of other financial instruments at FVOCI			(4,610)							(4,610)		**(4,610)**
Net change in fair value of equity instrument at FVOCI			5,648							5,648		**5,648**
Changes in allowance for expected credit losses of debt instruments at FVOCI			(18)							(18)		**(18)**
Total comprehensive income	-	-	1,020	-	-	-	-	-	-	1,020	19,327	**20,347**
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(2,879)	**(2,879)**
Unwinding of PPPRA reserve					-	-	-	-	2,025	2,025	(2,025)	**-**
Transfer to regulatory risk reserve (Note 34.1d)					(52)	-	-	-	-	(52)	52	**-**
Transfer to statutory risk & AGSMEIS reserve (Notes 34.1a & 34.c)	-	-	-	-	-	-	966	2,899	-	3,865	(3,865)	**-**
Balance at 31 December 2022	**14,395**	**42,759**	**6,695**	**5,276**	**10,195**	**235**	**3,347**	**28,200**	**(2,026)**	**51,922**	**44,476**	**153,552**

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

In millions of Naira	Note(s)	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Profit after income tax		20,398	19,298	20,436	19,327
Adjustments for:					
Credit loss expense	11	12,166	9,122	12,161	9,084
Depreciation and amortisation	13.2	4,581	4,879	4,581	4,879
Dividend income	10	(476)	(416)	(476)	(416)
Gain on disposal of property, plant and equipment	10	(55)	(197)	(55)	(197)
Unrealised gain on FVTPL instruments		398	(45)	398	(45)
(Decrease)/Increase in provision		(25)	50	(25)	50
Net interest income		(80,040)	(76,392)	(80,003)	(76,361)
Net foreign exchange loss	9	(4,568)	(166)	(4,568)	(166)
Income tax	14(a)	839	1,459	774	1,442
		(46,782)	(42,408)	(46,777)	(42,403)
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		(152,382)	(51,426)	(152,382)	(51,426)
Investment securities at FVTPL		(1,589)	9,361	(1,589)	9,361
Pledged assets		-	(1,644)	-	(1,644)
Loans and advances to customers		6,371	(22,910)	6,371	(22,910)
Derivative financial assets		531	(807)	531	(807)
Other assets		2,544	(77,341)	2,544	(77,341)
		(191,307)	(187,175)	(191,302)	(187,170)
Changes in operating liabilities:					
Deposits from banks		(37,178)	21,610	(37,178)	21,610
Deposits from customers		232,945	97,982	232,945	97,982
Other liabilities		24,493	57,491	24,427	57,528
Cash generated from operations		28,953	(10,092)	28,892	(10,050)
Interest received		150,160	122,206	147,955	116,280
Interest paid on deposits from banks and customers		(40,216)	(34,552)	(40,216)	(34,552)
Income tax paid		(1,814)	(843)	(1,814)	(841)
Net cash flows from operating activities		137,083	76,719	134,817	70,837
Investing activities					
Purchase of property, plant and equipment	24.1	(11,551)	(4,948)	(11,551)	(4,948)
Purchase of intangible assets	25	(75)	(278)	(75)	(278)
Purchase of investment property	24.3	-	(560)	-	(560)
Proceeds from sale of investment property		-	1,846	-	1,846
Right-of-use-asset		(1,656)	(613)	(1,656)	(613)
Proceeds from sale of property, plant and equipment		156	400	156	400
Purchase of debt instruments at FVOCI		(1,255,659)	(1,018,044)	(1,255,659)	(1,018,044)
Proceeds from sale/redemption of debt instruments at FVOCI		1,219,369	962,554	1,219,369	962,554
Purchase of debt instruments at amortised cost		(90,826)	(34,144)	(90,826)	(30,817)
Redemption of debt instruments at amortised cost		64,561	14,978	61,586	14,978
Purchase of equity instrument at FVOCI		-	(1,623)	-	(1,623)
Dividends received	10	476	416	476	416
Net cash flows used in investing activities		(75,205)	(80,016)	(78,180)	(76,689)
Financing activities:					
Proceeds from other borrowed funds	29	61,615	35,182	61,615	35,182
Repayments of other borrowed funds	29	(48,926)	(18,362)	(48,926)	(18,362)
Transfer to holding company		(10,000)	-	(10,000)	-
Repayment of debt & securities issued	30	(7,965)	-	(4,779)	-
Interest paid on other borrowed funds & debt issued		(29,329)	(18,047)	(26,992)	(15,772)
Dividends paid	33.1	(4,319)	(2,879)	(4,319)	(2,879)
Net cash flows used in financing activities		(38,924)	(4,106)	(33,401)	(1,831)
Net increase/(decrease) in cash and cash equivalents		22,954	(7,403)	23,236	(7,683)
Effect of exchange rate changes on cash and cash equivalents		134,237	8,201	134,237	8,201
Cash and cash equivalents at 1 January		222,652	221,854	222,364	221,846
Cash and cash equivalents at 31 December	38	379,843	222,652	379,837	222,364

The accompanying notes 1 to 47 form part of the consolidated and separate financial statements.

STATEMENT OF PRUDENTIAL ADJUSTMENTS

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 2023**	**As at 31 Dec 2022**
Transfer to Regulatory Risk Reserve			
Prudential provision		59,961	37,342
Total Prudential provision		**59,961**	**37,342**
IFRS provision			
Impairment allowance on loans to corporate entities	20.1	18,366	11,176
Impairment allowance on loans to individuals	20.2	11,151	9,272
Allowances for impairment for other assets	23	5,414	4,507
Impairment allowance on debt instruments at amortised cost	21(d)	239	172
Impairment allowance on pledged assets at amortised cost	18.2	16	17
Impairment allowance on pledged assets at FVOCI	18.3.1	-	3
Impairment allowance on debt instruments at FVOCI	21(e)	1,200	511
Provisions for litigation, letters of credits and guarantees	31.2	718	1,489
		37,104	**27,147**
Difference in impairment provision balances		22,857	10,195
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		10,195	10,247
Transfer to / (from) Regulatory Risk Reserve		12,662	(52)
		22,857	10,195

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1 Corporate information

Sterling Bank Ltd, (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 Ltd (the "Bank") together with its subsidiary (collectively the "Group") is engaged in commercial banking with emphasis on retail and consumer banking, trade services, corporate, and investment 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 Ltd and its subsidiary for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 21 March, 2024.

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 2020, The Financial Reporting Council of Nigeria Ammendment Act 2023, 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 (₦'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 39 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 2023. Sterling Bank consolidates a subsidiary when it controls the entity. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.1 Basis of preparation and statement of compliance - continued

(c) Basis of Consolidation - continued

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities,non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. However, in the year under review, the Group did not have any investee company accounted for using equity method.

2.2 Summary of material accounting policies

The following are the material 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.

2.2 Summary of material accounting policies

(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.

2.2.1 Taxes

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(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 include 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

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 include equity instruments at FVOCI, treasury bills, promissory notes, government bonds, corporate bonds and receivables.

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 as well as cash returns on 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.

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

(iii) Subsequent measurement - continued

(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. The Group presents 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies - continued

2.2.2 Financial instruments - continued

(iv) Business model assessment - continued

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 fair value through profit or loss are included in the profit or loss and are reported as 'Net trading income on financial instruments classified as as fair value through profit or loss'. Interest expenses on financial liabilities held for trading are included in 'Net trading income on financial instruments classified as as fair value through profit or loss'.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(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 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 interest income 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(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 12-month ECL for the following:
• 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.
Otherwise, ECL is measured over the lifetime of instruments with significantly increased credit risk.

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 and the amortized costs of the asset;
c. Undrawn loan commitments: ECL is the present value of the difference between the contractual cash flows that are due to 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; or
• The disappearance of an active market for a security because of financial difficulties.
• The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

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 within other liabilities;
• 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.
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 recoveries.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies
2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

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.

The Group did not have any embedded deriavtive in the 2023 financial year (2022: nil)

(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.

(xi) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(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 35(b)). The Group also recognises loss allowance for its loan commitments (See Note 35(b)). 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 rate 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.3 Revenue recognition- continued

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 Net trading income on financial instruments.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

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 include 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. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.5 Property, plant and equipment - continued

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

Leasehold buildings	50 years
Leasehold improvements	10 years
Furniture, fittings & equipment	5 years
Computer equipment	5 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.7 Intangible assets - continued

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

The Group 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. Leases are accounted for in accordance with IFRS 16.

(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.

(a) 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 23.2 and are subject to impairment in line with the Group's policy as described in Note 2.2.9 Impairment of non-financial assets.

(b) 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.

(ii) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.9 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.

2.2.10 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 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.11 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.

(ii) Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

(iii) 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.

2.2.12 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies

2.2.12 Contingencies -continued

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 circumstances where no reliable estimate can be made.

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

(iii) Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events;
It is more probable than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.2.13 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.

2.2.14 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.

(iii) Regulatory risk reserve

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.

2.2.15 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 year.

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.

2.2.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the 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).

2.2.17 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).

2.2.18 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.

2.2.19 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.2 Summary of material accounting policies - continued

2.2.19 Fair value definition and measurement - continued

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2.3 Changes in accounting policies and disclosures

The following amendments and interpretations became effective in the annual period starting from 1 January, 2023. The new reporting requirements as a result of the amendments and interpretations have been considered and their impact or otherwise are presented below:

(i) IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation, and disclosure of Insurance contracts within the scope of the Standard. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

The standard introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity-specific adjustment for risk) and a contractual service margin. The premium allocation approach (PAA) is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the PAA approach, the liability for remaining coverage will be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

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

(ii) Amendments to IAS 8: Definition of Accounting Estimates

On 12 February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendment clarifies that a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendment, which is effective for annual periods beginning on or after 1 January 2023, does not have any material impact

(iii) Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

In addition, at the beginning of the earliest comparative period an entity recognises:

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

These amendments does not have significant impact on the consolidated financial statements of the Group.

(iv) Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 24 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3 Significant accounting judgements, estimates and assumptions

3.1 Estimates and Assumptions- continued

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
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 2.2.19. 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(i) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3 Significant accounting judgements, estimates and assumptions

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:

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.

(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(i) 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).

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendment to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

In September 2022, the Board issued Lease Liability in a Sale and Leaseback. The amendment to IFRS 16 specifies the requirements that a seller lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

However, the requirements do not prevent the seller-lessee from recognizing any gain or loss arising from the partial or full terminaton of a lease.

The amendment is not expected to have any significant impact on the Group.

Amendments to IAS 7 & IFRS 7 – Supplier Finance Arrangements

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments. The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions.

These amendments,which will be effective on or after 1 January 2024, are not expected to have significant impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 (this segment became a standalone bank in July 2023 in line with approved Holdco restructuring); 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.

5 Segment Information - continued

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2023 (2022: 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 2023 ***In millions of Naira***	**Retail Banking**	**Commercial Banking**	**Institutional Banking**	**Corporate & Investment Banking**	**Non-interest Banking***	**SPV**	**Elimination**	**Total**
Interest and non - interest banking income	51,122	37,705	29,207	25,405	4,919	6,153	(3,948)	150,563
Interest and non - interest banking expense	(17,333)	(17,084)	(11,784)	(20,170)	(1,984)	(6,116)	3,948	(70,523)
Net interest and Non - interest margin	**33,789**	**20,621**	**17,423**	**5,235**	**2,935**	**37**	**-**	**80,040**
Net fees and commission income	3,251	1,131	825	19,393	46	-		24,646
Credit loss expense	(9,290)	(458)	(493)	(1,891)	(30)	(8)	4	(12,166)
Depreciation and Amortization	(2,061)	(726)	(690)	(779)	(325)	-		(4,581)
Operating Expenses	(33,842)	(19,291)	(19,796)	(19,532)	(2,050)	(5)	-	(94,516)
Segment profit/(loss)	**2,818**	**6,011**	**1,571**	**8,750**	**2,059**	**24**	**4**	**21,237**
Assets as at 31 December 2023								
Capital expenditure: Additions during the year								
Property, plant and equipment & Intangible assets	11,098	281	96	76	-	-		11,551
Other intangible assets	75	-	-	-	-	-		75
Total Assets	**618,818**	**524,602**	**475,557**	**768,153**	**-**	**34,239**	**(20,199)**	**2,421,369**
Total Liabilities	**806,152**	**463,216**	**456,149**	**501,247**	**-**	**34,250**	**(20,618)**	**2,261,014**

Non-interest banking is 6 months performance (2022: 12 months), the segment was carved out in July 2023 and transferred to the Alternative Bank Limited.

5 Segment Information - continued

31 December 2022 *In millions of Naira*	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Elimination	Total
Interest and non - interest banking income	35,217	22,553	30,971	30,085	7,300	6,684	(4,376)	128,434
Interest and non - interest banking expense	(11,317)	(12,766)	(9,034)	(14,330)	(2,318)	(6,653)	4,376	(52,042)
Net interest and Non - interest margin	23,900	9,787	21,937	15,755	4,982	31	-	76,392
Net fees and commission income	8,158	2,890	3,582	7,700	45	-	-	22,375
Credit loss expense	(5,665)	(61)	(2,128)	(429)	(801)	(262)	224	(9,122)
Depreciation and Amortization	(3,140)	(332)	(356)	(518)	(533)	-	-	(4,879)
Operating Expenses	(18,367)	(12,316)	(28,091)	(20,832)	(2,720)	(5)	-	(82,331)
Segment profit/(loss)	**9,906**	**3,512**	**(2,961)**	**7,624**	**2,688**	**(236)**	**224**	**20,757**
Assets as at 31 December 2022								
Capital expenditure: Additions during the year								
Property, plant and equipment & Intangible assets	3,982	-	-	12	954	-	-	4,948
Other intangible assets	278	-	-	-	-	-	-	278
Total Assets	**373,401**	**350,761**	**435,422**	**558,009**	**123,029**	**42,726**	**(25,356)**	**1,857,992**
Total Liabilities	**561,247**	**365,449**	**321,755**	**337,310**	**101,309**	**42,696**	**(25,772)**	**1,703,994**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
6	**Interest income using effective interest rate**				
	Loans and advances to customers	119,402	100,441	119,402	100,441
	Investment securities	28,266	27,105	26,061	24,797
	Cash and cash equivalents	2,895	888	2,895	888
		150,563	**128,434**	**148,358**	**126,126**

Modification loss of N611million (2022: N188million gain) for Group and Bank has been included in the interest income on loans and advances. This adjustment represents the changes in gross carrying amounts of the financial assets from immediately before, to immediately after modification using the effective interest rate of the initial contract.

