



2017 ANNUAL REPORT & FINANCIAL STATEMENTS

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 56th Annual General Meeting of Sterling Bank Plc will be held at Eko Hotel & Suites, Plot 1415, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, the 17th day of May, 2018 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December, 2017, together with the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare a Dividend
3. To elect/re-elect Directors
 - (a) To elect Mr. Emmanuel Emefienim as an Executive Director
 - (b) To re-elect Dr. (Mrs.) Omolara Akanji as an Independent Director
 - (c) To re-elect the following Directors retiring by rotation:
 - Mr. Michael Jituboh
 - Mr. Olaitan Kajero
4. To approve the remuneration of the Directors
5. To authorize the Directors to fix the remuneration of the Auditors
6. To elect members of the Audit Committee

NOTES

Re-election of Director aged 70 years and above

In accordance with Section 256 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004, special notice is hereby

given that Dr. (Mrs.) Omolara Akanji, who attained the age of 70 years in December 2017, will be proposed as a Director for re-election at the meeting.

NOTICE OF ANNUAL GENERAL MEETING cont'd

Proxy

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

Payment of Dividend

If approved, a dividend in the sum of 2kobo for every share of 50kobo will be paid on 17th of May, 2018 to shareholders whose names are registered in the Register of Members at the close of business on 27th April, 2018.

Closure of Register of Members

The Register of Members and Transfer Books of the Company will be closed from 30th April to 4th May, 2018 (both dates inclusive), to enable the Registrar prepare for payment of dividend.

Audit Committee

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

Unclaimed Dividend Warrants and Share Certificates

Shareholders are hereby informed that Dividend warrants and a number of share certificates have been returned to the Registrars as "unclaimed". A list of unclaimed dividend will be circulated with the Annual Report & Financial Statements. Any member affected by this notice should contact the Registrar, Pace Registrars Limited, Akuro House (8th Floor), 24, Campbell Street, Lagos.

Right of Shareholders to ask Questions

Shareholders reserve the right to ask questions not only at the meeting, but also in writing prior to the meeting on any item contained in the Annual Report and Financial Statements. Please send questions to: investor.relations@sterlingbankng.com not later than 3rd May, 2018.

Profiles of Directors

The profiles of all Directors of the Bank are provided in the Annual Report.

Annual Report and Financial Statements

The Annual Report and Financial Statements can also be downloaded from the Bank's website, www.sterlingbankng.com

Dated this 16th day of April, 2018

BY ORDER OF THE BOARD



Justina Lewa
Company Secretary
20 Marina
Lagos



OVERVIEW

WHY INTEGRATED REPORTING?

Sterling Bank is more than just a bank, we are a way of life. As such, numbers alone cannot tell our story. This integrated report is our approach to relaying information on the value created by the business for all stakeholders. This report aims to provide simple, transparent, and holistic feedback to stakeholders regarding the organization's strategy, performance, governance, and prospects. It also intends to provide stakeholders with an overview of the material issues affecting the organization in view of current realities in Nigeria, and the way these are addressed.

The integrated annual report encompasses all Sterling Bank's operations which are conducted exclusively within Nigeria being a full service, national bank, and covers the period of 1 January 2017 to 31 December 2017. Integrated reports are prepared annually, and the 2016 report can be accessed on the Sterling Bank website (www.sterlingbankng.com). This report was prepared in accordance with the Companies and Allied Matters Act (2004), Banks and Other Financial Institutions Act (2004) amongst other regulatory frameworks guiding all aspects of the Industry and the Bank's operations. The Board of Directors believe that it adequately addresses and elaborates upon the realities faced by Sterling Bank Plc and approved it on 6 March 2018. Assurance regarding the annual financial statements is provided by the Independent Auditor's report contained therein and, where considered appropriate, external sources have been used to provide independent information.

Enquiries regarding the content of this report can be forwarded to the Company Secretary:

E-mail: customercare@sterlingbankng.com
or investor@sterlingbankng.com

Post: Sterling Towers, 20 Marina, P.M.B 12735, Lagos, Nigeria.







Phone: +234 (1) 4884881-5

PERFORMANCE HIGHLIGHTS

Financials N'million

TOTAL ASSETS 1,072,201 ↑ 28.5% FROM FY 2016	LOANS & ADVANCES 598,073 ↑ 27.7% FROM FY 2016	GROSS EARNINGS 133,490 ↑ 19.8% FROM FY 2016	OPERATING INCOME 73,545 ↑ 7.6% FROM FY 2016
DEPOSITS 684,834 ↑ 17.1% FROM FY 2016	SHAREHOLDERS' FUNDS 102,938 ↑ 20.2% FROM FY 2016	PROFIT BEFORE TAX 8,606 ↑ 43.3% FROM FY 2016	PROFIT AFTER TAX 8,521 ↑ 65.0% FROM FY 2016

Channels

POS  5,680	ATM  835	USSD  354,742
BRANCHES  179	CUSTOMERS  >3,000,000	PROFESSIONAL STAFF  2,253

Ratings

MOODY'S	B2
Fitch Ratings	B-
GCR	BBB
DataPro Compliance Solutions Company	BBB+

Awards



OUR BUSINESS MODEL

2006 - 2010 THE BIRTHING PROCESS OUR HERITAGE

Sterling Bank was born out of a merger of five Nigerian banks in a bid to achieve compliance with the regulatory requirement mandating a N25 billion capital base for Nigerian banks.



2006

Magnum Trust Bank

NAL Bank Plc

Trust Bank of Africa Ltd.

Indo-Nigeria
Merchant Bank

NBM Bank Ltd.

These banks were predominantly investment banks with little retail footprint. Given this fact, the business of commercial banking was somewhat new to Sterling Bank with challenges.

We navigated through these years to:

Establish a foothold
to gain market share



Integrate our people
following the M&A

Create a distinct
brand identity.



Sustainable solutions
to reposition us
as a key competitor

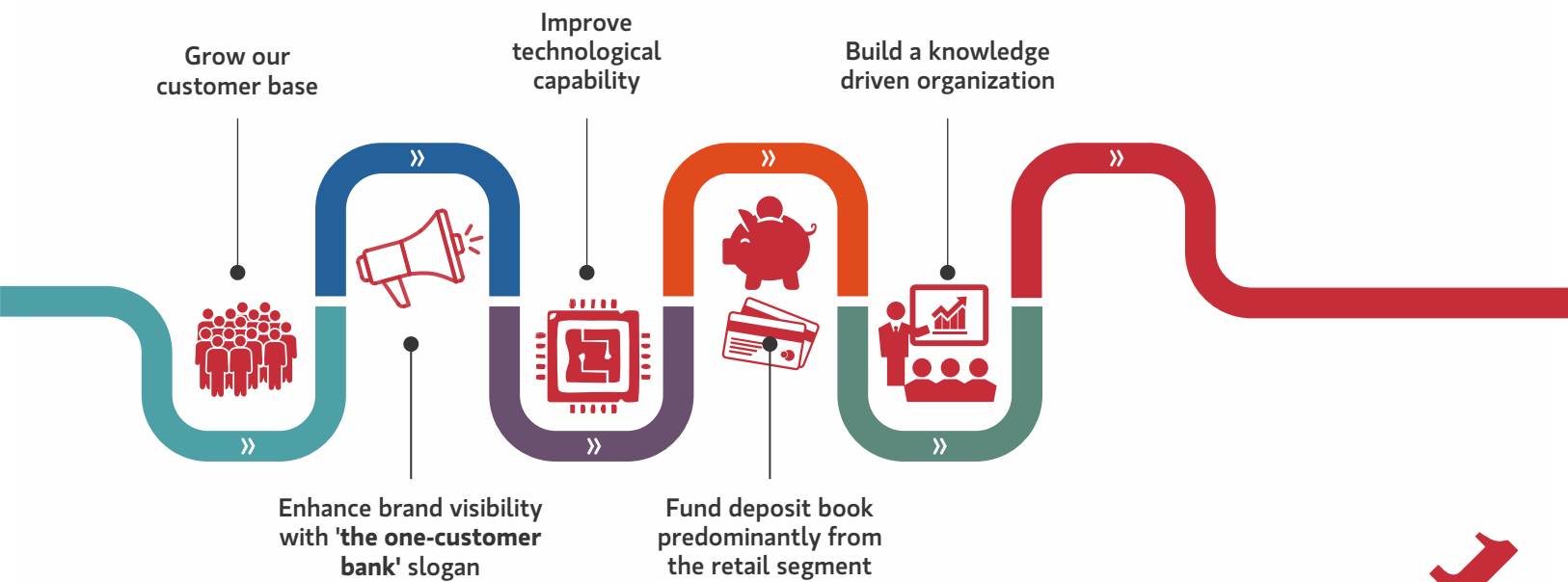
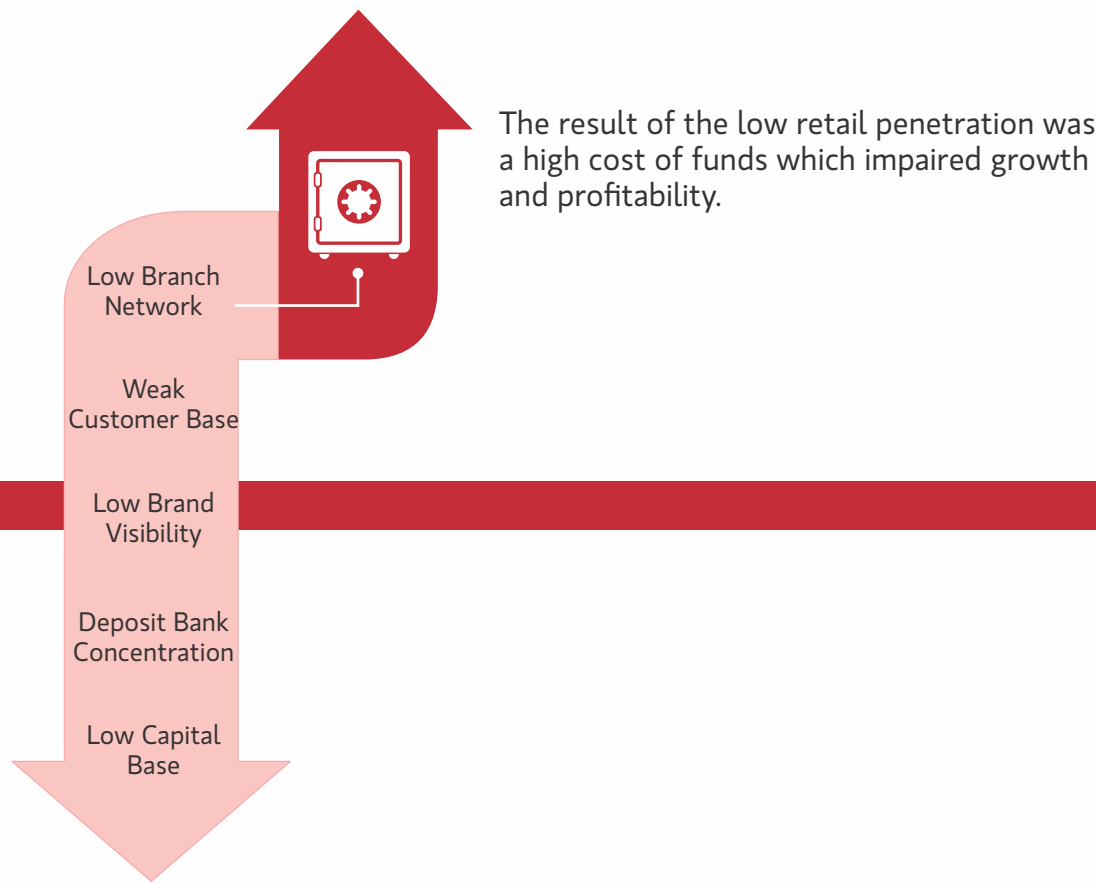
Beef up capital



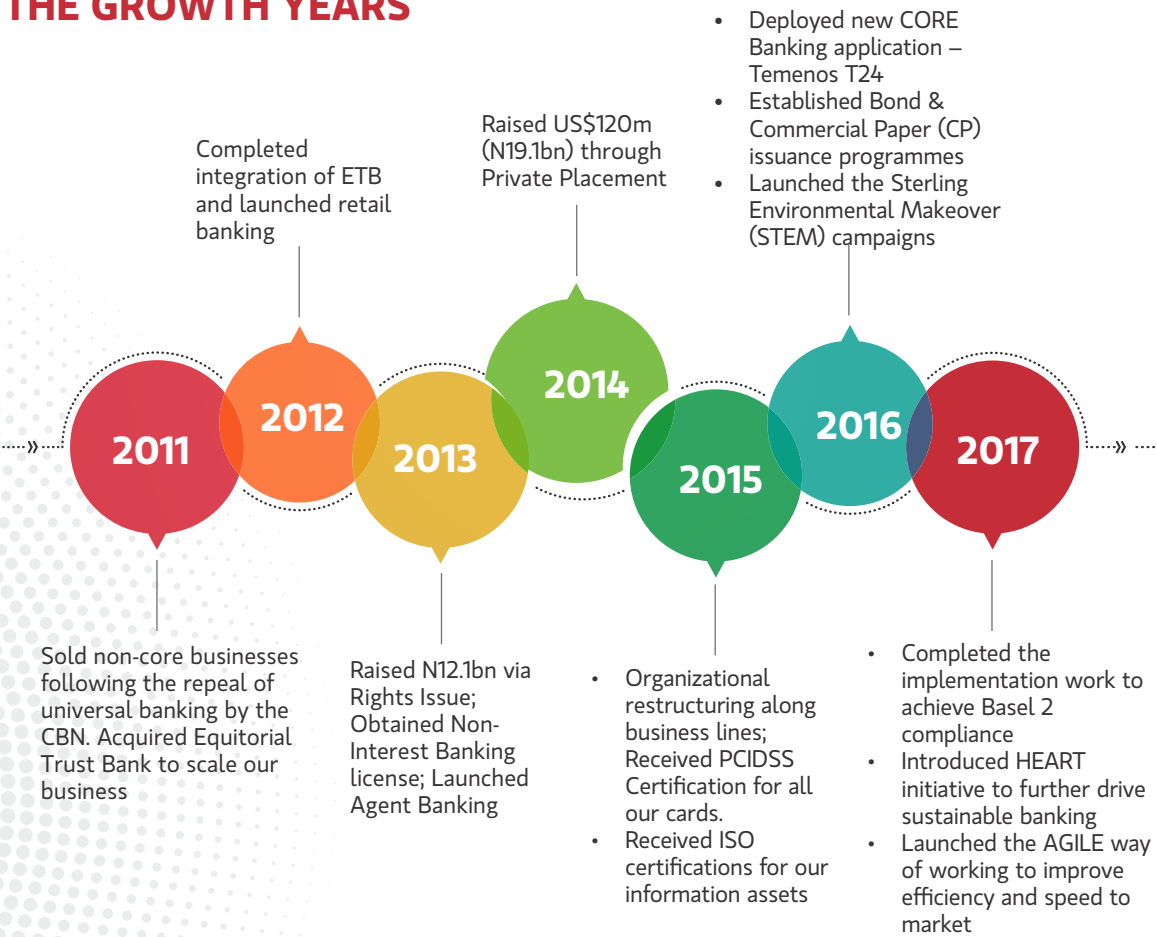
Grow our retail footprint
by investing in technology
and service channel growth

Adopt social media
to deepen customer
interactions





2011 - 2017
THE GROWTH YEARS



We believe that the key objectives of Nigerian banks will centre on:



Efficient liquidity management



Cost Efficiency



Excellent service delivery



Asset protection in order to sustain optimal returns on capital.

while...



Keeping abreast of global trends



Tracking competition and regulation



Leveraging technology to enable and harness opportunities



OUR PURPOSE

“Enriching Lives”



We support and collaborate to improve the lives of the people in communities where we do business.

For our employees, we strive to build an organization that motivates and inspires all to achieve their full potentials



To our customers, we place a premium on value enhancement in our relationships



With our partners and vendors we prioritize long term relationships and offer fair terms in our dealings



For our shareholders we compete to be the best without compromising the future



OUR VISION



“To be the financial institution of choice”

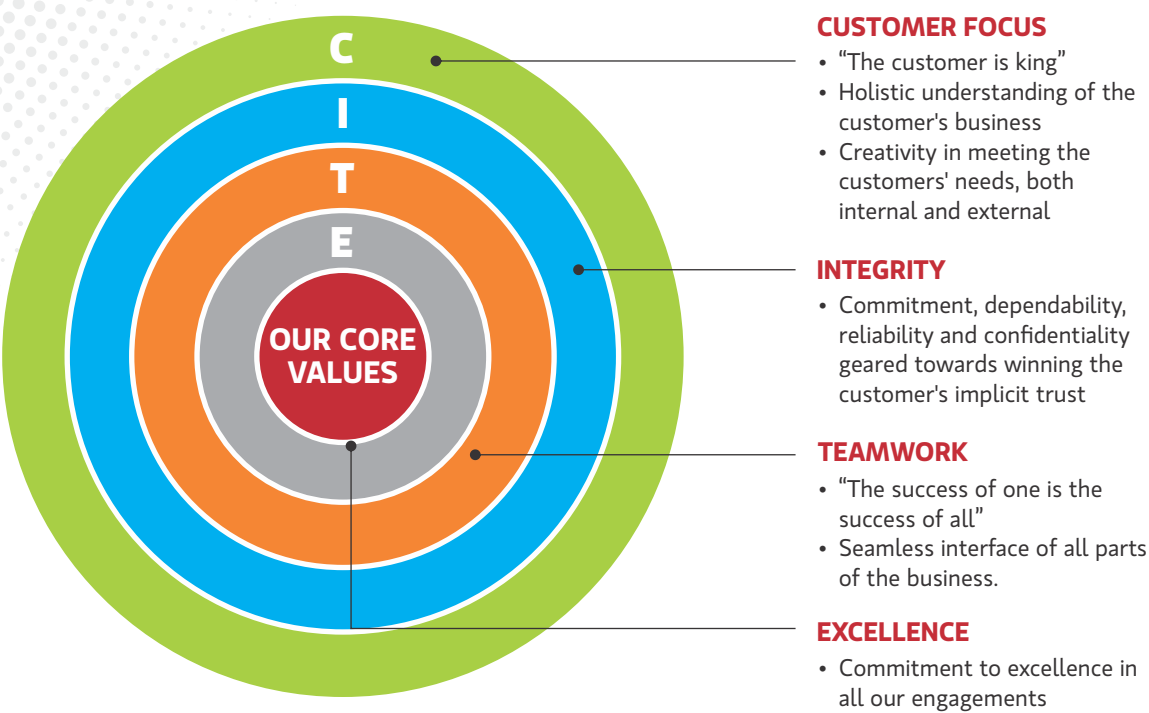
The Bank intends to become the Financial Institution of choice for key stakeholders. Our main focus will be on enhancing technological capability and entrenching a customer-centric business model.

OUR MISSION

“We deliver solutions that enhance stakeholders' value”.



OUR CORE VALUES “CITE”





Our Behavioral Codes

Be Passionate




Infect others with your thirst for excellence. Always crave the "Sterling Bank" success.

Be Impactful




Leave a long lasting positive impression by consistently achieving positive results that add sustainable value and enrich lives

Be Respectful




Consider how your words and actions impact others, treat everyone with dignity.

Be Ethical



Avoid conflict of interest and personal gain. Adhere to policies.

Be Agile




Responsive and adaptable at all times. Collaborate and share information and ideas as appropriate.

Be A Listener



Listen carefully when others are speaking and try not to interrupt. Be explicit in your speech and writing

Be of Service



Seek what is best for Sterling Bank always, rather than what works best for yourself or your team/group.

Be Responsible



Own your mistakes. Learn from it and learn to do better in the future.

Be Tolerant



Step out of your comfort zone and seek to understand others.





Be A Leader



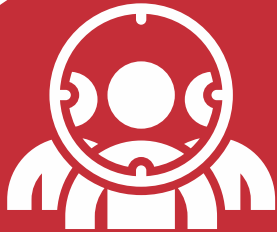
Demonstrate personal accountability by displaying behaviors and actions that reflect high professional standards.

Courtesy: HR

OUR STRATEGY

			
Manage risk, balance sheet and capital to deliver superior returns to shareholders.	Create a learning organization to optimize productivity.	Optimize operations and technology to drive better control, manage costs, complexity and risk	Deliver excellent customer service and drive efficiency and sales through robust digital and payments capability

OPERATING ETHOS

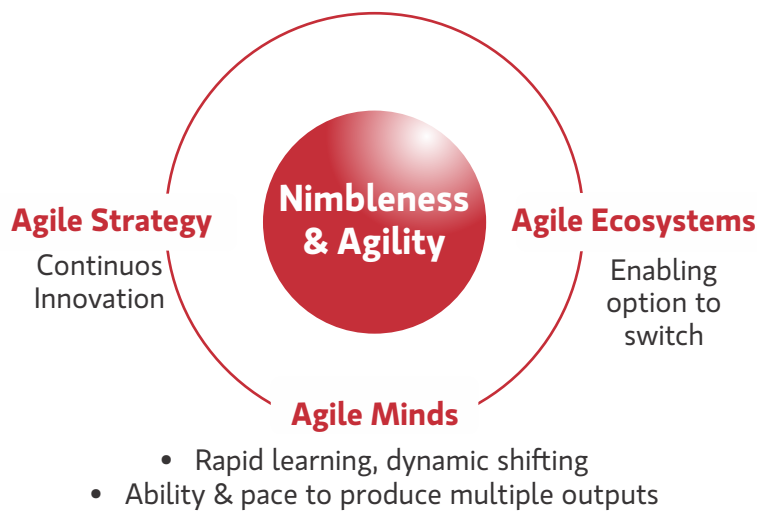


Focus on the user

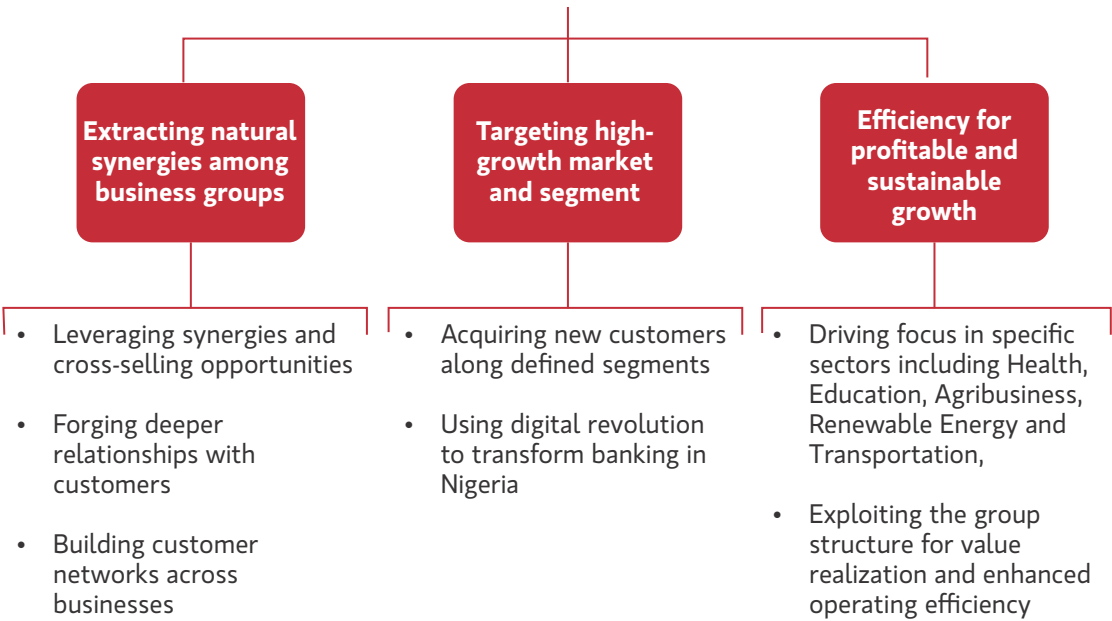
The bank of the future must understand the consumer of the future and address their needs

OPERATING MODEL

We will adopt the agile methodology and journey thinking to improve speed to market and the customer experience. In 2018 and beyond we will focus on creating a start-up culture in the bank to embed customer centricity and drive internal collaboration by embracing innovation and entrepreneurship.



How we will create, deliver and grow value



OUR ROADMAP

1. Focus on sustainable business lines

Building a stable funding base and lending securely

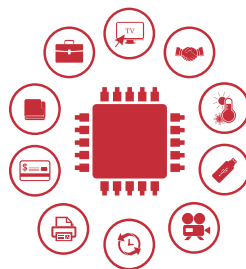
Retail Banking: “Growing with Nigeria”



Retail banking provides a sustainable business model for our ambitions.



We are building our institution to cater intelligently to the growing, young and dynamic Nigerian population.



We are making significant investments in technology infrastructure that include smart systems for efficient and prompt processing...

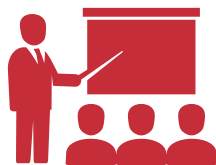


...while upgrading the aesthetic feel of our touch points to making us more desirable.

Business Banking: “The next frontier”



We are building our core banking platform and leveraging technology to improve processes.



Through educating our people, we are building a knowledgeable institution and offering financial advisory to our customers.



Ability to cater to the complex financial needs of the next frontier in Nigeria's financial market development through innovative payment solutions and transaction banking



We remain committed to partnering to build our business in different segments, while also leveraging alternative finance solutions through non-interest banking.

OUR ROADMAP

2. Focus on sustainable business lines

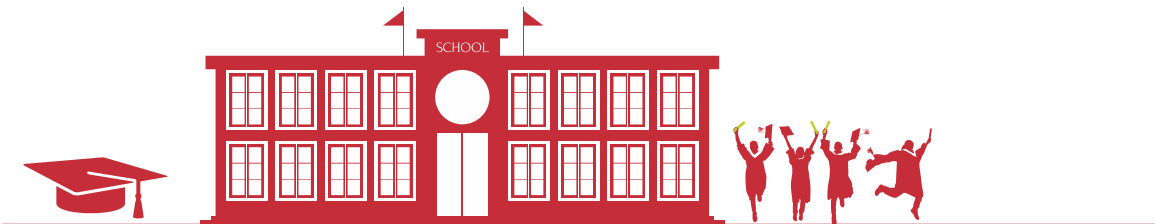
A wealthy community produces a wealthy bank



Our purpose as an institution is to “enrich lives”. We believe that by involving our community in our growth, we can only grow bigger.



We will ensure that in our areas of operation, we improve human capital and encourage economic development and sustainability. We have defined education and the environment as part of our corporate responsibility because we believe that...



...the key to human development in Nigeria is an enlightened population. Education reduces the susceptibility to poverty and other challenges which suppress growth...

..and a clean environment enables a healthy life.



OUR ROADMAP

3. Build Leadership From Within

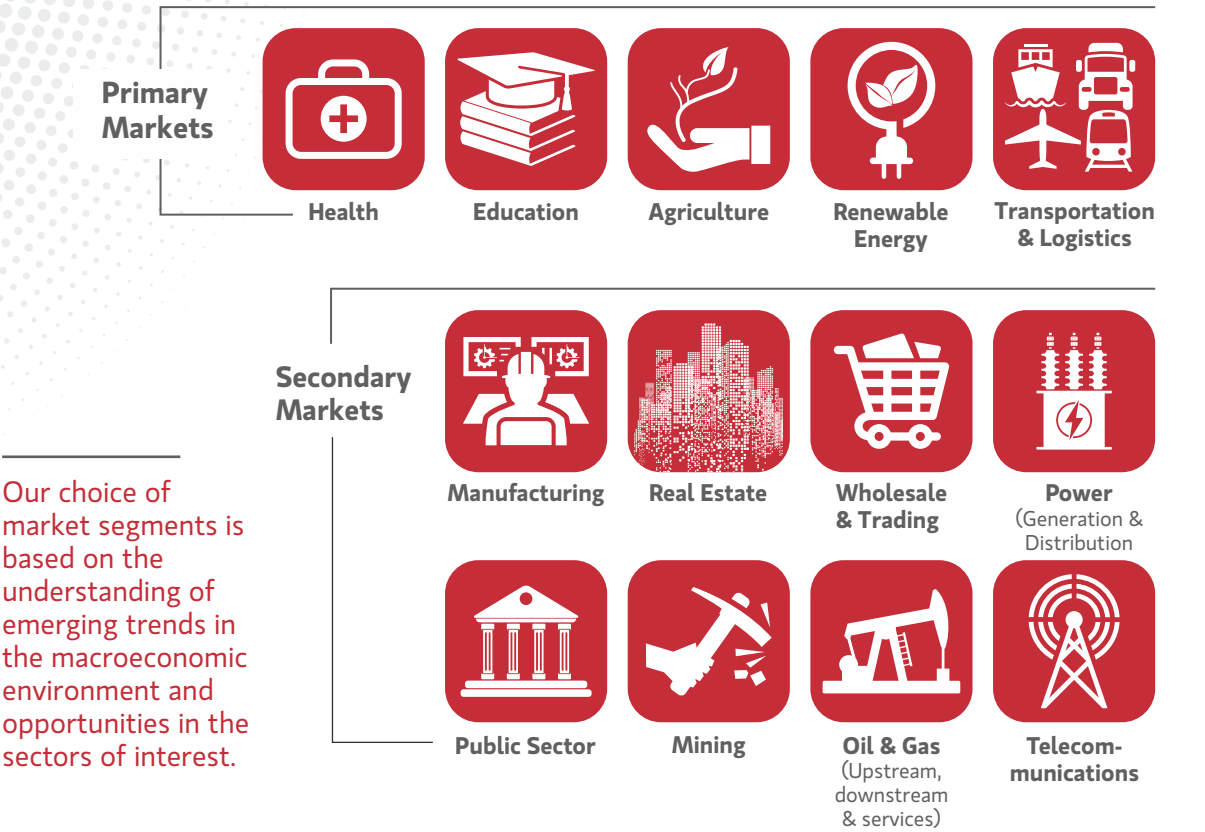
A business that lives beyond its current owners

As the financial institution of choice, sustainability and the ability for non-owners to take on ownership is important. For this reason, we have designed an internal leadership programme that enables the best in the industry compete to lead and own the Bank. This allows our culture pervade and outlive the current owners and managers of the bank.

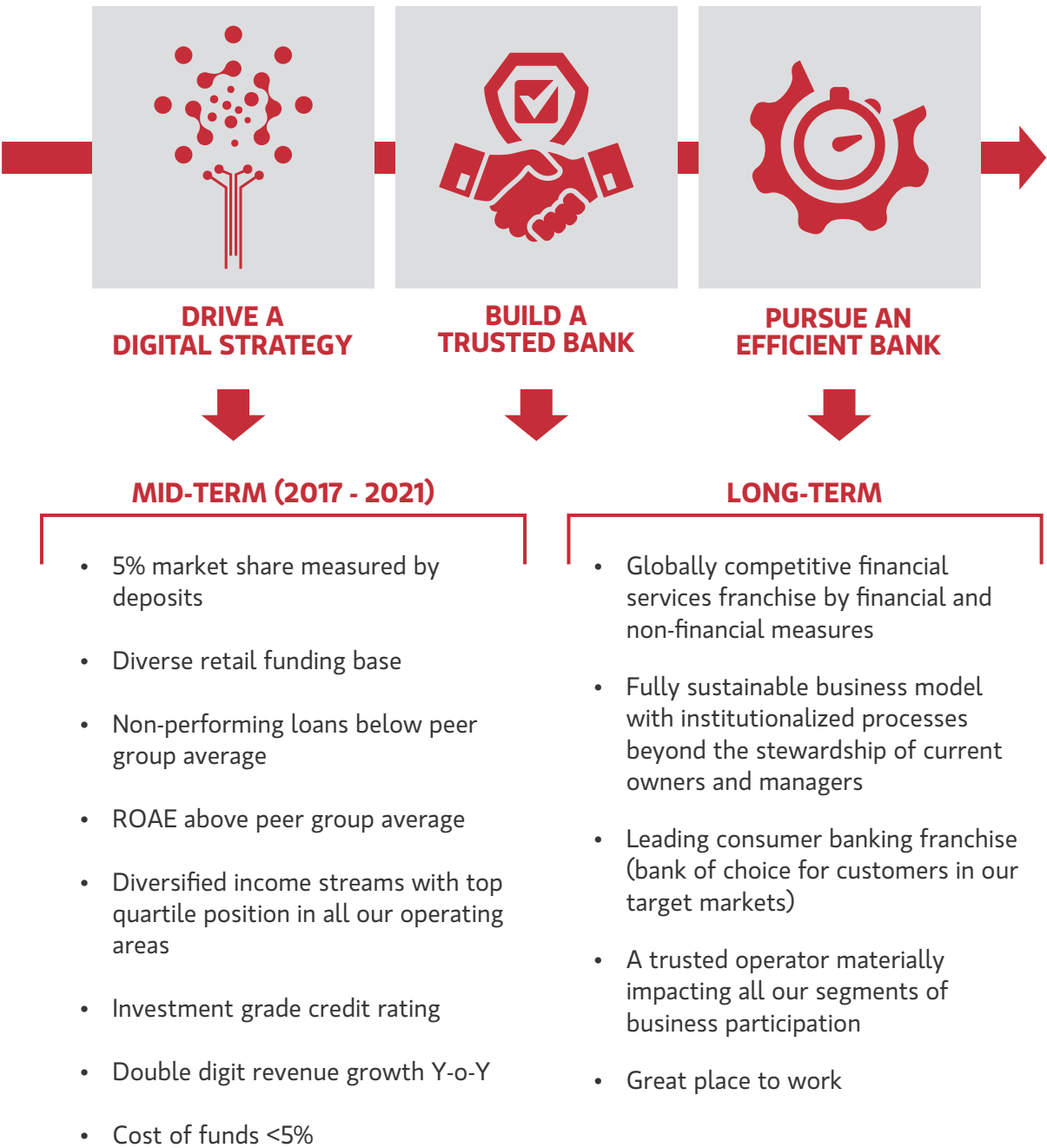
In recognition of our desire to equip the next generation of leaders, our training school has been accredited by the Chartered Institute of Bankers of Nigeria (CIBN) as a forefront citadel of development in the country



TARGET MARKETS



OUR STRATEGIC GOALS





Asue Ighodalo
Chairman, Board of Directors

CHAIRMAN'S STATEMENT

‘An organization built
truly sustainably’

Esteemed Shareholders, I am honoured to present to you the Bank's scorecard for the year ended December 31st, 2017 which, with all sense of modesty, I will say was relatively impressive. Despite the delicate operating environment, our Bank ended the year with a strong performance, reflecting the resilience of our institution's business strategy and the commitment of the leadership team.