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest from investment securities were derived from:				
Debt instruments at amortised cost	10,015	15,669	7,810	13,361
Debt instruments at fair value through other comprehensive income	18,251	11,436	18,251	11,436
	28,266	**27,105**	**26,061**	**24,797**

7	**Interest expense using effective interest rate**				
	Deposits from customers	38,702	33,275	38,702	33,275
	Debt securities issued	10,146	6,726	7,978	4,449
	Other borrowed funds	19,127	10,498	19,127	10,498
	Deposits from banks	2,540	1,536	2,540	1,536
	Interest on lease liability	8	7	8	7
		70,523	**52,042**	**68,355**	**49,765**

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:

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
E-business commission and fees	7,972	7,157	7,972	7,157
Other fees and commissions (Note 8.1)	4,307	5,306	4,307	5,306
Account maintenance fees	4,878	4,113	4,878	4,113
Commissions and similar income	5,062	4,011	5,062	4,011
Facility management fees	3,760	3,370	3,760	3,370
Total revenue from contracts with customers	25,979	23,957	25,979	23,957
Other non-contract fee income:				
Commission on letter of credit transactions	7,205	4,427	7,205	4,427
Total fees and commission income	**33,184**	**28,384**	**33,184**	**28,384**
Total fees and commission expense				
Fees and commission expense	(8,538)	(6,009)	(8,538)	(6,009)
Net fees and commision income	**24,646**	**22,375**	**24,646**	**22,375**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
6	**Interest income using effective interest rate**				
	Loans and advances to customers	119,402	100,441	119,402	100,441
	Investment securities	28,266	27,105	26,061	24,797
	Cash and cash equivalents	2,895	888	2,895	888
		150,563	**128,434**	**148,358**	**126,126**

Modification loss of N611million (2022: N188million gain) for Group and Bank has been included in the interest income on loans and advances. This adjustment represents the changes in gross carrying amounts of the financial assets from immediately before, to immediately after modification using the effective interest rate of the initial contract.

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
Interest from investment securities were derived from:				
Debt instruments at amortised cost	10,015	15,669	7,810	13,361
Debt instruments at fair value through other comprehensive income	18,251	11,436	18,251	11,436
	28,266	**27,105**	**26,061**	**24,797**

7	**Interest expense using effective interest rate**				
	Deposits from customers	38,702	33,275	38,702	33,275
	Debt securities issued	10,146	6,726	7,978	4,449
	Other borrowed funds	19,127	10,498	19,127	10,498
	Deposits from banks	2,540	1,536	2,540	1,536
	Interest on lease liability	8	7	8	7
		70,523	**52,042**	**68,355**	**49,765**

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

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
E-business commission and fees	7,972	7,157	7,972	7,157
Other fees and commissions (Note 8.1)	4,307	5,306	4,307	5,306
Account maintenance fees	4,878	4,113	4,878	4,113
Commissions and similar income	5,062	4,011	5,062	4,011
Facility management fees	3,760	3,370	3,760	3,370
Total revenue from contracts with customers	25,979	23,957	25,979	23,957
Other non-contract fee income:				
Commission on letter of credit transactions	7,205	4,427	7,205	4,427
Total fees and commission income	**33,184**	**28,384**	**33,184**	**28,384**
Total fees and commission expense				
Fees and commission expense	(8,538)	(6,009)	(8,538)	(6,009)
Net fees and commision income	**24,646**	**22,375**	**24,646**	**22,375**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

11b Credit loss expense

The table below shows the ECL charges on financial instruments for the year 31 December 2023 recorded in profit or loss :

				2023
Group				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(2,584)	(558)	13,672	10,530
Debt instruments measured at FVOCI	760	-	-	760
Debt instruments measured at amortised cost	71	-	-	71
Other assets	320	-	1,228	1,548
Financial guarantees	(536)	-	-	(536)
Letters of credit	(207)	-	-	(207)
Total credit loss expense	**(2,176)**	**(558)**	**14,900**	**12,166**

				2022
Group				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(3,329)	1,636	8,776	7,083
Debt instruments measured at FVOCI	(18)	-	-	(18)
Debt instruments measured at amortised cost	221	-	-	221
Other assets	1,577	-	-	1,577
Financial guarantees	88	-	-	88
Letters of credit	171	-	-	171
Total credit loss expense	**(1,290)**	**1,636**	**8,776**	**9,122**

				2023
Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(2,584)	(558)	13,672	10,530
Debt instruments measured at FVOCI	760	-	-	760
Debt instruments measured at amortised cost	66	-	-	66
Other assets	320	-	1,228	1,548
Financial guarantees	(536)	-	-	(536)
Letters of credit	(207)	-	-	(207)
Total credit loss expense	**(2,181)**	**(558)**	**14,900**	**12,161**

				2022
Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	(3,329)	1,636	8,776	7,083
Debt instruments measured at FVOCI	(18)	-	-	(18)
Debt instruments measured at amortised cost	183	-	-	183
Other assets	1,577	-	-	1,577
Financial guarantees	88	-	-	88
Letters of credit	171	-	-	171
Total credit loss expense	**(1,328)**	**1,636**	**8,776**	**9,084**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
12	**Personnel expenses**				
	Wages and salaries	18,421	15,401	18,421	15,401
	Defined contribution plan	2,220	1,543	2,220	1,543
		20,641	**16,944**	**20,641**	**16,944**
13.1	**Operating expenses**				
	Contract services	8,586	9,043	8,586	9,043
	AMCON surcharge (see (a) below)	10,469	9,171	10,469	9,171
	Insurance	6,881	5,789	6,881	5,789
	Banking Resolution Fund (see note (b) below)	-	1,637	-	1,637
	Other professional fees (see (c) below)	1,637	1,247	1,637	1,245
	Administrative expenses	7,053	9,021	7,052	9,021
	Office expenses	7,458	5,524	7,458	5,524
	Communication cost	2,421	2,142	2,421	2,142
	Rents and rates	565	325	565	325
	Advertising and business promotion	2,077	1,397	2,077	1,397
	Other general expenses (see (d) below)	963	707	963	704
	Branding expenses	850	715	850	715
	Seminar and conferences	1,639	1,202	1,639	1,202
	Security	486	430	486	430
	Cash handling and cash processing expenses	1,510	1,385	1,506	1,385
	Transport, travel, accomodation	1,096	615	1,096	615
	Directors other expenses	455	373	455	373
	Annual general meeting expenses	242	240	242	240
	Stationery and printing	367	272	367	272
	Audit fees	246	190	246	190
	Membership and subscription	827	720	827	720
	Directors fee	148	139	148	139
	Fines and penalties	29	218	29	218
		56,005	**52,502**	**56,000**	**52,497**

(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) Banking Resolution Fund

This represents accrual for Banking Resolution Fund Levy in accordance with provisions of sections 74 and 77 of the Banks and Other Financial Institutions Act 2020. At commencement date, the Bank is required to contribute an equivalent of 10 basis points of its total assets as at the date of its audited financial statements for the immediately preceding financial year.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
13.2 Depreciation and amortisation				
Depreciation of property, plant and equipment (see note 24.1)	3,398	3,655	3,398	3,655
Depreciation of right-of-use asset amortisation (see note 24.2)	772	651	772	651
Depreciation investment property (see note 24.3)	-	73	-	73
Amortisation of intangible assets (see note 25)	411	500	411	500
	4,581	4,879	4,581	4,879

In millions of Naira	Group 2023	Group 2022	Bank 2023	Bank 2022
13.3 Other property, plant and equipment (PPE) costs				
Repairs and maintenance of PPE	17,870	12,885	17,870	12,885
	17,870	12,885	17,870	12,885
14 Income tax				
(a) Current income tax expense:				
Income tax (note 14d(i))	1,075	863	1,044	863
Education tax (note 14d(ii))	216	351	216	351
Capital Gains Tax (note 14e)	-	1	-	1
	1,291	1,215	1,260	1,215
Information Technology levy (note 14f)	212	208	212	208
Nigeria Police Trust Fund levy (note 14g)	1	1	1	1
National Agency for Science and Engineering Infrastructure levy (note 14h)	53	52	53	52
	1,557	1,476	1,526	1,476
Deferred tax expense:				
Origination of temporary differences (note 14i)	(752)	(34)	(752)	(34)
Prior period under provision	34	17	-	-
Total income tax expense	**839**	**1,459**	**774**	**1,442**

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
(b) Current income tax payable				
The movement on this account during the year was as follows:				
Balance, beginning of the year	1,607	1,074	1,573	1,055
Estimated charge for the year (see (14a) above)	1,291	1,215	1,260	1,215
Prior period under/(excess) provision	34	17	-	-
Payments during the year	(1,518)	(699)	(1,517)	(697)
Balance, end of the year	**1,414**	**1,607**	**1,316**	**1,573**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

In millions of Naira		Group 2023		Group 2022		Bank 2023		Bank 2022
14	**Income tax - continued**							
(c)	Reconciliation of total tax charge							
		%		%		%	%	
	Profit before income tax expense	100%	21,237	100%	20,757	100%	21,210	100%	20,769
	Income payable @ statutory tax rate of 30%	30%	6,371	30%	6,227	30%	6,363	30%	6,231
	Tax effect of:							
	Non-deductible expenses	20%	4,289	26%	5,318	19%	4,078	26%	5,318
	Tax- exempt Income	(42%)	(8,986)	(35%)	(7,327)	(40%)	(8,390)	(35%)	(7,331)
	Education tax	1%	216	2%	351	1%	216	2%	351
	Capital Gains Tax	0%	-	0%	1	0%	-	0%	1
	Nigeria Police Trust Fund	0%	1	0%	1	0%	1	0%	1
	National Agency for Science and Engineering Infrastructure Act Levy	0%	53	0%	52	0%	53	0%	52
	Information Technology Levy (NITDA)	1%	212	1%	208	1%	212	1%	208
	Prior preriod under/(excess) provision	0%	34	0%	17	0%	-	0%	-
	Current year tax loss utilized	(11%)	(2,426)	(21%)	(4,315)	(13%)	(2,803)	(21%)	(4,315)
	Prior year unrecognised tax loss	0%	-	0%	64	0%	-	0%	64
	Minimum tax	5%	1,075	4%	862	5%	1,044	4%	862
	Effective tax rate/ Income tax expense	4%	839	7%	1,459	4%	774	7%	1,442

d(i) The Companies Income Tax Act (CITA) in Nigeria requires companies having more than N100 Million Naira turnover to pay income tax at the rate of 30% of their taxable profits. Where the company do not have a taxable profit or where the income tax on the taxable profit is lower than the prescribed minimum tax, the minimum tax shall apply. Minimum tax in Nigeria is assessed at the rate of 0.5% of the turnover. Due to unutilized tax losses and unclaimed capital allowance, Sterling Bank has no taxable profit for the year ended 31 December 2023, as a result, was assessed to minimum tax for the year under review. The minimum tax charge for the year was N1.04billion.

d(ii) The basis of the Education Tax is 3% of assessable profit which is N216million (2022: N351million). Education Tax 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.

(e) Capital gains tax is levied on capital gains arising from sales of qualifying property, plant and equipment. The Bank had no capital gain tax during the year under review.

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

(g) Section 4 of the Nigeria Police Trust Fund (Establishment) Act 2019 stipulates that companies operating in Nigeria shall contribute 0.005% of their profit before tax to the Nigeria Police Trust Fund. The Act establishing the Fund will be in force for 6 years from the year of establishment. In line with the Act, the Bank has provided for Police Trust Fund levy at the specified rate.

(h) National Agency for Science and Engineering Infrastructure Act (Cap N3 LFN 2004) stipulates that commercial companies and firms with income or turnover of N100million and above are required to contribute 0.25% of their profit before tax (the Levy), into the Fund.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14 Income tax

(i) Deferred tax assets and liabilities

31 December 2023	Balance at 31 December 2022	Recognised in profit or loss	Balance at 31 December 2023
In millions of Naira			
Property, plant and equipment and software	1,097	206	1,303
Unutilised tax credit (capital allowance)	(5,390)	(3,754)	(9,144)
Tax loss	(2,353)	2,353	-
Provisions	(359)	443	84
	(7,005)	(752)	(7,757)

31 December 2022	Balance at 31 December 2021	Recognised in profit or loss	Balance at 31 December 2022
In millions of Naira			
Property, Plant and Equipment and software	1,097	-	1,097
Unutilised tax credit (capital allowance)	(5,368)	(22)	(5,390)
Tax loss	(2,343)	(10)	(2,353)
Provisions	(357)	(2)	(359)
	(6,971)	(34)	(7,005)

The Bank has unutilized capital allowance of N68,746,263,076 (2022: N66,429,600,662) and no unused tax losses carried forward (2022: N11,123,603,367) and deductible temporary differences of N68,746,263,076 (2022: N78,945,186,677) to be offset against future taxable profits. The Bank has recognized additional deffered tax asset of N752million for the year (2022:N34million) and there is no expiry date for utilization of the recognized tax assets in Nigeria.

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. This tax holiday expired at the end of 2021 financial year with the exception of Federal Government Bond which remains tax exempt. The income arising from investment in these tax exempt instruments has created the above unutilized tax assets for the Bank and accounts for the Bank's source of deffered tax assets. The management's judgment is that the deferred tax recognized in the book is recoverable after the expiration of exemption granted on Government securities.

15 Earnings per share (basic and diluted)

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

		Group 2023	Group 2022	Bank 2023	Bank 2022
a	Issued ordinary shares as at 31 December Unit ('millions)	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)	20,398	19,298	20,436	19,327
	Basic earnings per share (in kobo)	71k	67k	71k	67k
	Diluted earnings per share (in kobo)	71k	67k	71k	67k

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
16	**Cash and balances with Central Bank of Nigeria**				
	Cash and foreign monies	31,977	30,409	31,977	30,409
	Unrestricted balances with Central Bank of Nigeria	112,912	105,784	112,912	105,784
	Deposits with the Central Bank of Nigeria	447,677	295,295	447,677	295,295
		592,566	**431,488**	**592,566**	**431,488**

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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
17	**Due from banks**				
	Balances held with banks outside Nigeria	233,411	85,929	233,411	85,929
	Money market placements	502	242	502	242
	Balances held with local banks	1,041	288	1,035	-
		234,954	**86,459**	**234,948**	**86,171**

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 31.1).