The Operating Environment

According to IMF statistics, the global economy witnessed strong expansion in 2017, growing at 3.7%, up from 3.2% in 2016. This was largely driven by accommodative monetary policies, strong labour markets, buoyant global trade, and higher commodity prices. The US economy reflected strong economic performance underpinned by increased domestic consumption and investment fuelled by increased business confidence. The Euro Area managed to scale through the 2017 election cycle and achieved robust growth led by a multi-year low unemployment rate, dynamic external sector, and loose monetary conditions. On a broad note, export-driven countries in Eastern Europe, Latin America and Sub-Saharan Africa benefited substantially from the increase in commodity prices.

The UK, though saddled with the weight of uncertainty on Brexit negotiations, recorded a modest growth rate of 1.7% on the back of solid performance in the service sector and loose monetary policy.

China contributed significantly to the global expansion, defying fears of pronounced slowdown by recording an expansion of 6.8%. However, its economy is gradually shifting towards a more balanced model that is driven by services and consumption.

The Nigerian economy was not left out of the growth trajectory for 2017. The upward trend in crude oil prices in 2017 gave a strong boost to economic performance. Oil prices rallied on the back of strong basics including the conformity of OPEC and key non-OPEC countries to the deal on production cuts, strong global economic activities that increased the demand for oil and supply disruptions in other oil producing countries. Brent crude oil closed the year at \$64/bbl, the highest since May 2015. On the back of gains in the oil sector and the relieving impact on foreign exchange liquidity pressures, the economy grew by 0.55% in the second quarter of 2017 after contracting in the preceding five quarters. Performance for the remaining half of the year remained fragile as the country continued on a slow path to recovery, while still faced with inflationary pressures and a weak business climate across the non-oil sectors of the economy.

19.8%

Growth in Gross Revenue (from N111.4B to N133.5B)

65.0%

Increase in Profit After Tax (from N5.2B to N8.5B)

20.2%

Increase in Shareholders funds (from N85.7B to N102.9B)

Shareholders' Returns

Despite the slow recovery highlighted above, we continued to enhance shareholder value. Gross revenue rose by 19.8% from N111.4 billion to N133.5 billion. Operating expenses increased marginally by 3.7% from N50.6 billion to N52.5 billion notwithstanding inflationary pressures that persisted during the year. This reflects progress in the strategic cost management initiatives implemented by Management. Consequently, Profit Before Tax increased by 43.4% from N6.0 billion in 2016 to N8.6 billion in 2017; while Profit After Tax rose by 65.0% from N5.2 billion to N8.5 billion. This impressive performance by Management contributed to the 20.2% rise in shareholders' funds from N85.7 billion in 2016 to N102.9 billion in 2017.

Due to additional capital required to finance our growth ambition and fund the Bank's proposed Holding Company structure, the Board has proposed a dividend of 2 kobo per share for the 2017 financial year. This will enable us retain a substantial amount of profit generated to strengthen available capital in the best interest of shareholders.

Banking on Sustainability

Our Bank remains committed to its vision of maximizing stakeholders' value by implementing and delivering tailor-made solutions in line with the global Sustainable Development Goals (SDGs) and

the CBN's Sustainable Banking Principles. Our objective is to extensively incorporate environmental, social and governance considerations into our business. Our products, services and other interactions must satisfy stakeholders' needs and objectives as well as provide adequate financial returns for shareholders. At times, it is difficult to fulfil these criteria all at once. Still, we consistently strive to increase the importance of non-financial factors in our core business.

In furtherance of fostering inclusive economic growth, our Bank played an active role in various intervention and social investment programmes in partnership with the Federal Government, some State Governments, and the Central Bank. I am pleased to inform you about some of our interventions during the past year which include:

- The Government Enterprise & Empowerment Programme (GEEP) that has provided micro loans to over 1million Nigerian MSMEs and youth nationwide, in collaboration with Bank of Industry. Sterling Bank was the sole partner during the pilot phase based on our robust agent banking platform.
- Loan administration, management, and account services for smallholder farmers under the Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL)/CBN Anchor Borrower Programme. Again, our Bank was the sole participating bank in the scheme due to our competence, experience, and knowledge of the Agriculture business as well as our agent banking network. Over 22,000 farmers benefited from this scheme in Kebbi State.
- Our Bank was one of the three lenders selected for loan administration under the Lagos State Employment Trust Fund (LSETF) programme, aimed at providing financing to SMEs and artisans in the State
- Partnership with the Nigerian Export Promotion Council (NEPC) to drive the export of agricultural products in the country in fulfilment of the Government's diversification programme. Under the partnership, Sterling Bank supported

- the Information Communication Technology (ICT) laboratory of the South West Regional office of the Council by providing 24-hour internet service for the staff and exporters.

As a socially responsible institution deeply concerned with the state of the environment, our Bank intensified efforts on the Sterling Environment Makeover (STEM) initiative. We have taken a step further by engaging celebrities and other partners to deepen the reach of this quest to make our environment a better place.

We also commenced a campaign on autism, where we partnered with FitCit and The Zamar Institute (TZR) to facilitate a 5km walk in the Federal Capital Territory (FCT Abuja) and mobilized donations to support the cause.

Achieving business responsibility and acquiring the tools for sustained performance must begin with our employees. It is our goal to attract and retain the best talent, provide our employees with rewarding careers and remunerate performance fairly. We are also building a pipeline of future female leaders to sustain a diversified workforce.

Maintaining Good Governance and Changes in Board Composition

The Board believes that a business built on the principles of good governance is more likely to succeed over the long term and we responded constructively to various government and regulatory consultation exercises in 2017. Our commitment to best practice in corporate governance is further validated by the recognition accorded the Bank by the Institute for Service Excellence and Good Governance as the Bank was given the **"Service Excellence Award"**.

During the year, one of our long-serving Directors, Mr. Lanre Adesanya (Executive Director, Commercial & Institutional Banking) retired from the Board after 30 years of meritorious service to Sterling Bank Plc and its predecessor institution, NBM Bank Ltd. Mr. Adesanya's contribution to this institution is immeasurable and I have, on your behalf, conveyed our gratitude to him for his outstanding service.

Management Changes

A major part of the Board's responsibilities is providing adequately for succession. It is therefore with mixed feelings that I inform you that one of our founding Directors and long serving Managing Director/Chief Executive Officer, Yemi Adeola retired from the Board with effect from April 1st, 2018 after almost 14 years of service on the Board. Mr. Adeola was an outstanding servant of the Bank, whose passion and commitment enabled our success thus far. Since his appointment as CEO, he led a period of strong growth in market share and profitability with the institution moving from the 23rd position measured by assets to the top half of the domestic banking industry. Under his stewardship, for the first time in the history of the Bank, our total assets crossed N1 trillion, positioning our Bank as a major player in the industry. Specifically, total assets rose to N1.1 trillion in 2017 representing a 330% rise from N250 billion in 2008. Likewise, shareholders' fund rose by 227% to N102 billion from N31 billion in 2008 resulting in significant value creation for shareholders.

More than anything else, his legacy is reflected in the excellent professional reputation of our Bank, the stability of the Board and Management, and the overall strength of our institutional governance; all of which are achievements that I have no doubt that the new leadership team will build upon and extend even further. On behalf of the Board, the entire Sterling Bank team and you all, I thank Mr. Adeola for his distinguished service and exceptional leadership while trusting that we can continue to call upon his counsel whenever the need arises.

The Board has approved the appointment of Mr. Abubakar Suleiman as Yemi Adeola's successor effective April 1, 2018. His appointment has also received all mandatory regulatory approvals. Abubakar Suleiman was Executive Director in Sterling Bank, a role he served in since April 2014. In addition to his role as Executive Director, a portfolio comprising Asset & Liability Management, Strategy & innovation, Branding & Communications, Human Resource Management as well as Non-Interest Banking, Abubakar also oversaw the Commercial & Institutional Banking Directorate following the

"...we will continue to focus on key growth sectors of the Nigerian economy and leverage on our areas of strength to drive sustainable growth and deliver superior returns to our esteemed shareholders."

retirement of Mr. Lanre Adesanya. His effective management of these roles shows a versatility that we require in the coming years for the organization. Over the years, Abubakar has developed an outstanding strategic and operational record of accomplishment across all our business areas and great relationships with customers and other stakeholders in key areas of our business.

I am pleased to welcome Abubakar into the CEO role. His appointment is a result of a rigorous and wide-reaching process conducted as part of our succession planning. We look forward to him leading our Bank through the next stage of its development.

On the same note, I will like to take this opportunity to introduce a new addition to our stellar Executive Management Team, Mr. Emmanuel Emefienim who will serve as executive Director, Institutional Banking. We believe his wealth of experience will be instrumental to the bank's transformation journey.

Business Outlook

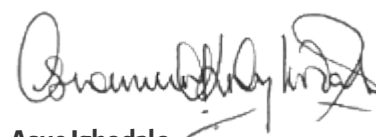
The outlook for the global economy in 2018 remains strong with principally harmonized growth expected, whereby economic performance in advanced nations will drive and support growth in developing economies. Despite the monetary tightening in the US, financial conditions remain loose across the globe as other key Central Banks

including the Bank of Japan and European Central Bank sustained their accommodative monetary policies, which should continue to boost consumer confidence and investments. The IMF has projected a global growth rate of 3.9% for 2018.

For Nigeria, it will be a 'story of two halves'. The first half of the year will see the economy thrive on higher oil prices, increased oil production and recovering household demand. However, the second half of the year will be clouded with uncertainty surrounding the 2019 elections and its consequent risk to investment growth. Nonetheless, the business outlook presents an opportunity for us to navigate our growth by innovative means. As a business, we will continue to focus on key growth sectors of the Nigerian economy and leverage on our areas of strength to drive sustainable growth and deliver superior returns to our esteemed shareholders.

Appreciation

In closing, I would like to take this opportunity to express my sincere appreciation to my fellow Board members; the management and staff of this great institution for their hard work and commitment; our customers for their unwavering support; our esteemed shareholders; development partners; regulators and other stakeholders for their priceless assistance, continuous guidance and support.



Asue Ighodalo

MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER'S REPORT

“Strong performance amidst a
fragile operating environment.”

Distinguished Shareholders, Customers and Business Partners, it is with mixed feelings that I welcome you all to our 56th Annual General Meeting. This meeting is particularly significant to me as it marks my last Annual General Meeting as the Managing Director/Chief Executive Officer of Sterling Bank Plc.

Operating Environment in 2017

2017 was a year of surprises as the global economy witnessed significant expansion despite geopolitical tensions that prevailed in some regions. Global growth was largely characterized by resurgence in trade, investments, and accommodative monetary policies. The US economy performed beyond expectation in 2017 despite the effects of the hurricanes in the third quarter and the uncertainty that loomed around the possible effects of President Trump's economic policies. Buoyant business and consumer sentiment spurred the Federal Reserve to implement three rate hikes during the year. The United Kingdom, on the other hand, continued to grapple with uncertainty around Brexit negotiations and its consequent risk to investment growth.

Accommodative monetary policies and fiscal stimulus in the Euro Area, Japan, China, and other emerging markets underpinned growth in the economies. On the domestic front, the Nigerian economy started on a slow path to recovery after it exited recession in the second quarter of 2017. Economic performance gained some steam as the Federal Government and the Central Bank consolidated on the gains that sprouted in the energy sector due to the recovery of crude oil prices in the

global market as well as increased local production. Foreign reserves increased consistently, moving from \$28.5bn in January 2017 to \$38.9bn at the end of the year (the highest since September 2014). The increase in the nation's foreign exchange earnings supported the drive of the Government to stimulate the economy through fiscal intervention schemes that cut across youth entrepreneurship development, economic diversification, and infrastructure development. The foreign exchange (FX) market particularly recorded notable stability on the back of improved FX liquidity.

In a bid to curtail inflationary pressures, improve returns on investments and attract foreign capital into the Nigerian economy, the Monetary Policy Committee (MPC) continued to tow the path of policy tightening that commenced in 2016. The Committee held its key rates constant all through the year - MPR at 14%, CRR at 22.5% and liquidity ratio at 30%. Though recovering, the fragile state of the macroeconomy posed challenges for the banking industry, evident largely in liquidity constraints and frail asset quality. This necessitated cautious business drives and asset growth during the financial year. Notwithstanding the challenges of the operating environment, I am pleased to inform you that our Bank continues to show resilience and an ability to thrive against all odds.



Yemi Adeola
Managing Director/CEO

87.8% 28.5%

Increase in Non-interest
Income

Increase in Total Assets

17.1% 27.7%

Growth in Deposits

Increase in Net Loans
& Advances

Business Performance Highlights

Our performance for the 2017 financial year highlights our underlying institutional strength despite the delicate operating conditions:

- Gross earnings rose by 19.8% to N133.5 billion from N111.4 billion in 2016 due to an 87.8% rise in non-interest income
- Net operating income rose by 7.9% to N61.1 billion from N56.6 billion in 2016 driven largely an increase in non-interest income
- Operating expenses increased moderately by 3.7% to N52.5 billion from N50.6 billion despite persistent inflationary pressures
- Net loans and advances increased by 27.7% to N598.1 billion, while deposits grew by 17.1% to N684.8 billion
- Total assets rose by 28.5% to N1.1 trillion, while shareholders' funds rose by 20.2% to N102.9 billion
- Overall, our Bank recorded a 65.0% rise in Profit After Tax to N8.5 billion against N5.2 billion in 2016.

Our retail business gained significant traction in 2017. We witnessed a substantial adoption of our mobile, internet and USSD banking services. The number of customers enrolled on these digital platforms witnessed a 160% growth in 2017. The successful launch/upgrade of multiple digital solutions, including a new mobile banking application, our revamped USSD and Corporate Internet Banking platform largely drove this.

In addition, we continued to lead innovation in the retail banking space with the launch of "Spectra", which offers personal loans within a record 5

minutes, from initiation to disbursement of funds. The idea is to enable a simple, convenient, and quick credit experience. I am pleased to inform you that this solution is the first of its kind in the industry and it is expected to significantly boost our retail penetration.

Our focus on driving financial inclusion witnessed a significant growth across the board. Our lending portfolio in this space grew from N2.5 billion to over N9 billion in December 2017, with a customer base of over 1 million and an Agent network of more than 8,000.

We have realigned our Commercial Banking business to focus on sectors and employed experts across the various sectors who will use financial advisory, customer journey experiences and digital solutions to drive penetration into the various businesses in each sector. Our Corporate Internet Banking solution will provide seamless transaction and payment processing to our customers in that space.

The H.E.A.R.T. Initiative

One of our pillars for growth is to ensure that we make an impact in the businesses within our focus sectors, through sustainable banking initiatives. These focus sectors are: **H**ealth, **E**ducation, **A**griculture, **R**enewable Energy, and **T**ransportation. Our Bank was chosen as the sole participating bank for loan administration, management, and account services under the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)/ CBN Anchor Borrowers Programme. The scheme provides micro loans and other banking services to smallholder farmers. The choice of our Bank as the sole partner was due to our competence, experience, and knowledge of the Agriculture business as well as our agent banking network. Over 22,000 farmers have benefited from this Scheme. In a bid to connect small business farmers to the export market, we collaborated with the Nigerian Export Promotion Council (NEPC) to train small businesses on the "Zero to Export" programme.

Notable among our achievements in the Health and Education sectors is the technology support that we provide to our customers. This gives them access to

electronic platforms that aid improvement of processes and business optimization. Data management is a critical challenge facing the Health sector and in response to this, our Bank in partnership with a leading healthcare technology company is providing electronic medical record (EMR) solution to hospitals. The EMR solution allows patient's data to be captured and maintained electronically. Payment gateways are also integrated into the solution to give an end-to-end experience. Besides the immediate benefits to hospitals, it provides an opportunity to create a database that will enable informed decisions to be taken by key stakeholders for the overall growth and development of the sector. In the Education space, we continued to strengthen access and content by providing world-class ICT solutions including electronic libraries, educational portals etc to drive development across the entire value chain of the sector.

While our footprint in the Transportation and Renewable Energy sectors is largely in incubation, we will significantly enhance our positioning in our focus sectors by using our three-pronged approach to enabling businesses: providing platforms, capacity building and access to market.

Our Digital Transformation Journey

For us, 'digitization is about how to grow markets and create new ones more efficiently and engagingly'; and our goal on the digitization journey is to do exactly this. Our 360° transformation includes a focus on both customer interactions and the enabling environment for the business. We have made major investments in our technology infrastructure, positioning the Bank to provide excellent services to its customers. Today, we have a common platform of services and APIs (Application Programming Interface) which enable us to integrate best-in-breed technologies, allowing us to move faster on the front end. The Bank is embracing cloud technology and other services to enable us to be nimble, efficient, and agile which will lead to material gains in the coming years.

In our digital transformation journey, we expect a significant leap in customer acquisition and retention while leveraging data analytics to

improve propositions to customers, prevent fraud, improve alternative channels downtime, and lower employee attrition.

As we move forward, we aim to adopt the practices of global technology companies which are known for their ability to constantly experiment, automatically scale, and rapidly bring new features to market; using customer-centric thinking propelled by journey thinking, data centricity and human-centered design. To ensure this, we are re-focusing the Bank to adopt a "start-up" culture and mindset.

Risk Management

We deployed a multi-faceted risk management solution – the Corporate Axe Credit Portal, which provides a comprehensive platform for seamless risk assessment, monitoring and control for the higher segment of the Bank's target market i.e. Commercial and Corporate customers. We also successfully completed the implementation work to achieve Basel II compliance, which is a critical milestone on the road to improving the risk management culture of our Bank.

Despite Nigeria's sovereign rating downgrade and the downgrade of several corporates, the credit rating of our Bank was affirmed by four rating agencies, including Fitch Ratings and Moody's Investors Service, with a stable outlook. They cited our coherent growth strategy, strong management team, sound corporate governance, and business transformation initiatives; and our Bank will continue to build on these strengths.

Corporate Social Responsibility and Brand Management

In a bid to intensify our environmental campaign (Sterling Environmental Makeover "STEM") which seeks to promote practices that contribute to the quality of the environment on a long-term basis, the Bank formally unveiled Olamide Adedeji, popularly called Olamide, as STEM Ambassador. Our Bank leveraged on Olamide's large followership that cuts across socio-economic classes and age groups to create excitement and consolidate on the success of the STEM Programme.

Our campaign for recycling aimed at promoting a sustainable environment continued to gain traction. Spanning the year, we engaged in activities to support this cause including a "Recyclart" competition which was held across four locations - Lagos, Ogun, Rivers and Abuja. The competition rewarded the most innovative users of recycled materials with the sum of N1million each (for four winners) to support their entrepreneurial development.

In furtherance of our commitment to strengthening early childhood education in the country, we trained 70 kids on coding language at our 2017 summer code camp in Lagos. The summer code camp which had children between the ages of 6 and 15 in attendance was organized in collaboration with Audax Code School. The fun-filled summer code camp served as an avenue to empower children, foster creativity as well as critical thinking skills through ICT learning while expanding career opportunities for the youth.

Building a Great Place to Work - Our People, Our Culture

As a testament to our relentless efforts towards creating a rewarding, fulfilling and endearing workplace for our people, we were ranked 26th amongst the "Top 100 Companies to Work For" by Jobberman. Companies were ranked based on job satisfaction, career growth prospects and work-life balance amongst other factors. Our desire is to achieve an even stronger ranking next year.

In line with our commitment to ensuring a strong pipeline of talent across the institution, we revamped the talent management programmes to ensure our people are nurtured and fully engaged to fulfill their career aspirations within the Bank. We also re-focused the employee performance management process on increased objectivity, alignment with corporate objectives, increased periodic feedback and interventions to improve performance.

In a bid to optimize the employee experience and promote a healthy work-life balance, we introduced Employee Health & Wellness programmes and a Paternity Leave scheme to encourage our new parents to bond with their children.

Awards & Recognition

- **Housing Friendly Commercial Bank of the Year** – Given in recognition of the laudable achievements of our Non-Interest Banking business in the housing sector. Some notable projects include Crown Court Durumi, 360 low-cost housing units in Amuwo-Odofin, 210 semi-detached houses in Agungi-Lekki, 539 apartments in Lekki Phase 1 and 566 mixed housing units also in Lekki. We are keen on contributing significantly to the development of affordable housing across the country in collaboration with selected mortgage companies
- **Best Bank in support of Agriculture** – Awarded by Business Day at its 2017 Banking Awards in commendation of the Bank's peerless support to the entire value chain in the agriculture sector.
- **Best Company in Financial Inclusion** – Given by SERA Award at the SERA CSR Africa 2017 event in recognition of our commitment to improving access to finance amongst under-banked and unbanked Nigerian adults through our acclaimed agent banking system.
- **Bank of the Year in Women Economic Empowerment** – Awarded by the Central Bank of Nigeria in commendation of the Bank's incomparable efforts towards financial inclusion for women and entrepreneurial development.

Looking Ahead

The global economy is outperforming predictions, and this is expected to be even more pronounced in 2018. The extension of OPEC's production cut till the end of 2018 is anticipated to stabilize oil prices for the most part of the year and we expect that the Federal Government will further consolidate on the gains to pursue its growth agenda. However, the likely impact of distortion from electioneering activities cannot be overlooked.

Notwithstanding, all signs point to a better year for the banking industry, most especially for players with a keen eye for business opportunities that will

no doubt spring up during the year. I am confident in the resilience of our business strategies, execution capabilities and particularly, in the new leadership team that is emerging in our Bank, which is undoubtedly inspirational and purposeful. In 2018, we will intently execute our plans which are entrenched in three pillars:

1. **Agility** – We will be flexible, energetic and act with speed for the good of the institution
2. **Digitization** – We will optimize data analytics and customer insights to meet evolving customer needs. We will streamline and simplify our processes, leveraging on rapidly evolving technologies.
3. **Business specialization** – We will build expertise in focus sectors, particularly Health, Education, Agriculture, Renewable energy, and Transportation ("Sterling's HEART"). We have decided to make significant investments to develop our human capital around these sectors to enable us to provide the best support to our customers' businesses.

Our expectation is that these three pillars will propel us toward sustainable growth by - enhancing our ability to continuously innovate and remain ahead of competition; solidifying our retail funding base; strengthening our enterprise-wide risk management framework and driving excellent service delivery across all channels to enhance our customers' experiences.

Thank you

I want to express my gratitude for the distinct privilege given to me to serve as the Managing Director of this great Institution. As I pass on the stewardship of Sterling Bank to my successor, I am proud of our achievements. We navigated through turbulent storms from the 2009 banking system crisis which saw several banks go under and others acquired, to the recession that almost devastated the entire country in 2015. We acquired the erstwhile Equitorial Trust Bank in 2011, further strengthening our footprint in the banking industry.

We have also delivered excellent value to all our shareholders amidst economic downturns and the global financial crisis.

We embarked on a journey to build a sustainable organization that would be the financial institution of choice. This saw us implementing a robust retail strategy, reinforcing our technology infrastructure, strengthening our risk management and control frameworks, and focusing on human capital development as our greatest competitive advantage. The success of this journey is evident in our financial and non-financial achievements which were made possible by the hard work and commitment of the Sterling Bank team.

I am pleased to be handing over to such a capable successor as Abubakar Suleiman, whose intimate knowledge of Sterling Bank and its culture will be a considerable asset to the Bank and its stakeholders.

I am grateful to the Board for their tireless support, understanding and trust. My sincere appreciation goes to our numerous shareholders who have remained supportive through rain and shine. You demonstrated faith and confidence in me and my management team throughout my tenure. I remain eternally grateful to you all. To our customers without whom there would be nothing to report at the AGM, I doff my hat for your loyalty and continued patronage.

Finally, my sincere appreciation goes to the entire staff of Sterling Bank, past and present, whose hard work and commitment are the foundation of the Bank's success. It has been an honor to have worked with them over the years. It is my firm belief that the new leadership holds even greater promise for the future. I therefore count on you all to extend the same gracious co-operation and support to my successor, as you did to me.

I thank you all for your kind attention.



Yemi Adeola



MARKET DISRUPTIVE OFFERINGS

From technology and reputation management to the talent wars and cyber threats, there is no shortage of issues that commands the attention of financial services leaders. Disruption will not be a one-time event, but a continuous pressure that will shape customer behaviours, business models, and the long-term structure of the financial services industry.

Given this background, Sterling Bank intends to be the *financial institution of choice* for key stakeholders by **enhancing technological capability** and **entrenching a customer-centric business model**.

Our objectives on our 'platform' approach to digitization are to:

- Enhance omni-channel experience for customers
- Transform our existing traditional processes
- Improve efficiency and optimize our cost lines
- Focus on the core markets we are distinguishing ourselves in and be the first to digitize them.

We hope that this ultimately achieves the following:

- Optimize operations and technology to drive better control, manage costs, complexity and risk
- Deliver excellent customer service and drive efficiency and sales through robust digital and payments capability.

Over the last few years, we have tested this approach to deliver the following success:



Social lender is an on-line peer to peer micro-credit platform. It uses an algorithm to perform a social audit score of the user on their social media platforms, such as Facebook and Twitter, to give a social reputation score of each user. The minimum loan amount is N3,000 and a maximum of N10,000. Loans are guaranteed by the user's social profile and network. The target for this service is young adults with irregular income.



Specta is an online community lending solution targeted at providing quick loans up to N5,000,000 to employees of pre-qualified organizations. With Specta, customers do not need collateral or paperwork to get any loans. Once application is complete, scoring is instant and disbursement done in less than 5 minutes.



Switch: Our goal is to build a one-stop financial hub for customers to initiate and seamlessly complete both financial and non-financial activities online or using mobile devices solely with a minimal number (2/3 max) of clicks/taps. The long-term plan for Switch is to become that intuitive personalized customer solution that is constantly adaptive to the customer's behavioral changes as well as provide an ecosystem for them to experience their lifestyle choices.



This is a lifestyle payment platform that enables users access banking without leaving their social space. Through chatbots and artificial intelligence, customers can carry out financial transactions easily.



SAF Retail: The retail store provides us the opportunity to create access to market for our small and medium enterprises through the marketplace, while ensuring customers can access credit and the items they require conveniently. More interestingly is the adoption of Non-Interest Banking principles in granting loans.



Ivest: The growth of the middle class in Nigeria provides the opportunity for growing investment portfolios as many people are focusing on planning. Ivest allows customers make investment decisions conveniently.



Double is an annuity savings product that offers beneficiaries financial stability. It provides a unique opportunity to literally double any amount saved. Unlike other deposit accounts, payments are made to the beneficiary monthly over a period of 5 - 10 years.



Farepay: The Urban Transportation Sector is critical to the expansion and efficiency of cities globally. At Sterling, we consider this a critical sector and have played the lead role in financing the most effective and organized urban bus service in the country today. We recently layered on payment using a contactless payment system for the sector to ensure better efficiency for collections.



Snap Cash is an on-line peer to peer micro-credit lending platform where all banked customers can request for loans up to a maximum amount of N20,000 using their general online presence and BVN as the criteria to lend. The target market for this product is the entire banked populace inclusive of students and adults with a stable means of income.

PERFORMANCE REVIEW

Our 2017 result highlights positive performance across key financial indices despite challenging operating conditions, reaffirming our underlying institutional strength.

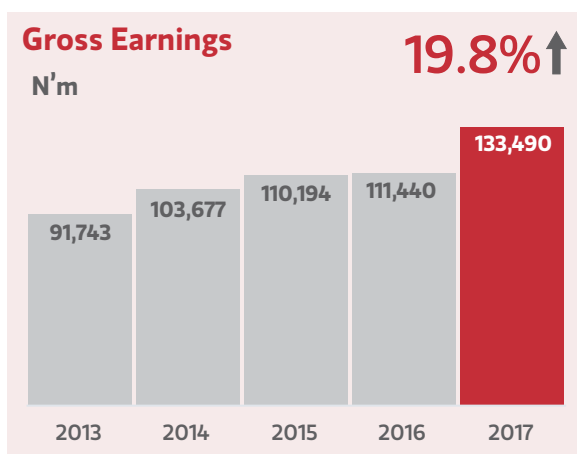
Highlights from the **Statement of Comprehensive Income:**

in millions of naira	2017		2016		Growth
	N'M	% of Total	N'M	% of Total	%
Gross earnings	133,490	100.0%	111,440	100.0%	19.8%
Interest income	110,318	82.6%	99,104	88.9%	11.3%
Interest expense	(60,138)	45.1%	(43,114)	38.7%	39.5%
Net interest income	50,180	37.6%	55,990	50.2%	-10.4%
Fees and commission income	12,876	9.6%	10,788	9.7%	19.3%
Net trading income	4,669	3.5%	235	0.2%	1886.8%
Other operating income	5,627	4.2%	1,313	1.2%	328.6%
Non-interest income	23,172	17.4%	12,336	11.1%	87.8%
Operating income	73,352	54.9%	68,326	61.3%	7.4%
Impairment charges	(12,267)	9.2%	(11,714)	10.5%	4.7%
Net operating income	61,085	45.8%	56,612	50.8%	7.9%
Personnel expenses	(11,545)	8.6%	(11,522)	10.3%	0.2%
Other operating expenses	(14,783)	11.1%	(12,701)	11.4%	16.4%
General and administrative expenses	(16,554)	12.4%	(18,019)	16.2%	-8.1%
Other property, plant and equipment costs	(4,602)	3.4%	(4,174)	3.7%	10.3%
Depreciation and amortisation	(4,995)	3.7%	(4,196)	3.8%	19.0%
Total expenses	(52,479)	39.3%	(50,612)	45.4%	3.7%
Profit before income tax	8,606	6.4%	6,000	5.4%	43.4%
Income tax expense	(85)	0.1%	(837)	0.8%	-89.8%
Profit after income tax	8,521	6.4%	5,163	4.6%	65.0%

Earnings

We sustained our top-line earnings growth momentum in 2017 with double-digit growth of 19.8% from N111.4 billion recorded in 2016 to N133.5 billion, representing a compound annual growth rate of 9.8% (CAGR: 2013-2017). This was due to an increase in revenues from lending activities, transaction banking and trade business.

Consequently, interest income rose by 11.3% to N110.3 billion (FY 2016: N99.1 billion) and accounted for 82.6% of earnings, while non-interest income accounted for 17.4%. The increase in interest income was primarily



Earnings Mix

Items (%)	2013	2014	2015	2016	2017
Non-Interest Income	23.6%	24.8%	26.6%	11.1%	17.4%
Interest Income	76.4%	75.2%	73.4%	88.9%	82.6%

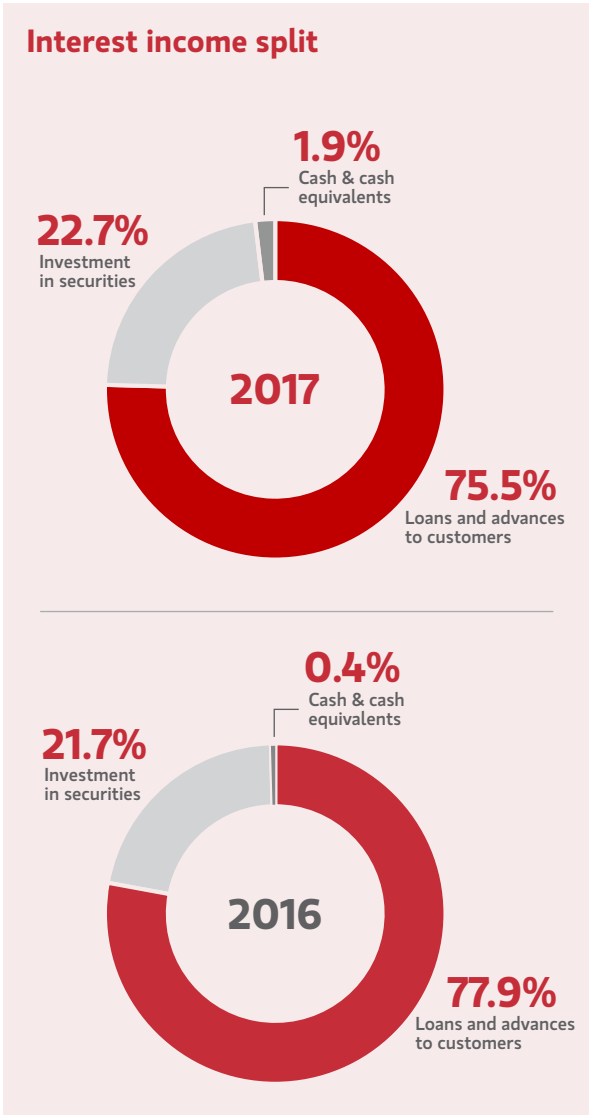
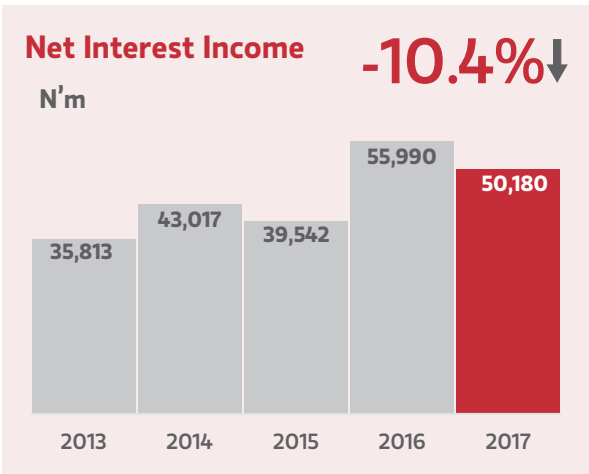
driven by revenues from loans and advances to customers and income from investment securities made up of Treasury Bills and Bonds.