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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
18	**Pledged assets**				
18.1	***Debt instruments at Fair value through other comprehensive income (FVOCI)***				
	Treasury bills FVOCI (see note (a) below)	-	13,281	-	13,281
	Total debt instruments measured at FVOCI	**-**	**13,281**	**-**	**13,281**
18.2	***Pledged assets Debt instruments at amortised cost***				
	Treasury bills at amortised cost (see note (b) below)	10,430	9,530	10,430	9,530
	Government bonds at amortised cost (see note (c) below)	230	-	230	-
	Other pledged assets (see note (d) below)	628	304	628	304
	Sub-total	11,288	9,834	11,288	9,834
	ECL on Pledged asset at amortised cost	(16)	(17)	(16)	(17)
	Total debt instruments measured at amortised cost	**11,272**	**9,817**	**11,272**	**9,817**
	Total pledged assets	**11,272**	**23,098**	**11,272**	**23,098**

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

a) Pledged for interbank transactions.
b) Pledged for clearing activities, as collection bank for government taxes and Interswitch electronic card transactions.
c) Pledged as security for loan facility from Bank of Industry.
d) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

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

				2,023
Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2023	13,281			13,281
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(13,281)	-	-	(13,281)
At 31 December 2023	-	-	-	-

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	3	-	-	3
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(3)	-	-	(3)
At 31 December 2023	**-**	**-**	**-**	**-**

Group and Bank				**2022**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	13,281	-	-	13,281
Total	**13,281**	**-**	**-**	**13,281**

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 2022	10,427	-	-	10,427
New assets originated or purchased	13,288	-	-	13,288
Assets derecognised or matured (excluding write-offs)	(10,427)	-	-	(10,427)
Change in fair value	(7)	-	-	(7)
At 31 December 2022	**13,281**	**-**	**-**	**13,281**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

18.3.1 **Impairment losses on pledged assets subject to impairment assessment**

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	-	-	-	-
New assets originated or purchased	3	-	-	3
Assets derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2022	**3**	**-**	**-**	**3**

18.3.2 **Pledged assets 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 39:

Group and Bank				**2023**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	11,288	-	-	11,288
Total	**11,288**	**-**	**-**	**11,288**

Group and Bank				**2023**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	9,834	-	-	9,834
New assets originated or purchased	10,659	-	-	10,659
Assets derecognised or matured (excluding write-offs)	(9,529)	-	-	(9,529)
Foreign exchange adjustments	324	-	-	324
At 31 December 2023	**11,288**	**-**	**-**	**11,288**

Group and Bank				**2023**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	17	-	-	17
New assets purchased	16	-	-	16
Assets derecognised or matured (excluding write offs)	(17)	-	-	(17)
At 31 December 2023	**16**	**-**	**-**	**16**

Group and Bank				**2022**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	9,834	-	-	9,834
Total	**9,834**	**-**	**-**	**9,834**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

18.3.2 **Pledged assets instruments measured at amortised cost - continued**

Group and Bank				**2022**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	359	-	-	359
New assets originated or purchased	9,696	-	-	9,696
Assets derecognised or matured (excluding write-offs)	(232)	-	-	(232)
Foreign exchange adjustments	11	-	-	11
At 31 December 2022	**9,834**	**-**	**-**	**9,834**

Group and Bank				**2022**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	-	-	-	-
New assets purchased	17	-	-	17
Assets derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2022	**17**	**-**	**-**	**17**

	Group and Bank	**Fair Value Amount**		**Notional Contract Amount**	
	In millions of Naira	**31 Dec 2023**	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
19	**Derivative financial assets**				
	Foreign currency swaps	276	807	9,518	36,891
		276	**807**	**9,518**	**36,891**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
20	**Loans and advances to customers**				
	Loans to corporate entities and other organizations	792,985	652,165	792,985	652,165
	Loans to individuals	99,231	106,018	99,231	106,018
		892,216	758,183	892,216	758,183
	Less:				
	Impairment allowance on loans to corporate entities	(18,366)	(11,176)	(18,366)	(11,176)
	Impairment allowance on loans to individuals	(11,151)	(9,272)	(11,151)	(9,272)
		862,699	737,735	862,699	737,735

20.1 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 39 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		31 December 2023			
In millions of Naira		Stage 1	Stage 2	Stage 3	Total
External rating grade					
RR1-RR2		12,652	-	-	12,652
RR3-RR4		474,876	-	-	474,876
RR5-RR6		32,573	253,964	-	286,537
RR7		-	-	15,920	15,920
RR8		-	-	164	164
RR9		-	-	2,836	2,836
Total	-	520,101	253,964	18,920	792,985

Group and Bank		31 December 2022			
In millions of Naira		Stage 1	Stage 2	Stage 3	Total
External rating grade					
RR1-RR2		93,222	-	-	93,222
RR3-RR4		332,358	-	-	332,358
RR5-RR6		78,128	132,196	-	210,324
RR7		-	-	14,801	14,801
RR8		-	-	42	42
RR9		-	-	1,418	1,418
Total	-	503,708	132,196	16,261	652,165

20.1 Loans and advances to corporate customers - continued

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	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	503,708	132,196	16,261	652,165
New assets originated or purchased	267,628	132,464	10,188	410,280
Assets derecognised or repaid (excluding write offs)	(304,393)	(61,916)	(12,206)	(378,515)
Transfers to Stage 1	484	(484)	-	-
Transfers to Stage 2	(4,517)	4,517	-	-
Transfers to Stage 3	(5,798)	(459)	6,257	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	(120)	-	(120)
Amounts written off	(5)	(1)	(1,580)	(1,586)
Foreign exchange adjustments	63,114	47,647	-	110,761
At 31 December	520,221	253,844	18,920	792,985

Group and Bank	31 December 2022			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	518,874	105,718	1,971	626,563
New assets originated or purchased	103,334	3,996	391	107,721
Assets derecognised or repaid (excluding write offs)	(88,956)	(5,862)	(453)	(95,271)
Transfers to Stage 1	13,267	(13,257)	(10)	-
Transfers to Stage 2	(48,578)	48,663	(85)	-
Transfers to Stage 3	(1,706)	(12,741)	14,447	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	7,473	5,679	-	13,152
At 31 December	503,708	132,196	16,261	652,165

Group and Bank	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	3,484	5,580	2,112	11,176
New assets originated or purchased	242	4,316	8,599	13,157
Assets derecognised or repaid (excluding write offs)	(2,757)	(4,810)	(1,159)	(8,726)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(6)	6	-	-
Transfers to Stage 3	(14)	(8)	22	-
Impact on year end ECL of exposures transferred between stages during the period	-	-	-	-
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	(5)	(1)	(1,580)	(1,586)
Foreign exchange adjustments	-	4,345	-	4,345
At 31 December 2023	944	9,428	7,994	18,366

20.1 Loans and advances to corporate customers - continued

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	6,400	3,852	542	10,794
New assets originated or purchased	(677)	18	463	(196)
Assets derecognised or repaid (excluding write offs)	(178)	(35)	(97)	(310)
Transfers to Stage 1	90	(90)	-	-
Transfers to Stage 2	(1,384)	1,385	(1)	-
Transfers to Stage 3	(960)	(775)	1,735	-
Impact on year end ECL of exposures transferred between stages during the period		928	(530)	398
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	-	-	-	-
Foreign exchange adjustments	193	297	-	490
At 31 December 2022	3,484	5,580	2,112	11,176

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was N4.3 billion at 31 December (2022: N4.9 billion).

20.2 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 impairment allowances. Details of the Bank's internal grading system are explained in Note 39 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	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	1,775	-	-	1,775
RR3-RR4	56,985	-	-	56,985
RR5-RR6	3,520	10,546	-	14,066
RR7	-	-	11,706	11,706
RR8	-	-	7,868	7,868
RR9	-	-	6,831	6,831
Total	62,280	10,546	26,405	99,231

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	9,089	-	-	9,089
RR3-RR4	63,111	-	-	63,111
RR5-RR6	3,938	16,685	-	20,623
RR7	-	-	7,975	7,975
RR8	-	-	99	99
RR9	-	-	5,121	5,121
Total	76,138	16,685	13,195	106,018

20.2 Loans to Individuals - continued

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	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	76,138	16,685	13,195	106,018
New assets originated or purchased	53,964	4,172	4,922	63,058
Assets derecognised or repaid (excluding write offs)	(57,333)	(8,335)	(1,546)	(67,214)
Transfers to Stage 1	395	(338)	(57)	-
Transfers to Stage 2	(4,972)	4,973	(1)	-
Transfers to Stage 3	(5,746)	(6,439)	12,185	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	(244)	(172)	(2,293)	(2,709)
Foreign exchange adjustments	78	-	-	78
At 31 December	62,280	10,546	26,405	99,231

Group and Bank	31 December 2022			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	80,280	16,057	3,180	99,517
New assets originated or purchased	42,865	5,272	4,409	52,546
Assets derecognised or repaid (excluding write offs)	(26,863)	(14,288)	(4,904)	(46,055)
Transfers to Stage 1	1,771	(1,733)	(38)	-
Transfers to Stage 2	(14,285)	14,545	(260)	-
Transfers to Stage 3	(7,637)	(3,168)	10,805	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	7	-	3	10
At 31 December	76,138	16,685	13,195	106,018

Group and Bank	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	737	796	7,739	9,272
New assets originated or purchased	1,780	239	4,961	6,980
Assets derecognised or repaid (excluding write offs)	(1,986)	(250)	(189)	(2,425)
Transfers to Stage 1	1	(1)	-	-
Transfers to Stage 2	(48)	48	-	-
Transfers to Stage 3	(58)	(281)	339	-
Impact on year end ECL of exposures transferred between stages during the period	-	-	-	-
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	(244)	(172)	(2,293)	(2,709)
Foreign exchange adjustments	33	-	-	33
At 31 December	215	379	10,557	11,151

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20.2 Loans to Individuals - continued

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	957	591	1,838	3,386
New assets originated or purchased	427	278	2,607	3,312
Assets derecognised or repaid (excluding write offs)	(304)	(242)	(149)	(695)
Transfers to Stage 1	20	(20)	-	-
Transfers to Stage 2	(693)	705	(12)	-
Transfers to Stage 3	(4,462)	(1,884)	6,346	-
Impact on year end ECL of exposures transferred between stages during the period	4,792	1,368	(2,894)	3,266
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	-	-	-	-
Foreign exchange adjustments	-	-	3	3
At 31 December	737	796	7,739	9,272

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

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
20.3 Classification of loans and advances by rating				
Rating				
RR1-RR2	14,427	102,311	14,427	102,311
RR3-RR4	531,861	395,469	531,861	395,469
RR5-RR6	300,603	230,947	300,603	230,947
RR7	27,626	22,776	27,626	22,776
RR8	8,032	141	8,032	141
RR9	9,667	6,539	9,667	6,539
	892,216	758,183	892,216	758,183
20.4 Classification of loans and advances by security				
Cash	210,421	169,356	210,421	169,356
Real estate	112,070	80,207	112,070	80,207
Stocks/shares	19,518	20,760	19,518	20,760
Debentures	190,888	129,962	190,888	129,962
Other securities	311,108	357,401	311,108	357,401
Unsecured	48,211	497	48,211	497
	892,216	758,183	892,216	758,183

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

20 Loans and advances to customers - continued

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
20.5 Classification of loans and advances by sector				
Agriculture	105,129	81,264	105,129	81,264
Communication	22,409	21,580	22,409	21,580
Consumer	93,199	99,250	93,199	99,250
Education	9,350	4,840	9,350	4,840
Finance and insurance	22,135	18,958	22,135	18,958
Government	73,161	89,760	73,161	89,760
Manufacturing	46,911	22,641	46,911	22,641
Mining & quarrying	64	1,001	64	1,001
Mortgage	2,271	2,154	2,271	2,154
Oil and gas	292,035	164,313	292,035	164,313
Others	117,377	85,344	117,377	85,344
Power	30,513	30,801	30,513	30,801
Real estate & construction	18,317	66,676	18,317	66,676
Transportation	59,345	40,039	59,345	40,039
Non-interest banking	-	29,562	-	29,562
	892,216	**758,183**	**892,216**	**758,183**
21 Investment in securities:				
(a) ***Financial instruments held at fair value through profit or loss (FVTPL)***				
Treasury bills	912	61	912	61
Euro bonds	165	-	165	-
Bonds	946	860	946	860
Promissory notes	89	-	89	-
Total financial assets measured at FVTPL	**2,112**	**921**	**2,112**	**921**
(b) ***Debt instruments at fair value through other comprehensive income***				
Treasury bills	107,577	69,919	107,577	69,919
Government bonds	86,683	88,073	86,683	88,073
Euro bonds	67,003	20,192	67,003	20,192
Corporate bonds	22,945	16,042	22,945	16,042
Promissory notes	215	36,410	215	36,410
Total debt instruments measured at FVOCI	**284,423**	**230,636**	**284,423**	**230,636**
(c) ***Equity instruments at fair value through other comprehensive income***				
Africa Export/Import Bank	2,353	980	2,353	980
Nigeria Interbank Settlement System Plc	15,483	11,294	15,483	11,294
Africa Finance Corporation	6,354	3,256	6,354	3,256
Unified Payment System	657	552	657	552
Investment in AGSMEIS	3,855	2,889	3,855	2,889
Nigeria Mortgage Refinancing Corporation	412	393	412	393
Lotus Capital Halal *	-	397	-	397
SCM Capital Halal *	-	2,881	-	2,881
Zola Elect Nig Litd. *	-	553	-	553
Health Tracker Ltd. *	-	231	-	231
SIV Limited *	-	100	-	100
Binkabi Ltd *	-	10	-	10
E-Purse System Ltd *	-	1	-	1
Tremendoc Ltd *	-	1,690	-	1,690
Total equity instruments at FVOCI	**29,114**	**25,227**	**29,114**	**25,227**

* These investments were held by the erswhile Non-interest Banking window of the Bank. Following the Group's restructuring, the investment are now with the Alternative Bank. See note 47 for details on the Bank's corporate restructuring.

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
(d) ***Debt instruments at amortised cost***				
Government bonds	103,252	79,660	89,172	65,706
Treasury Bills	2,844	21,863	2,844	21,863
Promissory notes	24,916	5,577	24,916	2,409
	131,012	107,100	116,932	89,978
Less: Allowance for Impairment losses	(282)	(211)	(239)	(172)
Total debt instruments measured at amortised cost	**130,730**	**106,889**	**116,693**	**89,806**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(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 39 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	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	284,423	-	-	284,423
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**284,423**	**-**	**-**	**284,423**

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	230,636	-	-	230,636
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**230,636**	**-**	**-**	**230,636**

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

Group and Bank	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2023	230,636	-	-	230,636
New assets originated or purchased	126,717	-	-	126,717
Assets derecognised or matured (excluding write-offs)	(97,081)	-	-	(97,081)
Change in fair value	758	-	-	758
Foreign exchange adjustments	23,393	-	-	23,393
At 31 December 2023	**284,423**	**-**	**-**	**284,423**

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2022	**168,847**	**-**	**-**	**168,847**
New assets originated or purchased	**122,490**	**-**	**-**	**122,490**
Assets derecognised or matured (excluding write-offs)	**(59,218)**	**-**	**-**	**(59,218)**
Change in fair value	**(1,483)**	**-**	**-**	**(1,483)**
At 31 December 2022	**230,636**	**-**	**-**	**230,636**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

Group and Bank	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	**511**	**-**	**-**	**511**
New assets purchased	**822**	**-**	**-**	**822**
Assets derecognised or matured (excluding write offs)	**(59)**	**-**	**-**	**(59)**
Transfer to the Alternative Bank	**(74)**	**-**	**-**	**(74)**
At 31 December 2023	**1,200**	**-**	**-**	**1,200**

Group and Bank	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	532	-	-	532
New assets purchased	60	-	-	60
Assets derecognised or matured (excluding write offs)	(81)	-	-	(81)
Changes to models and inputs used for ECL calculations	-	-	-	-
At 31 December 2022	**511**	**-**	**-**	**511**

(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 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	131,012	-	-	131,012
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**131,012**	**-**	**-**	**131,012**

Group	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	107,100	-	-	107,100
Total	**107,100**	**-**	**-**	**107,100**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Bank	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	116,932	-	-	116,932
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**116,932**	**-**	**-**	**116,932**

Bank	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	89,978	-	-	89,978
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**89,978**	**-**	**-**	**89,978**

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	107,100	-	-	107,100
New assets originated or purchased	48,817	-	-	48,817
Assets derecognised or matured (excluding write-offs)	(24,905)	-	-	(24,905)
At 31 December 2023	**131,012**	**-**	**-**	**131,012**

Group	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	102,232	-	-	102,232
New assets originated or purchased	23,423	-	-	23,423
Assets derecognised or matured (excluding write-offs)	(18,555)	-	-	(18,555)
At 31 December 2022	**107,100**	**-**	**-**	**107,100**

Bank	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	89,978	-	-	89,978
New assets originated or purchased	48,817	-	-	48,817
Assets derecognised or matured (excluding write-offs)	(21,863)	-	-	(21,863)
At 31 December 2023	**116,932**	**-**	**-**	**116,932**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Bank	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	84,858	-	-	84,858
New assets originated or purchased	20,098	-	-	20,098
Assets derecognised or matured (excluding write-offs)	(14,978)	-	-	(14,978)
At 31 December 2022	**89,978**	**-**	**-**	**89,978**

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	211	-	-	211
New assets purchased	148	-	-	148
Assets derecognised or matured (excluding write offs)	(93)	-	-	(93)
Changes to models and inputs used for ECL calculations	16	-	-	16
At 31 December 2023	**282**	**-**	**-**	**282**

Group	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	**7**	**-**	**-**	**7**
New assets purchased	**42**	**-**	**-**	**42**
Assets derecognised or matured (excluding write offs)	**-**	**-**	**-**	**-**
Changes to models and inputs used for ECL calculations	**162**	**-**	**-**	**162**
At 31 December 2022	**211**	**-**	**-**	**211**

Bank	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	172	-	-	172
New assets purchased	148	-	-	148
Assets derecognised or matured (excluding write offs)	(81)	-	-	(81)
At 31 December 2023	**239**	**-**	**-**	**239**

Bank	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	6	-	-	6
New assets purchased	42	-	-	42
Assets derecognised or matured (excluding write offs)	-	-	-	-
Changes to models and inputs used for ECL calculations	124	-	-	124
At 31 December 2022	**172**	**-**	**-**	**172**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 **Investment in Subsidiary**

In 2016, Sterling Bank Ltd 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 2,000,000, with 1.999,999 shares held by Sterling Bank Ltd and 1 share held by Mr. Yemi Adeola. 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*	***N'million***	***N'million***
Sterling Investment Management Plc	99.9 percent	1	1

Condensed Statement of profit or loss for the Year ended 31 December 2023	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Interest income	150,563	(3,948)	148,358	6,153
Interest expense	(70,523)	3,948	(68,355)	(6,116)
Net interest income	80,040	-	80,003	37
Other income	52,460	-	52,460	-
Operating income	132,500	-	132,463	37
Operating expenses	(99,097)	-	(99,092)	(5)
Credit loss expense	(12,166)	4	(12,161)	(8)
Profit for the year before tax	21,237	4	21,210	24
Income tax expense	(839)	-	(774)	(65)
	20,398	4	20,436	(41)
Condensed statement of financial position				
As at 31 December 2022				
Assets:				
Cash and balances with Central Bank of Nigeria	592,566	-	592,566	-
Due from banks	234,954	-	234,948	6
Pledged assets	11,272	-	11,272	-
Derivative financial assets	276	-	276	-
Loans and advances to customers	862,699	-	862,699	-
Investments in securities:				
- Financial assets at fair value through profit or loss	2,112	-	2,112	-
- Debt instruments at fair value through other comprehensive income	284,423	-	284,423	-
- Equity instruments at fair value through other comprehensive income	29,114	-	29,114	-
- Debt instruments at amortised cost	130,730	(20,123)	116,693	34,158
Investment in subsidiary	-	(1)	1	-
Other assets	232,809	(75)	232,809	75
Property, plant and equipment	22,984	-	22,984	-
Right of use asset	9,103	-	9,103	-
Investment property	-	-	-	-
Intangible assets	570	-	570	-
Deferred tax assets	7,757	-	7,757	-
	2,421,369	(20,199)	2,407,327	34,239
Non-current assets held for sale	-	-	-	-
TOTAL ASSETS	**2,421,369**	**(20,199)**	**2,407,327**	**34,239**
LIABILITIES & EQUITY				
Deposits from banks	-	-	-	-
Deposits from customers	1,747,510	-	1,747,510	-
Current income tax payable	1,414	-	1,316	98
Other borrowed funds	183,067	-	183,067	-
Debt securities issued	33,959	(20,543)	20,357	34,144
Other liabilities	294,346	(75)	294,412	8
Provisions	718	-	718	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	22,226	420	21,818	(12)
Other components of equity	80,975	-	80,975	-
TOTAL LIABILITIES AND EQUITY	**2,421,369**	**(20,199)**	**2,407,327**	**34,239**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 Investment in Subsidiary - Continued

Condensed statement of cash flows Year ended 31 December 2023	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Net cash flows from/(used in)operating activities	137,083	(1,169)	134,817	3,435
Net cash flows (used in)/from in investing activities	(75,205)	-	(78,180)	2,975
Net cash flows used in financing activities	(38,924)	1,169	(33,401)	(6,692)
Net increase in cash and cash equivalents	22,954	-	23,236	(282)
Exchange rate movements on cash and cash equivalents	134,237	-	134,237	-
Cash and cash equivalents, beginning of the year	222,652	280	222,364	8
Cash and cash equivalents, end of the year	379,843	280	379,837	(274)

Condensed Statement of profit or loss for the Year ended 31 December 2022	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Interest income	128,434	(4,376)	126,126	6,684
Interest expense	(52,042)	4,376	(49,765)	(6,653)
Net interest income	76,392	-	76,361	31
Other income	40,697	-	40,697	-
Operating income	117,089	-	117,058	31
Operating expenses	(87,210)	-	(87,205)	(5)
Credit loss expense	(9,122)	224	(9,084)	(262)
Profit/(loss) for the year before tax	20,757	224	20,769	(236)
Income tax expense	(1,459)	-	(1,442)	(17)
Profit/(loss) for the year after tax	19,298	224	19,327	(253)
Assets:				
Cash and balances with Central Bank of Nigeria	431,488	-	431,488	-
Due from banks	86,459	-	86,171	288
Pledged assets	23,098	-	23,098	-
Derivative financial assets	807		807	-
Loans and advances to customers	737,735	-	737,735	-
Investments in securities:				
- Financial assets at fair value through profit or loss	921	-	921	-
- Debt instruments at fair value through other comprehensive income	230,636	-	230,636	-
- Equity instruments at fair value through other comprehensive income	25,227	-	25,227	-
- Debt instruments at amortised cost	106,889	(25,280)	89,806	42,363
Investment in subsidiary	-	(1)	1	-
Other assets	171,911	(75)	171,911	75
Property, plant and equipment	17,913	-	17,913	-
Right of use asset	8,342		8,342	-
Investment property	5,584		5,584	-
Intangible assets	950	-	950	-
Deferred tax assets	7,005	-	7,005	-
	1,854,965	**(25,356)**	**1,837,595**	**42,726**
Non-current assets held for sale	3,027	-	3,027	-
TOTAL ASSETS	**1,857,992**	**(25,356)**	**1,840,622**	**42,726**
LIABILITIES & EQUITY				
Deposits from banks	37,178	-	37,178	-
Deposits from customers	1,327,805	-	1,327,805	-
Current income tax payable	1,607	-	1,573	34
Other borrowed funds	133,270	-	133,270	-
Debt securities issued	42,388	(25,696)	25,431	42,653
Other liabilities	160,257	(75)	160,324	9
Provisions	1,489	-	1,489	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	44,922	416	44,476	29
Other components of equity	51,922	-	51,922	-
TOTAL LIABILITIES AND EQUITY	**1,857,992**	**(25,356)**	**1,840,622**	**42,726**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 Investment in Subsidiary - Continued

Condensed statement of cash flows **Year ended 31 December 2022**	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
Net cash flows from/(used in) operating activities	76,719	(4,417)	70,837	10,299
Net cash flows (used in)/from investing activities	(80,016)	-	(76,689)	(3,327)
Net cash flows used in financing activities	(4,106)	4,417	(1,831)	(6,692)
Net (decrease)/increase in cash and cash equivalents	(7,403)	-	(7,683)	280
Exchange rate movements on cash and cash equivalents	8,201	-	8,201	-
Cash and cash equivalents, beginning of the year	221,854	-	221,846	8
Cash and cash equivalents, end of the year	**222,652**	**-**	**222,364**	**288**

In millions of Naira	**Group 31 Dec 2023**	**Group 31 Dec 2022**	**Bank 31 Dec 2023**	**Bank 31 Dec 2022**
23 Other assets				
Financial assets				
Accounts receivable (see note (i))	230,693	154,414	230,693	154,414
	230,693	154,414	230,693	154,414
Non-financial assets				
Prepayments and other debit balances	5,080	6,372	5,080	6,372
Prepaid staff cost	1,412	1,209	1,412	1,209
Commodity mudaraba stocks*	-	13,996	-	13,996
Stock of cheque books and administrative stationeries	1,038	427	1,038	427
Gross other assets	238,223	176,418	238,223	176,418
Allowance for impairment on other assets (see note (ii) below)	(5,414)	(4,507)	(5,414)	(4,507)
	232,809	**171,911**	**232,809**	**171,911**

* Mudaraba stocks were held by the erswhile Non-interest Banking window of the Bank. Following the Group's restructuring, these stocks are now with the Alternative Bank. See note 47 for details on the Bank's corporate restructuring.

i. Included in accounts receivable are:

a. Receivables from Cambridge Springs Investment Limited, Parthian Capitals and SAMTL Properties in respect of loans sold to the companies.

b. Forex deliverables due from CBN for the Bank's customers,

c. Receivable due from the Alternative Bank, among others.

ii.

In millions of Naira	**Group 31 Dec 2023**	**Group 31 Dec 2022**	**Bank 31 Dec 2023**	**Bank 31 Dec 2022**
Movement of allowance for impairment on other assets				
Balance, beginning of year	4,507	3,713	4,507	3,713
Charge/(reversal) on other assets (note 11)	1,548	1,577	1,548	1,577
Write offs	(641)	(783)	(641)	(783)
Balance, end of year	5,414	4,507	5,414	4,507

24.1 **Property, plant and equipment**

Group and Bank

The movement during the year was as follows:

	31 December 2023 *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 2023	1,990	4,235	4,320	10,745	14,481	5,855	4,571	46,197
	Additions	-	256	408	1,913	479	1,115	7,380	11,551
	Reclassifications	-	68	340	152	293	16	(869)	-
	Disposals	-	-	-	(103)	(3)	(967)	-	(1,073)
	Transfer to the Alternative Bank*	-	-	(46)	(484)	(200)	(174)	(2,323)	(3,227)
	Written off	-	(22)	(1,688)	(4,868)	(6,497)	(782)	-	(13,857)
	As at 31 December 2023	1,990	4,537	3,334	7,355	8,553	5,063	8,759	39,591
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2023	242	753	2,944	8,095	11,870	4,380	-	28,284
	Charge for the year	-	87	294	955	1,350	712	-	3,398
	Transfer to the Alternative Bank*	-	-	(13)	(43)	(94)	(96)	-	(246)
	Written off	-	(7)	(1,684)	(4,865)	(6,494)	(782)	-	(13,832)
	Disposals	-	-	-	(103)	(1)	(893)	-	(997)
	As at 31 December 2023	242	833	1,541	4,039	6,631	3,321	-	16,607
	Net book value								
	As at 31 December 2023	**1,748**	**3,704**	**1,793**	**3,316**	**1,922**	**1,742**	**8,759**	**22,984**
	As at 31 December 2022	**1,748**	**3,482**	**1,376**	**2,650**	**2,611**	**1,475**	**4,571**	**17,913**

* This represents value of the property, plant and equipment that transferred to the Alternative Bank Limited as part of the spin-off of the erstwhile Non-interest Banking window in line with the restructuring scheme of arrangement (see note 47).

i) The gross carrying amount of fully depreciated property, plant and equipment owned by the bank is N6.0billion (2022: N19.4billion).