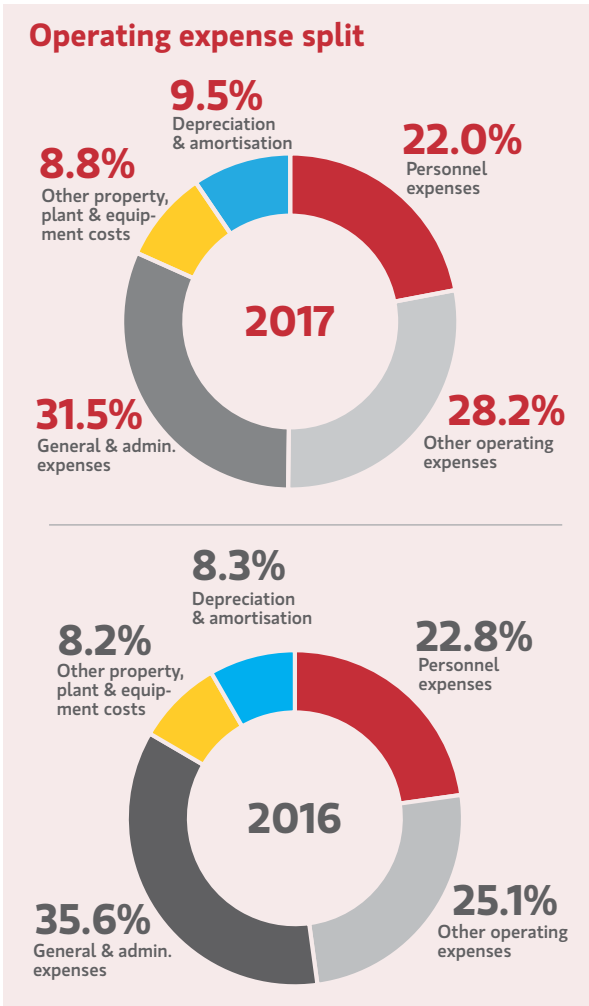
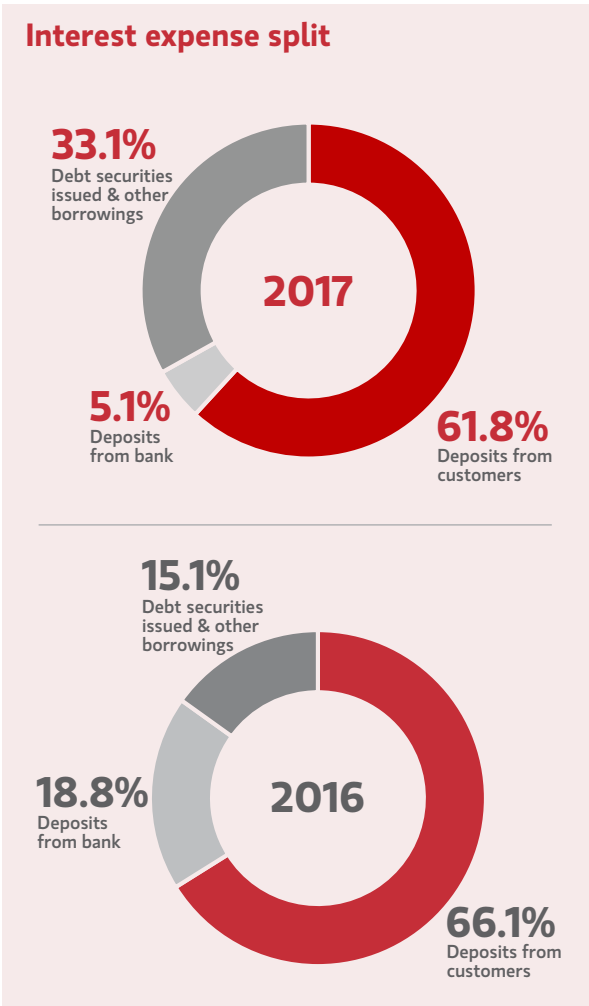
We recorded growth across all major fee income lines resulting in an 87.8% rise in non-interest income to N23.2 billion (FY 2016: N12.3 billion). Improvements in foreign exchange liquidity arising from the introduction of Investors and Exporters Foreign Exchange Window boosted trading activities. Also, we intensified efforts at loan recoveries and realized the sum of N4.7 billion from previously written-off accounts. While fees and commission rose by 19.4% and accounted for 55.6% of non-interest income, net trading income aided by forex trading, and other operating income accounted for 20.1% and 24.3% respectively.

Net Interest Income

This represents the difference between the interest earned on lending and investment activities and the interest paid on deposits and borrowings. Net interest income declined by 10.4% to N50.2 billion (FY2016: N56.0 billion) due to a 39.5% increase in interest expense which outweighed the 11.3% rise in interest income. Consequently, net interest margin was 45.5% (FY 2016: 56.5%). The increase in interest expense is attributable to the high interest rate regime that prevailed in 2017. In the last five years, net interest income grew at a compound annual rate of 8.9% (CAGR: 2013-2017).

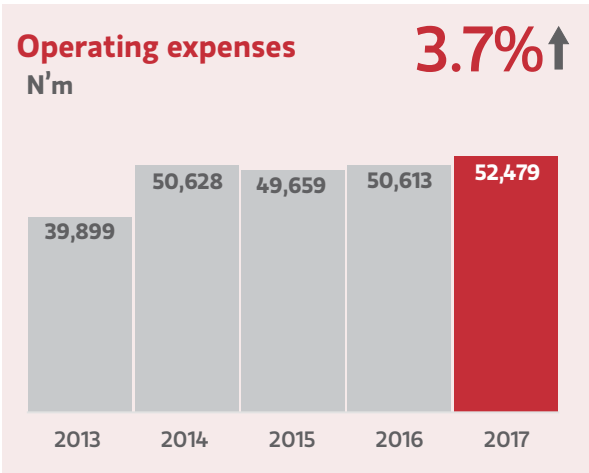
Interest paid on customer deposits, which accounted for 61.8% of interest expense, increased by 30.4%, reflecting an increase in deposits and interest rates. Interest paid on debt securities and long-term borrowings increased by 205.4% as a result of an increase in long term funding to N225.9 billion (December 2016: N97.8 billion). However, interest paid on deposits from banks declined by 62.2% and accounted for 5.1% of interest expense. In summary, cost of funds was up by 110 basis points to 7.4%. Interest income, on the other hand, came through from two major sources - revenues from loans and advances, and investment in sovereign securities which accounted for 75.5% and 22.7% respectively.





Operating Expenses

We implemented various strategic cost management initiatives including process automation and digitization which limited growth in expenses despite the high inflationary environment. Thus, operating expenses increased moderately by 3.7% to N52.5 billion (FY 2016: N50.6 billion) representing a



compound annual growth rate of 7.1% (CAGR: 2013-2017). Personnel cost was relatively flat at N11.5 billion, while general and administrative expenses declined by 8.1% to N16.6 billion. However, property, plant and equipment costs increased by 10.3% due to on-going investments in physical infrastructure and technology upgrades. Consequently, depreciation and amortization rose by 19.0% to N5.0 billion. In addition, other operating expenses, 54.6% of which was regulatory induced (Asset Management Corporation of Nigeria sinking fund and deposit insurance premium), increased by 16.4% to N14.8 billion. We are clearly focused on our digitization journey with huge potential pay-off expected in the coming years.

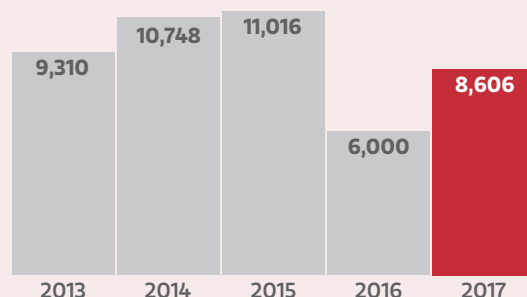
Profitability

In line with our commitment to building efficient operations, we recorded a 260 basis-point improvement in cost-to-income ratio to 71.5%, driven by a 7.4% growth in operating income to N73.4 billion

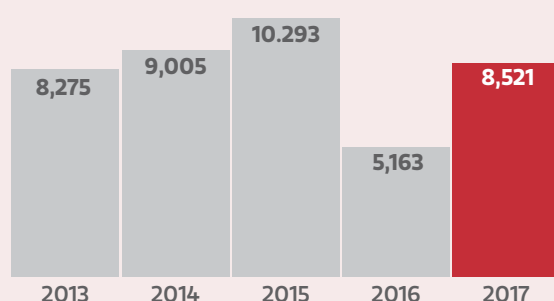
(FY 2016: N68.3 billion) which offset the 3.7% increase in operating expenses. Net operating income also rose by 7.9% to N61.1 billion (FY 2016: N56.6 billion) despite 4.7% increase in impairment charges. Consequently, profit before tax rose by 43.4% to N8.6 billion (FY 2016: N6.0 billion) and profit after tax by 65.0% to N8.5 billion (FY 2016: N5.2 billion). We recorded a 330 basis-point improvement in post-tax return on average equity to 9.0% (FY 2016: 5.7%), while earnings per share and return on average assets were 30 kobo and 0.9% respectively.

Profit Before Tax
43.4%↑

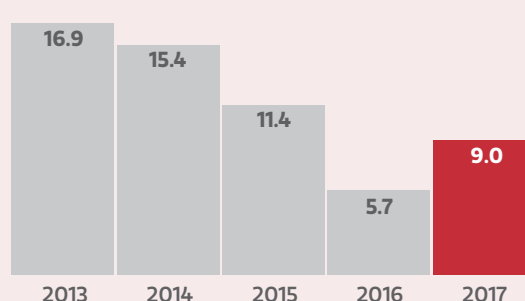
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Profit After Tax
65.0%↑

N'm


Post-tax ROAE
330bps↑

%


Highlights from the Statement of Financial Position

in millions of naira	2017		2016		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash and balances with CBN	122,630	11.4%	107,860	12.9%	13.7%
Due from banks	51,066	4.8%	31,289	3.8%	63.2%
Pledged assets	145,179	13.5%	86,864	10.4%	67.1%
Loans and advances to customers	598,073	55.8%	468,250	56.1%	27.7%
Investments in securities	110,988	10.4%	94,633	11.3%	17.3%
Other assets	18,728	1.7%	21,684	2.6%	-13.6%
Property, plant and equipment	16,451	1.5%	14,605	1.8%	12.6%
Intangible assets	2,114	0.2%	2,036	0.2%	3.8%
Deferred tax assets	6,971	0.7%	6,971	0.8%	0.0%
Total Assets	1,072,201	100.0%	834,192	100.0%	28.5%
LIABILITIES					
Deposits from banks	11,048	1.0%	23,769	2.8%	-53.5%
Deposits from customers	684,834	63.9%	584,734	70.1%	17.1%
Current income tax payable	232	0.0%	941	0.1%	-75.4%
Other borrowed funds	212,847	19.9%	82,451	9.9%	158.1%
Debt securities issued	13,068	1.2%	15,381	1.8%	-15.1%
Other liabilities	46,940	4.4%	40,959	4.9%	14.6%
Provisions	295	0.0%	295	0.0%	0.0%
Total Liabilities	969,264	90.4%	748,530	89.7%	29.5%
Total Equity	102,937	9.6%	85,662	10.3%	20.2%
Total Liabilities and Equity	1,072,201	100.0%	834,192	100.0%	28.5%

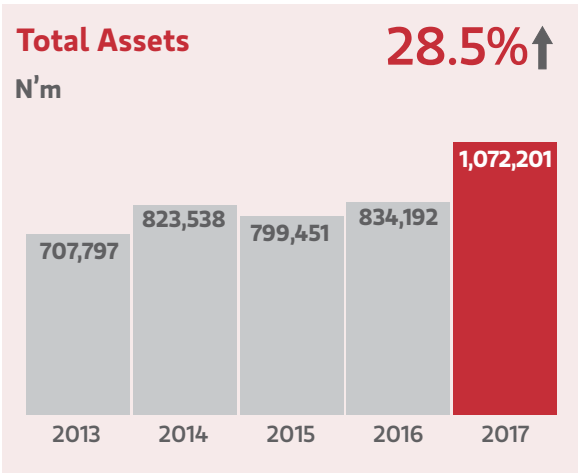
Total Assets

Total assets grew by 28.5% to N1.1 trillion from N834.2 billion in 2016 representing a compound annual growth rate of 10.9% (CAGR: 2013-2017). Growth in total assets was driven mainly by net loans and advances which increased by 27.7% due to an increase in cash-backed facilities, limiting credit risks.

Our portfolio of government securities made up of Treasury Bills and Bonds increased by 43.3% to N256.0 billion. These securities were classified into Held-for-Trading (2.7%), Available-for-Sale (55.4%) and Held-to-Maturity (42.0%).

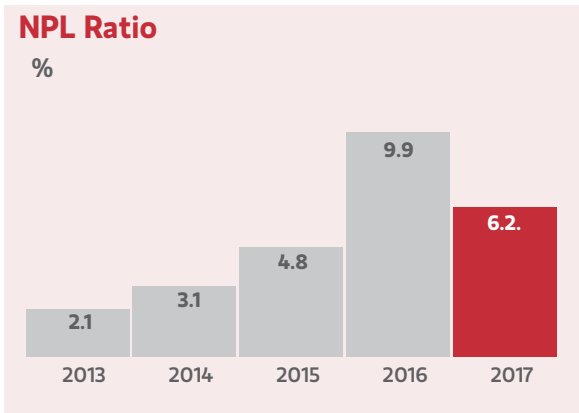
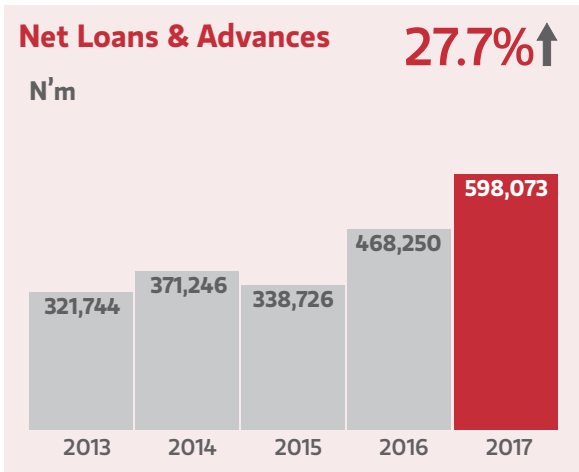
Due from Banks representing balances held with banks within and outside the country as well as money market placements increased by 63.2% to N51.1 billion, while deposit balances with the CBN increased by 13.7% to N122.6 billion. Fixed assets including property, plant and equipment increased by 12.6% on the back of investments in physical infrastructure and branch remodeling. In line with expectations, earning assets increased by 31.3% to N864.0 billion representing 80.6% of total assets (FY 2016: 78.9%).

On the funding side, we diversified our sources into long term funds (including borrowings and debt securities) representing 21.2% of total assets, while shareholders' funds and customers deposits funded 63.9% and 9.6% of total assets respectively. Overall, we continued to maintain a healthy balance sheet structured to adapt swiftly to changing operating conditions.



Loans and Advances

We remained disciplined in our approach to lending in view of the challenging operating conditions and resulting asset quality concerns. Although gross loans and advances increased by 29.5% to N617.6 billion and net loans and advances by 27.7% to N598.1 billion, the bulk of the increase was primarily driven by cash-backed facilities with limited credit risks. Over the last five years, net loans and advances increased at a compound annual growth rate of 16.8% (CAGR: 2013 – 2017). Loans to corporate entities and organizations increased by 31.1% and accounted for 97.6% of total loans (2016: 96.4%), while loans to individuals declined by 12.4% and contributed 2.4%. In line with our strategic focus, Agriculture and Transportation sectors benefitted from the growth in loans as part of our priority sectors which also include Health, Education and Renewable Energy. Although in a decline, oil and gas recorded the highest sectoral contribution at 40.7% (FY 2016: 48.9%). The reduction in the proportion of loans to the sector was in line with our goal of diversifying into our priority sectors where we have developed and trained specialists. In addition, loan exposure to the sector



Gross Loans by Sectors

in millions of naira	2017		2016		Growth
	N'M	% of Total	N'M	% of Total	%
SECTORS					
Agriculture	19,243	3.1%	14,489	3.0%	33%
Capital Market	-	0.0%	58	0.0%	-100%
Communication	17,290	2.8%	17,578	3.7%	-2%
Consumer	5,720	0.9%	6,657	1.4%	-14%
Education	884	0.1%	902	0.2%	-2%
Finance and insurance	32,114	5.2%	12,607	2.6%	155%
Government	69,571	11.3%	34,482	7.2%	102%
Manufacturing	6,680	1.1%	8,252	1.7%	-19%
Mining & quarrying	768	0.1%	13,887	2.9%	-94%
Mortgage	8,877	1.4%	10,242	2.1%	-13%
Oil and gas	251,590	40.7%	233,041	48.9%	8%
Others	64,703	10.5%	34,749	7.3%	86%
Power	22,665	3.7%	24,031	5.0%	-6%
Real estate & construction	70,293	11.4%	45,998	9.6%	53%
Transportation	20,681	3.3%	13,364	2.8%	55%
Non-interest banking	26,496	4.3%	6,376	1.3%	316%
	617,577	100.0%	476,713	100.0%	29.5%

was spread across the various sub-sectors – upstream (48.3%), downstream (30.9%) and servicing (20.8%). We made significant improvement in asset quality as reflected in the reduction in non-performing loans by 18.8% to N38.5 billion. This resulted in a 370 basis point decline in the proportion of non-performing loans to gross loans (NPL ratio) to 6.2% from 9.9% in 2016.

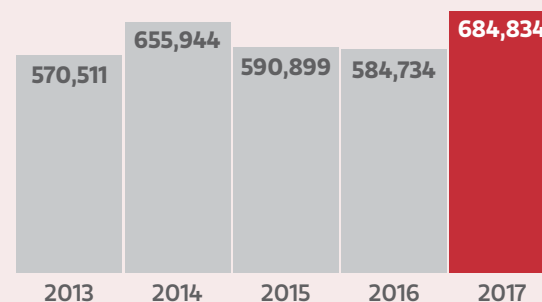
Customer Deposits

Customer deposits grew by 17.1% to N684.8 billion (FY 2016: N584.7 billion). In the last five years, deposits grew at a compound annual rate of 4.7%. Growth in 2017 was driven by savings and tenured deposits, which rose by 15.9% and 36.3% respectively. Demand deposits, on the other hand, declined by 21.0% which explains the rise in tenured deposits. Thus, cost of funds increased by 110 basis points to 7.4%. The growth in savings deposits reflects progress made in our retail journey. We increased our

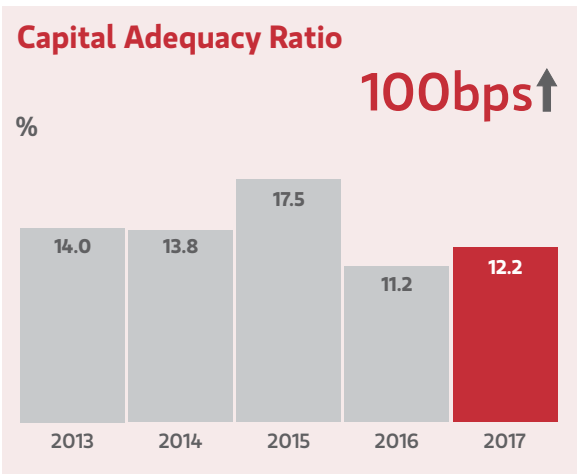
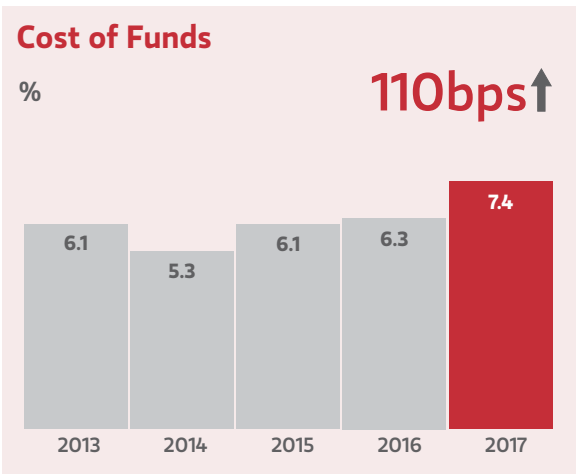
Deposits

N'm

17.1%↑



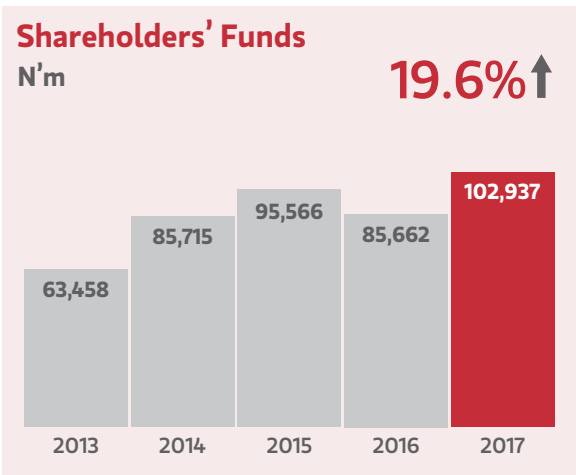
agent network which enabled us to expand our reach, and added over one million new customers. Our Non-Interest Banking business continued to gain traction providing a cheap source of funding. As we continue to expand our retail footprint in 2018 through digital platforms, we expect to see a significant increase in low cost deposits and moderation in funding costs.



Capital and Liquidity

Our capital and liquidity position remained very strong providing a buffer for our business. Despite additional capital requirements imposed on banks, capital adequacy ratio was 12.2%. This was above the required regulatory benchmark of 10%. Also, liquidity ratio was 33% above the 30% minimum regulatory requirement.

Tier 1 capital was 11.4% representing 93.1% of total regulatory capital which rose by 14.6% to N86.5 billion. This was spurred by shareholders' funds which rose by 20.2% to N102.9 billion (FY 2016: N85.7 billion). Growth was driven by profit accretion and fair value adjustments on available for sale instruments. Our plan is to further strengthen our capital position by completing the remaining tranche of our Debt Issuance Programme duly registered with the Securities and Exchange Commission. This will enable us build additional capital buffers in view of increasing requirements for capital.



PERFORMANCE BY BUSINESS SEGMENT

Retail & Consumer Banking

This business serves both individuals and small businesses with a turnover of N600 million and below, by offering traditional banking services such as savings and current accounts, mortgage finance, asset finance as well as working capital for small businesses. We leverage on our range of innovative digital platforms and agent banking services to increase our reach and footprint in the retail space.

Our digital banking services witnessed substantial growth in adoption. The number of customers enrolled on our digital platforms grew by 160% in 2017. The successful launch/upgrade of multiple digital solutions, including a new mobile banking application, our revamped USSD and internet banking platform largely drove this.

Our agent banking business gained significant traction in 2017 with a customer base of over one million, a network of more than 8,000 agents and a lending portfolio of over N9 billion from N2.5 billion as at December 2016. To achieve this, we focused on excellent service, simplicity of products and convenience, while nurturing a robust and agile agent network.

As at 31 December 2017, total deposits from the business grew by 24.3% to N137.4 billion, loans and advances also grew by 28.2% to N64.1 billion, while profit before tax was N4.6 billion representing 20.1%, 10.7% and 53.3% contribution respectively.

Commercial & Institutional Banking

We realigned our Commercial Banking business to drive specialization by focusing primarily on economic sectors at the HEART of Sterling Bank including Health, Education, Agriculture, Renewable Energy and Transportation. We have employed experts in these sectors who will leverage financial advisory expertise, customer journey experiences and digital solutions to drive penetration in the various sectors. Our coverage includes commercial businesses with a turnover between N600 million and N5 billion.

Our Institutional Banking business covers government related institutions which include federal government ministries, departments, agencies; states and local governments and their contractors.

As at 31 December 2017, the Commercial & Institutional Banking business recorded a 25.7% increase in total deposits to N256.5 billion and 24.9% increase in loans and advances to N193.7 billion representing 37.5% and 32.4% contribution respectively. However, the business was not profitable in 2017 due to impairment charges.

Corporate & Investment Banking

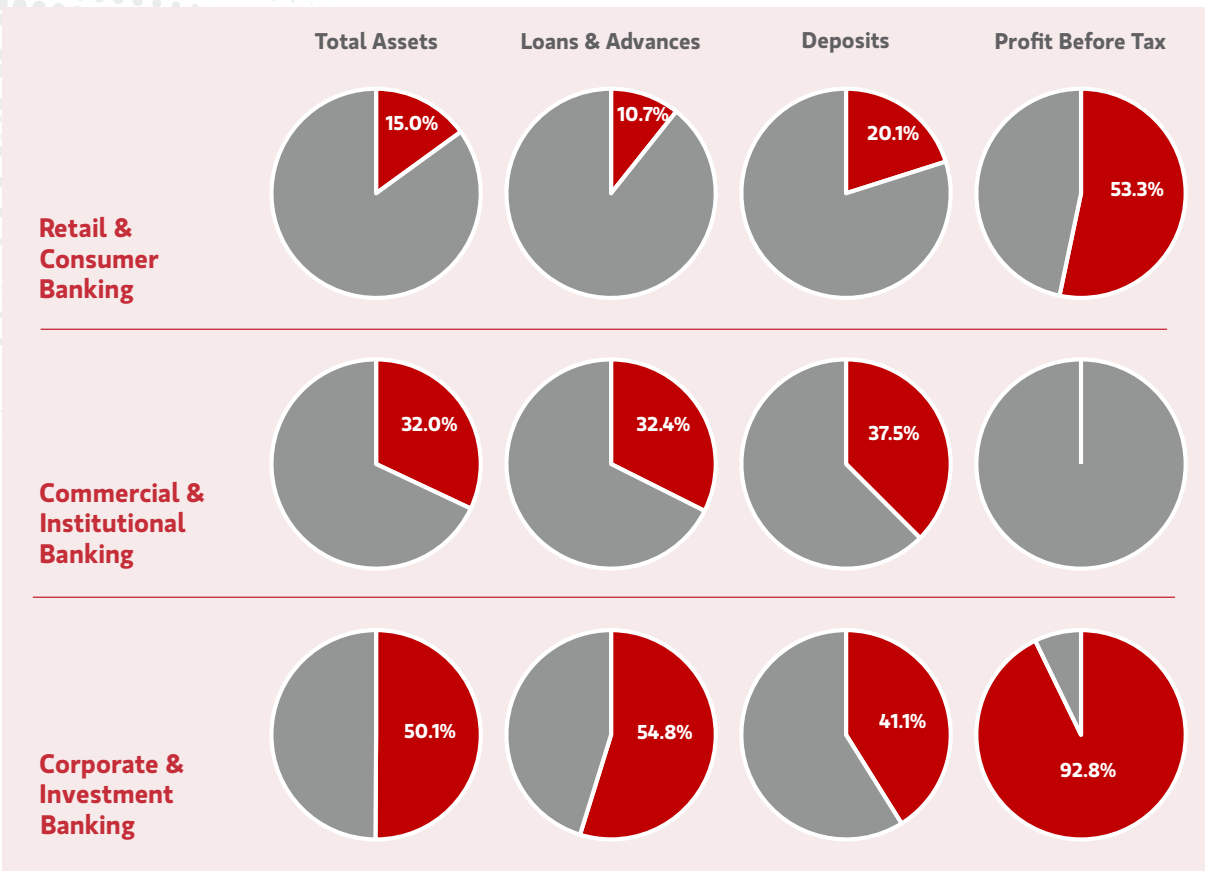
Our corporate banking business covers large multinationals (Global/Africa) and local corporates with turnover of N5 billion and above, and a strong corporate governance structure.

As part of our strategy to drive specialization in business banking, we have also realigned our corporate banking business to operate within specific business sectors which include manufacturing, oil & gas, infrastructure & telecoms, agriculture & export, and solid minerals.

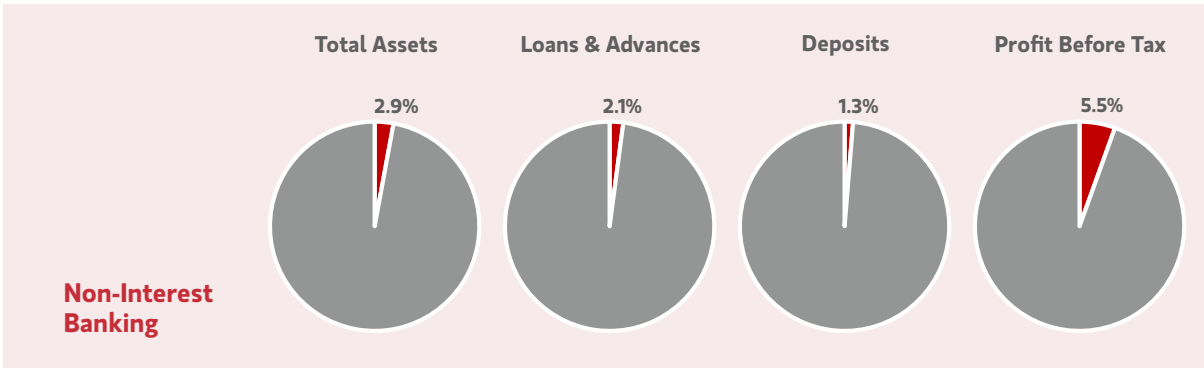
Our corporate banking clients are serviced through multi-disciplinary teams comprising industry experts, client coverage, transaction banking and funding & treasury management specialists who offer a range of targeted corporate products and services to help our customers achieve their business goals.

The corporate & investment banking business recorded a 7.8% growth in deposits to N282.1 billion, 28.8% increase in loans and advances to N327.5 billion and profit before tax of N7.9 billion, representing 41.1%, 54.8% and 92.8% contribution respectively.

Contribution by Business Segments



Contribution by Business Segments cont'd



Non-Interest Banking
(Sterling Alternative Finance)

The Sterling Alternative Finance (SAF) business is designed on the core principles of Non-interest Banking. Through innovation, the business offers credible transactional, investment and financing products which cut across both retail and commercial banking segments based on non-interest principles.

SAF, through its innovative retail finance scheme, creates an ecosystem for buyers and sellers. The e-commerce platform, known as The Alternative Mall,

offers both customers and vendors the flexibility of deferred payments over a wide range of products and access to market using a cost-plus contract (Murabaha). The business also leveraged on its foreign partnerships to provide financing for the development of affordable housing in Lagos and Abuja.

The Non-interest Banking Unit recorded N8.7 billion in customer deposits and N14.2 billion in long-term funding, while profit before tax was N470 million representing 5.5% contribution.



PLEDGE
TO BE
NATURE'S
KEEPER



SUSTAINABILITY REPORT 2017

We are proud to present our annual Integrated Sustainability Report for the financial year 2017, covering Sterling Bank's social, economic, and environmental performance from January 1, 2017 to December 31, 2017. It is an abridged copy of the Annual Stand-alone Sustainability Report. It has been prepared in accordance with the requirements of the updated GRI indicators (G4), the International Integrated Reporting Committee framework, and the Nigeria Sustainable Banking Principles.

Sterling Bank Plc is committed to ensuring that sustainability is at the core of its business activities and operations. In the past 5 years, we have made significant contributions towards the social, economic and environmental develop-

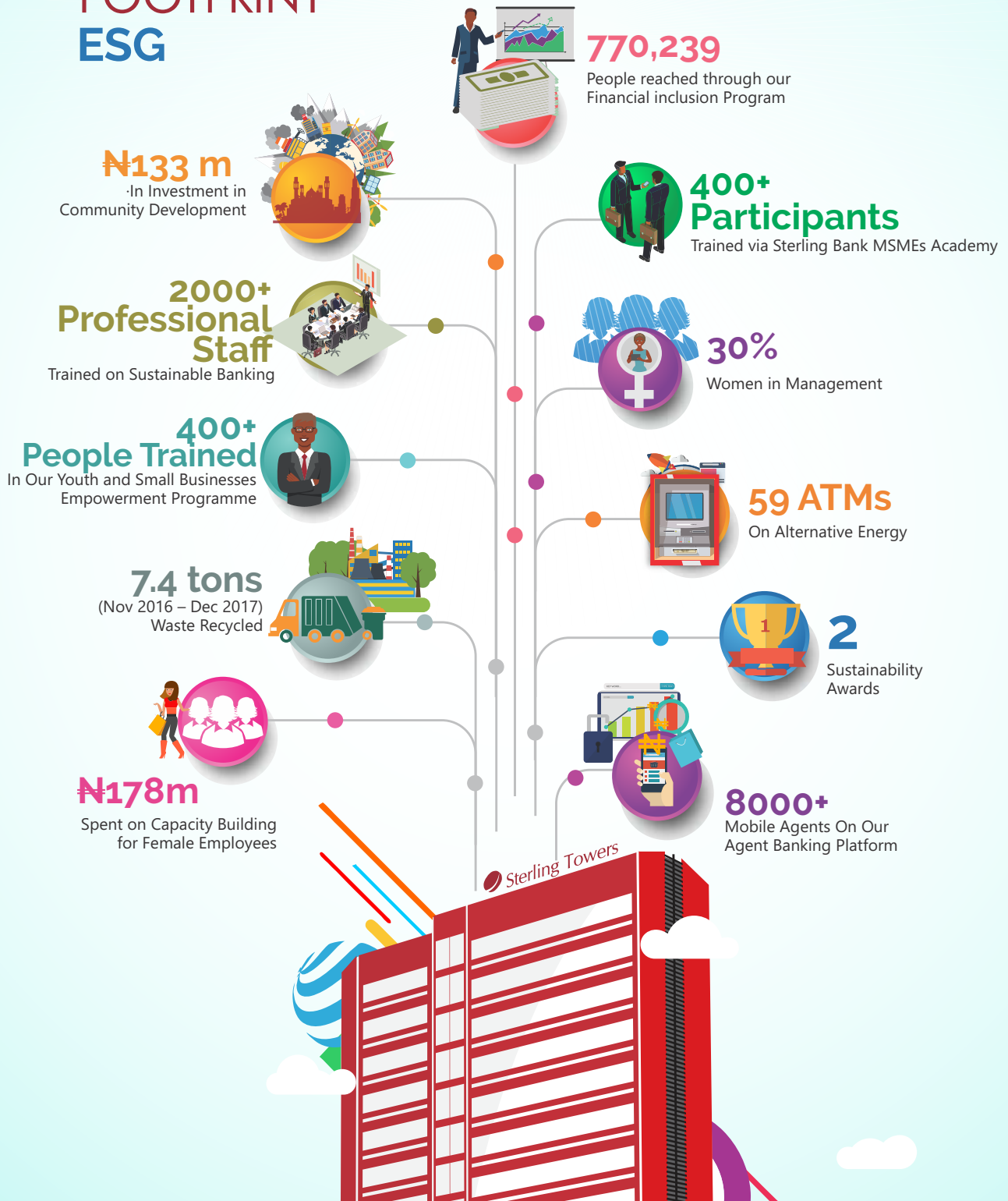
ment of Nigeria, improving our green credentials as a sustainable financial institution.

PricewaterhouseCoopers (PwC) conducted a limited independent external assurance on the report, using the International Framework for Assurance Engagements and International Standards on Assurance Engagements 3000; the external assurance procedure included on-site visits, interviews with relevant KPI managers and verification of related documents and data.

In this report, we document the Bank's long-standing commitment to build on our positive social and environmental impact. This forms part of an overarching strategy to achieve sustainable development in harmony with stakeholders' priorities.



OUR SUSTAINABILITY FOOTPRINT ESG



Visit www.sterlingbankng.com

Environment

We remain devoted in reducing our ecological footprint and commitment to climate change actions to reduce the emission of anthropogenic greenhouse gases (GHGs) and enhance natural carbon sinks by planting trees and utilizing renewable energy technologies in our day to day operations. We also influenced our stakeholders' action towards a green economy by acting in an advisory capacity, financing and participating in the development of innovative products and services.

Sterling Environmental Make Over (STEM)

The Sterling Environmental Makeover – an employee volunteer initiative that involves senior management and staff of the Bank embarking on national cleaning exercises in different states partnering with agencies responsible for waste management.

It is one of several initiatives the Bank has embarked on to promote environmental sustainability in line with the Sustainable Development Goals. The initiative has since become a movement currently attracting corporate entities and celebrities pledging their support for this good cause.

Since its inception 4 years ago in Lagos state, the Bank has successfully held the cleaning exercise in 14 states in the country with the highlight being the signing of Olamide, an artiste as the ambassador for STEM thus enhancing its impact on different socio-economic classes.



MD, Sterling Bank and Chief Marketing Officer at the signing of Olamide as an ambassador for STEM



At the Computer village – MD Sterling Bank and ED Operations and Services with the Honourable Commissioner of Environment, Lagos state.

Recyclart Competition

In furtherance of our passion and commitment to promote sustainability in our environment, the bank launched a novel initiative in 2017 tagged Recyclart. Recyclart is an art competition where recyclable materials are used in creating sculptures and art works with cultural and societal relevance.

The competition serves as a means to preserve culture and connect with our communities by empowering young artists and emerging talents

RECYCLART

COMPETITION

Meet the WINNERS

Udeh Charles
RIVERS

Dudu Emmanuel
LAGOS

Samson Ogundeji
OGUN

Ifedilichukwu Chibuike
ABUJA

4 WINNERS. N4 MILLION. 4 STATES

Meet the creative minds who finally made the cut

1
Udeh Charles

2
Dudu Emmanuel

3
Samson Ogundeji

4
Ifedilichukwu Chibuike

Congratulations

For further enquiries, please call 0700 (STERLING) 0700 7837 5464
Visit www.sterlingbanking.com/Recyclart

Connect:

Sterling Bank Recyclart competition winners

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● The Vice president, Prof. Yemi Osinbajo at the display of the Recyclart artworks with the ED, Finance and Strategy at the African Culture & Design Festival art exhibition themed 'This is Africa'



● Mr Adegboyega Adegun, Business Executive, Corporate banking, presenting the One Million Naira cheques to winners of the Sterling Bank Recyclart competition

nationally to create unique art pieces from waste materials. Participants were required to create an original piece of art made from recycled and repurposed materials to be exhibited at a public space. The competition was done in partnership with the British Council and took place in four zones— Lagos, Ogun, Rivers and Abuja. A cash prize of One Million Naira and several other benefits in kind were awarded to each winner from the four zones.

Waste Recycling Initiative

As an environmentally friendly brand, we understand that we can significantly reduce the waste we generate through more efficient use of assets and resources. We are also committed to sustainable waste management, and this entails, among other measures, reducing the amount of wastes sent to landfills, by adopting the principle of "Reduce, Reuse and Recycle."



● Assistant General Manager, Special Services, Lagos Waste Management Authority (LAWMA), Jide Onayiga; Chief Executive Officer, WECYCLERS, Olawale Adebisi; Chief Risk Officer, Ojonimi Imaji; Chief Marketing Officer, Henry Bassey and Company Secretary, Justina Lewa, during the Waste Recycling Points Redemption event at the bank's headquarters in Lagos

In line with this, the Bank, in partnership with Wecyclers - an international award winning social enterprise, focused on recycling and LAWMA (Lagos State Waste Management Agency), commenced a Waste Recycling Initiative at the Bank's head office with the aim of managing the Bank's wastes in an efficient manner thereby reducing the Bank's Carbon footprint. The initiative enables the Bank to recycle its waste by separating bio-degradable waste from recyclable waste. LAWMA disposes the bio-degradable wastes while the recyclable wastes (Paper, Cans, Sachet, Pet etc.) are further processed from waste to wealth thereby creating additional employment for small and medium entrepreneurs. *The Bank earned 38,718 redeemable green points in one year of implementing its Waste Recycling Initiative.*

Commemoration of the World Environmental Day

We commemorated the world environmental day where all staff members were encouraged to plant a tree and an event was organised to recognize and award several of our environmental champions. A documentary (titled *Nowhere to Run - Nigeria's Climate and Environmental Crisis*) was shared to educate staff on the impact our business activities can have on the environment.



The Group Head, General Internal Services, Yemi Adebomi giving out gifts to environmental champions to commemorate the World Environment Day.

A cross-section of the Environmental Champions

Biofil Toilet Digester

To further integrate effective waste management, we deployed a Biofil toilet digester system to one of our branches. The system works by filtering toilet waste into two compartments (Liquid and Solid) whereby the solid waste undergoes decomposition through an aerobic process using bio-enzymes. The Digester chamber is self-sustaining and frequent dislodging is not required, thereby eliminating water and air contamination and the risk of dumping untreated waste into the environment.

The Digester also reduces greenhouse gas emissions as methane is not released directly into the atmosphere.

Waste Management Partnerships

The Bank made giant strides in its waste management partnership investments with state governments across the country in 2017. The waste management partnership involved donation of street sweepers' uniforms to state governments across the country. A total of 10 additional states were invested in during the year under review apart from the existing 14 states bringing the total number of states benefiting from this environmental impact cause to 24. The 10 additional states are Benue, Edo, Niger, Kogi, Kaduna, Plateau, Akwa Ibom, Cross River, Imo and Ondo state. Our plan is to take this laudable initiative across the country.



Energy Saving Initiatives

Sterling Bank is committed to reducing greenhouse gas emissions as a result of our operations. To achieve this, the Bank continued to deploy hybrid power and renewable energy solutions to its branches. The solution was deployed to 10 branches this year, bringing the total number of branches on renewable or hybrid power solutions to 14.

Two solar powered offsite ATMs were commissioned at Lekki Admiralty Way and Dolphin Estate in 2017, bringing the total number of ATMs on hybrid/renewable energy to 59.

Solar powered branch perimeter lighting solutions have been deployed to about 80% of the Bank's network.

Power/Energy Audit

An energy audit was conducted for all branches to ascertain the energy consumption of the branches and explore opportunities to improve energy efficiency. Results from the audit indicate that about 54% of branch energy usage is tied to cooling systems.

This was addressed by converting the cooling systems at certain locations from conventional ACs which consume average of 1100 watts to Specialized Inverter ACs which consume less than 100 watts, reducing energy consumption by over 90%.

The table overleaf shows the resource consumption for the bank over the last 2 years.



Top: The 45Kwh Hybrid Solar project installed at the Head Office Annex, Ilupeju, Lagos
Bottom left: Deployment of hybrid power/ renewable energy at Magboro Branch, Ogun state
Bottom right: Hybrid powered Offsite ATMs at Admiralty Way, Lekki, Lagos

Resource	2017	2016	% Change
Amount spent on petrol (N)	241,705,490.90	248,277,120.00	-2.65%
Average cost per liter of petrol (N)	145.00	145.00	0%
No of liters consumed	1,666,934.42	1,712,256.00	-2.65%
Co2 emission on petrol consumed (KgCO ₂ e)	3,853,452.3	3,958,222.2	-2.65%
Weight per liter of petrol consumed (kg)	0.71	0.71	0%
Total weight of liters of petrol consumed (kg)	1,183,523.44	1,215,701.76	-265%
Amount spent on diesel (N)	482,451,626.00	523,544,878.00	-7.85%
Average cost per litre of diesel (N)	200.00	200.00	0%
No of litres consumed	2,411,858.13	2,617,724.39	-7.86%
Co2 emission on diesel consumed (KgCO ₂ e)	6,433,872.75	6,983,041.58	-7.86%
Weight per litre of diesel consumed (kg)	0.84	0.84	0%
Total weight of litres of diesel consumed (kg)	2,026,296.83	2,198,888.49	-7.85%
Amount spent on dispensed bottled water (N)	30,360,060.00	29,065,050.00	4.46%
Cost per bottle of dispensed water (N)	450.00	450.00	0%
No of litres consumed	1,281,869.2	1,227,191.0	4.46%
Weight per litre (kg)	1.00	1.00	0%
Weight of litres of water consumed (kg)	1,281,869.20	1,227,191.00	4.46%
Amount spent on paper (N)-	25,682,040.00	20,314,800.00	26.42%
Average cost per paper ream (N)	1,500.00	1,200.00	25%
No of reams consumed	17,121.36	16,929.00	1.14%
Weight per ream (kg)	2.40kg	2.40kg	0%
Weight of reams of paper consumed (kg)	41,091.26	40,629.60	1.14%
Amount spent on electricity (N)	318,230,903.60	283,356,846.30	12.31%
Average cost of electricity per KWH (N)	40.00	30.00	33.33%
No of KWH consumed	7,955,772.59	9,445,228.21	-15.77%
Co2 emission on electricity consumed (KgCO ₂ e)	4,173,598.30	4,954,966.72	-15.77%
Total CO ₂ emissions on electricity, diesel and petrol consumed (KgCO ₂ e)	14,460,923.35	15,896,230.50	-9.03%
Total waste generated (kg)	1,439,880.95	1,568,825.23	-8.22%

Notes:

- During the year, diesel consumption dropped by 7.85% compared to a 16.52% decline in electricity consumed, this led to the 15.77% decline in Carbon emissions from Electricity consumption, Petrol consumption also dropped by 2.65%.
- The total GHG emitted by the Bank's business operations reduced by 9.02% from 15,896 tCO₂e in 2016 to 14,460 tCO₂e in 2017. Diesel consumption constituted our biggest emission point at 44% of total emission in 2017. Carbon Footprint per employee reduced by 11.21% from 4.4 tCO₂e in 2016 to 3.9 tCO₂e in 2017.
- Paper consumption increased marginally by 1.14% due to the increase in staff strength.
- Drinking water consumption from water dispensers at our offices increased marginally by 4.5% due to an increase in staff strength and customer base.

Social

Financial Inclusion

Sterling Bank further deepened its Agency Banking Platform by providing financial services to individuals and communities that traditionally had limited or no access to the formal financial sector. The number of unbanked individuals who received financial services or products for the first time increased by 2,382% from 25,038 individuals in 2016 to 621,427 individuals in 2017. While the Agent banking network increased from about 212 stationary agents in 2016 to over 6,000 mobile agents in 2017. The Agency banking model is one of the National Financial Inclusion Strategic tools for taking banking to the market segment that may be unwilling to come to the bank premises. Other initiatives include financial literacy for children as well as women. The Bank was awarded The Best Bank in Financial Inclusion during the SERAS - CSR 2017 Awards for Africa.

Some of the financial literacy initiatives organized in 2017 include:

Sterling MSME Academy

This capacity building programme aims at empowering women entrepreneurs and equipping small business owners on how to run a sustainable business and position them to access funding for development. We organized two MSME trainings in Kano (245 participants were trained) and Ilorin, (156 participants were trained) in 2017. Eight (8) MSME training sessions have been carried out since 2015.



Sterling E-Money Box

We launched the E-Money box to encourage a savings culture amongst children. The E-Money box is available to children that have an “I can save” account. Over 1,800 E-Money boxes have been given out since its launch.

Financial Literacy Initiatives

Last year, Financial literacy trainings were organized across the country by staff volunteers under the Employee Volunteer Programme. In addition, the Bank has embraced the CBN's Adopt-a-School recommendation. To this end, a total of 54 schools were visited and 7,382 students were taught the rudiments of financial literacy during the 2017 World Savings Day held on October 31st, 2017.



Women Economic Empowerment

Sterling Bank is committed to promoting Women Economic Empowerment and fostering an organisational culture that exemplifies the Bank's deep commitment to the development and empowerment of our female employees and clients.

In a bid to provide a bespoke offering for all our female customers and clients given their unique needs, a well- rounded proposition was established in the course of the year which boasts of a bouquet of life-impacting solutions catering to the health, finances, social and networking needs of the Nigerian woman among so many other benefits.

The One-Woman Proposition

The Bank launched the 'One Woman' proposition on 8th March 2017- an initiative focused on supporting women across various facets of life and empowering them to be the best they can be. The One-Woman value proposition comprises an array of different value-add offerings developed to meet financial, business, health, social networking and personal needs of the Nigerian woman. It provides a platform to support women across all walks of life. A dedicated website was also set up to provide wholesome content for women and equip them in their various endeavors. www.onewoman.com.ng.



Award-winning actress, Kate Henshaw; Group Head, Corporate Banking, Mojisola Bakare; wife of the Chairman, Sterling Bank, Mrs Ifeyinwa Ighodalo; on-air personality, Tope Odigie and Marian Nwana, Strategic Marketing Group, Sterling Bank at the Sexually Confident woman event held in Lagos powered by One woman

The platform seeks to support women from diverse economic backgrounds by offering discounts on loan offerings, free health checks, internship opportunities, a customized debit card with a multi-offering discount provision on various services, empowerment workshops/academy, lifestyle nuggets, business needs, personal support etc.

Below are other initiatives the Bank invested in during the year to empower women:

- The Bank provided a child care (creche) facility and a "Flexi-plan" for nursing mothers to enable them balance work and motherhood comfortably as part of the Bank's work-life balance strategy.
- The Bank invested over five million naira via our Market Women Quick Cash Initiative to empower 30 women in Kaduna State.

- The Bank encouraged staff to adopt a medical insurance plan with Industry leading Health Management Organizations (HMO) to enhance qualitative medic-care for staff. For cases requiring immediate attention that are mild health challenges, the Bank has set up a well-equipped clinic facility at the Sterling Towers as well as the head office annex to address such emergencies.
- Female employees also enjoyed free medical checks during the International Women's Day celebration while the Bank flagged-off a month-long Breast Cancer Awareness campaign.
- The Bank donated over three million naira to Channel for Widow Relief Initiative NGO, based in Ibadan, Oyo State for empowering the women in the scheme.
- We also trained over 5,000 women on financial literacy which was held in Kaduna and Bayelsa, while we empowered them with affordable financing.
- In lending its voice to women, the Bank sponsored an initiative around nursing mothers and pregnant women tagged "Mamalette" which included health care tips for the new born and Mother and career tips for resumption after maternity leave.
- The Bank sponsored numerous initiatives created by different women from different socio-economic classes such as (Mums in Business Fair, Her Own Network, and the launch of a book titled Sounds of Silence musing written by Ifeoma Digbe etc.)

Women Economic Empowerment will be at the zenith of our business model and we remain committed to fostering a culture that promotes the development and empowerment of our female employees and clients.

In recognition of our efforts so far in this light, the Bank was awarded the Bank of The Year in Women Economic Empowerment at the 1st edition of the 2017 Nigeria Sustainable Banking Awards organised by the Central Bank of Nigeria (CBN).

Gender Equality and Diversity

The Bank is an equal-employer with a strong commitment to a well-diversified work-force along ethnic, language lines with no gender bias. As at December 2017, female representation on the Board of Directors was at 26.67%, while the ratio of women to men in the bank is 41% to 59% respectively.

As at December 2017, ethnicity breakdown ratio stood at 53% Yoruba, 18% Igbo, 4% Hausa and 25% other ethnic tribes.

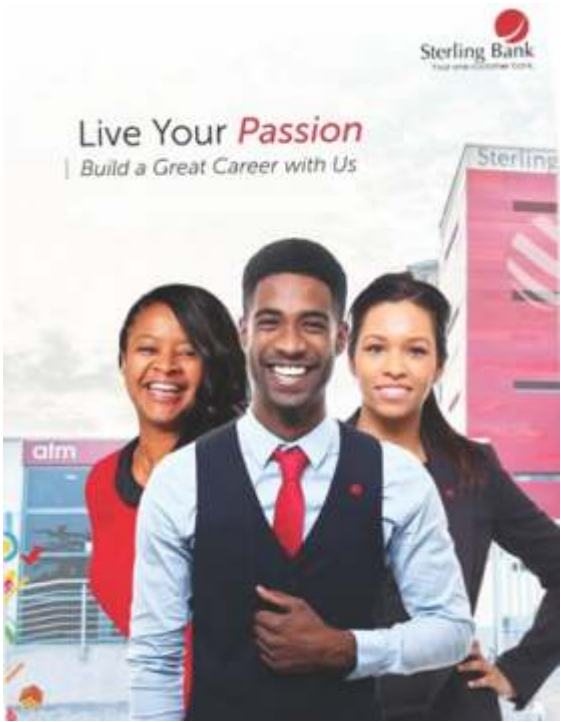
Work-life balance

We have adopted the “Flexi-time and Flexi-place” initiatives for staff to enable them achieve a desirable work-life balance.

'Flexi-time' enables staff to work during flexible hours from 7am to 4pm; 8am to 5pm; 9am to 6pm or 10am to 7pm respectively. 'Flexi-place' on the other hand enables staff to work from any location outside the office and promotes work-life balance.

Corporate Social Investments

Our Corporate Social Responsibility (CSR) investments in 2017 exceeded those of 2016. A total of N113 million Naira was expended on CSR



initiatives in 2017, resulting in 132% percent increase from N48 million expended in 2016.

There has also been increased CSR participation from employees and external parties, with over 30,000 participants in 2017 compared to about 7,000 participants in 2016.

Project Name	Location of Project	Activities Organized	Date of Event	Amount Invested (Naira)	Number of Participants Involved
Free Movie Ticket	Lekki, Maryland, Ibadan, Port Harcourt	Giving out free movie tickets at 4 different locations to reward and celebrate customers during the Sterling Bank Valentine's activation #thingswedoforlove	February 13-15, 2017	2,918,000.00	150 participants
Free BRT Tickets	Sterling Cares - Free BRT Bus Tickets	Free BRT bus tickets at 3 different locations- Tafawa Balewa Square, Ikorodu and Mile 12 with approval from LAMATA (Lagos State Mass Transport Association) and Primero	February 13-15, 2017	2,918,000.00	800 Participants
One Woman launch event	Oriental Hotel, Victoria Island, Lagos	The launch of the One-woman proposition	March 8, 2017	2,500,000.00	300 Participants
Open House Lagos	British Council, Ikoyi, Lagos	Press conference, opening launch, bus tour and volunteer party	April 18-30, 2017	3,500,000.00	Over 500 Participants
Abuja Color Blast	Abuja	Press conference, color blast activation	April 29, 2017	2,800,000.00	Over 1,000 Participants

Project Name	Location of Project	Activities Organized	Date of Event	Amount Invested (Naira)	Number of Participants Involved
Financial Literacy	Selective Schools-Nationwide	Selection of schools across regions, children taken to different branches for excursion	May 23-27, 2016	6,700,000.00	Over 15,000 Participants
LAWMA Workers May Day	Lagos	Celebration/award of street sweepers in Lagos state	May 24, 2017	4,700,000.00	Over 10,000 Participants
Leap Africa: CEO's Forum	Lagos	The forum is a knowledge sharing platform for supporting and empowering SMEs to grow into sustainable businesses.	June 1, 2017	3,500,000.00	Over 500 Participants
Healthcare Excellence Awards 2017	Lagos	Annual Nigerian Healthcare Excellence Awards (NHEA) 2017	June 23, 2017	2,000,000.00	Over 200 Participants
Sexually Confident Woman - Self Love 2.0	Lagos	Event supported to drive women empowerment	June 25, 2017	3,000,000.00	Over 200 Participants
Sponsorship of Lagos @ 50 Event	Lagos	Event organized in celebration of Lagos @ 50	June 1, 2017	5,000,000.00	Over 200 Participants
Sponsorship of Kb Klub	Lagos	Event supported to promote youth empowerment	July 14, 2017	200,000.00	Over 200 Participants
Sterling Environmental Makeover	Computer Village, Ikeja	Skate and clean activation, press conference, STEM activation	August 12, 2017	14,840,000.00	Over 1000 Participants
Commissioning of Igbosere High Court Library	Lagos Island	Commissioning event	September 18, 2017	50,000,000.00	Over 100 Participants
CFA Women Society	Civic Centre	Women in Investment and Management Initiative and 2017 Chater Award Ceremony	November 10, 2017	3,000,000.00	Over 200 Participants
Recyclart Competition	British Council	Official unveiling of miniature art pieces made from recycled materials	November 16, 2017	1,200,000.00	Over 200 Participants
Mums in Business Fair	Kings' College Annex	A seminar and a business fair for existing and emerging mothers	November 25-26, 2017	2,500,000.00	Over 300 Participants
Africa Culture and Design Festival	Balmoral Hall, Federal Palace VI	A weeklong festival promoting renowned artistes and showcasing their best work	November 10-11, 2017	12,500,000.00	Over 500 participants
Sponsorship of Ake Books & Art Festival	Abeokuta, Ogun State	The Ake festival	November 14-18, 2017	6,000,000.00	400 Participants
Book Launch - Sounds from Silence Musings	Lagos	Official launch of the book - Sounds from Silence Musings	November 17, 2017	2,000,000.00	Over 100 Participants
Transport Event Abuja	Abuja	Official launch of the bank's transport desk	October 23, 2017	1,500,000.00	Over 500 Participants
Transport event Uyo	Akwa-Ibom	Official launch of the bank's transport desk with focus on Uyo	November 2017	500,000.00	Over 500 participants
				133,776,000.00	

Materiality Assessment

The information from our stakeholder engagement provides vital input to our annual 'materiality assessment' – the process of identifying those issues that are core to the bank's sustainable development. Our materiality assessment guides our focus for reporting and informs our strategic approach.

We reviewed the following to determine our material issues:

- Our strategy
- Our core values
- Internal and external stakeholder engagement

- Risk management and regulation
- Global challenges and national priorities
- Sustainability indices

Focus areas

The focus areas identified following the materiality analysis in view of our identified stakeholders include:

- Financial sustainability
- Social sustainability
- Environmental sustainability

The table and chart below include a list of our material issues.

Material Issue	Most Concerned Stakeholders	
1	Customer Trust & Protection	Customers
2	Quality of service	Customers
3	Customer satisfaction	Customers
4	Data Security	Customers
5	Financial Performance	Shareholders
6	Governance and Accountability	Staff, Shareholders, Regulators
7	Human/Labour Rights & Employee wellbeing	Staff
8	Financial Stability	Local Community, Staff, Customers
9	Risk Management	Shareholders, Customers
10	Fraud & Anti money laundering	Shareholders, Regulators
11	Financial Inclusion	Customers, Local Community, NGOs
12	Fair Remuneration	Staff
13	Innovative Business Development	Customers
14	Responsible Lending	Customers
15	Career Development & Employability	Staff
16	Sustainable procurement	Environment, Suppliers
17	Infrastructure and Accessibility	Staff, Customers
18	Business Ethics	Customers, Shareholders, Suppliers
19	Reduction of environmental Impact of our operations	Environment
20	Carbon Emission	Environment



Stakeholders Engagement

At Sterling Bank, we actively pursue open, relationship-driven communication with stakeholders characterized by an undivided focus on creating sustainable value and enriching lives.

In other to facilitate effective communication with stakeholders, we have invested in both human and material resources to build the capacity required for excellent performance, while we ensure that our engagement processes are carefully crafted and tailored to suit each stakeholder group.

Our Stakeholders	How We Engage	Their Expectations	Our Response
Customers	• Branches	• Innovative, high quality products and services	• Award-winning Internet and mobile banking
	• Contact center	• 24/7 quality customer service	• 24/7 call contact center
	• Mobile and online banking	• Secure, accessible and easy banking	• First Call Resolution Program
	• Website	• Transparent and fair fees and charges	• Loyalty programs

Our Stakeholders	How We Engage	Their Expectations	Our Response
Customers	• Social media channels	• Privacy	• Code of Conduct
	• Relationship managers		• Privacy Policy
	• Customer research		• Customer Awareness and Education unit
	• Customer Complaint Unit		• Customers Segmentation
	• Customer satisfaction surveys		
Employees	• Employee engagement survey	• Equal opportunity & fairness.	• Employee grievance policy.
	• Sterling NOVA (internal magazine)	• Employee health, safety, and wellbeing	• Safety training and inspections.
	• Training and development	• Open & two-way communication with management.	• Employee satisfaction survey.
	• Regular meetings	• Competitive salary & benefits.	• Employee Suggestions Program – “Idea Bank”
	• Annual summit	• Opportunities for training & career development.	• Sterling Bank Learning Academy.
	• HR helpdesk	• Transparent and accountable management team.	
	• Secure channels for suggestions and feedback		
	• Recognition and awards programs.		
	• Yammer (staff social media)		
	• Whistle blowing portal.		
Shareholders	• Annual general assembly	• Profitability and growth.	• Net income growth
	• Board of directors' meetings	• Strong, sustainable financial returns	• On-going development of the corporate governance framework.
	• Annual, semi-annual and quarterly reports	• Excellent corporate reputation.	• Strengthening of risk management capabilities
		• Sound corporate governance.	
		• Transparent communication	
		• Compliance with all laws and regulations.	
		• Strong risk management	

Our Stakeholders	How We Engage	Their Expectations	Our Response
Regulators	<ul style="list-style-type: none">Letter, correspondences and email communications	<ul style="list-style-type: none">Reduce ecological footprint	<ul style="list-style-type: none">Resource efficiency initiatives
	<ul style="list-style-type: none">Meetings and onsite visits	<ul style="list-style-type: none">Limited use of finite resources (energy, water, and paper)	<ul style="list-style-type: none">Recycling initiative
	<ul style="list-style-type: none">Sustainability Champions Online Platform	<ul style="list-style-type: none">Improvement in measurement of resource consumption	<ul style="list-style-type: none">Reducing printing
	<ul style="list-style-type: none">Seminars and Workshops	<ul style="list-style-type: none">Incorporation of environmental criteria in financed projectsCompliance to policies and regulations	<ul style="list-style-type: none">Electronic document archiving
	<ul style="list-style-type: none">Regular reporting	<ul style="list-style-type: none">Reporting disclosures as per engagements	<ul style="list-style-type: none">Funding of environmentally friendly products and services
	<ul style="list-style-type: none">Participation in governmental initiatives and campaigns	<ul style="list-style-type: none">Delivering best banking practices.	<ul style="list-style-type: none">Reporting performance for relevant disclosures such as Basel-II
		<ul style="list-style-type: none">Investment in customer awareness and education initiatives (financial literacy)	<ul style="list-style-type: none">Seeking consultation to increase transparency and prevent non-compliance
Suppliers	<ul style="list-style-type: none">Bidding and tendering	<ul style="list-style-type: none">Supplier communications	
		<ul style="list-style-type: none">Ethical business dealings	
		<ul style="list-style-type: none">Fair contract bidding and awarding processes	<ul style="list-style-type: none">Increase the number of suppliers with preference to local suppliers where possible.
		<ul style="list-style-type: none">Local content	
		<ul style="list-style-type: none">Timely payment	

Sustainability Targets and Achievements

Focus Area	Description	2017 Targets	2017 Achievement	2018 Target
Financial Sustainability	Ensure the organization remains profitable without jeopardizing its existence in the long term	3.5% Market Share by deposits	Deposit market share of 3.1% achieved	3.5% Market Share by deposits
		Non-performing loans (NPL) ratio of <7.5%	NPL ratio of 6.2% achieved	NPL ratio of <5%
		Return on equity of above peer group average	Return on average equity of 9.0% achieved	Return on equity of above peer group average
		Deposit growth of 15% Y-o-Y	Deposit growth of 17.1% achieved	Deposit growth of 15% Y-o-Y
		Liquidity ratio >30%	Achieved liquidity ratio of 33%	Liquidity ratio >30%
		Double-digit revenue growth Y-o-Y	Earnings growth of 19.8% achieved	Double digit revenue growth Y-o-Y
		Capital adequacy ratio >10%	Capital adequacy ratio of 12.2% achieved	Capital adequacy >10%
		Minimum of two investment grade credit ratings	Two investment grade ratings achieved from Global Credit Rating (GCR) and DataPro	Two investment grade credit ratings
Social Sustainability	Ensure the organization prioritizes engagement with her employees, customers, shareholders and communities	CUSTOMERS Top 10 ranking in the KPMG customer satisfaction survey	Ranked 8th in KPMG customer satisfaction survey	Top 5 in 2018 in the KPMG Customer satisfaction survey
		Increase customer engagement via various channels to drive the bank's sustainability strategy	<ul style="list-style-type: none">• Re-vamped our mobile banking platform application. These platforms recorded an impressive growth of 160% in the number of users.• Increased customer base on the mobile agent platform to 1,100,000, while mobile agents have increased to 8,000.• Refreshed the look and feel of our website to encourage easy navigation and ease of access to content by customers and stakeholders	<ul style="list-style-type: none">• Aspire to be the Number 1 Digital Bank in Nigeria over the next 2 years• Increase mobile agent customer acquisition to over a million customers.
		Conduct employee surveys to feel the pulse of the workforce	<ul style="list-style-type: none">• A trust index survey was conducted by Great Place to Work, engaging various departments within the bank and outcomes from the survey are being addressed• Organized road shows in various Regions to feel employee pulse and address issues raised.	Working on a model where each group/department would have a business partner which engages with them to support their business.

Focus Area	Description	2017 Targets	2017 Achievement	2018 Target
Social Sustainability		Establish an E-learning platform to block knowledge gaps and build capacity	Provided E-learning trainings in the form of short video clips along with the traditional E-learning platform.	<ul style="list-style-type: none"> • Re-vamp our E-learning training platform. • Develop and implement additional Sustainable Banking E-learning training.
		SHAREHOLDERS Continuous engagement with shareholders	<ul style="list-style-type: none"> • The Investor Relations team regularly sent updates on the bank's business to analysts and shareholders. • Regular engagements were also held with shareholders via our social media channels to drive real time engagements. 	Increase engagement of shareholders/analysts via various channels to improve the Bank's fair valuation
		COMMUNITIES Continue to identify and invest in communities where we operate in line with our Corporate Social Responsibility (CSR) focus areas i.e., Education, Empowerment and the Environment	Impacted positively on over 10 communities across the country during the Sterling Environmental Makeover exercise. Donations were also made to the Channel for Widow Relief Initiative NGO, based in Ibadan, Oyo State for empowering the women. The MSME Academy also held in select communities like Kano and financial literacy trainings were organized for women in Kaduna under the Market Women Quick Cash scheme amongst others.	Continue to identify and invest in communities where we operate in line with our Corporate Social Responsibility (CSR) focus areas i.e., Education, Empowerment and the Environment
Environmental Sustainability	Ensuring Sustainability in our business operations through reducing greenhouse gas emissions in our business operations and also promoting Sustainability in our sphere of influence through analysing the environmental and social impact of bank-financed projects i.e. responsible lending	<ul style="list-style-type: none"> • Participate in international and multi-stakeholder initiatives to drive improved standards and progress of Sustainable banking in Nigeria 	<ul style="list-style-type: none"> • Partnership with LAWMA and Wecyclers on the Bank's Waste Recycling initiative. • Partnership with the British council to organise The Recyclart competition (Finale) • Partnership with several organisations to organise the 2017 Sterling Environmental makeover such as Beats FM, Wecyclers, Pepsi, LAWMA etc. 	<ul style="list-style-type: none"> • Subscribe to be a member of the Equator Principles(EP) and or The United Nations Environmental Programme Finance Initiative (UNEPFI).

Focus Area	Description	2017 Targets	2017 Achievement	2018 Target
		Incorporate energy efficiency equipment into new and already existing buildings	<ul style="list-style-type: none">• Significant increase in use of alternative energy at our branches and ATMs located across the country reducing the Bank's carbon footprint.• Completion of the on-going 45KW Hybrid Solar project at Head Office Annex, Ilupeju, Lagos• Deployed hybrid power and renewable energy to 10 branches• Two solar powered offsite ATMs were commissioned at Lekki Admiralty Way and Dolphin Estate• A Power Audit has been completed in Lagos and the installations of Low Energy Consuming Appliances has been extended to several branches	<ul style="list-style-type: none">• Reduce the Bank's Carbon Footprint by a minimum of 5% over the next 3 years.• Deployment of hybrid/ renewable energy to 20 additional branches.• Electrical load optimization in 20 additional branches.
		Conduct Environmental and Social Risk Assessment for transactions under the 3 sectors of focus (Agriculture, Oil & Gas and Power)	70.83% of all approved corporate and commercial transactions under the 3 sectors of focus were screened and assessed for E&S Risk. This was an improvement from 2016 where, 60.47% of transactions were screened.	Expand the sectoral coverage of E&S Risk Assessment and analysis to cover four additional sectors: Mining, Manufacturing, Real Estate and Construction.

External Assurance Report

At Sterling Bank Plc., we strive to be frontrunners in transparency and in ensuring that our stakeholders have a reasonable level of confidence in the credibility of our continuing efforts to embed sustainability into our 'core purpose'.

To achieve this, we have selected specific sustainability activities which were performed during the year under review - 2017 and have engaged a third party to provide an attestation to the assertions (occurrence, existence, validity) of these activities as disclosed in our Sustainability Report.

This process is in line with requirements of Principle 9 of the Central Bank of Nigeria's Sustainable Banking Principles (NSBP) and global best practices as set out by the Global Reporting Initiative (GRI) standards. It also provides our stakeholders with information that confirms that our internal and external sustainability systems are functioning effectively and in line with our overall sustainability strategy to consciously incorporate Environmental and Social Sustainability into our business strategies, operations and engagements.