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

24.1 **Property, plant and equipment**

Group and Bank

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

	31 December 2022 ***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 2022	1,993	4,317	4,007	11,666	15,592	5,943	3,178	46,696
	Additions	-	-	333	1,398	779	730	1,708	4,948
	Reclassifications	-	-	73	58	34	59	(315)	(91)
	Disposals	(3)	(82)	-	(155)	(5)	(877)	-	(1,122)
	As at 31 December 2022	1,990	4,235	4,320	10,745	14,481	5,855	4,571	46,197
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2022	242	673	2,741	9,601	12,388	4,112	-	29,757
	Charge for the year	-	86	275	867	1,405	1,022	-	3,655
	Disposals	-	-	(72)	(2,222)	(1,919)	-	-	(4,213)
	Written off	-	(6)	-	(151)	(4)	(754)	-	(915)
	As at 31 December 2022	242	753	2,944	8,095	11,870	4,380	-	28,284
	Net book value **As at 31 December 2022**	**1,748**	**3,482**	**1,376**	**2,650**	**2,611**	**1,475**	**4,571**	**17,913**
	As at 31 December 2021	**1,751**	**3,644**	**1,266**	**2,065**	**3,204**	**1,831**	**3,178**	**16,939**

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N19.4 billion.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
24.2	**Right-of-use asset**				
	Building				
(a)					
	Balance, beginning of the year	8,342	8,141	8,342	8,141
	Additions during the year	1,673	852	1,673	852
	Reversal	(140)	-	(140)	-
	Depreciation charge	(772)	(651)	(772)	(651)
	Balance, end of the year	**9,103**	**8,342**	**9,103**	**8,342**

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
24.3	**Investment property**				
(a)	**Cost**				
	At 1 January	5,822	7,095	5,822	7,095
	Additions	-	560	-	560
	Disposal	-	(1,833)	-	(1,833)
	Transfer to the Alternative Bank*	(5,822)	-	(5,822)	-
	As at 31 December	-	5,822	-	5,822
(b)	**Accumulated depreciation and impairment**				
	At 1 January	238	177	238	177
	Depreciation	-	73	-	73
	Disposal	-	(12)	-	(12)
	Transfer to the Alternative Bank*	(238)	-	(238)	-
	Balance end of year	-	238	-	238
	Balance as at 31 December	**-**	**5,584**	**-**	**5,584**

* Investment properties were held by the erswhile Non-interest Banking window of the Bank. Following the Group's restructuring, these properties are now with the Alternative Bank (see note 47)

		Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
25	**Intangible assets**				
(a)	**Cost**				
	At 1 January	5,853	5,484	5,853	5,484
	Additions	75	278	75	278
	Transfer to the Alternative Bank*	(443)	91	(443)	91
	Write off	(617)	-	(617)	-
	Balance end of year	4,868	5,853	4,868	5,853
(b)	**Accumulated amortisation and impairment**				
	Beginning of year	4,903	4,403	4,903	4,403
	Amortisation for the year	411	500	411	500
	Transfer to the Alternative Bank*	(399)	-	(399)	-
	Write off	(617)	-	(617)	-
	Balance end of year	4,298	4,903	4,298	4,903
	Net book value				
	Balance as at 31 December	**570**	**950**	**570**	**950**

* This represents value of the intangible assets transferred to the Alternative Bank Limited as part of the spin-off of the erstwhile Non-interest Banking window in line with the restructuring scheme of arrangement (see note 47).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

26	Non-current assets held for sale	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
	At 1 January	3,027	-	3,027	-
	Additions	-	3,027	-	3,027
	Disposal	(3,027)	-	(3,027)	-
	At 31 December	**-**	**3,027**	**-**	**3,027**

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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
27	**Deposits from banks**				
	Money market takings	-	12,039	-	12,039
	Due to local banks	-	25,139	-	25,139
		-	37,178	-	37,178
28	**Deposits from customers**				
	Current accounts	989,742	696,187	989,742	696,187
	Savings accounts	322,976	243,069	322,976	243,069
	Term deposits	355,644	319,732	355,644	319,732
	Pledged deposits	79,148	68,817	79,148	68,817
		1,747,510	**1,327,805**	**1,747,510**	**1,327,805**

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29 **Other borrowed funds - continued**

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
29 **Other borrowed funds**				
Due to CBN-Agric-Fund (see (29(i))	28,654	31,590	28,654	31,590
Due to Africa Agric and Trade Investment Fund (see (29(iia))	-	773	-	773
Due to Africa Agric and Trade Investment Fund (see (29(iib))	14,230	-	14,230	-
Due to CBN-State ECA secured loans (see (29 (iii))	12,162	12,677	12,162	12,677
Due to Blue Orchard (see (29(iv))	18,585	11,961	18,585	11,961
Due to ECOWAS Bank for Investment and Development (see (29(v))	38,350	22,454	38,350	22,454
Due to Islamic Corporation (see (29(vi))	-	10,239	-	10,239
Due To Nigeria Mortgage Refinance Company (see (29(vii))	1,138	1,710	1,138	1,710
Due to CBN - ABP (see (29(viii))	29,463	25,897	29,463	25,897
Due to Master Card Foundation (MCF) (see (29(ix))	20,825	10,089	20,825	10,089
Due to CBN - RSSF Fund (see (29 (x))	2,250	3,205	2,250	3,205
Due to CBN - NESF Fund (see(29 (xi))	1,455	2,370	1,455	2,370
Due to BOI (see (29 (xii))	706	305	706	305
Due to Development Bank of Nigeria (see (29 (xiii))	15,249	-	15,249	-
	183,067	**133,270**	**183,067**	**133,270**
Movement on other borrowed funds:				
Beginning of year	133,270	133,270	133,270	116,450
Additions during the year	61,615	35,182	61,615	35,182
Repayments during the year	(48,926)	(18,362)	(48,926)	(18,362)
Transferred to the Alternative Bank*	(10,833)	-	(10,833)	-
Accrued interest	19,127	10,498	19,127	10,498
Interest paid	(18,719)	(28,201)	(18,719)	(11,381)
Foreign exchange difference	47,533	883	47,533	883
	183,067	**133,270**	**183,067**	**133,270**

*This represents borrowed funds with erswhile Non-interest Banking window that was transferred to the Alternative Bank Limited in the with the Bank's restructuring scheme of arrangement.

29(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.

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate had further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021. The reduction in rate which was initially extended till 28 February 2022 (circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021) was extended by additional 1 year via circular reference No FPR/DIR/PUB/CIR/001/040 of 15 March 2022.

However, the CBN on August 17,2022 issued a circular (reference No FPR/DIR/PUB/CIR/001/058) reinstating interest rate on all intervention funds back to 9% per annum; effective 01 September 2022.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29 **Other borrowed funds - continued**

29(iia) **Africa Agriculture and Trade Investment Fund**
This represents the outstanding balance on the $15 million credit facility granted to Sterling 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 was fully repaid in March 2023. The effective interest rate of the loan was 6.84% per annum.

(iib) This represents the outstanding balance on the $15 million credit facility granted to Sterling Bank by Africa Agriculture and Trade Investment Fund payable in 6 years in 11 installments commencing September 2023. Interest is payable quarterly at the rate of 7.75%. The facility will mature in March 2029.

29(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 their willingnesss to work with Sterling Bank Ltd 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 the States at 9% annually for 20 years.

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate had further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021. The reduction in rate which was initially extended till 28 February 2022 (circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021) was extended by additional 1 year via circular reference No FPR/DIR/PUB/CIR/001/040 of 15 March 2022.

However, the CBN on August 17,2022 issued a circular (reference No FPR/DIR/PUB/CIR/001/058) reinstating interest rate on all intervention funds back to 9% per annum; effective 01 September 2022.

29(iv) **Due to Blue Orchard**
This represents Naira equivalent of $25.5 million multi-credit on-lending facility from BlueOrchard Finance Ltd granted in March 2022. The purpose of the facility is to support and expand the Bank's financial intervention in the HEART (Health, Education, Agriculture, Renewable Energy and Transportation) sectors and MSMEs. The loan is for a period of 5 years and is priced at 6 months SOFR plus a margin of 545 basis points.

29(v) **Due to ECOWAS Bank for Investment and Development**
This represents Naira equivalent of $50 million on-lending facility from ECOWAS Bank for Investment and Development granted in December 2022. The purpose of the facility is to support lending to Corporate and SMEs within the Bank's focus HEART (Health, Education, Agriculture, Renewable Energy and Transportation) sectors. The loan is for a period of 5 years and attracts 7% interest rate.

29(vi) **Due to Islamic Corporation**
This represents Naira equivalent of $25 million amortising Murabaha financing facilities granted in June 2021 by Islamic Corporation for the development of the private sector expiring in June 2026. The facility is at a margin of 6.21%. Following the Group's restructuring, this borrowing is now in the books of the Alternative Bank.

29(vii) **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 agreement covers three facilities obtained in 2016 and 2018 at an interest rate of 15.5% & 14.5% per annum to mature on 7 May 2028, 7 August 2031 and 7 August 2034 respectively.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29 **Other borrowed funds - continued**

29(viii) **Due to Central Bank of Nigeria - Anchor Borrower's Programme (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 N40billion out of N220billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) to be given to farmers in cooperative at a single rate of 9%, and 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.

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate had further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021. The reduction in rate which was initially extended till 28 February 2022 (circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021) was extended by additional 1 year via circular reference No FPR/DIR/PUB/CIR/001/040 of 15 March 2022.

However, the CBN on August 17,2022 issued a circular (reference No FPR/DIR/PUB/CIR/001/058) reinstating interest rate on all intervention funds back to 9% per annum; effective 01 September 2022.

29(ix) **Due to Master Card Foundation (MCF)**

This represents Naira equivalent of $15.5 million from Master Card Foundation (MCF). It is a blended lending programme (MCF 65%, Sterling 35%) to MSMEs to help them withstand and respond to short term impacts of the COVID-19 pandemic, while strengthening resilience in the Agricultural sector. The agreed period for the scheme is 24 months in the first instance but with renewal option/fund utilization for charitable projects by MCF. The facility attracts a margin of 9%.

In October 2021, the Bank received additional disbursement of $6.4 million from Master Card Foundation (MCF). The agreed period for the scheme is 48 months which is expected to terminate in September 2025.

29(x) **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.

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate had further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021. The reduction in rate which was initially extended till 28 February 2022 (circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021) was extended by additional 1 year via circular reference No FPR/DIR/PUB/CIR/001/040 of 15 March 2022.

However, the CBN on August 17,2022 issued a circular (reference No FPR/DIR/PUB/CIR/001/058) reinstating interest rate on all intervention funds back to 9% per annum; effective 01 September 2022.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29(xi) **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

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate had further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021. The reduction in rate which was initially extended till 28 February 2022 (circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021) was extended by additional 1 year via circular reference No FPR/DIR/PUB/CIR/001/040 of 15 March 2022.

However, the CBN on August 17,2022 issued a circular (reference No FPR/DIR/PUB/CIR/001/058) reinstating interest rate on all intervention funds back to 9% per annum; effective 01 September 2022.

29(xii) **Due to Bank of Industry (BOI).**

This 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-off fee 2% and monitoring fee of 0.125% payable on quarterly basis. The tenor of the facilities range between 5 years to 7 years.

In 2023, the Bank received additional disbursements totaling N465 miilion for on-lending to various customers.

29(xiii) **Due to Development Bank of Nigeria (DBN).**

This represents the carrying amount of the N15 billion facility from DBN granted in November 2023. The purpose of the facility is to support qualifying micro, small and medium enterprises. The loan is for a period of 6 months at an interest rate of 11% per annum.

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
30	**Debt securities issued**				
	18.86% Debt securities carried at amortised cost (See (i) below)	-	-	-	5,151
	17.55% Debt securities carried at amortised cost (See (ii) below)	-	-	20,357	20,280
	16.5% Debt securities carried at amortised cost (See (iii) below)	-	8,502	-	-
	16.25% Debt securities carried at amortised cost (See (iv) below)	33,959	33,886	-	-
		33,959	**42,388**	**20,357**	**25,431**
	Movements in debt securities issued				
	At 1 January	42,388	42,327	25,431	25,373
	Repayment	(7,965)	-	(4,779)	-
	Accrued interest	6,116	6,726	3,948	4,449
	Interest paid	(6,580)	(6,665)	(4,243)	(4,391)
		33,959	**42,388**	**20,357**	**25,431**

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. The notes matured in August 2023 and were fully paid.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

30 **Debt securities issued - continued**

iii 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. The notes matured in August 2023 and were fully paid.

iv 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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
31.1	**Other liabilities**				
	Other credit balances (see 31.1.1)	84,272	37,451	84,272	37,451
	Customers' deposits for foreign trade	135,060	97,205	135,060	97,205
	Deposit for additional tier 1 capital (see 31.1.2)	47,590	-	47,590	-
	Lease liability (see 31.1.3)	134	295	134	295
	Certified cheques	1,731	1,437	1,731	1,437
	Creditors and accruals	25,261	23,547	25,334	23,614
	Information technology levy	239	228	232	228
	Police trust fund levy	1	1	1	1
	National Agency for Science and Engineering Infrastructure levy	58	93	58	93
	Total Other Liabilities	**294,346**	**160,257**	**294,412**	**160,324**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31.1.1 Other credit balances includes mostly bond proceed collection of N29.9 billion, e-payment till N36.3 billion, CBN I&E forward allocation N6.4 billion and long outstanding draft N2.1 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.

31.1.2 This represents proceed of the $50 miilion multi-currency perpetual fixed rate resettable additional tier 1 subordinated bonds issued by the Bank. The issue is currently undergoing regulatory approval and will be recognised as additional tier 1 (AT1) capital upon the completion of the regulatory verification process.

31.1.3

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
Lease liability				
As at 1 January	295	60	295	60
Additions	17	239	17	239
Interest on lease liability*	8	7	8	7
Reversal**	(178)	-	(178)	-
Payments	(8)	(11)	(8)	(11)
As at 31 December	**134**	**295**	**134**	**295**

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

*** This relates to lease liabilities that were derecognised during the year either due to discontinuation of lease agreement or outright purchase of the propoerties by the Bank.*

Maturity analysis of lease liability *In millions of Naira*	Less than 3 months	3-12 months	1 - 5 years	Total
	90	**43**	**12**	**145**

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
31.2 Provisions				
Provisions for litigations and claims*	186	211	186	211
Provision for guarantees and letters of credit	532	1,278	532	1,278
	718	**1,489**	**718**	**1,489**
At 1 January	1,489	1,180	1,489	1,180
Transferred to the Alternative Bank**	(3)	-	(3)	-
Provisions (writeback)/charge for the year	(768)	309	(768)	309
At 31 December	**718**	**1,489**	**718**	**1,489**

* Provision for litigations: This is provision for litigations and claims against the Bank as at 31 December 2023. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that this provision is adequate for liability that have crystalized from these claims. There is no expected reimbursement in respect of this provision.