Below are identified indicators we have selected for assurance. We have also disclosed on the definitions, scope, criteria and boundaries established for each one of the indicators - all of which is referred to as our "Reporting Criteria":

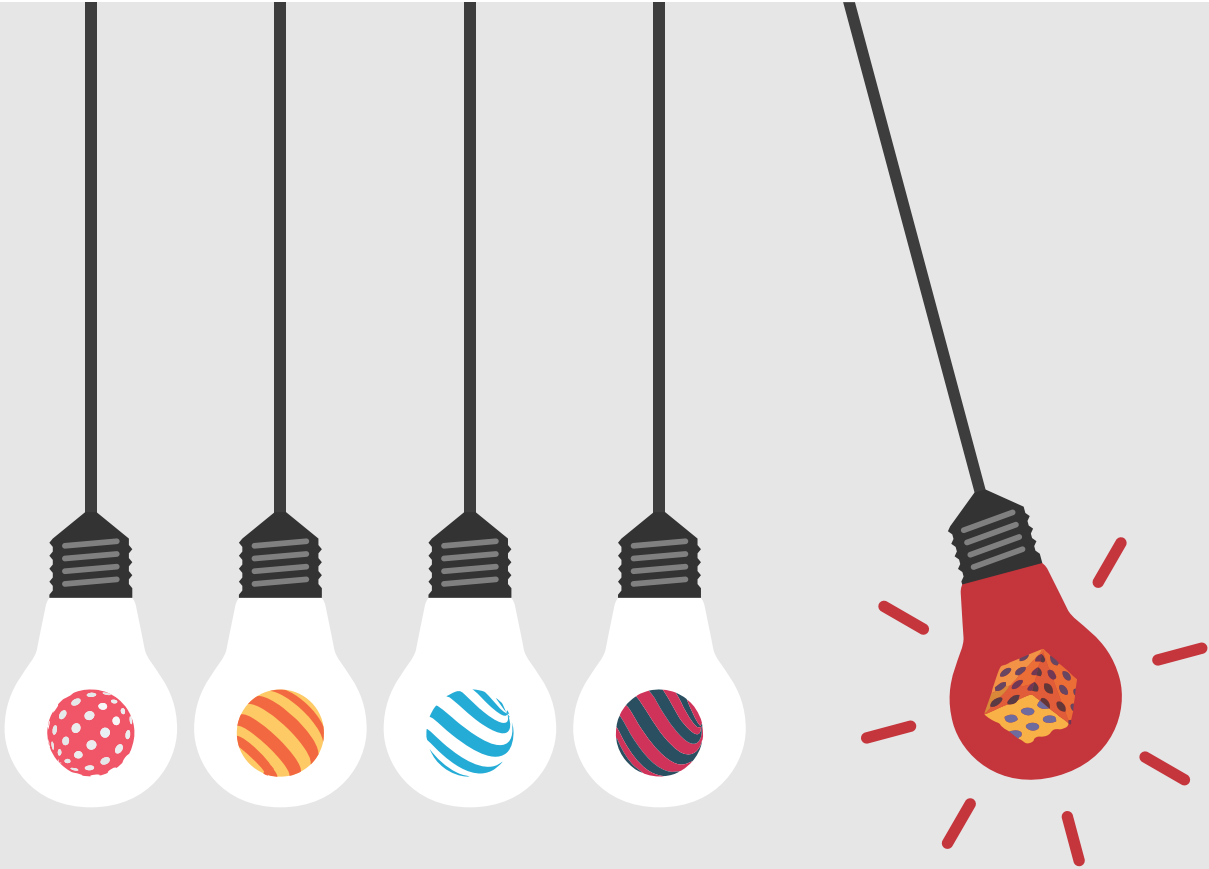
Indicator	Reporting Criteria	Sustainability Report
SOCIAL		
Increased customer engagement via various channels to drive the Bank's sustainability strategy	The existence and functionality of our customer engagement mechanisms are listed below: 1. Social Media 2. 24/7 Call Centre 3. Whistleblowing Portal 4. Complaints Management and reporting to CBN	Stakeholders Identification and Engagement: Customer engagement

Indicator	Reporting Criteria	Sustainability Report
SOCIAL		
Established internal communications within the Bank	Internal engagement with our employees which include dissemination of health & wellness tips and employee welfare programs.	Labour Management Relations
Regular employee surveys to feel the pulse of the workforce	Culture survey carried out by a third party – Good Place to Work.	Sustainable Practices: Sustainability Targets and Achievements
Investment in Communities	Community investment initiatives and value reported in 2017.	Corporate Social Investments
Financial Inclusion through innovative products (Agency Banking Platform)	Bank's agency Banking Platform – BankOne and the number of mobile Agents registered for the year 2017.	Financial Inclusion
Employee welfare packages such as flexi-time etc.	Initiatives implemented to improve the welfare of our staff: 1. Gym facilities; 2. Staff Clinic and Wellness Checks; 3. Flexi Time Policy.	Occupational Health & Safety (1&2); Labour Management Relations: Work-life balance (3)
ENVIRONMENTAL		
Continued partnership with LAWMA and its equivalent in other states of the federation	Partnerships with Lagos, Ondo and Cross River States respectively; and the donation of branded Kits & equipment to the Ogun State street sweepers and Kwara State highway managers.	Effluents and Waste: Waste Management Partnership
Align credit processes to the sustainability principles via investment in environmentally friendly projects (ESMS Assessment)	Compliance of our E&S Risk management system to the requirements set in our Risk Strategy and its alignment to the IFC's performance standards.	Sustainable Practices
Implementing the Bank's Carbon Footprint Reduction Policy	The existence of the following carbon reduction initiatives implemented in 2017: 1. Waste treatment solution for the Bank's Martin Street Branch and HQ Annex: – A toilet digester system which reduces frequent dislodging of waste by treating toilet waste with bio-enzymes. 2. Uber for Business: The outsourcing of pool cars from Non-market facing staff in 2017 to reduce emissions from trips and maintenance costs.	Biofil Toilet Digester (1) Emissions (2)
Practical reduction of electricity consumption and diesel usage	Reduction in resource consumption across our energy sources: Diesel and National Grid.	Energy: Power/energy audit
Eco-friendly disposal of waste using Recycling companies	Waste categorization and pick up performed by a third party - Wecyclers Limited	Effluents and Waste: Waste Recycling Initiative

We refer to this information as the “Selected Sustainability Information for Limited Assurance” which is also referred to as the “Selected Sustainability Information”.

**Please note that this is an abridged version of the 2017 sustainability report. The full report encompassing the Independent Assurance Report on selected Sustainability information and the GRI Index Context is posted on our website.*

GOVERNANCE



CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

BOARD OF DIRECTORS

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

Attendance at Board meetings for the year ended 31 December 2017 are as follows:

	Director		Attendance	No. of Meetings
1	Mr. Asue Ighodalo	Chairman	5	5
2	Mr. Rasheed Kolarinwa	Non-Executive	5	5
3	Dr. (Mrs.) Omolara Akanji	Non-Executive	5	5
4	Ms. Tamarakare Yekwe (MON)	Non-Executive	5	5
5	Mr. Olaitan Kajero	Non-Executive	5	5
6	Mrs. Tairat Tijani	Non-Executive	5	5
7	Mrs. Egbichi Akinsanya	Non-Executive	5	5
8	Mr. Michael Jituboh	Non-Executive	5	5
9	Mr. Sujit Varma (Indian)	Non-Executive	2	3
10	Mr. Yemi Adeola	Managing Director/CEO	5	5
11	Mr. Lanre Adesanya (Retired 01/12/17)	Executive Director	4	4
12	Mr. Kayode Lawal	Executive Director	5	5
13	Mr. Abubakar Suleiman	Executive Director	5	5
14	Mr. Grama Narasimhan (Indian)	Executive Director	5	5
15	Mr. Yemi Odubiyi	Executive Director	5	5

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 Audit Committee, Board Risk Management Committee and Board Governance & Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

Board Credit Committee

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

Terms of reference

- Consider credit proposals for approval on the recommendation of the Management Credit Committee (MCC);
- Recommend to the Board assignment of credit approval authority limits on the recommendation of the MCC;
- Review the Credit Policy Guidelines of the Bank as and when required by the dictates of the market and/or the corporate strategic intent on the recommendation of the MCC;
- Approve credit facility requests above the limits set for Management, within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities;
- Review periodic credit portfolio reports and assess portfolio performance;
- Ensure compliance with the Bank's Credit Policies and statutory requirements prescribed by the regulatory/supervisory authorities;
- Recommend credit facility requests above the Committee's limit to the Board;
- Review and recommend to the Board for approval/ratification Management proposals on full and final settlements on non performing loans;
- Review and approve the restructure of credit facilities in line with the Credit Policy Guidelines;
- Review and approve credit proposals in line with the Bank's Risk Policy Guidelines;
- Review and recommend to the Board for approval proposals on Write-offs;
- Periodic review of the recovery process to ensure compliance with the Bank's recovery policies, applicable laws and statutory requirements; and
- Perform any other duties assigned by the Board from time to time.

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

	Director		Attendance	No. of Meetings
1	Dr. (Mrs.) Omolara Akanji	Chairperson	3	3
2	Mr. Rasheed Kolarinwa	Member	3	3
3	Mr. Olaitan Kajero	Member	3	3
4	Mr. Michael Jituboh	Member	3	3
5	Mr. Yemi Adeola	Member	3	3
6	Mr. Lanre Adesanya (Retired 01/12/17)	Member	3	3
7	Mr. Kayode Lawal	Member	3	3
8	Mr. Grama Narasimhan (Indian)	Member	3	3

Board Finance and General Purpose Committee

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

Terms of reference

- Establish the Bank's financial policies in relation to the operational plan, capital 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;
- 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; and
- 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. Egbichi Akinsanya	Chairperson	3	3
2	Ms. Tamarakare Yekwe (MON)	Member	3	3
3	Mrs. Tairat Tijani	Member	3	3
4	Mr. Michael Jituboh	Member	2	3
5	Mr. Yemi Adeola	Member	3	3
6	Mr. Lanre Adesanya (Retired 01/12/17)	Member	3	3
7	Mr. Abubakar Suleiman	Member	3	3
8	Mr. Yemi Odubiyi	Member	3	3

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; and
- 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	3	3
2	Mr. Rasheed Kolarinwa	Member	3	3
3	Dr. (Mrs.) Omolara Akanji	Member	3	3
4	Mrs. Tairat Tijani	Member	3	3
5	Mr. Michael Jituboh	Member	2	3
6	Mr. Yemi Adeola	Member	3	3
7	Mr. Lanre Adesanya (Retired 01/12/17)	Member	3	3
8	Mr. Kayode Lawal	Member	3	3
9	Mr. Yemi Odubiyi	Member	3	3

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 significant findings and recommendations by Internal Audit and Management responses thereof;
 - Review 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 implementation of External Auditors' recommendations by Management;
 - Review the performance of External Auditors;
 - Ensure that there is proper coordination of audit efforts between Internal and External Auditors;
 - Review the effectiveness of the system for monitoring compliance with laws and regulations;
 - Review the findings of any examinations by regulatory agencies, and audit observations;
 - Regularly report to the Board of Directors on Committee activities; and
 - 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. Rasheed Kolarinwa	Chairman	4	4
2	Dr. (Mrs.) Omolara Akanji	Member	4	4
3	Ms. Tamarakare Yekwe (MON)	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mrs. Egbichi Akinsanya	Member	4	4
6	Mr. Michael Jituboh	Member	3	4

Board Governance & Remuneration Committee

Terms of reference

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

Board of Governance and Remuneration Committee performs the following functions:

- 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 Officer and Executive Directors annually for appropriate recommendation to the Board;
- Approve training programmes for Non-Executive Directors;
- Review the need for appointments and note the specific experience and abilities needed for each Board Committee, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such appointments to the Board;
- Review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees;
- Recommend any proposed change(s) to the Board;
- Recommend to the Board, renewal of appointment of Executive and Non-Executive Directors based on

- the outcome of review of Directors performance;
- Recommendation on experience required by Board Committee Members, Committee Appointments and Removal, Reporting and other Committee Operational matters;
 - Ensure that the Board evaluation is carried out on an annual basis;
 - Review and make recommendations to the Board for approval of the Bank's Organisational structure and any proposed amendments;
 - Review and make recommendations on the Bank's succession plan for Directors and other senior management staff from Assistant General Manager grade and above;
 - Regular monitoring of compliance with Bank's Code of Ethics and Business Conduct for Directors and Staff;
 - Determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank for recommendation to the Board;
 - Review and submit to the Board, recommendations concerning Executive Directors Compensation plans, salaries and perquisites ensuring that the compensation packages are competitive;
 - Review and submit to the 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; and
 - 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	Ms. Tamarakare Yekwe (MON)	Chairperson	3	3
2	Mr. Rasheed Kolarinwa	Member	3	3
3	Dr. (Mrs) Omolara Akanji	Member	3	3
4	Mr. Olaitan Kajero	Member	3	3
5	Mrs. Egbichi Akinsanya	Member	3	3
6	Mrs. Tairat Tijani	Member	3	3

Statutory Audit Committee

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990 CAP C20 Laws of the Federation of Nigeria. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) Non-Executive Directors. The Committee meets every quarter, but could also meet at any other time, as the need arises.

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors

- 4 Mrs. Egbichi Akinsanya
- 5 Ms. Tamarakwe Yekwe (MON)
- 6 Mr. Olaitan Kajero

Terms of reference

- 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;
- Authorise the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- 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;
- Review representation letter(s) requested by the external auditors before they are signed by Management;
- Review the Management Letter and Management's Response to the auditor's findings and recommendations;
- 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;
- 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;
- 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;
- Review such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the Committee shall deem appropriate;
- 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 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;
- Review and ensure that adequate whistle-blowing procedures are in place;
- Review, with the external auditor, any audit scope limitations or problems encountered and management's responses to same;
- 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;
- 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	Mrs. Egbichi Akinsanya	Chairperson	4	4
2	Alhaji Mustapha Jinadu	Member	4	4
3	Mr. Idongesit Udoh	Member	4	4
4	Ms. Christie Vincent	Member	4	4
5	Ms. Tamarakare Yekwe (MON)	Member	4	4
6	Mr. Olaitan Kajero	Member	4	4

Dates for Board and Board Committee meetings held in 2017 financial year:

Meetings					
Board	26-Jan-17	07-Mar-17	18-May-17	15-Aug-17	24-Nov-17
Board Credit Committee		21-Mar-17		26-Jul-17	17-Oct-17
Board Finance & General Purpose Committee		31-Mar-17		18-Jul-17	11-Oct-17
Board Audit Committee	23-Feb-17	29-Mar-17		21-Jul-17	12-Oct-17
Board Risk Management Committee		23-Mar-17		25-Jul-17	31-Oct-17
Board Governance & Remuneration Committee		27-Mar-17		19-Jul-17	11-Oct-17
Statutory Audit Committee	24-Feb-17	28-Mar-17		20-Jul-17	13-Oct-17

THE COMPANY SECRETARY

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

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

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

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

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

MANAGEMENT COMMITTEES**1 Executive Committee (EXCO)**

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

2 Asset and Liability Committee (ALCO)

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

3 Management Credit Committee (MCC)

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

4 Management Performance Review Committee (MPR)

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

5 Criticised Assets Committee (CAC)

The Committee reviews the Bank's credit portfolio and collateral documentation. It reviews the non-performing loans and recovery strategies for bad loans.

6 Computer Steering Committee (CSC)

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

7 Management Risk Committee (MRC)

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

SUCCESSION PLANNING

Sterling Bank Plc has a Succession Planning Policy which was approved by the Board of Directors in 2009. Succession Planning is aligned to the Bank's overall organisational development strategy. In line with this policy, a unit was set-up in the Human Resource Management Group to implement, amongst others, a Succession Plan for the Bank.

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

CODE OF ETHICS

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

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

WHISTLE BLOWING PROCESS

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

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

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

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any persons or act that might jeopardize its reputation. Members of 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 a Whistle Blowing channel via the Bank's website, dedicated telephone hotlines and e-mail address in compliance with the guidelines for whistle blowing for Banks and Other Financial Institutions issued by the Central Bank of Nigeria (CBN).

The Bank's Chief Compliance Officer is responsible for monitoring and reporting on whistle blowing.

Further disclosures are stated in Note 43 of the consolidated and separate financial statements.

Compliance Statement on Securities Trading by Interested Parties

The Bank has put in place a Policy on Trading on the Bank's Securities by Directors and other key personnel of the Bank.

During the year under review, the Directors and other key personnel of the Bank complied with the terms of the Policy and the provisions of Section 14 of the Amendment to the Listing Rules of The Nigerian Stock Exchange.

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.



DIRECTORS, OFFICERS & PROFESSIONAL ADVISERS

DIRECTORS:	<p>Mr. Asue Ighodalo Mr. Rasheed Kolarinwa Dr. (Mrs.) Omolara Akanji Ms. Tamarakare Yekwe, MON Mr. Olaitan Kajero Mrs. Tairat Tijani Mrs. Egbichi Akinsanya Mr. Michael Jituboh Mr. Sujit Varma (Indian) Mr. Yemi Adeola Mr. Abubakar Suleiman Mr. Lanre Adesanya Mr. Kayode Lawal Mr. Grama Narasimhan (Indian) Mr. Yemi Odubiyi Mr. Emmanuel Emefienim</p>	<p>Chairman Non-Executive Director Non-Executive Director Non-Executive Director¹ Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Managing Director/CEO² Managing Director/CEO Executive Director³ Executive Director Executive Director Executive Director Executive Director⁴</p>
COMPANY SECRETARY:	Justina Lewa	
REGISTERED OFFICE:	<p>Sterling Towers 20, Marina, Lagos Tel: 2702300-8</p>	
REGISTRATION NUMBER:	2392	
AUDITORS:	<p>Ernst & Young 10th & 13th Floor, UBA House 57, Marina Lagos</p>	
REGISTRARS:	<p>Pace Registrars Limited Akuro House (8th floor) 24, Campbell Street Lagos</p>	
CONSULTANTS:	<p>J.K. Randle International One King Ologunkutere Street Park View Ikoyi Lagos</p>	

¹ Retired 6th March, 2018
³ Retired 1st December, 2017

² Retired 1st April, 2018
⁴ Appointed 26th January, 2018

CORPORATE LEADERSHIP

Vision-led, values-driven and experienced team with track record of delivery.



PHOTOS (L - R)

Mrs. Tairat Tijani, Mr. Grama Narasimhan, Mr. Olaitan Kajero, Mr. Kayode Lawal, Mr. Michael Jituboh, Mr. Emmanuel Emefienim, Dr. (Mrs.) Omolara Akanji, Mr. Abubakar Suleiman, Mr. Asue Ighodalo, Mr. Yemi Adeola, Mr. Sujit Varma, Mr. Rasheed Kolarinwa, Ms. Tamarakare Yekwe, MON, Mr. Yemi Odubiyi, Mrs. Egbichi Akinsanya.

DIRECTORS' PROFILE



ASUE IGHODALO – Chairman

Mr. Asue Ighodalo was appointed a Non-Executive Director of Sterling Bank in May 2014 and subsequently as Chairman in July 2014. A product of the prestigious Kings College, Lagos, Asue obtained a Bachelor of Science Degree (B.Sc) in Economics from the University of Ibadan in 1981; LL.B in 1984 from the London School of Economics & Political Science and a BL in 1985 from the Nigerian Law School. He is a Partner in the law firm Banwo & Ighodalo, a leading corporate and commercial law practice in Nigeria, which he founded in partnership in 1991. His core practice areas are corporate finance, capital markets, mergers and acquisitions, banking & securities, foreign investments & divestments, energy & natural resources, privatization and project finance. A member of several professional associations, Asue sits on the Board of a number of public and private companies.



RASHEED KOLARINWA – Independent Director

Mr. Rasheed Kolarinwa was appointed an Independent Director of Sterling Bank in October 2010. He holds a BA in Economics from the University of Toronto, Canada as well as an MBA with concentration in Finance and International Business from the Schulich School of Business, York University, also in Canada. He is currently the Chairman of Capiflex Management Limited. His banking career started in 1981 with International Merchant Bank Nigeria Limited, after which he moved to Chartered Bank Plc in 1989. He assumed various senior management roles and thereafter moved into Executive positions between 1999 and 2005 as an Executive Director. He served as the Deputy Managing Director of IBTC Chartered Bank Plc (now Stanbic IBTC Bank Plc) from December 2005 to December 2007.



OMOLARA AKANJI – Independent Director

Dr. (Mrs.) Omolara Akanji was appointed an Independent Director of Sterling Bank in February 2014. She holds a B.Sc. in Agricultural Economics from the University of Ibadan, an M.Sc. in Agricultural Economics from the University of Reading, a Diploma in Statistics from the University of Kent, Mathematical Institute, and a PhD. Finance from the European-American University, Commonwealth of Dominica. Her early career started with the Central Bank of Nigeria (CBN) in 1978 as an Assistant Economist. She rose through the ranks and retired in December 2007 as Director, Trade and Exchange Department. She also served as a Consultant to the CBN between 2008 and 2011. She is an alumnus of Harvard Kennedy School (HKS) of Monetary Policy and Management.



TAMARAKARE YEKWE, MON – Independent Director

Ms. Tamarakare Yekwe was appointed an Independent Director of Sterling Bank in February 2014. She holds a Bachelor of Laws (LL.B) Degree from the University of Lagos and was called to the Nigerian Bar in 1981. Ms. Yekwe is currently the Principal Partner, 'Kare Yekwe & Co. (Legal Practitioners & Consultants). She was a member of the Governing Council, Nigerian Institute of International Affairs (NIIA) and the Presidential Technical Committee on Housing and Urban Development. She was also the pioneer Attorney General and Commissioner for Justice, Bayelsa State. Ms. Yekwe has served as a Director in various institutions including the Federal Savings Bank of Nigeria, Continental Merchant Bank of Nigeria Plc, International Merchant Bank Plc and the Federal Mortgage Bank of Nigeria.



OLAITAN KAJERO – Non-Executive Director

Mr. Olaitan Kajero joined the Board of Directors of Sterling Bank in August 2014. He holds a Bachelor of Science Degree in Chemistry from the University of Lagos and an MBA Finance from Olabisi Onabanjo University, Ago Iwoye in Ogun State. He is currently the Managing Director of STB Building Society Limited- a position he has held since 2006. He started his career as Finance and Admin Manager at Communication Associates of Nigeria Limited in 1997. He went on to serve as General Manager and Group Chief Operating Officer in Aircom Nigeria Limited between 2001 and 2006, where he was responsible for general business development and managing the day to day activities of the Company. Mr. Kajero is a Fellow of the Chartered Institute of Bankers of Nigeria.



TAIRAT TIJANI – Non-Executive Director

Mrs. Tairat Tijani joined the Board of Directors of Sterling Bank in November 2014. She graduated from Lancaster University with Honours in Accounting, Finance & Economics. She also graduated with a Distinction in MBA, International Business from the University of Birmin-gham. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Institute of Chartered Secretaries & Administrators of Nigeria. Mrs. Tijani has garnered significant experience as an operator in the Capital Market, participating in several landmark transactions which have contributed immensely towards the development of the Nigerian Capital Market. She was formerly the Head, Capital Markets Division of FBN Capital Ltd (a subsidiary of FBN Holdings Plc) where she had oversight responsibility for deal origination and transaction execution. Mrs. Tijani successfully completed the Financial Times Diploma for Non-Executive Directors in 2016 and has attended several executive education programs with a focus on Leadership and Corporate Governance at leading international institutions including Wharton School, Pennsylvania.



EGBICHI AKINSANYA – Non-Executive Director

Mrs. Egbichi Akinsanya joined the Board of Directors of Sterling Bank in March 2015. She holds a Bachelors degree in Economics & Public Administration from Bedford College (Now Holloway College) University of London, the professional qualifications of the Institute of Chartered Secretaries & Administrators UK (ICSA); and the Institute of Chartered Accountants of Nigeria (ICAN). Her work experience spans both the public and private sectors; having worked with the Securities & Exchange Commission, Nigeria (SEC) for over 11 years, Citibank Nigeria for 4 years, British American Tobacco for 5 years and Private Venture Capital initiative (FBC Beverages Company Limited) for 6 years.



MICHAEL JITUBOH – Non-Executive Director

Mr. Michael Jituboh joined the Board of Directors of Sterling Bank in December 2015. He holds a Bachelor of Science (B.Sc.) Degree in Applied Mathematics from the Federal City College (now University of Washington DC), USA and a Master of Arts (MA) Degree in Economic Studies from Stanford University, California, USA. He is currently the Executive Director, Special Projects of Globacom Limited. He worked for 17 years with the African Development Bank in Ivory Coast where he successfully held the positions of Loan Officer, Senior Executive in charge of International Organizations, Special Assistant to the President and Director, International Co-operation Department. He has an extensive background experience in Project Lending and Management. He previously served as Non-Executive Director on the boards of the erstwhile Devcom and Equitorial Trust Banks. He is an alumnus of the Harvard Business School, Program for Management Development (PMD).



SUJIT KUMAR VARMA – Non-Executive Director

Mr. Sujit Varma was appointed a member of the Board of Directors of Sterling Bank in February 2017. He obtained a Bachelor of Arts Degree from Ranchi University, India. His banking career with State Bank of India started in 1987 and he has held several positions across credit and operations. Over the course of his senior management career, he has managed roles in New York and India as Chief Executive Officer. He is currently the Chief General Manager, International Banking at the State Bank of India. He holds professional qualifications from Indian Institute of Bankers.



YEMI ADEOLA – Managing Director/Chief Executive Officer

Mr. Yemi Adeola served as Managing Director/Chief Executive Officer of Sterling Bank Plc until his retirement on April 1, 2018.

He studied at the University of Ife where he obtained a Bachelor of Laws degree. Thereafter, he obtained his Masters degree from the University of Lagos, specializing in the Law of Secured Credit and International Economic Law.

His 35-year professional sojourn traversed academia and consulting before he finally settled into banking in 1988 when he joined Citibank Nigeria, first as in-house Legal Counsel and then Chief Legal Counsel & Company Secretary. He became Executive Director, Commercial Banking Group (Expanded Target Markets) in 1998, with additional oversight of the Public Sector & Infrastructure Group.

He left Citibank in July 2003 as the most senior Nigerian Executive on the Board of the bank, to assist with the turnaround of Trust Bank of Africa (TBA). He played a pivotal role in raising fresh capital to reposition TBA and served as the Deputy Managing Director between 2003 and 2005. Upon the consolidation of TBA into Sterling Bank in December 2005, Mr. Adeola assumed the role of Executive Director, Corporate and Commercial Banking and remained in that capacity until he was appointed Acting Group Managing Director in 2007, and then substantive Group Managing Director in 2009.

Mr. Adeola has served on several Boards including among others: Kakawa Discount House Limited, Unity Kapital Assurance Plc, Sterling Capital Markets Limited and Sterling Asset Management Limited. He currently serves on the Boards of Nigeria Mortgage Refinance Company and Crusader Sterling Pensions Ltd. He is the Chairman of the Bankers Committee on Ethics & Professionalism Sub-Committee and a member of the Disciplinary Council of the Chartered Institute of Bankers of Nigeria.

Mr. Adeola is a fellow of the Chartered Institute of Bankers of Nigeria and has undertaken senior management/executive education programs covering various business and leadership areas at leading institutions including Harvard Business School, Stanford Business School, Oxford University and Wharton. He is also a JFK Scholar.



GRAMA NARASIMHAN - Executive Director

Mr. Grama Narasimhan currently serves as the Executive Director, Retail and Consumer Banking at Sterling Bank; a role he has held since January 2015. Born on March 15, 1962, he obtained a Bachelor of Science Degree (First Class) from Bangalore University, Karnataka, India in 1982. His 30-year-old career which began as an Officer with State Bank of India (SBI) in 1987 has seen him hold various positions at senior levels in Credit/ Advances, International Banking and Branch Operations. He is a Certified Associate of the prestigious India Institute of Bankers.



ABUBAKAR SULEIMAN – Managing Director/Chief Executive Officer

Mr. Abubakar Suleiman currently serves as the Managing Director/Chief Executive of Sterling Bank. He was appointed to the Board in April 2014 with responsibility for directly overseeing the Strategy & Innovation, Branding & Communication, and Human Resource Management Departments. He is also the executive sponsor of the Bank's non-interest banking business (Sterling Alternative Finance).

Mr. Suleiman joined the Sterling Bank family (Trust Bank of Africa) in 2003 with responsibility for Treasury and Finance. Following the merger in 2006, he was appointed Group Treasurer; a position he held until 2011 when he assumed the role of Integration Director – tasked with managing and integrating Equitorial Trust Bank (ETB) into Sterling.

Born on August 19, 1973, he began his career as an Experienced Staff Assistant at Arthur Andersen (now KPMG Nigeria), before moving to MBC International Bank (now First Bank) as a Management Associate. He later worked in Citibank Nigeria in roles spanning Treasury and Asset & Liability Management.

Mr. Suleiman obtained a degree in Economics at the University of Abuja, a Masters degree in Major Programme Management from the University of Oxford, and has attended various executive education programmes at INSEAD, Harvard, Wharton, and Said Business Schools.



KAYODE LAWAL – Executive Director

Mr. Kayode Lawal currently serves as the Executive Director, Corporate and Investment Banking at Sterling Bank; a role he has held since April 2014. Born on April 4, 1964, Mr. Lawal started his career with NBM Bank where he worked from 1987 till 2005. During this period, he excelled in various marketing roles and was subsequently appointed as the bank's Treasurer. Following the consolidation exercise and the emergence of Sterling Bank in 2006, he was again assigned to lead the marketing efforts of various regions in Lagos, a testament to the confidence placed in his abilities on the field. With more than 30 years working experience, Mr. Lawal is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and has professional qualifications from the Chartered Institute of Taxation of Nigeria (CITN) and Chartered Institute of Bankers of Nigeria (CIBN). He is also an alumnus of the Lagos Business School, and the University of Oxford.



YEMI ODUBIYI – Executive Director

Mr. Yemi Odubiyi currently serves as the Executive Director, Operations & Services at Sterling Bank; a role he has held since December 2014. Mr. Odubiyi was born on September 2, 1972; studied at the University of Lagos and holds a first degree in Estate Management (1994) as well as a Masters in International Law (1998) from the same institution. He started his banking career with the Nigeria unit of Citibank (at the time known as Nigeria International Bank) in 1995 as an Operations & Technology Generalist serving across all its Operations and Technology functions and was thereafter enrolled in its Management Associate program undertaking stints across all key units of the Bank. He left Citi to join the turnaround team of the then Trust Bank of Africa in 2003 as Head of Operations & Technology. Upon the consolidation of Trust Bank into Sterling Bank Plc, Yemi served as pioneer Group Head, Trade Services. In 2008, he was mandated to build the Structured Finance Group and also assumed oversight for corporate strategy serving as Chief Strategy Officer before moving into the Chief Operating Officer role in March 2012.



EMMANUEL EMEFIENIM – Executive Director

Mr Emmanuel Emefienim serves as the Executive Director, Institutional Banking at Sterling Bank. Mr Emefienim was born on June 23, 1969. He studied at the University of Benin and holds a first degree in Microbiology (1989) as well as a Masters in Banking and Finance (1995) and Business Administration (1988). He started his banking career with Oceanic Bank Plc (now Ecobank Nigeria) where he worked from 1992 till 1997 and rose to the position of Head, Credit & Marketing. He then moved to United Bank for Africa Plc as Manager, Commercial Banking from 1997 to 2000. He also worked in Savannah Bank Plc and FSB International Bank Plc (now Fidelity Bank Plc) over a 6-year period and thereafter joined Equitorial Trust Bank (ETB) in 2006. In ETB, he excelled and rose to the position of Zonal Business Director. Following the acquisition of ETB and its consolidation into Sterling Bank in 2011, he assumed the position of Regional Business Executive covering the South-South Region. He excelled and subsequently was promoted to the position of General Manager with expanded responsibilities to oversee South-South, South-East & Mid-west Regions, a position he held until his recent appointment to lead the Institutional Banking business of the Bank.

Mr Emefienim is an alumni of the Harvard Business School and Wharton School, Pennsylvania.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in presenting to the members of Sterling Bank Plc (the Bank) their report together with the audited consolidated and separate financial statements for the year ended 31 December 2017.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

Legal form

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

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

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

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

In 2016 Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public limited liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Issued share capital is comprised of 500,000 shares with 499,999 shares held by Sterling Bank Plc and 1 share held by the Managing Director - Mr. Yemi Adeola. The main objective of setting up the SPV was to raise or borrow money by the issuance of bonds or other debt instruments. The approval of Central Bank of Nigeria was obtained on 17 September 2015. The SPV is a subsidiary and is consolidated in the financial statements of the Bank. The Bank and its subsidiary is collectively referred to as "the Group".

The Bank has 163 branches and cash centres as at 31 December 2017.

Operating Results

Highlights of the Group and the Bank's operating results for the year ended 31 December 2017 are as follows:

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Gross earnings	133,490	111,441	133,022	111,238
Profit before income tax	8,606	6,000	8,540	6,019
Income tax expense	(85)	(837)	(85)	(837)
Profit after income tax	8,521	5,163	8,455	5,182
Profit attributable to equity holders	8,521	5,163	8,455	5,182
Appropriation:				
Transfer to statutory reserve	1,268	775	1,268	777
Transfer to retained earnings	7,253	4,389	7,187	4,405
	8,521	5,163	8,455	5,182
Total non-performing loans as % of gross loans	6.2%	9.9%	6.2%	9.9%
Earnings per share (kobo) – Basic	30k	18k	29k	18k
Earnings per share (kobo) – Diluted	30k	18k	29k	18k

Directors who served during the year

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

Name	Designation	Date appointed/retired	Interest represented
Mr. Asue Ighodalo	Chairman	Retired 01/12/17	Moehi Nigeria Limited
Mr. Yemi Adeola	Managing Director/CEO		
Mr. Lanre Adesanya	Executive Director		
Mr. Kayode Lawal	Executive Director		
Mr. Abubakar Suleiman	Executive Director		
Mr. Yemi Odubiyi	Executive Director		
Mr. Grama Narasimhan (Indian)	Executive Director		
Mr. Sujit Varma (Indian)	Non-Executive Director		State Bank of India
Mrs. Egbichi Akinsanya	Non-Executive Director		SNNL/ Asset Management Corporation of Nigeria-Main
Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
Mr. Olaitan Kajero	Non-Executive Director		Eban Odan Industrial & Commercial Company STB Building Society Ltd. Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investments Limited
Mr. Rasheed Kolarinwa	Independent Director		
Ms. Tamarakare Yekwe (MON)	Independent Director		
Dr. (Mrs.) Omolara Akanji	Independent Director		

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.

Directors' interests in shares

Interest of Directors in the issued share capital of the Bank as recorded in the Register of members and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, were as follows:

Names	31-Dec-17 Direct	31-Dec-17 Indirect	31-Dec-16 Direct	31-Dec-16 Indirect
Mr. Asue Ighodalo	-	62,645,242	-	57,578,743
Mr. Rasheed Kolarinwa	-	-	-	-
Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
Dr. (Mrs.) Omolara Akanji	-	-	-	-
Ms. Tamarakare Yekwe (MON)	-	-	-	-
Mr. Olaitan Kajero	-	1,582,687,059	-	1,582,687,059
Mrs. Tairat Tijani	-	1,444,057,327	-	1,444,057,327
Mrs. Egbichi Akinsanya	-	1,685,614,073	-	1,684,449,539
Mr. Yemi Adeola	25,535,555	-	25,535,555	-
Mr. Lanre Adesanya	19,236,536	-	5,827,937	-
Mr. Kayode Lawal	16,220,306	-	10,003,576	-
Mr. Abubakar Suleiman	25,157,631	-	18,725,780	-
Mr. Grama Narasimhan	-	-	-	2,549,505,026
Mr. Yemi Odubiyi	16,473,564	-	10,735,044	-
Mr. Sujit Varma	-	2,549,505,026	-	-

Directors' interests in contracts

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

Beneficial ownership

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

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2017 is as follows:

Range of shares	Number of holders	%	Number of units	%
1	31,807	36.39%	14,391,739	0.05%
1001	26,471	30.29%	59,884,413	0.21%
5,000	9,027	10.33%	60,865,275	0.21%
10,001	7,169	8.20%	96,630,937	0.34%
20,001	4,978	5.70%	153,757,434	0.53%
50,001	2,890	3.31%	199,744,127	0.69%
100,001	2,063	2.36%	293,512,054	1.02%
200,001	1,588	1.82%	504,195,110	1.75%
500,001	1,282	1.47%	1,974,003,980	6.86%
Above 10,000,001	125	0.14%	14,798,036,648	51.40%
Foreign shareholding	5	0.01%	10,635,396,407	36.94%
	87,405	100%	28,790,418,124	100.00%

The following shareholders have shareholding of 5% and above as at 31 December 2017:

	31-Dec-17 % holding	31-Dec-17 Unit	31-Dec-16 % holding	31-Dec-16 Unit
Silverlake Investments Limited	25.00	7,197,604,531	25.00	7,197,604,531
State Bank of India	8.86	2,549,505,026	8.86	2,549,505,026
SNNL/Asset Management Corporation of Nigeria – Main	5.85	1,685,614,073	5.85	1,684,449,539
Dr. Mike Adenuga	5.63	1,620,376,969	5.63	1,620,376,969
Ess-ay Investments Limited	5.02	1,444,057,327	5.02	1,444,057,327

Donations and Charitable Gifts

The Bank during the year ended 31 December 2017 donated a total sum of N346million (for the year ended 31 December 2016: N212million) 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)
Nigeria Police Force Security Trust Fund	Corporate Social Responsibility	180
Environmental sustainability partnerships	Corporate Social Responsibility	26
Other Security Trust Fund	Corporate Social Responsibility	53
Judiciary E-Library	Corporate Social Responsibility	58
Digitisation programme support	Corporate Social Responsibility	17
Channel for Widow Relief Initiative		
- Fashion Empowerment Support	Corporate Social Responsibility	4
Flood victims support	Corporate Social Responsibility	4
Market fire victims support	Corporate Social Responsibility	5
		346

Gender Analysis of Staff

Analysis of women employed by the Bank during the year ended 31 December 2017:

DESCRIPTION	NUMBER	% TO TOTAL STAFF
Female new hire	85	3.77%
Male new hire	153	6.79%
Total new hire	238	10.56%
Female as at 31 December 2017	909	40.38%
Male as at 31 December 2017	1,344	59.62%
Total staff	2,253	100

Analysis of top management positions by gender as at 31 December 2017:

GRADE	FEMALE	MALE	NUMBER
Senior Management (AGM –GM)	12	37	49
Middle Management (DM – SM)	63	140	203
TOTAL	75	177	252

Analysis of Executive and Non-Executive positions by gender as at 31 December 2017:

GRADE	FEMALE	MALE	NUMBER
Executive Director	-	4	4
Managing Director	-	1	1
Non-Executive Director	4	5	9
TOTAL	4	10	14

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2017 (2016: Nil).

Property, plant and equipment

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

Employment and employees***Employment of disabled persons:***

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

Health, safety and welfare of employees:

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

Events after the reporting date

Note 35 to the consolidated and separate financial statements disclose no events after the reporting date, that could have a material effect on the consolidated and separate financial position of the Bank as at 31 December 2017 or its profit for the year then ended.

Employee training and development

The Bank is committed to keeping employees fully informed as much as possible regarding the Bank'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 Bank's performance are implemented whenever appropriate.

Auditors

Messrs. Ernst & Young have indicated their willingness to continue in office as auditors of the Group in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD**Justina Lewa**

Company Secretary
FRC/2013/NBA/000000001255
20 Marina, Lagos, Nigeria
6 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

- (a) appropriate internal controls are established both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities;
- (b) the Group keeps accounting records which disclose with reasonable accuracy the financial position and performance of the Group and which ensure that the consolidated and separate financial statements comply with the International Financial Reporting Standards and the relevant requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011, and relevant Central Bank of Nigeria circulars;
- (c) the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

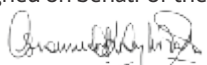
The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the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

The Directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respects, the financial position and the financial performance of the Group and the Bank as of and for the year ended 31 December 2017.

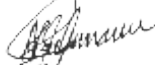
The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of financial control.

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

Signed on behalf of the Directors by:


Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680


Yemi Adeola
Managing Director/CEO
FRC/2013/CIBN/00000001257


Abubakar Suleiman
Executive Director
FRC/2013/CIBN/00000001275

6 March 2018



ADVISORY COMMITTEE OF EXPERTS(ACE) REPORT
for year ending December 31, 2017

In the name of God, The Beneficent, The Merciful

We have reviewed the principles and the contracts relating to the transactions introduced by Non-Interest Banking (NIB) Window of Sterling Bank Plc during the year ended 31 December 2017. We have also conducted our review to form an opinion as to whether Sterling NIB has complied with the Shariah principles with the Shariah rulings issued by the ACE of Sterling Bank and Financial Regulation Advisory Council of Experts (FRACE) of the Central Bank of Nigeria as well as our rulings.

The management of Sterling Bank Plc is responsible for ensuring that Sterling NIB conducts its business in accordance with Shariah principles. It is our responsibility to form our independent opinion, based on our review of the operations of Sterling NIB and to report to you.

We have assessed the work carried out by the Shariah Audit which included examining, on a test basis, each type of transaction, the relevant documents and procedures adopted by Sterling NIB.

We have received information which we believe to be complete and gives us reasonable assurance that Sterling NIB has no major transgressions of Shariah. Nonetheless, during the Shariah audit, minor errors of process were reported to us. We are convinced that these issues have been addressed with policies and procedures as follows:

- Policy document on Non Shari'ah Compliant Income
- Policy on Refinancing/Replacement of Interest-Bearing Debt
- Shari'ah Audit Manual

In the case where the process errors led to non-compliant income, the amount received has been paid into the charity account of Sterling NIB for distribution.

In our opinion:

- The contracts, transactions and dealings of Sterling NIB during the calendar year ended 31 December 2017 follow Shariah;
- The allocation of profits and losses to the investment accounts conform to the basis that has been approved by us in accordance with Shariah principles;
- All earnings that have been realized from sources or by means prohibited by Shariah have been disposed to charitable causes where necessary.

We the members of the Advisory Committee of Experts of the Non-Interest Banking Window of Sterling Bank Plc hereby confirm that the operations of Sterling NIB for the year ended 31 December 2017 have been conducted in conformity with Islamic commercial jurisprudence.

Date: March 8, 2018.

Shaykh. AbdulKader Thomas (Chairman)

Imam AbdulRaheem A. Sayi (Member)

Shaykh. Abubakar M. Musa (Member)

J.K RANDLE

PROFESSIONAL SERVICES
Chartered Accountants
& Management Consultants

"X KPMG HOUSE"

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Park View Ikoyi, Lagos,

P.O. Box 75429, Victoria Island, Lagos.

Tel: 234-7098820710, Telex: 234-7098733613

E-mail: jkrandleandco.co.uk, jkrandleintuk@gmail.com

Website: www.jkrandleandco.co.uk

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

FOR THE YEAR ENDED 31st DECEMBER, 2017

In conformity with regulatory requirements, the Board of Sterling Bank Plc (Sterling) renewed its mandate to J.K. Randle International to review the performance of the Board in respect of the year ended December 31, 2017. The exercise was guided by the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance and other recognized best practices.

The Board had fifteen members, nine of whom are Non – Executive Directors (including the Chairman of the Board), while six are Executive Directors (including the Managing Director/Chief Executive Officer) as at 31st December 2017. Three of the Non – Executive Directors were "Independent Directors" appointed based on criteria laid down by the CBN for the appointment of Independent Directors and core values enshrined in the Bank's Code of Corporate Governance.

During the year, one Executive Director retired from the Board and one Non – Executive Director was appointed during the same period. The composition of the Board during the year was in line with best practice and in conformity of the CBN Code. With four female members on the Board as at the year ended 31st December 2017 the Board is close to satisfying the CBN gender ratio requirement. The ratio in favour of female member now stands at 29% against the minimum requirement of 30% effective 2014. Despite the changes on the Board, the skills mix, experience base and diversity remain adequate for the conduct of the business of the Bank.

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

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

At the conclusion of the exercise, we recommended that the Board should continue to monitor the Bank's key performance ratios. The Board should remain conscious of increasing fraud incidents in the industry and re-evaluate its outsourcing policy. We also recommended that the Board should ensure that the governance culture and practices of Non – Interest Banking (NIB) customers with whom the Bank has significant direct investments are well monitored by an independent consultant.

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

Dated 28 February, 2018

REPORT OF THE STATUTORY AUDIT COMMITTEE

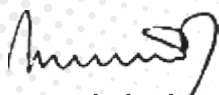
FOR THE YEAR ENDED 31 DECEMBER 2017

TO THE MEMBERS OF STERLING BANK PLC:

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

- We are of the opinion that the accounting and reporting policies of the Group are in accordance with International Financial Reporting Standards and legal requirements and agreed ethical practices.
- We believe that the scope and planning of both the external and internal audits for the year ended 31 December 2017 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 Auditors' recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of Management and staff in the conduct of these responsibilities.

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



Mrs. Egbichi Akinsanya

Chairperson, Statutory Audit Committee
FRC/016/ICAN/00000015714

23 February 2018

Members of the Statutory Audit Committee are:

- | | |
|-----------------------------|-------------|
| 1. Mrs. Egbichi Akinsanya | Chairperson |
| 2. Alhaji Mustapha Jinadu | Member |
| 3. Ms. Christie Vincent | Member |
| 4. Mr. Idongesit Udoh | Member |
| 5. Ms Tamarakwe Yekwe (MON) | Member |
| 6. Mr. Olaitan Kajero | Member |

In attendance:

Justina Lewa

Secretary



Ernst & Young
10th & 13th Floor,
UBA House
57, Marina
P. O. Box 2442, Marina
Lagos Nigeria

Tel: +234 (01) 63 14500
Fax: +234 (01) 46 30481
Email: services@ng.ey.com
www.ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERLING BANK PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sterling Bank Plc ("the Bank") and its subsidiary (collectively "the Group") which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Sterling Bank Plc and its subsidiary. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment of loans and advances

Loans and advances to customers make up a significant portion of the total assets of the Group. The impairment thereof is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions including the financial condition



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERLING BANK PLC - cont'd

of the counterparty, expected future cash flows, and collateral valuation, particularly on individually significant exposures that either continued to be, have become, or were at risk of being impaired.

Due to the significance of loans and advances which represent 56% (2016: 56%) of total assets of the Group and the related estimation process, this is considered a key audit matter.

The policies, credit risks and details relating impairment of loans and advances to customers are provided in Notes 2.2.8, 20 and 37 to the consolidated and separate financial statements.

How the matter was addressed in the audit

Our procedures included, amongst others, the following:

- We assessed the effectiveness of key controls over the impairment calculation process.
- We evaluated the accuracy of underlying data that was drawn from the Group's and the Bank's systems.
- For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification, including the financial condition of the borrower, expected future cash flows, valuation of underlying collateral and estimates of recovery on default.
- For loan loss provisions calculated on a collective basis we tested the underlying model for appropriateness. We also considered the reasonability of the assumptions included in these models such as recovery and default rates.
- We also checked the adequacy of the Group's disclosure regarding loan impairment and related risks such as credit risk and aging of the loans and advances to customers.

Other Information

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

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

In connection with our audit of the 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERLING BANK PLC - cont'd

Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF STERLING BANK PLC - cont'd

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account have been kept by the Group and the Bank, in so far as it appears from our examination of those books;
- iii) The Group and the Bank's consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

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

- i) Related party transactions and balances are disclosed in Note 34 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.
- ii) As disclosed in Note 40 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.
- iii) Customer complaints are disclosed in Note 41 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

Kayode Famutimi, FCA
FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria



23 March, 2018



Independent Assurance Report on Selected Sustainability Information to the Directors of Sterling Bank Plc for the year ended 31 December 2017

Introduction

We have been engaged by the Directors of Sterling Bank Plc. (the “Bank”) to provide an independent limited assurance in respect of “Selected Sustainability Information” disclosed in the Assurance Section of the Bank’s Sustainability Report for the year ended 2017 (the “Report”). This report is produced in accordance with the terms of our contract with the Bank dated 25 January 2018.

Independence, Quality Control and Expertise

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of social, governance, economic, environmental, SDGs and assurance specialists with extensive experience in sustainability reporting.

Responsibilities of the Directors of Sterling Bank Plc.

The Directors are responsible for selection, preparation and presentation of the “Selected Sustainability Information” in accordance with selected objective guidelines, collectively referred to as the “Reporting Criteria”.

The Directors are also responsible for designing, implementing and maintaining internal controls, as they determine necessary, to enable the preparation of the “Selected Sustainability Information” that are free from material misstatements, whether due to fraud or error.

Our Responsibility

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Sustainability Information has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusion, has been prepared solely for the Directors of the Bank as a body, to assist them in reporting on the Bank’s sustainable development performance and activities.

Scope and Subject Matter

The subject matter of our engagement and the related level of assurance that we are required to provide are as follows:

We refer to the Sustainability Assurance section contained in **section 6.0** of Sterling Bank’s 2017 Sustainability Report where Indicators, activities and Sustainability report references have been captured on “Selected Sustainability Information” as well as the Reporting Criteria against which limited assurance was performed.

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Sustainability Report 2017 and, therefore, do not express any conclusion thereon. We have not performed work in respect of future projections and targets.



Assurance work performed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits and Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain limited assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the “Selected Sustainability Information”. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our limited assurance procedures primarily comprised of:

- *Discussions with the Bank’s staff primarily responsible for matters on sustainability;*
- *Interviews with primary process owners (key management staff) across departments including Sustainable banking, Strategy, Human Resources, GIS and IT;*
- *A study of the key controls put in place by the management;*
- *Reviewing documented policies, reports and supporting information for relevant management assertions;*
- *Examining the sustainability report in relation to the findings from our assurance engagement and providing recommendations for improvements.*

The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the “Selected Sustainability Information”, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Bank’s preparation of the “Selected Sustainability Information” in order to design procedures that are appropriate in the circumstances.

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

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

Conclusion

On the selected key performance indicators on which we are required to express limited assurance, based on the results of our limited assurance procedures, we have not identified significant issues that causes to believe that the “Selected Sustainability Information” for the year ended 31 December 2017 have not been fairly presented in accordance with the Reporting Criteria.

Restricted Use and Distribution

We permit the disclosure of this Report for the year ended 31 December 2017, to enable the Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or



assume responsibility to anyone other than the Directors and the Bank for our work or this report, except where the terms are expressly agreed and with our prior consent in writing.

The Directors are also responsible for the maintenance and integrity of the Bank's website. Our procedures did not involve consideration of these matters and accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may occur when uploaded on the website.

A blue ink signature, likely of Sam Abu, written in a cursive style.

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

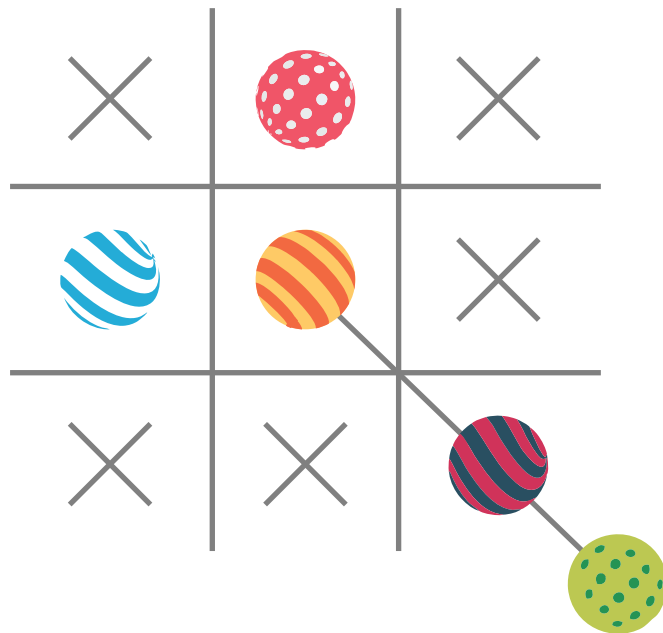
29 March 2018

Engagement Partner: Sam Abu
FRC/2013/ICAN/00000001495





FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

<i>In millions of Naira</i>	<i>Note(s)</i>	Group 31 Dec 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
Interest income	6	110,318	99,104	109,850	98,902
Interest expense	7	(60,137)	(43,114)	(59,736)	(42,894)
Net interest income		50,180	55,990	50,114	56,008
Fees and commission income	8	12,876	10,788	12,876	10,788
Net trading income	9	4,669	235	4,669	235
Other operating income	10	5,627	1,313	5,627	1,313
Operating income		73,352	68,326	73,286	68,344
Impairment charges	11	(12,267)	(11,714)	(12,267)	(11,714)
Net operating income after impairment charge		61,085	56,612	61,019	56,630
Personnel expenses	12	(11,545)	(11,522)	(11,545)	(11,522)
General and administrative expenses	13.2	(16,554)	(18,019)	(16,554)	(18,019)
Other operating expenses	13.1	(14,783)	(12,701)	(14,783)	(12,700)
Depreciation and amortisation	23 & 24	(4,995)	(4,196)	(4,995)	(4,196)
Other property, plant and equipment costs	13.4	(4,602)	(4,174)	(4,602)	(4,174)
Total expenses		(52,479)	(50,612)	(52,479)	(50,611)
Profit before income tax		8,606	6,000	8,540	6,019
Income tax expense	14a	(85)	(837)	(85)	(837)
Profit after income tax		8,521	5,163	8,455	5,182
Other comprehensive income to be reclassified to profit or loss in subsequent period:					
Fair value loss on available for sale investments*		(2,568)	(11,323)	(2,568)	(11,323)
Gain/(Loss) on available for sale securities sold included in profit or loss		11,323	(1,154)	11,323	(1,154)
Other comprehensive income/(loss) for the year		8,755	(12,477)	8,755	(12,477)
Total comprehensive income/(loss) for the year		17,276	(7,314)	17,210	(7,295)
Profit attributable to:					
Total equity holders of the Bank		8,521	5,163	8,455	5,182
Total Comprehensive income/(loss) attributable to:					
Total equity holders of the Bank		17,276	(7,314)	17,210	(7,295)
Earnings per share - basic (in kobo)	15	30k	18k	29k	18k
Earnings per share - diluted (in kobo)	15	30k	18k	29k	18k

*Income from these instruments is exempted from tax.

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2017

<i>In millions of Naira</i>	<i>Note(s)</i>	Group 31 Dec 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
ASSETS					
Cash and balances with Central Bank of Nigeria	16	122,630	107,860	122,630	107,860
Due from banks	17	51,066	31,289	51,066	31,289
Pledged assets	18	145,179	86,864	145,179	86,864
Derivative financial assets	19	-	8	-	8
Loans and advances to customers	20	598,073	468,250	598,073	468,250
Investments in securities:					
- Held for trading	21(a)	6,883	1,653	6,883	1,653
- Available for sale	21(b)	80,031	34,867	80,031	34,867
- Held to maturity	21(c)	24,075	58,113	20,671	54,725
Investment in subsidiary	21(e)	-	-	1	1
Other assets	22	18,728	21,676	18,728	21,676
Property, plant and equipment	23	16,451	14,605	16,451	14,605
Intangible assets	24	2,114	2,036	2,114	2,036
Deferred tax assets	14(g)	6,971	6,971	6,971	6,971
TOTAL ASSETS		1,072,201	834,192	1,068,798	830,805
LIABILITIES					
Deposits from banks	25	11,048	23,769	11,048	23,769
Deposits from customers	26	684,834	584,734	684,834	584,734
Derivative financial liabilities	19	-	8	-	8
Current income tax payable	14(b)	232	941	232	941
Other borrowed funds	27	212,847	82,451	212,847	82,451
Debt securities issued	28	13,068	15,381	9,709	11,975
Other liabilities	29	46,940	40,951	46,940	40,950
Provisions	29.2	295	295	295	295
TOTAL LIABILITIES		969,264	748,530	965,905	745,123
EQUITY					
Share capital	30	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
Retained earnings		8,285	6,227	8,238	6,245
Other components of equity	32	37,498	22,281	37,501	22,283
Total equity		102,937	85,662	102,893	85,682
TOTAL LIABILITIES AND EQUITY		1,072,201	834,192	1,068,798	830,805

The consolidated and separate financial statements were approved by the Board of Directors on 6 March 2018 and signed on its behalf by:

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

Yemi Adeola
Managing Director/Chief Executive Officer
FRC/2013/CIBN/00000001275

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGE IN EQUITY

AS AT 31 DECEMBER, 2017

In millions of Naira	EQUITY RESERVES									
	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEERIS reserve	Statutory reserve	Total other component of equity	Retained earnings	Total
GROUP										
Balance at 1 January 2017	14,395	42,759	(11,323)	5,276	10,683	235	17,410	22,281	6,227	85,661
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	8,521	8,521
Other comprehensive income, net of tax										
Net changes in fair value of available for sale investment securities	-	-	8,755	-	-	-	-	8,755	-	8,755
Transactions with equity holders, recorded directly in equity:										
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	5,195	-	1,268	6,463	(6,463)	-
Balance at 31 December 2017	14,395	42,759	(2,568)	5,276	15,878	235	18,678	37,498	8,285	102,938

In millions of Naira	EQUITY RESERVES									
	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEERIS reserve	Statutory reserve	Total other component of equity	Retained earnings	Total
GROUP										
Balance at 1 January 2016	14,395	42,759	1,154	5,276	5,070	235	16,635	28,370	10,042	95,566
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	5,163	5,163
Other comprehensive income, net of tax										
Net changes in fair value of available for sale investment securities	-	-	(12,477)	-	-	-	-	(12,477)	-	(12,477)
Transactions with equity holders, recorded directly in equity:										
Dividends to equity holders (Note 31a)	-	-	-	-	-	-	-	-	(2,591)	(2,591)
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	5,613	-	775	6,388	(6,388)	-
Balance at 31 December 2016	14,395	42,759	(11,323)	5,276	10,683	235	17,410	22,281	6,227	85,661

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGE IN EQUITY

AS AT 31 DECEMBER, 2017

In millions of Naira	EQUITY RESERVES									
	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total other component of equity	Retained earnings	Total
BANK										
Balance at 1 January 2017	14,395	42,759	(11,323)	5,276	10,683	235	17,412	22,283	6,245	85,682
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	8,455	8,455
Other comprehensive income, net of tax										
Net changes in fair value of available for sale investment securities	-	-	8,755	-	-	-	-	8,755	-	8,755
Transactions with equity holders, recorded directly in equity:										
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	5,195	-	1,268	6,463	(6,463)	-
Balance at 31 December 2017	14,395	42,759	(2,568)	5,276	15,878	235	18,680	37,501	8,238	102,892

In millions of Naira	EQUITY RESERVES									
	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total other component of equity	Retained earnings	Total
BANK										
Balance at 1 January 2016	14,395	42,759	1,154	5,276	5,070	235	16,635	28,370	10,042	95,566
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	5,182	5,182
Other comprehensive income, net of tax										
Net changes in fair value of available for sale investment securities	-	-	(12,477)	-	-	-	-	(12,477)	-	(12,477)
Transactions with equity holders, recorded directly in equity:										
Dividends to equity holders (Note 31b)	-	-	-	-	-	-	-	-	(2,591)	(2,591)
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	5,613	-	777	6,390	(6,390)	-
Balance at 31 December 2016	14,395	42,759	(11,323)	5,276	10,683	235	17,412	22,283	6,245	85,681

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

AS AT 31 DECEMBER, 2017

<i>In millions of Naira</i>	<i>Note(s)</i>	Group 31 Dec 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
Profit before income tax		8,606	6,000	8,540	6,019
Adjustments for non cash items:					
Impairment charges on financial assets	11	12,267	11,714	12,267	11,714
Depreciation and amortisation	23 & 24	4,995	4,196	4,995	4,196
Fair value changes recognised in profit or loss		11,323	(1,154)	11,323	(1,154)
Dividend income	10	(163)	(93)	(163)	(93)
Gain on disposal of property, plant and equipment	10	(55)	(80)	(55)	(80)
(Gain) or loss on disposal of investment securities		(1,203)	884	(1,203)	884
Write off of intangible assets		28	-	28	-
Foreign exchange gain		(3,466)	(1,119)	(3,466)	(1,119)
		32,332	20,348	32,266	20,367
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		20,498	(10,072)	20,498	(10,072)
Investment securities held for trading		5,230	(3,040)	5,230	(3,040)
Pledged assets		(58,315)	(17,526)	(58,315)	(17,526)
Loans and advances to customers		(140,863)	(122,238)	(140,863)	(122,238)
Derivative financial assets		(8)	8	(8)	8
Other assets		2,491	(7,780)	2,491	(7,780)
		(138,635)	(140,300)	(138,702)	(140,281)
Changes in operating liabilities:					
Deposits from banks		(12,721)	23,769	(12,721)	23,768
Deposits from customers		100,100	(6,155)	100,100	(6,155)
Other liabilities		5,990	(5,838)	5,990	(5,838)
Derivative financial liabilities		(8)	8	(8)	8
Cash generated from operations		(45,274)	(128,516)	(45,341)	(128,498)
Vat Paid		(492)	(344)	(492)	(344)
Income tax paid	14b	(710)	(616)	(710)	(616)
Net cash flows used for operating activities		(46,476)	(129,475)	(46,542)	(129,457)
Investing activities					
Purchase of property, plant and equipment	23	(6,334)	(3,176)	(6,334)	(3,176)
Purchase of intangible assets	24	(691)	(1,515)	(691)	(1,515)
Proceeds from sale of property, plant and equipment		133	192	133	192
Purchase of available for sale investment securities		(50,712)	(24,893)	(50,712)	(24,893)
Proceeds from available for sale investment securities		54,640	93,482	54,640	93,482
Purchase of held to maturity investment securities		(34,016)	(27,149)	(34,016)	(23,760)
Proceeds from matured investment securities		10,207	-	10,207	-
Proceeds from sale of equity investments		15	-	15	-
Investment in subsidiary		-	-	-	(1)
Dividends received	10	163	93	163	93
Net cash flows (used in)/from investing activities		(26,594)	37,033	(26,594)	40,421

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS *cont'd* AS AT 31 DECEMBER, 2017

<i>In millions of Naira</i>	Note(s)	Group 31 Dec 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
Financing activities:					
Proceeds from other borrowed funds		182,361	63,974	182,361	63,974
Proceeds from debts & securities issued		-	10,807	-	7,400
Repayment of commercial paper		(2,634)	-	(2,634)	-
Repayments of other borrowed funds		(52,031)	(41,715)	(51,964)	(41,715)
Dividends paid	31	-	(2,591)	-	(2,591)
Net cash flows from financing activities		127,695	30,475	127,762	27,068
Effect of exchange rate changes on cash and cash equivalents		418	6,322	418	6,322
Net increase/(decrease) in cash and cash equivalents		54,626	(61,967)	54,625	(61,968)
Cash and cash equivalents at 1 January		44,667	100,313	44,667	100,313
Cash and cash equivalents at 31 December	36	99,711	44,667	99,711	44,667
Operational cash flows from interest:					
Interest received		72,873	99,104	72,625	98,902
Interest paid		(56,355)	(43,115)	(58,220)	(42,894)

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

STATEMENT OF PRUDENTIAL ADJUSTMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The regulatory body, Central Bank of Nigeria/Nigeria Deposit Insurance Corporation, stipulates that impairment charges recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS impairment should be compared with impairment determined under the prudential guidelines as prescribed by CBN and the expected impact/changes in General Reserve should be treated as follows:

- (i) Prudential provisions is greater than IFRS provisions - transfer the difference from the Retained Earnings to a non-distributable Regulatory Reserve.
- (ii) Prudential provisions is less than IFRS provisions - the excess charges should be transferred from the Regulatory Risk Reserve account to the Retained Earnings to the extent of the non-distributable reserve previously recognized.

In millions of Naira	Note(s)	As of 31 Dec 2017	As of 31 Dec 2016
Transfer to Regulatory Risk Reserve			
Prudential provision		37,220	20,568
Less: write offs of fully provisioned accounts			
Total Prudential provision		37,220	20,568
IFRS provision			
Individual impairment allowance for loans & advances	20b	13,810	4,188
Collective impairment allowance for loans & advances	20c	5,694	4,276
Allowances for impairment for other assets	22.1	1,275	879
Allowances for impairment for investment securities	21d	268	247
Provisions for litigation	29.2	295	295
		21,342	9,885
Difference in impairment provision balances		15,878	10,683
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		10,683	5,070
Transfer to Regulatory Risk Reserve		5,195	5,613
		15,878	10,683

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

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

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

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

The consolidated and separate financial statements of Sterling Bank Plc and its subsidiary for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 6 March 2018

2. Accounting Policies

2.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements of the Bank and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, The Financial Reporting Council Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

The consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, financial assets and liabilities held for trading, all of which have been measured at fair value.

Functional and Presentation currency

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

(a) Presentation of financial statements

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 to the consolidated and separate 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 profit or loss unless required or permitted by any IFRS accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2017. Sterling Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

2.2 Summary of significant accounting policies

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

2.2.1 Interest income and interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale, interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate takes into account contractual terms which includes prepayment options, claw-back, contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the profit or loss include:

- interest income and expense on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest income and expense on available-for-sale investment securities 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.

Non-interest income and non-interest expense

Sharia 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.

2.2.2 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

2.2.3 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, dividends and foreign exchange differences.

2.2.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income. Dividend income on available-for-sale securities are recognised as a component of other operating income.

2.2.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.2.6 Taxes

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

(i) Current tax

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

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

(ii) Deferred tax

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

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects profit or loss; and
- deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they have been enacted or substantively enacted by the reporting date.

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 future taxable profits will be available against which can be used.

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

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

2.2.7 Financial assets and liabilities

Below are classes of items in the consolidated and separate statement of financial position that are categorized under financial assets and liabilities.

(i) Initial recognition

The Group initially recognises cash and bank balances, loans and advances, deposits, debt securities issued and liabilities on the date that they are originated. All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual

provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value net of transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

1. Financial assets held at fair value through profit and loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Financial assets may be designated at fair value through profit or loss when:

- the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the profit or loss in 'net trading income' for trading assets, and for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition. Government Treasury bills are classified as assets held for trading.

2. Available-for-sale

Available-for-sale investments are non-derivative investments that were designated by the Group as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Unquoted equity securities whose fair value cannot reliably be measured were carried at cost. All other available-for-sale investments were carried at fair value.

Interest income on available-for-sale debt instrument is recognised in profit or loss using the effective interest method. Dividend income is recognised in the profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and

receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3. Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Federal Government Bonds are mainly classified as held to maturity.

4. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- a) Its value changes in response to the change in 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 (also known as the 'underlying').
- b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes, in market factors.
- c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. This include interest forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

These transactions are settled in cash before the close of the business day, the balances are no longer recognised on the balance sheet as an asset or liability. Changes in the fair value of derivatives are included in net trading income in foreign exchange trading income.

5. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Loans and advances include loans granted to customers and corporate entities.

(iii) Amortised cost measurement

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.

(iv) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

(v) Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

The rights to receive cash flows from the asset have expired, or The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group enters into transactions whereby it transfers assets recognised on its consolidated and separate statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of the financial position. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(vi) Debts issued and other borrowed funds

Financial instruments issued by the Group that are not designated at fair value through profit or loss,

are classified as liabilities under debts securities issued and other borrowed funds, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debts securities issued and other borrowed funds are subsequently measured at amortised cost using the (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(vii) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a future date at a fixed price or an amount that is based on a lender's return is not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within Cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities and the securities are not derecognised by the Group, the Group reclassifies those securities in the statement of financial position to financial assets held for trading pledged as collateral or to financial investments available for sale pledged as collateral as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated and separate statement of financial position, within Cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in Net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income.

2.2.8 Impairment of financial assets

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 37.

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the customer is more than 90 days past due;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated material forgiveness of debt or extension of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with

specific individual financial assets. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors).

These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off would be recognised as other income in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity

instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred.

Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available for sale is not reversed through profit or loss but accounted for directly in equity.

Federal government securities, corporate and Euro bonds are classified as Available for sale debt instruments, while investment in equity are also classified under this category.

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, calculated using the loan's original EIR.

(iv) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, and other non-financial assets such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and then revalued on periodic basis as deemed necessary, however, some collateral, for example, cash or securities relating to margin requirements, are 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.

2.2.9 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.

2.2.10 Property, plant and equipment

(i) Recognition and measurement

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

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

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

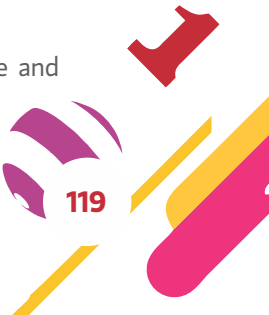
Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 -Noncurrent Assets Held for Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while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

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

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

2.2.11 Intangible assets

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

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years. Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.2.12 Leased assets

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

Group as a lessee

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

Group as a lessor

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

2.2.13 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 asset group 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.

2.2.14 Financial guarantee contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the amount received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with IAS 18. Crystallised financial guarantees are included within Other liabilities.

2.2.15 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) 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."

2.2.16 Contingencies

(i) Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

(ii) Contingent liability

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

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

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

2.2.16B Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.2.17 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.

(iv) Treasury shares

Where the Group purchases its shares, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.2.18 Equity reserves

(i) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments 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 incurred 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 a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises.

(vi) 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.

2.2.19 Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the

weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.2.20 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The Group segment reporting is based on the following operating segments: Corporate & Investment Banking, Retail & Consumer Banking, Commercial & Institutional Banking, and Non-Interest Banking.

2.2.21 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).

2.2.22 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 financial assets held for trading, as available-for-sale and held to maturity 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.

2.2.23 Fair value definition and measurement

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: In the principal market for the asset or liability and in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2.2.24 Non-Interest banking

Mudarabah liability is a partnership (co-operation for projects) between the owner of fund (customer) or the rubbalmal/Malik and the fund manager (the bank) or the mudarib. Mudarabah is a contract of trust. Consequently, Mudarib is not liable to losses except in cases of breach of trust or negligence.

The Bank uses the funds for transactions that are compliant with certain principles that prohibits interest, uncertainty, gambling and unethical concerns. Profit are shared in agreed ratio, while the owner of capital absorbs transaction losses. Practically, the Bank sets aside a pool of fund, being a certain percentage of profit called Profit Equalization Reserve (PER) to smoothen agreed profit payment to the rubbalmal in an event where there are losses.

Ijarah financing represents assets financed with the transfer of the right to use an asset vested to the leasee. Rents are recognised by the Bank in the period in which they are earned. The ownership remains with the Bank, while the customer uses the asset for a defined period.

(i) Deposit Liabilities

Deposits liabilities on non-interest banking are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquisition of deposits on non-interest banking are included in the amount of deposits and amortised over the expected life of the deposits. Refer to Note 2.2.7(iii) for the accounting policy for financial liabilities at amortised cost above.

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

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 could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

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

3.1 Estimates and Assumptions

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

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

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items. See Note 23 for further disclosure on property, plant and equipment.

(ii) Amortisation and carrying value of intangible assets

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

(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 20 for further disclosure on collateral value.

(v) Allowances for impairment of loans and advances

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 2.2.8.

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

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

(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 2.2.23. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(vii) Deferred tax assets

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

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 reasonable under the circumstances. In

the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

(i) Going Concern

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

(ii) Deferred tax asset

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

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective

New standards have been issued but are not yet effective for the year ended 31 December 2017; thus, it has not been applied in preparing these financial statements. The Group intends to adopt the standards below when they become effective:

(i) IFRS 9 - Financial instruments

On July 2014, the IASB issued IFRS 9 Financial Instruments which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

In 2016, the Bank set up implementation team with members from Enterprise Risk Management (Credit Administration, Credit Assessment and Market Risk), Finance & Performance Management Group, Assets and Liability Management (ALM), Conduct & Compliance Group, Internal Audit and Treasury to prepare for IFRS 9 implementation. The Project was sponsored by the Executive Management.

Based on current estimates, the adoption of IFRS 9 will result in a reduction to retained earnings as at 1 January 2018 by about N12.98 billion. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements. The above is still an estimate as the Bank is finalising the model review and is subject to change in the 2018 financial statements. However the impact will be compensated by Regulatory Risk Reserve. We do not expect the adoption of IFRS 9 to have a significant impact on the Capital Adequacy Ratio.