** This represents provision for guarantees and letters of credit for erswhile Non-interest Banking window that was transferred to the Alternative Bank Limited in the with the Bank's restructuring scheme of arrangement.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
32.1	**Share capital and equity reserves**				
	Share capital				
(a)	**Authorised:**				
	28,790,418,126 Ordinary shares of 50k each	**14,395**	**14,395**	**14,395**	**14,395**
(b)	**Issued and fully-paid:**				
	28.79 billion (2019: 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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
28.79 billion (2021: 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				
At 31 December	28,790	28,790	28,790	28,790
	28,790	28,790	28,790	28,790

33.1 Dividends
The Directors did not propose any dividend for 2023 financial year.
In 2023, the Directors declared and paid dividends of N4.32 billion (15k per share) in respect of 2022 results.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

34 Other components of equity

a. Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 15(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. Amount transferred to statutory reserve for the year ended 31 December 2022 was (15% of N20.4billion) N3.07billion (2022: N2.90billion).

b. Share capital reserve

The share capital reserve resulted from the shares reconstruction carried out by the Bank in June 2006. The N5.276 billion in the reserve represents the surplus nominal value of the reconstructed shares.

c. AGSMEIS reserve

The Bankers' 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.

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.

f PPPRA reserve

This reserve was created to track the regulatory treatment of the Central Bank of Nigeria (CBN) directive on the amortisation the accrued interest on PPPRA facilities over a 5-year period (2019 to 2023). The balance in this reserve represents unamortised portion of the accrued interest which will be transferred to retained earnings over the amortisation period.

35 Commitments and Contingencies

a. Litigations and claims

There are 92 (2022: 73) litigations and claims against the Group as at 31 December 2023. The total amount claimed against the Group is N45.2billion (2022: N42.4billion). These claims arose in the normal course of business and are being contested by the Group. The Directors, having sought advice of professional counsels, are of the opinion that no significant liability will crystalise from these claims. Provisions of N186 million at 31 December 2023 (2022: N211 million) have been made in these financial statements on crystalised claims, refer to note 31.2.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 (b) Contingent liabilities and commitments

The Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise 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 standby 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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
Bonds, guarantees and indemnities	165,364	116,156	165,364	116,156
Letters of credit	180,604	113,786	180,604	113,786
Performance bonds	57,433	23,278	57,433	23,278
	403,401	253,220	403,401	253,220

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 31).

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 2023 (Group and Bank)

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	165,364	-	-	165,364
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
RR7	-	-	-	-
Total	**165,364**	**-**	**-**	**165,364**

31 December 2022 (Group and Bank)

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	95,435	-	-	95,435
RR3-RR4	4,221	-	-	4,221
RR5-RR6	16,500	-	-	16,500
Total	**116,156**	**-**	**-**	**116,156**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 (b) Contingent liabilities and commitments - continued

(i) **Financial guarantees - continued**

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 2023	116,156	-	-	116,156
New exposures	108,088	-	-	108,088
Exposure derecognised or matured/lapsed (excludingwrite offs)	(59,703)	-	-	(59,703)
Foreign exchange adjustments	823	-	-	823
At 31 December 2023	**165,364**	**-**	**-**	**165,364**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2022	109,448	-	-	109,448
New exposures	66,567	-	-	66,567
Exposure derecognised or matured/lapsed (excludingwrite offs)	(60,202)	-	-	(60,202)
Foreign exchange adjustments	343	-	-	343
At 31 December 2022	**116,156**	**-**	**-**	**116,156**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	1,071	-	-	1,071
New exposures	28	-	-	28
Exposure derecognised or matured (excludingwrite offs)	(3)	-	-	(3)
Changes to models and inputs used for ECL calculations	(564)	-	-	(564)
At 31 December 2023	**532**	-	-	**532**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	983	-	-	983
New exposures	922	-	-	922
Exposure derecognised or matured (excludingwrite offs)	(834)	-	-	(834)
At 31 December 2022	**1,071**	-	-	**1,071**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 (b) Contingent liabilities and commitments - continued

(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.

				2023
In millions of Naira (Group and Bank)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	180,604	-	-	180,604
RR3-RR4	-	-	-	-
Total	**180,604**	**-**	**-**	**180,604**

				2022
In millions of Naira (Group and Bank)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	113,702	-	-	113,702
RR3-RR4	84	-	-	84
Total	**113,786**	**-**	**-**	**113,786**

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

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding exposure as at 1 January 2023	113,786	-	-	113,786
New exposures	85,868	-	-	85,868
Exposure derecognised or matured/lapsed (excludingwrite offs)	(151,183)	-	-	(151,183)
Foreign exchange adjustments	132,133			132,133
At 31 December 2023	**180,604**	**-**	**-**	**180,604**

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding exposure as at 1 January 2022	90,758	-	-	90,758
New exposures	86,445	-	-	86,445
Exposure derecognised or matured/lapsed (excludingwrite offs)	(65,401)	-	-	(65,401)
Foreign exchange adjustments	1,984	-	-	1,984
At 31 December 2022	**113,786**	**-**	**-**	**113,786**

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	207	-	-	207
New exposures	-	-	-	-
Exposure derecognised or matured (excludingwrite offs)	(207)	-	-	(207)
At 31 December 2023	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 (b) Contingent liabilities and commitments - continued

(i) **Financial guarantees - continued**

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 2023	116,156	-	-	116,156
New exposures	108,088	-	-	108,088
Exposure derecognised or matured/lapsed (excludingwrite offs)	(59,703)	-	-	(59,703)
Foreign exchange adjustments	823	-	-	823
At 31 December 2023	**165,364**	**-**	**-**	**165,364**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2022	109,448	-	-	109,448
New exposures	66,567	-	-	66,567
Exposure derecognised or matured/lapsed (excludingwrite offs)	(60,202)	-	-	(60,202)
Foreign exchange adjustments	343	-	-	343
At 31 December 2022	**116,156**	**-**	**-**	**116,156**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	1,071	-	-	1,071
New exposures	28	-	-	28
Exposure derecognised or matured (excludingwrite offs)	(3)	-	-	(3)
Changes to models and inputs used for ECL calculations	(564)	-	-	(564)
At 31 December 2023	**532**	-	-	**532**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	983	-	-	983
New exposures	922	-	-	922
Exposure derecognised or matured (excludingwrite offs)	(834)	-	-	(834)
At 31 December 2022	**1,071**	-	-	**1,071**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

36 Related party transactions - continued

(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 2023	Group 2022	Bank 2023	Bank 2022
Short-term benefits (wages and salaries)	154	124	154	124
Post-employment benefits (pension contributions)	14	12	14	12
Termination benefits	189	82	189	82
	357	218	357	218

(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 2023	Group 2022	Bank 2023	Bank 2022
Directors' remuneration				
Fees as directors	148	139	148	139
Other emoluments	118	102	118	102
	266	**241**	**266**	**241**

(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 2023, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2022: Nil).

36b 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 N587 million (2022: N648 million) relating to the Directors and some employees were outstanding on these facilities at the end of the period/year.

31 December 2023

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
Globalmix Capital Ltd.	Related to a Director	Asue Ighodalo	27-May-22	25-Feb-24	520	540	Performing	Secured Against Real Estate	Term Loan
Do Ii Designs Limited	Related to a Director	Asue Ighodalo	30-Mar-22	30-Mar-25	17	9	Performing	Cash	Term Loan
Do Ii Designs Limited	Related to a Director	Asue Ighodalo	13-Jan-22	13-Jan-25	17	4	Performing	Cash	Term Loan
Hauwa Mustapha Otaru	Wife to Staff	Mustapha Otaru	18-Apr-23	18-Apr-25	1	1	Performing	Otherwise Secured	Term Loan
Commercial Staff Loan	Employees	Employees	NA	NA	87	33	Performing	Lien on entitlements/indemnity	Other Loans
TOTAL					**642**	**587**			

Letter of credit and bond guarantees.

31 December 2023

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
Touchdown Travels Ltd	Related to a Director	Tunde Adeola	06-Nov-23	06-Nov-24	1,000	1,000	Performing	Personal Guarantee	Bank Guarantee
Rite Foods Limited	Related to a Director	Tairat Tijani	08-Mar-23	07-Mar-24	300	300	Performing	Personal Guarantee	Bank Guarantee
Rite Foods Limited	Related to a Director	Tairat Tijani	03-Nov-23	02-Nov-24	65	65	Performing	Personal Guarantee	Bank Guarantee
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	5	5	Performing	Personal Guarantee	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**1,370**	**1,370**			

36b Insider Related Credits - Continued

31 December 2022

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
Globalmix Capital Ltd.	Related to a Director	Asue Ighodalo	27-May-22	27-Nov-23	520	580	Performing	Secured Against Real Estate	Term Loan
DO II Designs Limited	Related to a Director	Asue Ighodalo	13-Jan-22	30-Mar-25	34	21	Performing	Cash	Term Loan
Commercial Staff Loan	Employees	Employees	NA	NA	103	47	Performing	Lien on entitlements/indemnity	Other Loans
	TOTAL				**657**	**648**			

Letter of credit and guarantees

31 December 2022

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
DO II Designs Limited	Related to a Director	Asue Ighodalo	29-Jun-22	31-Mar-23	68	68	Performing	Personal Guarantee	Bank Guarantee
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	5	5	Performing	Personal Guarantee	Bank Guarantee
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	07-Aug-20	04-Feb-23	296	296	Performing	Cash / Personal Guarantee	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	09-Mar-20	02-Jan-23	728	728	Performing	Cash	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	17-Jun-22	17-Jun-23	65	65	Performing	Cash	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**1,612**	**1,612**			

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

37 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 2023 and profit or loss 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 31 Dec 2023	Group 31 Dec 2022	Bank 31 Dec 2023	Bank 31 Dec 2022
38 Cash and cash equivalents				
Cash and foreign monies (Note 16)	31,977	30,409	31,977	30,409
Unrestricted balances with Central Bank of Nigeria (Note 16)	112,912	105,784	112,912	105,784
Balances held with local banks (Note 17)	1,041	288	1,035	-
Balances held with banks outside Nigeria (Note 17)	233,411	85,929	233,411	85,929
Money market placements (Note 17)	502	242	502	242
	379,843	222,652	379,837	222,364

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 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 controling 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 modelled 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, Compliance and Strategy Department and the Internal Control 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 three lines 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 for 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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 action 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(i) Organization Structure - continued

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.

The Retail 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
- Brand Marketing & Communication
- Finance and Performance Management
- General Internal Services
- Human Capital Management
- Channel Operations
- Trade Services
- Information Technology
- Customer Experience Management
- Legal and Company Secretariat
- Conduct & Compliance
- Centralised Processing Centre
- Health, Safety and Environment
- Enterprise Quality Assurance

Sterling Investment Management Plc: In 2016, Sterling Bank Ltd 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. In line with Bank restructuring plan, the non-interest banking business spun-off to become a standalone bank - the Alternative Bank.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(j) Methodology for Risk Rating - continued

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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.

39.1 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;

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(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. Description of specific activities and tasks in respect of 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

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 BB-	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 quarterly 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Enterprise risk review - continued

(iv) **Credit Risk Control & Mitigation policy**

The Group also sets internal credit approval limits for various levels in the credit process and is shown in the 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 counterparty 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 counterparties 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 counterparty are settled on net basis.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

In millions of Naira	31 Dec 2023	31 Dec 2022
Financial assets:		
Loans and advances	210,421	169,356
Financial liabilities:		
Collaterised deposits	159,225	131,714

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	31 Dec 2023	31 Dec 2022
Net financial assets/ liabilities:		
Loans and advances	51,196	37,642

(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

31 December 2021

S/N	Region	31 Dec 2023	31 Dec 2022
	In millions of Naira		
1	Abuja	56,355	46,123
2	Lagos	613,050	444,525
3	North Central	37,696	37,055
4	North East	6,257	6,599
5	North West	20,926	26,044
6	South East	14,837	13,168
7	South South	62,383	109,821
8	South West	80,712	74,848
	Grand Total	**892,216**	**758,183**

39 Financial risk management - continued

Enterprise risk review - continued

Maximum exposure to credit risk before collateral held or other credit enhancements

The Bank's maximum exposure to credit risk as at 31 December 2023 and 31 December 2022 is represented by the net carrying amounts of the financial assets set out below:

Group

Type of collateral or credit enhancement

31 December 2023

		Fair value of collateral and credit enhancements held							
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collateral value**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	592,566	-	-	-	-	-	-	592,566	-
Due from banks	234,954	-	-	-	-	-	-	234,954	-
Pledged assets	11,288	-	-	-	-	-	-	11,288	(16)
Loans and advances to customers							-	-	
- Corporate loans	792,985	191,010	86,188	160,995	1,742,510	153	2,180,857	-	(18,366)
- Individual/retail loans	99,231	2,532	7,194	-	-	43,549	53,275	45,956	(11,151)
Debt instruments at amortised cost	131,012	-	-	-	-	-	-	131,012	(282)
Total financial assets at amortised cost	**1,862,036**	**193,542**	**93,383**	**160,995**	**1,742,510**	**43,702**	**2,234,132**	**1,015,776**	**(29,815)**
Derivative financial assets	276							276	-
Debt instruments at fair value through profit or loss	2,112	-	-	-	-	-	-	2,112	-
Total financial instruments at fair value through profit or loss	**2,388**	**-**	**-**	**-**	**-**	**-**	**-**	**2,388**	**-**
Debt instruments at fair value through other comprehensive income	284,423	-	-	-	-	-	-	284,423	(1,200)
Total debt instruments at fair value through other comprehensive income	**284,423**	**-**	**-**	**-**	**-**	**-**	**-**	**284,423**	**(1,200)**
Financial guarantees	165,364	-	-	-	-	-	-	165,364	(532)
Letters of credit for customers	180,604	-	-	-	-	-	-	180,604	-
	2,494,815	**193,542**	**93,383**	**160,995**	**1,742,510**	**43,702**	**2,234,132**	**1,648,555**	**(31,547)**