Based on the assessment carried out by the Bank, the estimated impact of application of the new standard are as follows:

The new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories are replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI),

and amortised cost. IFRS 9 eliminates IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated at FVPL:

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

Classification and measurement

IFRS 9 allows entities to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to profit or loss, unless an accounting mismatch in profit or loss would arise.

The Bank has concluded that:

- a) all loans and advances to banks, loans and advances to customers and other financial assets that are classified as loans and receivables under IAS 39 are to be measured at amortised cost under IFRS 9.
- b) financial assets held for trading are to be measured at FVPL.
- c) debt securities classified as held to maturity under IAS 39 are to be measured at amortised cost.
- d) all its investment in equity instruments including unquoted equity instruments currently classified as available-for-sale (AFS) will be designated at fair value through other comprehensive income (FVOCI) without recycling the gain or loss on derecognition to profit or loss. The bank is currently finalising the fair value measurement of these unquoted equity instruments as at 1 January 2018.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 to debt instruments held by the Bank did not result in any difference in the measurement of financial assets when compared to the current measurement basis under IAS 39.

Impairment of financial assets

IFRS 9 also fundamentally changes the loan loss impairment methodology. The standard replaces IAS 39's 'incurred loss' approach with a forward-looking 'expected credit loss' (ECL) approach. The Bank will record an allowance for expected credit losses for all loans and other debt financial assets not held

at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. The Bank has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank estimates the risk of a default occurring on the financial instrument during its expected life. Credit losses are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and the cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

The Bank categorizes its debt instruments not measured at FVTPL into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1: Performing

When the relevant debt instrument is first recognised (such as a loan), the Bank recognises an allowance based on 12-month expected credit losses. Interest income is calculated on the gross carrying amount. This will also be applicable to financial assets that are not considered to have suffered a significant increase in their credit risk since the end of the previous reporting period.

Stage 2: Underperforming

When the debt instrument shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss. Interest income is calculated on the gross carrying amount. The Bank considers whether there has been a significant increase in credit risk of an asset by comparing the risk of a default upon initial recognition of the asset against the risk of a default occurring over the remaining expected life of the asset as at the end of each reporting period. In each case, this assessment will be based on forward-looking assessment that takes into account a number of economic scenarios. In addition, a significant increase in credit risk will be assumed if the borrower falls more than 30 days past due in making its contractual payments.

When estimating lifetime ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down. For financial guarantee contracts, the Bank estimates the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party.

Stage 3 – Impaired:

The Bank recognises the lifetime expected credit losses for these financial assets. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of impairment allowances. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology. Accordingly, the Bank expects the population to be generally the same under both standards. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%. When forbearance results in the de-recognition of a distressed original financial asset, the new financial asset will be classified as originated credit-impaired. Other than purchased or

originated credit-impaired financial assets, financial assets will be transferred out of Stage 3 to Stage 2 if they no longer meet the criteria of credit-impaired after a probation period of not more than 90 days.

Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, assets are written off when there is no realistic probability of recovery. Accordingly, our policy on when financial assets are written-off will not significantly change on adoption of IFRS 9

Given that all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired financial assets for which there is objective evidence of impairment in accordance with IAS 39, loss allowances are generally expected to be higher under IFRS 9 relative to IAS 39.

Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12 month expected credit losses) and Stage 2 (lifetime expected credit losses), will be recorded in profit or loss. Because of the impact of moving between 12 month and lifetime expected credit losses and the application of forward looking information, allowance for credit losses is expected to be more volatile under IFRS 9 than IAS 39.

Measurement of Expected Credit Loss

The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate. The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD.

Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired financial assets, however, these processes have been updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios.

An expected credit loss estimate is produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses; however, the relevant parameters have been modeled on a collective basis using largely the same underlying data pool.

Expected credit losses are discounted to the reporting period using the effective interest rate, or an approximation thereof.

Movement between stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime risk of default, not the losses we expect to incur. The assessment of significant increases in credit risk is a new concept under IFRS 9 and has continued to require significant judgement.

Our assessment of significant increases in credit risk is performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2:

- (1) We have established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition. The exact thresholds applied will differ by product and/or business.
- (2) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk. This include watch listing, consideration of forbearance and other business/general economic factors that may indicate a significant deterioration in credit quality.
- (3) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. While the Bank has applied the 30 days backstop for moving financial assets other than specialised loans from stage 1 to stage 2, it has rebutted the 30 days presumption and instead used 60 days backstop for moving specialised loans consisting of project financing, object financing, mortgage loans and agricultural loans from stage 1 to stage 2.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 is similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after observing a probation period of 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after a probation period of 90 days. An asset shall not move back from stage 3 to stage 1 until after a minimum of 180 days probation period has been observed, if it is no longer considered to be credit impaired.

Debt securities measured at fair value through other comprehensive income (FVOCI)

The Bank will record impairment for debt securities measured at FVOCI, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For 'low risk' debt securities measured at FVOCI, the Bank has applied a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 above. Such instruments generally include debt securities issued by the Federal Government of Nigeria and denominated in local currency (Naira) and other debt securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. This principally relates to debt securities with an investment grade external rating. The Bank does not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments.

Forward looking information

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. The forward-looking information macroeconomic factors

that have been considered include GDP growth rate, inflation rate, price of crude oil and exchange rate. To evaluate a range of possible outcomes, the Bank formulates three scenarios including a base case, a upturn case and a downturn case.

The base case scenario represents the more likely outcome resulting from the Bank's forecasting process, while the upturn and downturn case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

Hedge Accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January 2018. The new hedging rules are however not expected to have impact on the Bank as it does not practise hedge accounting.

(ii) IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the previous revenue standard IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations on revenue recognition. The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle-based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognised when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service.

The standard introduces a new five step model to recognise revenue as performance obligations in a contract are satisfied. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments, and as such will impact the businesses that earn fee and commission revenue.

On April 12, 2016, the IASB issued amendments to IFRS 15 Revenue from Contracts with Customers. The amendments provide additional clarification on the identification of a performance obligation in a contract, determining the principal and agent in an agreement, and determining whether licensing revenues should be recognised at a point in time or over a specific period. The amendments also provide additional practical expedients that can be used on transition to the standard.

The Bank will adopt the standard and its amendments at its effective date of 1 January 2018 but using modified retrospective approach). The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Bank's revenue, including interest income, interest expense, trading revenue and securities gains which are covered under IFRS 9 Financial Instruments. The implementation of the standard is being led by the Finance and Performance Management. Group in coordination with Digital and Transaction banking, and Trade Services departments. The areas of focus for the Bank's assessment of impact are fees and commission revenues in corporate and retail banking services.

The Bank has been working to identify and review the customer contracts within the scope of the new standard. While the assessment is being finalised, the timing of the Bank's revenue recognition of fees and commissions within the scope of this standard is not expected to materially change.

The classification of certain contract costs (whether presented gross or offset against non-interest income) continues to be evaluated and the final interpretation may impact the presentation of certain

contract costs. The Bank is also evaluating the additional disclosures that may be relevant and required.

(iii) IFRS 16 Leases

The International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases on 13 January 2016. The new standard requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

(iv) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

(v) IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date.

4.2 New Standards and Improvements issued and effective

New standards, interpretations and amendments issued and adopted by the Group

The accounting policies adopted in the preparation of the 2016 financial statements are consistent with those followed in the preparation of the Group's 2017 financial statements. The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from

financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 27b.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. However, their application has no effect on the Group's financial position and performance as the Group has elected not to recognise deferred tax assets, more information is provided in note 14.

Improvement to IFRSs

Amendments resulting from annual improvements to IFRSs to the following standards will not have any impact on the accounting policies, financial position or performance of the Group for the year.

Annual Improvements Cycle - 2014-2016

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12.

Annual improvements 2015 - 2017 Cycle

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – previously held interest in a joint operation.
- IAS 12 Income Taxes – income tax consequences of payments on financial instruments classified as equity.
- IAS 23 Borrowing Costs – borrowing costs eligible for capitalisation.

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 five reportable segments; Retail Banking, Commercial & 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:

- o Corporate banking provides banking solutions to multinationals companies and other financial institutions.
- o Retail and Commercial banking provides banking solutions to individuals, small businesses, partnerships and commercial entities among others.
- o Non-Interest banking provides solutions that are consistent with Islamic laws and guided by Islamic economics.

- o The Special Purpose Vehicle was used to borrow funds through the issue of debt securities.

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2017 (2016: 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 2017

<i>In millions of Naira</i>	Retail Banking	Commercial & Institutional Banking	Corporate & Investment Banking	Non- interest Banking	SPV	Total
Interest and Non - interest income	12,421	44,032	49,334	3,150	1,381	110,318
Interest and Non - interest expense	(6,570)	(22,445)	(27,936)	(1,872)	(1,315)	(60,138)
Net interest and Non - interest margin	5,851	21,587	21,398	1,278	66	50,180
Net fees and commission income	3,406	4,257	5,172	41	-	12,876
Net impairment charge	(3,415)	(9,620)	1,115	(347)	-	(12,267)
Depreciation and Amortization	(1,238)	(1,902)	(1,801)	(54)	-	(4,995)
Operating Expenses	(2,521)	(20,808)	(23,707)	(448)	-	(47,484)
Segment profit/(loss)	4,589	(4,412)	7,894	470	66	8,606
Assets as at 31 December 2017						
Capital expenditure: Additions during the year						
Property, plant and equipment &						
Intangible assets	989	81	4,932	332	-	6,334
Other intangible assets	-	-	691	-	-	691
Total Assets	159,607	343,564	529,008	31,442	8,580	1,072,201
Total Liabilities	144,230	310,263	476,079	30,190	8,502	969,264

Segment Information - continued

31 December 2016

<i>In millions of Naira</i>	Retail Banking	Commercial & Institutional Banking	Corporate & Investment Banking	Non- interest Banking	SPV	Total
Interest and Non - interest income	20,233	28,112	50,061	495	202	99,104
Interest and Non - interest expense	(11,844)	(11,827)	(18,986)	(238)	(220)	(43,114)
Net interest and Non - interest margin	8,389	16,285	31,075	257	(18)	55,990
Net fees and commission income	3,854	5,723	1,196	15	-	10,788
Net impairment charge	(1,326)	(4,989)	(5,364)	(34)	-	(11,713)
Depreciation and Amortization	(604)	(1,841)	(1,751)	-	-	(4,196)
Operating Expenses	(9,753)	(12,366)	(23,020)	(277)	(1)	(45,417)
Segment profit/(loss)	561	1,812	3,685	(39)	(19)	6,000
Assets as at 31 December 2016						
Capital expenditure: Additions during the year						
Property, plant and equipment &						
Intangible assets	1,503	60	1,612	-	-	3,175
Other intangible assets	41	1,435	-	40	-	1,516
Total Assets	129,377	275,132	416,577	9,717	3,389	834,192
Total Liabilities	116,363	246,854	367,748	9,013	8,553	748,531

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
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6. Interest income

Loans and advances to customers	78,379	76,334	78,379	76,334
Investment securities	24,990	21,531	24,522	21,329
Interest on impaired loans	4,857	874	4,857	874
Cash and cash equivalents	2,092	365	2,092	365
	110,318	99,104	109,850	98,902

Interest from investment securities were derived from:

Available for sale	13,600	10,121	13,600	10,121
Held to maturity	11,384	11,068	10,916	10,866
Held for trading	6	342	6	342
	24,990	21,531	24,522	21,329

7. Interest expense

Deposits from customers	37,166	28,494	37,165	28,494
Deposits from banks	3,066	8,101	3,066	8,101
Debt securities issued and other borrowed funds	19,906	6,519	19,505	6,299
	60,138	43,114	59,736	42,894

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
8 Fees and commission income				
Commissions and similar income	4,135	3,501	4,135	3,501
Facility management fees	1,008	1,579	1,008	1,579
Account maintenance fees	1,441	1,450	1,441	1,450
Commissions on letter of credit transactions	825	791	825	791
Other fees and commissions (Note 8.1)	5,467	3,467	5,467	3,467
	12,876	10,788	12,876	10,788

- 8.1** Other fees and commission includes mostly advisory fees of N3.7billion (2016:N3.2billion). Fees and commissions above excludes amounts included in determining effective interest rate on financial assets that are not at fair value through profit or loss.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
9 Net trading income				
Foreign exchange trading	3,466	1,119	3,466	1,119
Treasury bills	1,784	2,425	1,784	2,425
Bonds	(581)	(3,309)	(581)	(3,309)
	4,669	235	4,669	235

Foreign exchange trading income includes gains and losses from spot and forward contracts and other currency derivatives. (Other foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement). Included in foreign exchange trading income is gain of Nil (2016:N929,194) on the derivative financial instruments. Other foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement.

The net trading loss on bonds is as a result of decline in the fair value of Federal Government of Nigeria securities.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
10 Other operating income				
Cash recoveries on previously written off accounts	4,656	447	4,656	447
Other sundry income (note 10.1)	652	522	652	522
Rental income	101	171	101	171
Dividends on available-for-sale equity securities	163	93	163	93
Gains on disposal of property, plant and equipment	55	80	55	80
	5,627	1,313	5,627	1,313

- 10.1** Other sundry income includes income from cashless policy. Cashless policy was introduced by the Central Bank of Nigeria in 2015. The policy stipulates 3 per cent charge would be administered by banks for daily individual cumulative or single cash withdrawals in excess of N500,000, and 5 per cent charge on daily cumulative or single cash withdrawals by company in excess of N3million.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
11 Impairment charges				
(i) Loan impairment				
- Individual impairment (note 20b)	10,889	11,329	10,889	11,329
- Collective impairment (note 20c)	1,418	94	1,418	94
Bad debt written off	463	1,004	463	1,004
Allowances no longer required (note 20b)	(981)	(720)	(981)	(720)
	11,789	11,707	11,789	11,707
(ii) Impairment charge on other assets (note 22.1)	457	7	457	7
(iii) Impairment charge on investment securities Note 21d)	21	-	21	-
	478	7	478	7
	12,267	11,714	12,267	11,714
12 Personnel expenses				
Wages and salaries	10,244	10,252	10,244	10,252
Defined contribution plan	1,301	1,270	1,301	1,270
	11,545	11,522	11,545	11,522
13.1 Other operating expenses				
Contract services	4,291	4,109	4,291	4,109
AMCON sinking fund contribution (see note (a) below)	4,210	4,035	4,210	4,035
Insurance	3,865	3,476	3,865	3,476
Foreign exchange loss	1,372	-	1,372	-
Other professional fees	1,045	1,081	1,045	1,080
	14,783	12,701	14,783	12,700

(a) AMCON sinking fund contribution

This represents the Bank's contribution to a fund established by the Asset Management Corporation of Nigeria (AMCON) for the year ended 31 December 2017. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2016: 0.5%) of its total assets plus 0.5% of 33.3% of off financial position assets (loan related) as at the preceding year end to AMCON's sinking fund in line with existing guidelines. This contribution is meant to be for 10 years from the effective date of December 2010. It is non-refundable and does not represent any ownership interest.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
13.2 General and administrative expenses				
Administrative expenses	3,022	2,758	3,022	2,758
Office expenses	3,020	2,755	3,020	2,755
E-business expense	2,119	1,540	2,119	1,540
Communication cost	1,207	1,270	1,207	1,270
Rents and rates	1,112	1,102	1,112	1,102
Advertising and business promotion	1,062	3,101	1,062	3,101
Other general expenses (Note 13.3)	888	574	888	574
Branding expenses	783	397	783	397
Seminar and conferences	728	449	728	449
Security	552	488	552	488
Cash handling and cash processing expenses	508	1,995	508	1,995
Transport, travel, accommodation	503	411	503	411
Directors other expenses	281	304	281	304
Annual general meeting expenses	108	240	108	240
Stationery and printing	195	215	195	215
Audit fees	215	199	215	199
Membership and subscription	194	153	194	153
Directors fee	46	50	46	50
Fines and penalties	8	14	8	14
Newspapers and periodicals	3	4	3	4
	16,554	18,019	16,554	18,019

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
13.4 Other property, plant and equipment cost				
Repairs and maintenance of PPE	4,602	4,174	4,602	4,174
	4,602	4,174	4,602	4,174

14. Income tax

a Current income tax expense:				
Income tax (note 14d(i))	-	777	-	777
Education tax (note 14d(ii))	-	-	-	-
	-	777	-	777
Information Technology levy (note 14c)	85	60	85	60
	85	837	85	837
Deferred tax expense:				
Origination of temporary differences (note 14g)	-	-	-	-
Total income tax expense	85	837	85	837

14 Income tax

b Current income tax payable

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
The movement on this account during the year was as follows:				
Balance, beginning of the year	941	780	941	780
Estimated charge for the year (see (14a) above)	-	777	-	777
Payments during the year	(710)	(616)	(710)	(616)
Balance, end of the year	232	941	232	941

14 Income tax

c Reconciliation of total tax charge

<i>In millions of Naira</i>	%	Group 2017	%	Group 2016	%	Bank 2017	%	Bank 2016
Profit before income tax	100%	8,606	100%	6,000	100%	8,540	100%	6,018
Income payable @ statutory tax rate of 30%	30%	2,582	30%	1,800	30%	2,562	30%	1,806
Tax effect of:								
Non - deductible expenses	58%	4,914	77%	4,623	58%	4,914	77%	4,623
Tax- exempt Income	-107%	(9,106)	-128%	(7,675)	-106%	(9,086)	-128%	(7,681)
Education tax	-	-	-	-	-	-	-	-
Info. Tech. Dev. Levy (NITDA)	1%	85	1%	60	1%	85	1%	60
Minimum tax	-	-	-	-	-	-	-	-
Unrecognised tax loss	19%	1,610	21%	1,252	19%	1,610	21%	1,252
Tax on dividend paid basis	-	-	13%	777	-	-	-	-
Effective tax rate/ Income tax expense	1%	85	1%	837	1%	85	14%	837

d(i) The company is not liable to Company Income Tax as the Bank does not have taxable profit, did not pay dividend in 2017 and has more than 25% imported equity capital as at the reporting date (i.e. 31 December 2017), hence, the Bank is exempted from minimum tax as stated in Section 33(3) of CITA as amended 2007. The basis of income tax for (2016) is 30% of N2,591,137,620 which was dividend paid to shareholders in 2016 and relating to the 2015 financial year results. This is in compliance with Section 15A of Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.

d(ii) The basis of the Education Tax is 2% of assessable profit 2017 :Nil (2016:Nil). An Education Tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country. There was no Education tax for the year because the Bank had assessable loss.

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

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

14 Income tax

g. Deferred tax assets and liabilities

31 December 2017

<i>In millions of Naira</i>	Balance at 31 December 2016	Recognised in profit or loss	Balance at 31 December 2017
Property, Plant and Equipment and software	2,599	143	2,742
Unutilised tax credit (capital allowance)	(4,687)	78	(4,609)
Tax loss	(5,031)	(110)	(5,141)
Provisions	148	(111)	37
	(6,971)	-	(6,971)

31 December 2016

<i>In millions of Naira</i>	Balance at 31 December 2015	Recognised in profit or loss	Balance at 31 December 2016
Property, Plant and Equipment and software	2,189	410	2,599
Unutilised tax credit (capital allowance)	(4,192)	(495)	(4,687)
Tax loss	(4,927)	(104)	(5,031)
Provisions	(41)	189	148
	(6,971)	-	(6,971)

The Bank has unutilized capital allowance of N21,652,598,187 (2016: N4,732,684,355), unused tax losses carried forward available of N24,152,957,225 (2016: N5,306,054,815) and deductible temporary differences of N173,147,704 (2016: N107,889,270) to be offset against future taxable profits. However no deferred tax asset has been recognised in respect of these items due to uncertainties regarding the timing and amount of future taxable profits. There is no expiry date for the utilization of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. 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. The expiry date of the circular would be in year 2021 and this trend would continue until the expiration of the tax holiday. Thus, the Bank has applied caution by not recognizing additional deferred tax assets which is not considered capable of recovery. The management's judgment is that the deferred tax recognized in the book is recoverable after the expiration of exemption granted on Government securities. The Bank will have taxable profit upon this expiration.

15 Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2017 was based on the profit attributable to ordinary shareholders of N8,521million (2016: N5,163million) and weighted average number of ordinary shares outstanding calculated as follows:

<i>Unit in millions</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
a Issued ordinary shares as at 1 January	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	8,521	5,163	8,455	5,182
Basic earnings per share	30k	18k	29k	18k
Diluted earnings per share	30k	18k	29k	18k

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
16 Cash and balances with Central Bank of Nigeria				
Cash and foreign monies	15,404	11,780	15,404	11,780
Unrestricted balances with Central Bank of Nigeria	33,242	1,598	33,242	1,598
Deposits with the Central Bank of Nigeria	73,984	94,482	73,984	94,482
	122,630	107,860	122,630	107,860

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 cash flows.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
17 Due from banks				
Balances held with banks outside Nigeria	30,368	12,807	30,368	12,807
Money market placements	20,698	11,545	20,698	11,545
Balances held with local banks	-	6,937	-	6,937
	51,066	31,289	51,066	31,289

Included in balances with banks outside Nigeria is the Naira equivalent of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (see Note 29). These balances are not available for the day to day operations of the Bank.

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
18 Pledged assets				
Treasury bills AFS (see note (a) below)	7,619	10,015	7,619	10,015
Government bonds HTM (see note (b) below)	83,307	50,605	83,307	50,605
Government bonds AFS (see note (b) below)	40,380	-	40,380	-
Euro Bond AFS (see note (b) below)	13,674	23,321	13,674	23,321
Other pledged assets (see note (c) below)	199	2,923	199	2,923
	145,179	86,864	145,179	86,864

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

- Pledged for clearing activities, as collection bank for government taxes and Interswitch electronic card transactions.
- Pledged as security for long term loan from Citibank International, standing facilities (expanded discount window) with Central Bank of Nigeria, clearing activities with First Bank of Nigeria Limited and loan facility from Bank of Industry and Secured bond takings under repurchase agreements.
- Included in other pledged assets are cash collateral for letters of credit and visa card through Zenith Bank Plc. The deposits are not part of the funds used by the Bank for day to day activities.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
19 Derivative financial instruments				
Notional Amount				
Foreign exchange derivatives				
Total derivative assets	-	167	-	167
Total derivative liabilities	-	159	-	159
Fair value				
Foreign exchange derivatives				
Total derivative assets	-	8	-	8
Total derivative liabilities	-	8	-	8

Derivative financial instruments consist of foreign exchange derivatives held for trading purposes and held at fair value. The contracts have intended settlement dates of between 90 days and 180 days.

The Bank's foreign exchange derivatives do not qualify for hedge accounting, therefore all gains and losses from changes in their fair values are recognised immediately in the profit or loss and are reported in 'Net gains/(losses) on financial instruments classified as held for trading.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
20 Loans and advances to customers				
Loans to corporate entities and other organizations	602,471	459,464	602,471	459,464
Loans to individuals	15,106	17,250	15,106	17,250
	617,577	476,714	617,577	476,714
Less:				
Individual impairment allowance (note 20(b))	(13,810)	(4,188)	(13,810)	(4,188)
Collective impairment allowance (note 20(c))	(5,694)	(4,276)	(5,694)	(4,276)
	598,073	468,250	598,073	468,250

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
(b) Impairment allowance on loans and advances to customers				
Individual impairment allowance				
Balance, beginning of year	4,188	11,567	4,188	11,567
Impairment for the year (note 11)	10,889	11,329	10,889	11,329
Reversal for the year (note 11)	(981)	(720)	(981)	(720)
Write-offs	(286)	(17,988)	(286)	(17,988)
Balance, end of year	13,810	4,188	13,810	4,188
(c) Collective impairment allowance				
Balance, beginning of year	4,276	4,182	4,276	4,182
Impairment for the year (note 11)	1,418	94	1,418	94
Balance, end of year	5,694	4,276	5,694	4,276

(d) Central Bank of Nigeria stipulates that provisions for loans recognized in the profit or loss account be determined based on the requirements of IFRS. The IFRS provision should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in Retained earnings should be treated as follows:

- (i) Prudential impairment provision is greater than IFRS impairment provision - transfer the difference from the Retained earnings to a non-distributable Regulatory risk reserve.
- (ii) Prudential impairment provision is less than IFRS impairment provision - the excess charge resulting should be transferred from the Regulatory risk reserve account to the Retained earnings to the extent of the non-distributable reserve previously recognized.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
(e) Classification of loans and advances by category				
1. Individually Impaired	22,442	8,122	22,442	8,122
2. Past due but not impaired	16,025	39,279	16,025	39,279
3. Neither past due nor impaired	579,110	429,313	579,110	429,314
	617,577	476,714	617,577	476,714
(f) Classification of loans and advances by category				
Rating				
RR1-RR2	107,721	58,285	107,721	58,285
RR3-RR4	405,854	300,126	405,854	300,126
RR5-RR6	65,534	70,903	65,534	70,903
RR7	15,053	39,255	15,053	39,255
RR8	2,278	2,073	2,278	2,073
Rr9	21,137	6,072	21,137	6,072
	617,577	476,714	617,577	476,714
(g) Classification of loans and advances by security				
Cash	148,710	52,733	148,710	52,733
Real estate	198,379	212,533	198,379	212,533
Stocks/shares	3,350	3,273	3,350	3,273
Debentures	156,030	132,071	156,030	132,071
Other securities	108,296	62,659	108,296	62,659
Unsecured	2,811	13,445	2,811	13,445
	617,577	476,714	617,577	476,714

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

(h) Classification of loans and advances per performance

31 December 2017

Ratings	Individually Impaired N'million	Past due but Not Impaired N'million	Neither past due nor Impaired N'million	Total N'million
RR1	-	-	65,143	65,143
RR2	-	-	42,578	42,578
RR3	-	-	176,651	176,651
RR4	-	-	229,203	229,553
RR5	-	-	65,490	65,490
RR6	-	-	44	44
RR7	1,274	13,779	-	15,053
RR8	1,445	833	-	2,278
Rr9	19,723	1,414	-	21,137
	22,442	16,025	579,110	617,577

31 December 2016

RR1	-	-	37,150	37,150
RR2	-	-	21,135	21,135
RR3	-	-	223,399	223,399
RR4	-	-	76,727	76,727
RR5	-	-	70,846	70,846
RR6	-	-	57	57
RR7	1,100	38,156	-	39,256
RR8	1,994	79	-	2,073
RR9	5,028	1,044	-	6,072
	8,122	39,279	429,313	476,714

(i) Classification of loans and advances by sector

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Agriculture	19,243	14,489	19,243	14,489
Capital Market	-	58	-	58
Communication	17,290	17,578	17,290	17,578
Consumer	5,720	6,657	5,720	6,657
Education	884	902	884	902
Finance and insurance	32,114	12,607	32,114	12,607
Government	69,571	34,482	69,571	34,482
Manufacturing	6,680	8,252	6,680	8,252
Mining & quarrying	768	13,887	768	13,887
Mortgage	8,877	10,242	8,877	10,242
Oil and gas	251,590	233,041	251,590	233,041
Others	64,703	34,749	64,703	34,749
Power	22,665	24,031	22,665	24,031
Real estate & construction	70,293	45,998	70,293	45,998
Transportation	20,681	13,364	20,681	13,364
Non-interest banking	26,496	6,376	26,496	6,376
	617,577	476,714	617,577	476,714

21 Investment securities:

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
(a) Held for trading				
Treasury bills	6,883	1,653	6,883	1,653
	6,883	1,653	6,883	1,653
(b) Available for sale				
Equity securities	2,939	2,837	2,939	2,837
Allowance for impairment on AFS (see (d) below)	(268)	(247)	(268)	(247)
	2,671	2,590	2,671	2,590
Treasury bills	69,097	1,089	69,097	1,089
Government bonds	7,091	22,981	7,091	22,981
Euro bonds	621	8,207	621	8,207
Corporate bonds	551	-	551	-
	80,031	34,867	80,031	34,867

Unquoted available for sale equity securities are carried at cost because their fair value cannot be measured reliably. These are investments in other companies with a carrying cost of N2.06billion (2016: N2.06billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. The Bank does not have significant influence on these entities.

(c) Held to maturity

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Government bonds	23,207	55,194	19,845	51,806
Corporate bonds	826	2,919	826	2,919
Treasury Bills	41	-	-	-
	24,075	58,113	20,671	54,72
Total Investment securities	110,988	94,633	107,585	91,245

(d) Allowance for impairment on Investment securities

Allowance for Available for Sales				
Balance, beginning of year	247	247	247	247
Charge for the year	21	-	21	-
Balance, end of year	268	247	268	247

(e) Investment in Subsidiary

In 2016, Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public limited liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Total number of issued share capital is 500,000, with 499,999 shares held by Sterling Bank Plc and 1 share held by the managing director Mr. 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. The approval of Central Bank of Nigeria was obtained 17 September 2015.

Ownership/Percentage interest

Name of company	
Sterling Investment Management Plc	99.9 percent

**Condensed Statement of profit or loss
for the year ended 31 December 2017**

<i>In millions of Naira</i>	Group	Elimination Entries	Bank	Sterling SPV
Operating Income	73,754	(913)	73,286	1,381
Operating expenses	(52,881)	913	(52,479)	(1,315)
Impairment charges	(12,267)	-	(12,267)	-
Profit/(loss) for the year before Tax	8,606	-	8,540	66
Taxation	(85)	-	(85)	-
	8,521	-	8,455	66

**Condensed Statement of financial position
As at 31 December 2017**

ASSETS:

Cash and balances with Central Bank of Nigeria	122,630	-	122,630	-
Due from banks	51,066	-	51,066	-
Pledged assets	145,179	-	145,179	-
Derivative financial assets	-	-	-	-
Loans and advances to customers	598,073	(5,146)	598,073	5,146
Investments in securities:	-	-	-	-
- Held for trading	6,883	-	6,883	-
- Available for sale	80,031	-	80,031	-
- Held to maturity	24,075	-	20,671	3,404
Investment in subsidiary	-	(1)	1	-
Other assets	18,728	-	18,728	-
Property, plant and equipment	16,451	-	16,451	-
Intangible assets	2,114	-	2,114	-
Deferred tax assets	6,971	-	6,971	-
TOTAL ASSETS	1,072,201	(5,147)	1,068,797	8,550

LIABILITIES & EQUITY

Deposits from banks	11,048	-	11,048	-
Deposits from customers	684,834	-	684,834	-
Current income tax payable	232	-	232	-
Other borrowed funds	212,847	-	212,847	-
Debt securities issued	13,068	(5,146)	9,709	8,501
Other liabilities	46,940	-	46,940	-
Provisions	295	-	295	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	8,285	-	8,238	48
Other components of equity	37,498	-	37,501	-
TOTAL LIABILITIES AND EQUITY	1,072,201	(5,147)	1,068,797	8,550

Condensed Statement of Cashflow
Year ended 31 December 2017

<i>In millions of Naira</i>	Group	Elimination Entries	Bank	Sterling SPV
Net cash flow from operating activities	(46,476)	-	(46,542)	66
Net cash flow from investing activities	(26,594)	-	(26,594)	-
Net cash flow from financing activities	127,695	67	127,762	-
Increase in cash and cash equivalents	54,627	67	54,625	66
Exchange rate movements on cash and cash equivalents	418	-	418	-
Cash balance, beginning of year	44,667	-	44,667	-
	99,711	67	99,711	66

Condensed Statement of profit or loss for the
Year ended 31 December 2016

Operating Income	68,328	(586)	68,344	569
Operating expenses	(50,612)	587	(50,611)	(588)
Impairment charges	-	-	-	-
Profit/(loss) for the year before Tax	17,714	1	17,733	(19)
Taxation	(85)	-	-	-
	17,629	1	17,733	(19)

Condensed Statement of financial position
As at 31 December 2016

ASSETS:

Cash and balances with Central Bank of Nigeria	107,860	-	107,860	-
Due from banks	31,289	-	31,289	-
Pledged assets	86,864	-	86,864	-
Derivative financial assets	8	-	8	-
Loans and advances to customers	468,250	(5,146)	468,250	5,146
Investments in securities:	-	-	-	-
- Held for trading	1,653	-	1,653	-
- Available for sale	34,867	-	34,867	-
- Held to maturity	58,113	-	54,725	3,388
Investment in subsidiary	-	(1)	1	-
Other assets	21,676	-	21,676	-
Property, plant and equipment	14,605	-	14,605	-
Intangible assets	2,036	-	2,036	-
Deferred tax assets	6,971	-	6,971	-
TOTAL ASSETS	834,192	(5,147)	830,805	8,534

LIABILITIES & EQUITY

Deposits from banks	23,769	-	23,769	-
Deposits from customers	584,734	-	584,734	-
Derivative financial liabilities	8	-	8	-
Current income tax payable	941	-	941	-
Other borrowed funds	82,451	-	82,451	-
Debt securities issued	15,382	(5,146)	11,975	8,552
Other liabilities	40,951	1	40,950	-
Provisions	295	-	295	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	6,227	-	6,245	(19)
Other components of equity	22,281	-	22,283	-
TOTAL LIABILITIES AND EQUITY	834,192	(5,147)	830,805	8,534

Condensed Statement of Cashflow
Year ended 31 December 2016

<i>In millions of Naira</i>	Group	Elimination Entries	Bank	Sterling SPV
Net cash flow from operating activities	(129,475)	(18)	(129,457)	(1)
Net cash flow from investing activities	37,033	4,577	40,421	(7,965)
Net cash flow from financing activities	30,475	(4,559)	27,068	7,966
Increase in cash and cash equivalents	(61,967)	1	(61,968)	-
Exchange rate movements on cash and cash equivalents	6,322	-	6,322	-
Cash balance, beginning of year	100,313	-	100,313	-
	44,668	1	44,667	-

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
22. Other assets				
Accounts receivable (see note (i))	6,179	6,288	6,179	6,288
Prepayments and other receivables (see note (ii) below)	10,534	12,902	10,534	12,902
Prepaid staff cost	2,205	2,818	2,205	2,818
Contribution to AGSMEIS (see note (iii) below)	259	-	259	-
Stock of cheque books and administrative stationery	826	547	826	547
	20,003	22,555	20,003	22,555
Allowance for impairment on other assets (note 22.1)	(1,275)	(879)	(1,275)	(879)
	18,728	21,676	18,728	21,676

- i Included in accounts receivable are forex deliverables due from CBN for the Bank's customers.
- ii Included in prepayments are Bank premises rent and insurance.
- iii The Banker's Committee at its 331st meeting held on 9 February 2017 approved the Agric-Business, Small and Medium Investment Scheme (AGSMEIS) to support the Federal Government effort's at promoting Agricultural businesses/Small and Medium Enterprises (SMEs). All deposit money banks are required to set aside 5% of Profit After Tax (PAT) after the approval of the financial statements by Central Bank of Nigeria.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
22.1 Movement of allowance for impairment on other assets				
Balance, beginning of year	879	1,053	879	1,053
Charge on other assets (note 11)	457	7	457	7
Write offs	(61)	(181)	(61)	(181)
Balance, end of year	1,275	879	1,275	879

23 Property, plant and equipment

GROUP & BANK

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

31 December 2017								
In millions of Naira	Lease- hold Land	Lease- hold Building	Lease- hold improve- ment	Furniture, fittings and equip- ment	Computer & equip- ment	Motor Vehicles	Capital work in- progress	Total
(a) Cost								
Beginning at 1 January 2017	1,234	2,837	4,584	12,827	8,001	4,698	2,132	36,313
Additions	161	177	102	714	4,446	566	168	6,334
Reclassifications	571	676	6	305	45	13	(1,616)	-
Disposals	-	-	-	(139)	(13)	(648)	-	(800)
Written off	-	-	(1,393)	(3,868)	(3,661)	(1,222)	-	(10,144)
Balance at 31 December 2017	1,966	3,690	3,299	9,839	8,818	3,407	684	31,703
Accumulated depreciation and impairment								
Beginning at 1 January 2017	127	287	3,026	8,428	6,790	3,050	-	21,708
Charge for the year	27	64	322	1,660	1,496	841	-	4,410
Written off	-	-	(1,393)	(3,868)	(3,661)	(1,222)	-	(10,144)
Disposals	-	-	-	(135)	(13)	(574)	-	(722)
Balance at 31 December 2017	154	351	1,955	6,085	4,612	2,095	-	15,252
Net book value								
Balance at 31 December 2017	1,812	3,339	1,344	3,754	4,206	1,312	684	16,451
Balance at 31 December 2016	1,107	2,550	1,558	4,399	1,211	1,648	2,132	14,605

- Assets that have been fully depreciated (acquired between the year of 2000 to 2010) were written off during the year, as no future economic benefits can be derived from its use or disposal.
- The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N5.5billion (2016: N12.4billion).