39 Financial risk management - continued

Enterprise risk review - continued

Bank

Type of collateral or credit enhancement

31 December 2023

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	592,566	-	-	-	-	-	-	592,566	-
Due from banks	234,948	-	-	-	-	-	-	234,948	-
Pledged assets	11,288	-	-	-	-	-	-	11,288	(16)
Loans and advances to customers									
- Corporate loans	792,985	191,010	86,188	160,995	1,742,510	153	2,180,857	-	(18,366)
- Individual/retail loans	99,231	2,532	7,194	-	-	43,549	53,275	45,956	(11,151)
Debt instruments at amortised cost	116,932	-	-	-	-	-	-	116,932	(239)
Total financial assets at amortised cost	**1,847,950**	**193,542**	**93,383**	**160,995**	**1,742,510**	**43,702**	**2,234,132**	**1,001,690**	**(29,772)**
Derivative financial assets	276							276	-
Debt instruments at fair value through profit or loss	2,112	-	-	-	-	-	-	2,112	-
Total financial instruments at fair value through profit or loss	**2,388**	**-**	**-**	**-**	**-**	**-**	**-**	**2,388**	**-**
Debt instruments at fair value through other comprehensive income	284,423	-	-	-	-	-	-	284,423	(1,200)
Total debt instruments at fair value through other comprehensive income	**284,423**	**-**	**-**	**-**	**-**	**-**	**-**	**284,423**	**(1,200)**
Financial guarantees	165,364	-	-	-	-	-	-	165,364	(532)
Letters of credit for customers	180,604	-	-	-	-	-	-	180,604	-
	2,480,729	**193,542**	**93,383**	**160,995**	**1,742,510**	**43,702**	**2,234,132**	**1,634,469**	**(31,504)**

39 Financial risk management - continued

Enterprise risk review - continued

Group

Type of collateral or credit enhancement

31 December 2022

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of nigeria	431,488	-	-	-	-	-	-	431,488	-
Due from banks	86,459	-	-	-	-	-	-	86,459	-
Pledged assets	23,115	-	-	-	-	-	-	23,115	(17)
Loans and advances to customers							-	-	
- Corporate loans	652,165	130,925	67,897	37,323	847,943	-	1,084,088	-	(11,176)
- Individual/retail loans	106,018	789	9,087	-	1,149	-	11,025	94,993	(9,272)
Debt instruments at amortised cost	107,100	-	-	-	-	-	-	107,100	(211)
Total financial assets at amortised cost	**1,406,345**	**131,714**	**76,984**	**37,323**	**849,092**	**-**	**1,095,113**	**743,155**	**(20,676)**
Derivative financial assets	807							807	-
Debt instruments at fair value through profit or loss	921	-	-	-	-	-	-	921	-
Total financial instruments at fair value through profit or loss	**1,728**	**-**	**-**	**-**	**-**	**-**	**-**	**1,728**	**-**
Debt instruments at fair value through other comprehensive income	230,636	-	-	-	-	-	-	230,636	(131)
Total debt instruments at fair value through other comprehensive income	**230,636**	**-**	**-**	**-**	**-**	**-**	**-**	**230,636**	**(131)**
Financial guarantees	116,156	30,513	-	-	-	-	30,513	85,643	**(1,071)**
Letters of credit for customers	113,786	14,791	-	-	-	-	14,791	98,995	(207)
Other commitments	-	-	-	-	-	-	-	-	-
	1,868,651	**177,018**	**76,984**	**37,323**	**849,092**	**-**	**1,140,417**	**1,160,157**	**(22,085)**

39 Financial risk management - continued

Enterprise risk review - continued

Bank

Type of collateral or credit enhancement

31 December 2022

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	431,488	-	-	-	-	-	-	431,488	-
Due from banks	86,171	-	-	-	-	-	-	86,171	-
Pledged assets	23,115	-	-	-	-	-	-	23,115	(17)
Loans and advances to customers									
- Corporate loans	652,165	130,925	67,897	37,323	847,943	-	1,084,088	-	(11,176)
- Individual/retail loans	106,018	789	9,087	-	1,149	-	11,025	94,993	(9,272)
Debt instruments at amortised cost	89,978	-	-	-	-	-	-	89,978	(172)
Total financial assets at amortised cost	**1,388,935**	**131,714**	**76,984**	**37,323**	**849,092**	**-**	**1,095,113**	**725,745**	**(20,637)**
Derivative financial assets	807							807	-
Debt instruments at fair value through profit or loss	921	-	-	-	-	-	-	921	-
Total financial instruments at fair value through profit or loss	**921**	**-**	**-**	**-**	**-**	**-**	**-**	**921**	**-**
Debt instruments at fair value through other comprehensive income	230,636	-	-	-	-	-	-	230,636	(131)
Total debt instruments at fair value through other comprehensive income	**230,636**	**-**	**-**	**-**	**-**	**-**	**-**	**230,636**	**(131)**
Financial guarantees	116,156	30,513	-	-	-	-	30,513	85,643	(1,071)
Letters of credit for customers	113,786	14,791	-	-	-	-	14,791	98,995	(207)
	1,850,434	**177,018**	**76,984**	**37,323**	**849,092**	**-**	**1,140,417**	**1,141,940**	**(22,046)**

39 Financial risk management - continued

Enterprise risk review - continued

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 2022, is set out below:

Group 31 December 2023 In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Derivative financial assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	103,719	-	-	-	1,000	190	104,909
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	22,387	-	-	4,869	196	-	27,452
Consumer	-	-	-	-	83,616	-	-	-	3	-	83,619
Education	-	-	-	-	9,233	-	-	-	-	-	9,233
Finance and Insurance	31,977	234,954	628	276	15,977	-	-	3,456	500	-	287,768
Government	560,589	-	10,644	-	73,102	2,112	130,730	265,718	11,688	12,960	1,067,543
Manufacturing	-	-	-	-	46,681	-	-	247	6,054	79,983	132,965
Mining & Quarrying	-	-	-	-	64	-	-	-	-	-	64
Mortgage	-	-	-	-	2,249	-	-	-	-	-	2,249
Oil & Gas	-	-	-	-	285,277	-	-	-	48,178	72,792	406,247
Others		-	-	-	116,095	-	-	-	18,920	9,879	144,894
Power	-	-	-	-	30,479	-	-	287	859	4,778	36,403
Real Estate & Construction	-	-	-	-	17,869	-	-	-	62,648	22	80,539
Transportation	-	-	-	-	55,951	-	-	9,846	14,786	-	80,583
Non-Interest Banking	-	-	-	-	-	-	-	-	-	-	-
	592,566	**234,954**	**11,272**	**276**	**862,699**	**2,112**	**130,730**	**284,423**	**164,832**	**180,604**	**2,464,468**
Concentration by location:											
Nigeria	592,566	1,041	11,272	276	862,699	2,112	130,730	284,423	164,832	180,604	2,230,555
America	-	120,890	-	-	-	-	-	-	-	-	120,890
Europe	-	112,934	-	-	-	-	-	-	-	-	112,934
Africa	-	89	-	-	-	-	-	-	-	-	89
Asia	-	-	-	-	-	-	-	-	-	-	-
	592,566	**234,954**	**11,272**	**276**	**862,699**	**2,112**	**130,730**	**284,423**	**164,832**	**180,604**	**2,464,468**

39 Financial risk management - continued

Enterprise risk review - continued

Bank 31 December 2023 In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Derivative financial assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	103,719	-	-	-	1,000	190	104,909
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	22,387	-	-	4,869	196	-	27,452
Consumer	-	-	-	-	83,616	-	-	-	3	-	83,619
Education	-	-	-	-	9,233	-	-	-	-	-	9,233
Finance and Insurance	31,977	234,948	628	276	15,977	-	-	3,456	500	-	287,762
Government	560,589	-	10,644	-	73,102	2,112	116,693	265,718	11,688	12,960	1,053,506
Manufacturing	-	-	-	-	46,681	-	-	247	6,054	79,983	132,965
Mining & Quarrying	-	-	-	-	64	-	-	-	-	-	64
Mortgage	-	-	-	-	2,249	-	-	-	-	-	2,249
Oil & Gas	-	-	-	-	285,277	-	-	-	48,178	72,792	406,247
Others	-	-	-	-	116,095	-	-	-	18,920	9,879	144,894
Power	-	-	-	-	30,479	-	-	287	859	4,778	36,403
Real Estate & Construction	-	-	-	-	17,869	-	-	-	62,648	22	80,539
Transportation	-	-	-	-	55,951	-	-	9,846	14,786	-	80,583
Non-Interest Banking	-	-	-	-	-	-	-	-	-	-	-
	592,566	**234,948**	**11,272**	**276**	**862,699**	**2,112**	**116,693**	**284,423**	**164,832**	**180,604**	**2,450,425**
Concentration by location:											
Nigeria	592,566	1,035	10,644	276	862,699	2,112	116,693	284,423	164,832	180,604	2,215,884
America	-	120,890	628	-	-	-	-	-	-	-	121,518
Europe	-	112,934	-	-	-	-	-	-	-	-	112,934
Africa	-	89	-	-	-	-	-	-	-	-	89
Asia	-	-	-	-	-	-	-	-	-	-	-
	592,566	**234,948**	**11,272**	**276**	**862,699**	**2,112**	**116,693**	**284,423**	**164,832**	**180,604**	**2,450,425**

39 Financial risk management - continued

Enterprise risk review - continued

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 2021, is set out below:

Group 31 December 2022 In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Derivative financial assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	74	-	-	74
Agriculture	-	-	-	-	80,702	-	-	-	499	2,084	83,285
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	21,184	-	-	4,889	65	16	26,154
Consumer	-	-	-	-	90,556	-	-	-	16,713	25,314	132,583
Education	-	-	-	-	4,708	-	-	-	-	310	5,018
Finance and Insurance	30,409	86,459	304	807	18,758	-	-	1,031	-	-	137,768
Government	401,079	-	22,794	-	89,745	921	106,889	219,756	1,404	6,277	848,865
Manufacturing	-	-	-	-	22,627	-	-	238	2,500	16,370	41,735
Mortgage	-	-	-	-	2,139	-	-	-	-	-	2,139
Oil & Gas	-	-	-	-	162,541	-	-	-	26,471	60,555	249,567
Others		-	-	-	84,521	-	-	-	7,186	1,567	93,274
Power	-	-	-	-	30,797	-	-	280	12,160	828	44,065
Real Estate & Construction	-	-	-	-	64,847	-	-	-	43,764	174	108,785
Transportation	-	-	-	-	35,191	-	-	4,368	106	-	39,665
Non-Interest Banking	-	-	-	-	28,418	-	-	-	4,217	84	32,719
	431,488	**86,459**	**23,098**	**807**	**737,735**	**921**	**106,889**	**230,636**	**115,085**	**113,579**	**1,846,697**
Concentration by location:											
Nigeria	431,488	288	22,794	807	737,735	921	106,889	230,636	115,085	113,579	1,760,222
America	-	48,149	304	-	-	-	-	-	-	-	48,453
Europe	-	34,200	-	-	-	-	-	-	-	-	34,200
Africa	-	3,820	-	-	-	-	-	-	-	-	3,820
Asia	-	2	-	-	-	-	-	-	-	-	2
	431,488	**86,459**	**23,098**	**807**	**737,735**	**921**	**106,889**	**230,636**	**115,085**	**113,579**	**1,846,697**

39 Financial risk management - continued

Enterprise risk review - continued

Bank

31 December 2022

In millions of Naira

	Cash and bank balances	Due from banks	Pledged assets	Derivative financial assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:											
Corporate	-	-	-	-	-	-	0	74	-	-	74
Agriculture	-	-	-	-	80,702	-	-	-	499	2,084	83,285
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	21,184	-	-	4,889	65	16	26,154
Consumer	-	-	-	-	90,556	-	-	-	16,713	25,314	132,583
Education	-	-	-	-	4,708	-	-	-	-	310	5,018
Finance and Insurance	30,409	86,171	304	807	18,758	-	-	1,031	-	-	137,480
Government	401,079	-	22,794	-	89,745	921	89,806	219,756	1,404	6,277	831,782
Manufacturing	-	-	-	-	22,627	-	-	238	2,500	16,370	41,735
Mortgage	-	-	-	-	2,139	-	-	-	-	-	2,139
Oil & Gas	-	-	-	-	162,541	-	-	-	26,471	60,555	249,567
Others	-	-	-	-	84,521	-	-	-	7,186	1,567	93,274
Power	-	-	-	-	30,797	-	-	280	12,160	828	44,065
Real Estate & Construction	-	-	-	-	64,847	-	-	-	43,764	174	108,785
Transportation	-	-	-	-	35,191	-	-	4,368	106	-	39,665
Non-Interest Banking	-	-	-	-	28,418	-	-	-	4,217	84	32,719
	431,488	**86,171**	**23,098**	**807**	**737,735**	**921**	**89,806**	**230,636**	**115,085**	**113,579**	**1,829,326**
Concentration by location:											
Nigeria	431,488	-	22,794	807	737,735	921	89,806	230,636	115,085	113,579	1,742,851
America	-	48,149	304	-	-	-	-	-	-	-	48,453
Europe	-	34,200	-	-	-	-	-	-	-	-	34,200
Africa	-	3,820	-	-	-	-	-	-	-	-	3,820
Asia	-	2	-	-	-	-	-	-	-	-	2
	431,488	**86,171**	**23,098**	**807**	**737,735**	**921**	**89,806**	**230,636**	**115,085**	**113,579**	**1,829,326**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

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 is the 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***	**31 Dec 2023**	**31 Dec 2022**
Bonds, guarantees and indemnities	165,364	116,156
Letters of credit	180,604	113,786
	345,968	**229,942**

Maturity profile of contingents and commitments

As at 31 December 2023 ***In millions of Naira***	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Bonds, guarantees and indemnities	-	19,556	53,524	38,139	54,145	165,364
Letters of credit	-	178,067	2,537	-	-	180,604
Total undiscounted financial assets (A)	**-**	**197,623**	**56,061**	**38,139**	**54,145**	**345,968**

As at 31 December 2022	On demand ₦'000	Less than 3 months ₦'000	3-12 months ₦'000	1-5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Bonds, guarantees and indemnities	-	20	52,791	18,694	44,651	116,156
Letters of credit	-	9,391	74,914	26,412	3,069	113,786
Total undiscounted financial assets (A)	**-**	**9,411**	**127,705**	**45,106**	**47,720**	**229,942**

39 Financial Risk Management - continued

Enterprise Risk Review - continued

Exposure to Credit Risk - continued

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 2023 **Assets** ***In millions of Naira***	**carrying values of:** **Defaulted exposures**	**Non defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans and advances to customers	45,325	846,891	(29,517)	862,699
Debt securities	-	-	-	-
Off balance sheet exposures	-	345,968	(532)	345,436
Total	45,325	1,192,859	(30,049)	1,208,135

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	592,566	-	-	-	592,566	592,566
Due from banks	234,954	-	-	-	234,954	234,954
Pledged assets	11,272	-	-	-	11,272	11,272
Derivative financial assets	276	-	-	-	276	276
Loans and advances to customers	14,427	531,861	300,603	45,325	892,216	862,699
Financial assets at fair value through profit or loss	2,112	-	-	-	2,112	2,112
Investments securities - FVOCI	284,423	-	-	-	284,423	284,423
Investments securities - amortised cost	131,012	-	-	-	131,012	130,730
Other assets	-	230,693	-	-	230,693	230,693
Total	1,271,042	762,554	300,603	45,325	2,379,524	2,349,725

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

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 2022

Assets

In millions of Naira	carrying values of: Defaulted exposures	Non defaulted exposures	Allowances/ impairments	Net values
Loans	29,456	728,727	(20,448)	737,735
Debt Securities	-	25,431	-	25,431
Off Balance sheet exposures	-	229,942	(1,278)	228,664
Total	29,456	984,100	(21,726)	991,830

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	431,488	-	-	-	431,488	431,488
Due from banks	86,459	-	-	-	86,459	86,459
Pledged assets	23,098	-	-	-	23,098	23,098
Derivative financial assets	807	-	-	-	807	807
Loans and advances to customers	102,311	395,469	230,947	29,456	758,183	737,735
Financial assets at fair value through profit or loss	921	-	-	-	921	921
Investments securities - FVOCI	230,636	-	-	-	230,636	230,636
Investments securities - amortised cost	107,100	-	-	-	107,100	106,889
Other assets	-	154,414	-	-	154,414	154,414
Total	982,820	549,883	230,947	29,456	1,793,106	1,772,447

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

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 2023

Assets			Exposure unsecured	Total Exposures	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
In millions of Naira							
Loans and advances to customers			48,211	844,005	795,794	-	-
Debt Securities			-	-		-	-
Total			48,211	844,005	795,794	-	-
of which defaulted			**-**	**45,325**	**-**	-	-

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

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			1,045,814	-	1,045,814	-	-
Non-central government public sector entities			91,673	21,165	41,090	6,695	47,744
Supervised institutions			289,739	-	289,042	-	59,241
Corporates			579,606	281,279	480,483	95,387	519,098
Regulatory retail portfolios			89,773	59,215	88,212	29,600	66,163
Secured by residential property			8,398	-	7,816	-	6,906
Secured by commercial real estate			94,159	-	87,480	-	87,480
Past due loans			26,774	-	26,774	-	19,552
Higher –risk categories			29,115	-	29,115	-	43,672
Other assets			143,920	25,059	143,920	12,501	124,210
Total			**2,398,971**	**386,718**	**2,239,746**	**144,183**	**974,066**

31 December 2022

Assets			Exposure unsecured	Total Exposures	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
In millions of Naira							
Loans and advances to customers			497	757,686	757,189	-	-
Debt Securities			25,431	-		-	-
Total			25,928	757,686	731,758	-	-
of which defaulted			-	**29,456**	-	-	-

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes			**Exposures pre CCF and CRM**		**Exposures post CCF and CRM**		
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			835,796	-	835,796	-	-
Non-central government public sector entities			118,014	7,680	65,768	1,956	67,603
Supervised institutions			92,256	-	91,675	-	26,048
Corporates			425,055	172,248	357,000	54,022	377,704
Regulatory retail portfolios			107,569	-	106,386	-	79,790
Secured by residential property			12,889	-	12,809	-	11,897
Secured by commercial real estate			68,969	-	67,651	-	67,651
Past due loans			19,603	-	19,603	-	25,671
Higher –risk categories			25,227	-	25,227	-	37,841
Other assets			135,421	73,292	135,421	36,495	128,851
Total			**1,840,799**	**253,220**	**1,717,336**	**92,473**	**823,056**

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2023 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Exposure Amount (Post CCF and Post CRM)
Sovereigns	1,045,814	-	-	-	-	-	**1,045,814**
Non-central government public sector entities (PSEs)	-	2,644	4,103	-	41,038	-	**47,785**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised Institutions	-	287,094	251	-	1,696	-	**289,041**
Corporates	-	30,168	65,219	-	480,483	-	**575,870**
Regulatory Retail Portfolios	-	5	29,594	88,212	-	-	**117,811**
Secured by Mortgages on Residential Properties	-	-	-	3,642	4,174	-	**7,816**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	87,480	-	**87,480**
Past due loans	-	-	17,944	-	5,330	3,499	**26,773**
Higher –risk categories	-	-	-	-	-	29,115	**29,115**
Other assets	31,977	19	12,482	-	111,944	-	**156,422**
Total	**1,077,791**	**319,930**	**129,593**	**91,854**	**732,145**	**32,614**	**2,383,927**

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2023 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total credit exposure amount (Pre CCF and CRM)
Sovereigns	1,045,814	-	-	-	-	-	**1,045,814**
Non-central government public sector entities (PSEs)	-	13,011	8,206	-	91,621	-	**112,838**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised institutions	-	287,791	251	-	1,696	-	**289,738**
Corporates	-	150,841	130,438	-	579,606	-	**860,885**
Regulatory retail portfolios	-	26	59,189	89,773	-	-	**148,988**
Secured by Mortgages on Residential Properties	-	-	-	3,824	4,574	-	**8,398**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	94,159	-	**94,159**
Past due loans	-	-	17,944	-	5,330	3,499	**26,773**
Higher –risk categories	-	-	-	-	-	29,115	**29,115**
Other assets	31,977	95	24,964	-	111,944	-	**168,980**
Total	**1,077,791**	**451,764**	**240,992**	**93,597**	**888,930**	**32,614**	**2,785,688**

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2022 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Exposure Amount (Post CCF and Post CRM)
Sovereigns	835,796	-	-	-	-	-	835,796
Non-central government public sector entities (PSEs)	-	151	-	-	67,573	-	67,724
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	81,831	324	-	9,520	-	91,675
Corporates	-	-	-	-	411,022	-	411,022
Regulatory Retail Portfolios	-	-	-	106,386	-	-	106,386
Secured by Mortgages on Residential Properties	-	-	-	3,646	9,163	-	12,809
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	67,651	-	67,651
Past due loans	-	-	97	-	7,274	12,232	19,603
Higher –risk categories	-	-	-	-	-	25,227	25,227
Other assets	30,409	-	-	-	141,507	-	171,916
Total	**866,205**	**81,982**	**421**	**110,032**	**713,710**	**37,459**	**1,809,809**

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2022 In millions of Naira	0%	20%	50%	75%	100%	150%	Total credit exposure amount (Pre CCF and CRM)
Sovereigns	835,796	-	-	-	-	-	835,796
Non-central government public sector entities (PSEs)	-	151	7,680	-	117,862	-	125,693
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised institutions	-	81,865	324	-	10,067	-	92,256
Corporates	-	107,006	65,242	-	425,055	-	597,303
Regulatory retail portfolios	-	-	0	107,569	-	-	107,569
Secured by Mortgages on Residential Properties	-	-	-	3,651	9,238	-	12,889
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	68,969	-	68,969
Past due loans	-	-	97	-	7,274	12,232	19,603
Higher –risk categories	-	-	-	-	-	25,227	25,227
Other assets	30,409	502	72,790	-	105,012	-	208,713
Total	**866,205**	**189,524**	**146,133**	**111,220**	**743,477**	**37,459**	**2,094,018**

39 Financial Risk Management - continued

Exposure to Credit Risk - continued

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.

39 Financial Risk Management - continued

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.
PDs 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.

39 Financial Risk Management - continued

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 addition, historical account performance is evaluated.

39 Financial Risk Management - continued

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 BB-**		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.

39 Financial Risk Management - continued

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.

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 Department 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 2021 and 2022.

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.

39 Financial Risk Management - continued

The Group and Bank

31 December 2023 Key drivers	ECL Scenario	Assigned probabilities	2023	2024	2025	2026	2027	Subseqeunt years
GDP growth rate%	Upside	17%	2.54%	4.25%	4.25%	4.50%	4.50%	4.50%
	Base Case	61%	2.51%	3.75%	3.75%	4.50%	4.50%	4.50%
	Downside	23%	2.31%	3.25%	3.25%	4.00%	4.00%	4.00%
Exchange rate	Upside	17%	756.24	905.00	845.00	800.00	725.00	680.00
	Base Case	61%	776.79	925.00	865.00	805.00	745.00	700.00
	Downside	23%	951.79	945.00	885.00	825.00	765.00	720.00
Inflation rate %	Upside	17%	22.04%	25.25%	24.25%	23.25%	22.25%	21.25%
	Base Case	61%	22.79%	26.00%	25.00%	24.00%	23.00%	22.00%
	Downside	23%	26.72%	26.75%	25.75%	24.75%	23.75%	22.75%

39 Financial Risk Management - continued

Analysis of inputs to the ECL model under multiple economic scenarios - continued

31 December 2022

Key drivers	ECL Scenario	Assigned probabilities %	2022	2023	2024	2025	2026	Subseqeunt years
GDP growth rate%	Upside	12%	3.41%	3.57%	3.57%	3.77%	3.77%	3.77%
	Base Case	65%	2.91%	3.07%	3.07%	3.27%	3.27%	3.27%
	Downside	23%	2.66%	2.82%	2.82%	3.02%	3.02%	3.02%
Exchange rate	Upside	12%	455.52	479.91	506.76	533.89	533.89	533.89
	Base Case	65%	460.52	484.91	511.76	538.89	538.89	538.89
	Downside	23%	480.52	504.91	531.76	558.89	558.89	558.89
Inflation rate %	Upside	12%	21.04%	20.04%	18.96%	18.04%	18.04%	18.04%
	Base Case	65%	21.54%	20.54%	19.46%	18.54%	18.54%	18.54%
	Downside	23%	22.04%	21.04%	20.46%	19.54%	19.54%	19.54%

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 2023

In millions	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
Upside (12%)	201	50	3,071	1,864	89	-
Base (65%)	727	181	11,130	6,758	322	-
Downside (23%)	272	67	4,165	2,529	121	-
Total	1,200	298	18,366	11,151	532	-

39 Financial Risk Management - continued

31 December 2022	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	62	28	1,348	1,118	129	25
Base (50%)	335	149	7,285	6,044	698	135
Downside (27%)	117	51	2,543	2,110	244	47
Total	514	228	11,176	9,272	1,071	207

Bank

31 December 2023	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	273	58	4,181	2,539	121	-
Base (50%)	600	128	9,183	5,576	266	-
Downside (27%)	327	69	5,002	3,037	145	-
Total	1,200	255	18,366	11,151	532	-

31 December 2022	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	117	43	**2,544**	2,111	244	47
Base (50%)	257	95	5,588	4,636	536	104
Downside (27%)	140	51	3,044	2,525	291	56
Total	514	189	11,176	9,272	1,071	207

39 Financial Risk Management - continued

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	**31 Dec 2023**	**31 Dec 2022**
Loans and advances	17,788	41,306
Net modification (loss)/gain	(611)	188
Amortised cost after modification	17,177	41,494

Bank	**31 Dec 2023**	**31 Dec 2022**
Loans and advances	17,788	41,306
Net modification (loss)/gain	(611)	188
Amortised cost after modification	17,177	41,494

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk

Liquidity risk and Funding Management: The Group is exposed to two types of liquidity risk;

1 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 inability 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. The Market & Liquidity Risk Team actively manages and monitors liquidity through the framework of limits, behavioural patterns of non-maturing assets and liabilities, among others. 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 and market and liqudity risk department).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Liquidity risk - continued

(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 2023	As at 31 December 2022
At end of year	32.41%	37.22%
Average for the year	31.83%	31.58%
Maximum for the year	35.34%	42.76%
Minimum for the year	30.25%	21.12%

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 high-quality 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 2023 was 192.37%. The LCR indicates that the Group has adequate liquidity to support its current level of growth.

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 144.04% as at 31 December 2023, was well above the Basel requirement of 100% and internal risk tolerance level.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

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.

Please find below key liquidity risk metrics as at 31st December 2023

	As at 31 December 2023	As at 31 December 2022
Liquidity Ratio	32.41%	37.22%
Net Interbank Borrowing / Total Deposit	0.00%	0.89%
Loan/ Deposit Ratio	56.25%	54.10%
Current and Savings Account/Total Deposit	75.12%	70.74%

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

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 2022 and 31 December 2023, the Group's total deposit base grew on a yearly basis by 32% from N1,328billion to N1,748billion. It is instructive to note that 57% of the customer deposits were Demand deposits.

39 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk

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 2023 ***In millions of Naira***	Note	Carrying amount	Gross nominal Inflow/outflow	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Financial assets								
Cash and balances with Central Bank of Nigeria	16	592,566	592,566	144,889	-	-	-	447,677
Due from banks	17	234,954	234,954	234,954	-	-	-	-
Pledged assets	18	11,272	11,598	-	5,600	5,778	-	220
Derivative financial assets	19	276	276	276	-	-	-	-
Loans and advances to customers	20	862,699	894,523	335,772	140,601	98,341	223,105	96,704
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	21(a)	2,112	2,198	136	144	693	535	690
- Debt instruments at fair value through other comprehensive income	21(b)	284,423	288,844	49,827	27,529	33,476	67,967	110,045
- Equity instruments at fair value through other comprehensive income	21(c)	29,114	29,114	-	-	-	-	29,114
- Debt instruments at amortised cost	21(d)	130,730	136,513	39,987	8,253	30,336	40,503	17,434
Other assets	23	232,809	241,574	70,087	44,214	70,216	20,318	36,739
		2,380,955	**2,432,160**	**875,928**	**226,341**	**238,840**	**352,428**	**738,623**
Financial liabilities								
Deposits from Banks	27	-	-	-	-	-	-	-
Deposits from customers	28	1,747,510	1,757,044	521,926	123,150	397,707	272,985	441,276
Debt securities issued & other borrowed funds	29&30	217,026	265,018	2,349	10,003	13,486	156,329	82,851
Other liabilities	31	294,346	294,358	66,620	41,635	66,613	30,892	88,598
		2,258,882	**2,316,420**	**590,895**	**174,788**	**477,806**	**460,206**	**612,725**
Gap (asset - liabilities)		**122,073**	**115,740**	**285,033**	**51,553**	**(238,966)**	**(107,778)**	**125,898**
Cumulative liquidity gap				**285,033**	**336,587**	**97,620**	**(10,158)**	**115,740**