GROUP & BANK

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

31 December 2016								
In millions of Naira	Lease- hold Land	Lease- hold Building	Lease- hold improve- ment	Furniture, fittings and equip- ment	Computer & equip- ment	Motor Vehicles	Capital work in- progress	Total
(a) Cost								
Beginning at 1 January 2016	1,303	2,395	4,251	11,878	6,985	5,059	2,401	34,272
Additions	-	25	110	671	973	574	824	3,176
Reclassifications	268	77	228	444	53	24	(1,093)	-
Disposals	-	-	(2)	(165)	(10)	(959)	-	(1,136)
Balance at 31 December 2016	1,571	2,497	4,587	12,828	8,001	4,698	2,132	36,313

31 December 2016

In millions of Naira

(b) Accumulated depreciation and impairment

	Lease- hold Land	Lease- hold Building	hold improve- ment	fittings and equip- ment	Lease- Computer & equip- ment	Furniture, Motor Vehicles	Capital work in- progress	Total
Beginning at 1 January 2016	104	230	2,662	6,891	6,047	3,081	-	19,015
Charge for the year	31	49	366	1,634	753	884	-	3,717
Disposals	-	-	(2)	(97)	(10)	(915)	-	(1,024)
Balance at 31 December 2016	135	279	3,026	8,428	6,790	3,050	-	21,708

Net book value

Balance at 31 December 2016	1,436	2,218	1,561	4,400	1,211	1,648	2,132	14,605
Balance at 31 December 2015	1,199	2,165	1,589	4,987	938	1,978	2,401	15,257

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N12.4billion (2015: N11.2billion)

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
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24 Intangible assets

Purchased Software				
(a) Cost				
Balance at beginning	3,871	2,356	3,871	2,356
Additions (See Note (i) below)	691	1,515	691	1,515
Written off	(842)	-	(842)	-
Balance end of year	3,720	3,871	3,720	3,871

(b) Accumulated amortisation and impairment

Beginning of year	1,835	1,356	1,835	1,356
Amortisation for the year	585	479	585	479
Written off	(815)	-	(815)	-
Balance end of year	1,606	1,835	1,606	1,835
Balance as at 31 December	2,114	2,036	2,114	2,036

- Assets that have been fully depreciated (acquired between the year of 2000 to 2010) were written off during the year, as no future economic benefits can be derived from its use or disposal.
- In 2016, the Bank changed its core banking application from BANKS to Temenos T24. This cost has been included in the additions in prior year.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
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25. Deposits from banks

Money Market	9,479	23,769	9,479	23,769
Due to local banks	1,569	-	1,569	-
	11,048	23,769	11,048	23,769

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
26. Deposits from customers				
Current accounts	254,476	322,278	254,476	322,278
Savings accounts	60,687	52,357	60,687	52,357
Term deposits	275,141	201,845	275,141	201,845
Pledged deposits	94,530	8,254	94,530	8,254
	684,834	584,734	684,834	584,734

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
27. Other borrowed funds				
Due to Standard Chartered Bank (see (27(i)))	11,756	24,458	11,756	24,458
Due to CBN-Agric-Fund (see (27(ii)))	56,480	18,396	56,480	18,396
Due to Citibank (see (27(iii)))	7,664	15,268	7,664	15,268
Due to CBN-State ECA secured loans (see (27 (iv)))	14,454	9,761	14,454	9,761
Due to Islamic Corporation (see (27(v)))	14,712	9,283	14,712	9,283
Due to Bank of Industry - manufacturing (see (27(vi)))	1,678	2,227	1,678	2,227
Due To Nigeria Mortgage Refinance Company (see (27(vii)))	1,622	1,660	1,622	1,660
Due to CBN - MSME (see (27(viii)))	344	1,006	344	1,006
Due to Bank of Industry - power and aviation (see (27(ix)))	-	391	-	391
Due to CBN (See 27(x))	84,173	-	84,173	-
Due to AFREXIM(see note 27 (xi))	19,963	-	19,963	-
	212,847	82,451	212,847	82,451

(b) Movement on other borrowed funds:

Beginning of year	82,451	60,286	82,451	60,286
Additions during the year	182,361	63,974	182,361	63,974
Repayment during the year	(51,964)	(41,715)	(51,964)	(41,715)
Foreign exchange gain/(loss)	-	(94)	-	(94)
	212,847	82,451	212,847	82,451

(i) Due to Standard Chartered Bank

This represents short-term finance facility obtained from Standard Chartered Bank, London. Three loans were granted in 2016 for the purpose of providing dollar liquidity for the Bank. The rate of interest on the loans is the aggregate of the applicable margin (Margin and Libor).

(ii) 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), National Food Security Programme (RRSF-NSFP) and Anchor Borrowers Fund to promote commercial agricultural enterprise in Nigeria. The Bank obtained the loan on behalf of the customer from 0 - 2% to lend to customers at 9% inclusive of management and processing fee. Repayment proceeds from the projects shall be repatriated to CBN on quarterly basis. All loans under the agriculture scheme are expected to terminate on 30 September 2025.

(iii) Due to Citibank International Plc

This represents the Naira equivalent of a USD95,000,000 credit facility granted to the Bank by Citibank International Plc payable in 4 years commencing October 2008 and interest is payable quarterly at LIBOR plus a margin of 475 basis point. The facility was renegotiated in 2013 to mature in June 2018 at a fixed rate of 6.2% annually. The Bank repaid \$45,000,000 during the year reducing the loan balance to \$50,000,000. The loan is secured with pledged financial assets as indicated in Note 18b. The effective interest rate of the loan is 6.9% per annum. Principal shall be payable at maturity.

(iv) 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 & Kwara State Government indicated its willingness to work with Sterling Bank Plc on the transaction. The Osun State Government applied for a N10billion while Kwara State Government applied for N5billion. The facility was approved at the June 2015 National Economic Council meeting. The purpose of the loan is for developmental and infrastructure projects in the states. CBN is granting the loan to the states at 9% annually for 20 years.

(v) Due to Islamic Corporation

This represents a \$30 million Murabaha financing facility granted by Islamic Corporation for the development of the private sector for a period of 5 years commencing 12 October 2015. The profit on the facility shall be the aggregate of the cost price multiplied by 3 months USD Libor + 600 per annum multiplied by deferred period (in days) divided by 360 days. Profit plus the principal shall be payable at maturity.

(vi) Due to Bank of Industry - Manufacturing

This is a facility made available to the Bank on May 2014 from Bank of Industry under Central Bank of Nigeria N200billion intervention fund for refinancing and restructuring of banks' existing loan portfolios to Nigeria SME/Manufacturing sector. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. The managing agent (BOI) is entitled to a 1% management fee and the Bank a 6% spread. Loans have a maximum tenor of 15 years and/or working capital facility of 1 year with provision for roll over. Principal and interest shall be payable quarterly.

(vii) Due to Nigeria Mortgage Refinance Company

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

(viii) Due to Central Bank of Nigeria - Micro, Small and Medium Enterprises (MSME)

This represents facility introduced by Central Bank of Nigeria in respect of Micro, Small and Medium Enterprises (MSME) for the development of small and medium enterprises. The Fund is accessible to Sterling Bank business customers in Agricultural, Education and Services (hospitality, entertainment) sectors. The facility has interest rate of 2% per annum and the Bank is permitted to avail the facility to customers at an interest rate of 9% per annum. The facility has a tenor of 5 years.

(ix) Due to Bank of Industry - Power and Aviation

This is a facility from Bank of Industry under Central Bank of Nigeria N500billion Intervention Fund for the refinancing and restructuring of banks' existing loan portfolios to Nigeria Power and Aviation sectors which was made available to the Bank on 8 November 2012. The facility is administered at an all-in

interest rate/charge of 7% per annum payable on quarterly basis. The managing agent (BOI) is entitled to a 1% management fee and the Bank a 6% spread. Loans have a maximum tenor of fifteen years and/or working capital facility of one year with provision for roll over. The tenor of refinancing is 15 years not exceeding 31 July 2025. The effective interest rate of the loan is 7.2% per annum. Principal and interest shall be payable quarterly.

(x) Due to Central Bank of Nigeria

This represents "Fixed tenor repo" standing facilities granted by the CBN under its expanded discount window operations scheme. These facilities have tenors of 60 and 90 days with interests rates set at 19% and 19.5% per annum. Federal Government bonds were pledged to the CBN with a commitment to repurchase these instruments at a markup at the expiration of the facility tenor. See FGN bonds pledged in Note 18b.

(xi) Due to AFREXIM

This represents the first and second tranche (\$50 million & \$25million) on a \$75 million (N23billion), facility granted by AFREXIM. These facilities (Tranche 1 & 2) have a tenor of 5 years & 1 year respectively; the facilities were disbursed on 17 July 2017. Interest rate is repaid on a quarterly basis with interests set at 3 months LIBOR + Margin 7.25 % per annum and LIBOR + margin 5.7 % per annum respectively. There is a 1 year Moratorium on (Tranche 1) the principal after which both the principal and the interest are repaid on a quarterly basis.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
28 Debt securities issued				
13% Debt securities carried at amortised cost (See (i) below)	4,563	4,575	4,563	4,575
18.86% Debt securities carried at amortised cost (See (ii) below)	-	-	5,146	5,146
Commercial Paper (See (iii) below)	-	2,254	-	2,254
16.5% Debt securities carried at amortised cost (See (iv) below)	8,503	8,552	-	-
	13,068	15,381	9,709	11,975
Movements in debt securities issued				
At beginning of the year	15,381	4,564	11,975	4,564
Additions	-	10,806	-	7,400
Coupon repayment	(2,634)	-	(2,634)	-
Accrued interest	321	11	368	11
	13,068	15,381	9,709	11,975

- i This represents N4.562 billion 7-year 13% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 19 December 2011 and 30 December 2011 by the Central Bank of Nigeria and the Securities & Exchange Commission respectively. The Bank is obliged to pay the Trustee (Skye Bank Plc) interest semi-annually on the non-convertible debenture stock due 2018 until all the entire stock have been redeemed. The effective interest rate is 13.42% per annum.

- ii This represents N4.7billion 7 year 18.86% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 25 August 2016 and 3 August 2016 by 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 19.75% per annum and until the entire stock has been redeemed, the issuer (Sterling Bank Plc) is obliged to pay interest to the Trustee.
- iii This represents N2.2 billion short-term unsecured promissory notes issued by Sterling Bank Plc in three tranches in 2016. The Bank issued 3 separate tranches of commercial paper in 2016, the aggregate face value of the commercial papers in issue (N2.2billion) did not exceed the CBN approved limit of N100billion or its equivalent in any other specified currency. These notes were issued at an average coupon rate of 20%. This has been fully paid in 2017.
- iv This represents a N7.9 billion 7-year 16.50% subordinated unsecured non-convertible debenture stock issued by the Company, 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.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
29 Other liabilities				
Other credit balances (note 29.1)	21,249	18,196	21,249	18,196
Customers' deposits for foreign trade	15,203	9,559	15,203	9,559
Certified cheques	2,508	4,545	2,508	4,545
Creditors and accruals	7,895	8,591	7,895	8,590
Information Technology Levy	85	60	85	60
	46,940	40,951	46,940	40,951

29.1 Other credit balances includes mostly deposit secured with bonds of N10.8billion and ATM unsettled transactions of N892million. 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 guarantees.

29.2 Provisions

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Balance, beginning of year	295	268	295	268
Additions	-	27	-	27
	295	295	295	295

Provision for litigations: This is a provision for litigations and claims against the Bank as at 31 December 2017. 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.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
30 Capital and equity reserves				
Share capital				
(a) Authorised:				
32,000,000,000 Ordinary shares of 50k each	16,000	16,000	16,000	16,000
(b) Issued and fully-paid:				
28.79 billion (2016: 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:

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
28.79 billion (2016: 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 numbers				
Balance at beginning of the year	28,790	28,790	28,790	28,790
	28,790	28,790	28,790	28,790

31 Dividends

In respect of 2017, the Directors proposed that a dividend of 2 Kobo per ordinary share will be paid to shareholders. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in this financial statements until approved and declared by the shareholders. The proposed dividend is subject to withholding tax at the appropriate rate and is payable to shareholders whose names appear in the Register of Members at closure date.

32 Other components of equity

<i>In millions of Naira</i>	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEIIS reserve	Statutory reserve	Total other components of equity
(a) GROUP						
Balance at 1 January 2017	(11,323)	5,276	10,683	235	17,410	22,281
Comprehensive income for the year:						
Profit for the year	-	-	-	-	-	-
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	8,755	-	-	-	-	8,755
Transfers for the year	-	-	5,195	-	1,268	6,463
Balance at 31 December 2017	(2,568)	5,276	15,878	235	18,678	37,498
Balance at 1 January 2016	1,154	5,276	5,070	235	16,635	28,370
Comprehensive income for the year:						
Profit for the year	-	-	-	-	-	-
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	(12,477)	-	-	-	-	(12,477)
Transfers for the year	-	-	5,613	-	775	6,388
Balance at 31 December 2016	(11,323)	5,276	10,683	235	17,410	22,281
(b) BANK						
Balance at 1 January 2017	(11,323)	5,276	10,683	235	17,412	22,283
Comprehensive income for the year:						
Profit for the year	-	-	-	-	-	-
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	8,755	-	-	-	-	8,755
Transfers for the year	-	-	5,195	-	1,268	6,463
31 December 2017	(2,568)	5,276	15,878	235	18,680	37,501
Balance at 1 January 2016	1,154	5,276	5,070	235	16,635	28,370
Comprehensive income for the year:						
Profit for the year	-	-	-	-	-	-
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	(12,477)	-	-	-	-	(12,477)
Transfers for the year	-	-	5,613	-	777	6,390
31 December 2016	(11,323)	5,276	10,683	235	17,412	22,283

a. Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section .16(1) of the Banks and Other Financial 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.

b. 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.

c. Regulatory risk reserve

The Central Bank of Nigeria stipulates that impairment provisions recognized in the profit or loss account shall be determined based on the requirements of International Financial Reporting Standards ("IFRS"). The IFRS impairment provisions should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in Retained Earnings should be treated as follows:

- (i) Prudential impairment provision is greater than IFRS impairment provision: transfer the difference from the Retained Earnings to a non-distributable Regulatory Risk Reserve.
- (ii) 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. Refer to Note 2.2.18 on accounting policies on fair value and equity reserves.

d. AGSMEIS reserve

The Banker's committee at its 331st meeting held on 9 February 2017 approved the Agric-Business, 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.

33. Commitments and Contingencies

a. Litigations and claims

There are litigations and claims against the Bank as at 31 December 2017. 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 crystallise from these claims. Provisions of N295million at 31 December 2017 (2016: N295million) have been made in these financial statements on crystallised claims, refer to note 29.2.

Contingent asset is disclosed in the financial statements as inflow of economic benefit is not probable as at 31 December 2017.

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 identified any factor to suggest the probability 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:

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Bonds, guarantees and indemnities	95,078	59,647	95,078	59,647
Letters of credit	26,102	18,233	26,102	18,233
Others	9,926	33,379	9,926	33,379
	131,106	111,259	131,106	111,259

Above balances represent contingent liabilities for which the customers have not defaulted to give rise to the Bank being liable to settle the counter party. As stated in note 2.2.14, any portion that is due for which the Group has become liable are recognised in Other Liabilities (Note 29).

34 Related party transactions

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
(i) Transactions with the related parties				
Loans and advances				
a. Secured loans and advances (Note 34 (v))	6,070	6,889	6,070	6,889
b. Contingent liabilities	7,487	9,015	7,487	9,015
c. Transactions and balances with the Bank's subsidiary Sterling Investment Management Plc				
Debt instrument issued by the Bank	-	-	5,146	5,146
Interest expense	-	-	1,760	367

(ii) Transactions with key management personnel

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

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Secured loans and advances	280	273	280	273
Deposit liabilities (related parties and key management personnel)	8,579	21,220	8,579	21,220

(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.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Executive compensation	158	157	158	157
Pension contributions	14	14	14	14
	172	171	172	171

(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.

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Directors' remuneration				
Fees as directors	85	85	85	85
Other emoluments	48	51	48	51
	133	136	133	136

(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 2017, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2016: Nil).

Further disclosure of related party's transactions is reflected below in compliance with Central Bank of Nigeria circular BSD/1/2004.

The Group granted various credit facilities to related companies of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N6.1billion (2016: N6.9billion) relating to the Directors only was outstanding on these facilities at the end of the period/year. Details of these related party loans are:

31 December 2017

Names of Borrowers	Relationship to Reporting Institution	Name of the Related Interest	Date Granted	Expiry Date	Facility Limit	Outstanding Credit /Performing	Status	Perfected Security/ Nature	Facility Type
					(N'm)	(N'm)			
Conoil Plc	Related to a Director	Michael Jituboh	22-Mar-17	19-Feb-18	15,500	4,257	Performing	Negative Pledge	Overdraft
Rite Foods Limited	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000	879	Performing	Legal Mortgage and Debenture	Other Loans
FTA Associates Limited	Related to a Director	Michael Jituboh	30-Jun-17	28-Jun-18	12	9	Performing	Legal Mortgage	Term Loan
Margaret Oluyemisi Labinjo	Related to a Staff	Bukola Awosanya	17-Jul-17	12-Feb-18	15	11	Performing	Cash/Personal Guarantee	Overdraft
Osunsade Olufunmilola	Related to a Director	Michael Jituboh	16-Jul-15	28-Jul-17	2	1	Performing	Personal Guarantee	Overdraft
Commercial Staff Loan	Employees	Employees			1,204	913	Performing	Lien on entitlements/ Indemnity	Other Loans
TOTAL					17,733	6,070			

31 December 2016

Names of Borrowers	Relationship to Reporting Institution	Name of the Related Interest	Date Granted	Expiry Date	Facility Limit	Outstanding Credit /Performing	Status	Perfected Security/ Nature	Facility Type
					N'm	N'm			
Aircom Nig.Ltd.	Related to a Director	Olaitan Kajero	15-Feb-16	14-Feb-17	450	190	Performing	Legal Mortgage	Overdraft
Conoil Plc	Related to a Director	Michael Jituboh	18-May-15	06-Jan-17	15,500	4,686	Performing	Negative Pledge	Overdraft
FTA Associates Limited	Related to a Director	Michael Jituboh	06-Oct-15	23-Jun-17	16	13	Performing	Legal Mortgage	Term Loan
Osunsade Olufunmilola	Related to a Director	Michael Jituboh	16-Jul-15	28-Jul-17	2	0	Performing	Personal Guarantee	Overdraft
Rite Foods Limited	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	875	1	Performing	Legal Mortgage and Debenture	Overdraft
Rite Foods Limited	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000	969	Performing	Legal Mortgage	Other Loans
Touchpoints Nigeria Limited	Related to a Director	Olaitan Kajero	26-Oct-16	23-Feb-17	47	9	Performing	Legal Mortgage	Other Loans
Margaret Oluyemisi Labinjo	Related to a Staff	Bukola Awosanya	11-Aug-16	07-Feb-17	15	11	Performing	Cash	Overdraft
Commercial Staff Loan	Employees	Employees			1,291	1,010	Performing	Lien on entitlements/ Indemnity	Other Loans
TOTAL					19,196	6,889			

35 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Group as at 31 December 2017 and profit and other comprehensive income attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

36 Cash and cash equivalents

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Cash and foreign monies	15,404	11,780	15,404	11,780
Unrestricted balances with Central Bank of Nigeria	33,242	1,598	33,242	1,598
Balances held with local banks	-	6,937	-	6,937
Balances held with banks outside Nigeria	30,368	12,807	30,368	12,807
Money market placements	20,698	11,545	20,698	11,545
	99,712	44,667	99,712	44,667

37 Financial Risk Management

(a) Introduction and Overview

Risks are inherent in the lending, trading and all other intermediation activities of the Group. In managing these risks, the Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Group has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Group is exposed to Credit Risk, Liquidity Risk, and Market Risk (both in the trading book, banking book), and Operational Risk. The Group has put in place approved policies, procedures and guidelines for the identification, measurement, management and control of these risks.

Risk Management Framework

The Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through efficient management of 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

1.1 Three Lines of Defense

The philosophy of three lines of defense has been adopted in the Group for proactive and efficient identification and management of risks inherent in the Group's activities, processes, systems, products and external events as follows:

First line of defense – Strategic Business Functions

This consists of business units and line functions with primary responsibilities of risk management. The first line of defense includes business owners who execute transactions in the Bank with the following risk management responsibilities:

- Imbibe risk culture in order to align risk management with business objectives.
- Identify emerging risks at the transaction/business unit level and conduct material risk assessments at least annually.
- 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 facilitate 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 of evaluating and providing independent assurance on the adequacy, appropriateness and effectiveness of the risk management process and policy. This function is performed by internal and external audit.

(b) Risk Management Structure

The responsibility for the management of the Group's risk exposure rests with the Board, and this responsibility has been delegated to various committees of the Board.

The Board Risk Management Committee (BRMC) is entrusted with the responsibility of managing the overall risk exposure of the Group. The Committee reviews and recommends risk management policies and procedures for the Board's 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 managing 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 articulating the credit policy and approves credits that fall 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 its funding needs. It 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 non-performing loans and recommends strategies for the 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 Division monitors compliance with risk principles, policies and limits across the Group. Exceptions are reported on a daily basis to 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 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 tests to identify potential exposure(s) under stressed market situations.

The monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limits reflect both the quantitative and qualitative risk appetite of the Group. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the Group's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Group through regular risk reports.

(d) Risk Mitigation

The Group has in place a set of management actions to prevent or mitigate the impact of business risks on earnings. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reduction 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 a 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.
 - 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 an underlying set-off agreement.

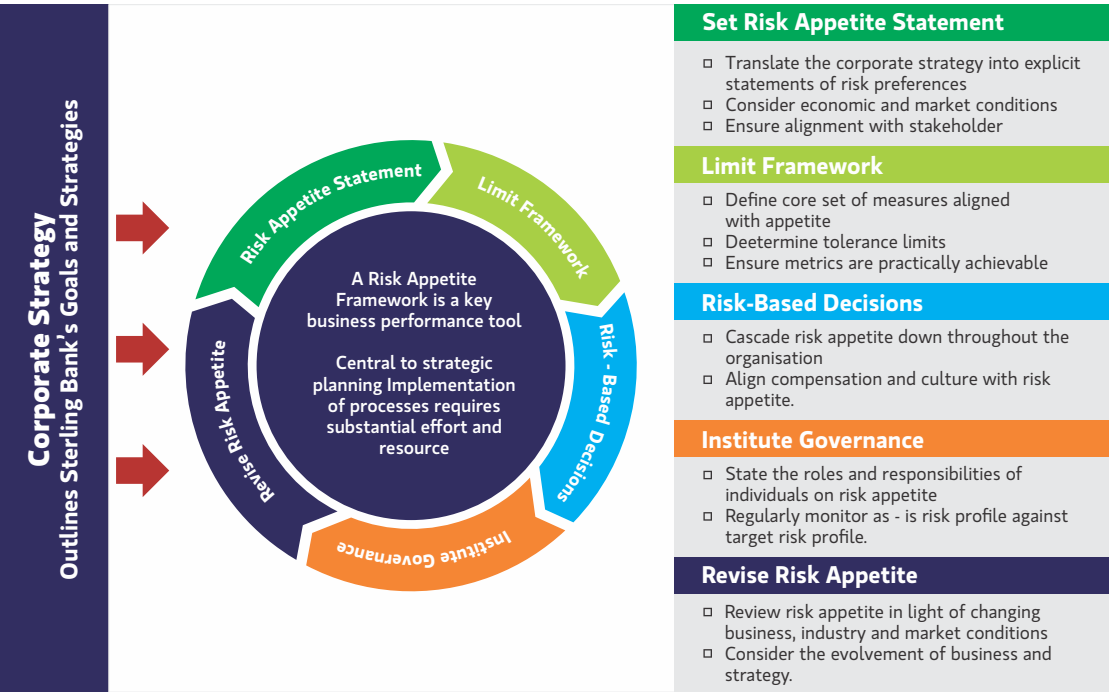
(e) Risk Appetite

Sterling Bank’s risk appetite is an expression of the maximum level of risk Sterling Bank is willing and able to accept in pursuit of its strategic and financial objectives as expressed in the strategic plan.

The risk appetite statement expresses the degree of risk acceptable to Sterling Bank in achieving its strategic plan. Sterling Bank considers 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 Sterling Bank’s risk appetite framework.



(f) Concentration Risk

Concentrations risks 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 risks indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid concentrations 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 processes 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

Credit risks are managed such that the loan quality and the Group's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

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.
- 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 an underlying set-off agreement.

(i) Organization Structure

Sterling Bank is a national bank having divested its subsidiaries and affiliates following 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 and Institutional Banking and
- Retail Banking
- Non - Interest Banking

Corporate and Investment Banking – The Corporate and Investment Banking Group provides services to corporate entities with annual turnover greater than N5 billion. The target market covers the following sectors: oil and gas, public sector, manufacturing, power and utilities, telecommunications and financial institutions.

Commercial and Institutional Banking – The Commercial and Institutional Banking Group provides services to businesses with turnover above N600 million and below N5 Billion and public sector entities.

Retail Banking – Retail Banking Group serves customers consisting of mass market, affluent, youths and high net worth individuals. The Retail Banking Group customer segmentation consist of:

- High net-worth individuals who earn N30 million and above annually or have net investable assets of US\$150,000 and above
- Mass affluent professionals who earn between N6 million and N30million annually
- Mass market professionals who earn less than N6 million annually
- Youths below 25 years of age

The Bank's products 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 Communication
- Finance and Performance Management
- General Internal Services
- Human Resource Management
- Channel Operations
- Trade Services
- Information Technology
- Customer Experience Management
- Legal
- Conduct & Compliance
- Centralised Processing
- Health, Safety and Environment
- Enterprise Quality Assurance

(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. These factors are basically the financial ratios which include:

- a. Leverage ratios
- b. Liquidity ratios
- c. Profitability ratios
- d. Interest Coverage ratios

Qualitative factors. These include:

- a. Business Industry
 - i. Size of the business
 - ii. Industry growth
 - iii. Market Competition
 - iv. Entry/Exit barriers
- b. Management:
 - i. Experience of the management team
 - ii. Succession Planning
 - iii. Organizational structure
- c. Security:
 - i. Collateral type
 - ii. Collateral coverage
 - iii. Guarantee i.e. the worth of Personal Guarantee/Corporate Guarantee pledged as support.
- d. Relationship with the Bank:
 - i. Account turnover (efficiency ratio)
 - ii. Account conduct
 - iii. Compliance with covenants/conditions
 - iv. Personal deposits with the bank.

Unstructured Businesses:

These are customers that rarely keep proper accounting records hence the maximum limit that can be availed to them has been restricted to N20m.

The factors to be considered are:
Quantitative factors. These include:

Relationship:

- 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

Business Industry

- i. Industry growth
- ii. Share of the market
- iii. Regulations: Whether the industry is regulated or not
- iv. Entry/Exit

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.

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.

Capital

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

Cash Collateralised Facilities

Cash collateralised 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 collateralised 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.

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 purpose 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 would be a guide.

Collateral/Security

Collateral, often referred to as credit risk mitigant, gives additional assurance to the management for recovering loans granted to customers. The pledged collateral is documented and continuously reviewed as to its value and marketability.

Collaterals 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 Bank'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. Taking risk score to the financial business and the operational risks is an inevitable consequence of being in business.

The Bank's aim, therefore, is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank'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 Bank 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 foreign exchange risk, interest rate risk, credit risk, market risk and operational risk. In addition, the Inspectorate 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.

(I) **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 Bank 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. The credit risk is managed by two departments - Credit Risk Assessment and Credit Administration Departments. They report to the MD/Chief Executive Officer who in turn reports to the Board of Directors.

Purpose: Main Characteristics and Elements of Credit Risk Management;

(a) Risk Portfolio Planning

In line with the Bank's planning cycle, risk portfolio plans shall be developed and approved at the overall Bank and individual business unit level.

Risk 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 risk creating business unit in the Bank.

(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 Bank'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 reduce credit risk losses in the Bank. 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 i.e. loan loss provisioning (general and specific).

(e) Credit Recovery

Deliberate actions are taken pro-actively to minimize the bank'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, the 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.
5. Definition of Past-due loans as those with interest and principal repayment outstanding for 90 days or more.
6. 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 incidents.
 - Lack of communication from the borrower
 - Security offered has deteriorated in value and full payment cannot be guaranteed from normal operating sources

- Where the Bank consents to loan restructuring, resulting in diminished financial obligation
- Demonstrated material forgiveness of debt or postponement of scheduled payment

Categorization of collaterals to determine the acceptable security for the mitigation of impairment impact on the Statement of Profit or Loss.

(f) Risk Management Architecture

Credit risks are managed such that loan quality 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 Bank for all exposures to credit risk. Each grade corresponds to a borrower's or counterparty's probability of default.

The Bank'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 Bank'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 maximally 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's rating scale reflects the following components:

- (i) the character and capacity of the client or counterparty to pay down on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development;
- (iii) credit history of the counterparty and ,
- (iv) the likely recovery ratio in case of default obligations -using value of collateral and other ways out.

The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The risk rating scale and the external rating equivalent is detailed below:

Risk Rating	External Rating	Score	Remarks
	Equivalent	Range	
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 ratings such as Augusto rating or their equivalents are used by Treasury department primarily to manage their liquidity risk exposures.

(iv) Credit Risk Control & Mitigation Policy

The Bank 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 Bank 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.

The Group also sets internal credit approval limits for various levels in the credit process and is shown in the table below:

Authority level	Approval limit
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	250,000,000

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 Bank 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 Bank 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 fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

The 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.

		Collaterals on loans and advances	
<i>In millions of Naira</i>		2017	2016
Group & Bank			
<i>Against individually impaired:</i>			
	20,738	6,856	
Against Past due but not impaired	22,152	61,425	
Against neither past due nor impaired	1,546,029	449,491	
Total	1,588,919	517,772	
<i>Against individually impaired:</i>			
Secured against real estate	18,268	6,856	
Debenture	2,470	-	
Stocks/shares	-	-	
	20,738	6,856	
<i>Against Past due but not impaired:</i>			
Secured against real estate	22,152	14,976	
Debenture	-	46,449	
Stocks/shares	-	-	
	22,152	61,425	
<i>Against neither past due nor impaired:</i>			
Cash	124,215	26,554	
Secured against real estate	226,069	266,291	
Debenture	1,191,797	152,549	
Stocks/shares	3,948	4,097	
	1,546,029	449,491	

(b) Master netting arrangements

The Bank 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.

The following gross amounts are subjected to a master netting arrangement between the Bank and counter parties.

<i>In millions of Naira</i>	2017	2016
Financial assets:		
Loans and advances	148,444	52,733
Financial liabilities:		
Collateralised deposits	123,070	26,554

These amounts are currently not presented as 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 liability will be presented on the statement of financial position:

<i>In millions of Naira</i>	2017	2016
Net financial assets/ liabilities:		
Loans and advances	25,374	26,179
Collateralised deposit	-	-

(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 Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 Bank 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 2017

Region	2017 (N'million)	2016 (N'million)
Abuja	9,420	5,321
Lagos	489,264	394,559
North Central	902	860
North East	3,847	2,122
North West	2,392	2,542
South East	1,071	1,109
South South	58,804	48,765
South West	51,877	21,436
Grand Total	617,577	476,714

GROUP 31 December 2017	Cash and bank balances N'million	Due from banks N'million	Pledged assets N'million	Loans and advances N'million	Investment securities N'million
Carrying amount, net of allowance for impairment	107,226	51,066	145,179	598,073	110,988
<i>Concentration by sector:</i>					
Corporate	-	-	-	-	1,447
Agriculture	-	-	-	18,871	-
Capital Market	-	-	-	-	-
Communication	-	-	-	17,136	-
Consumer	-	-	-	5,351	-
Education	-	-	-	330	-
Finance and Insurance	-	51,066	53,954	31,895	-
Government	107,226	-	91,225	68,642	109,541
Manufacturing	-	-	-	5,423	-
Mining & Quarrying	-	-	-	613	-
Mortgage	-	-	-	8,057	-
Oil & Gas	-	-	-	243,950	-
Other Public Utilities	-	-	-	-	-
Others	-	-	-	60,504	-
Power	-	-	-	22,488	-
Real Estate & Construction	-	-	-	68,557	-
Transportation	-	-	-	20,132	-
Non-Interest Banking	-	-	-	26,126	-
	107,226	51,066	145,179	598,073	110,988
<i>Concentration by location:</i>					
Nigeria	107,226	20,698	145,179	598,073	110,988
America	-	4,733	-	-	-
Europe	-	19,866	-	-	-
Africa	-	5,769	-	-	-
Asia	-	-	-	-	-
	107,226	51,066	145,179	598,073	110,988

GROUP 31 December 2016	Cash and bank balances N'000	Due from banks N'000	Pledged assets N'000	Loans and advances N'000	Investment securities N'000
Carrying amount, net of allowance for impairment	96,079	31,289	86,864	468,250	92,042
Concentration by sector:					
Corporate	-	-	-	-	2,919
Agriculture	-	-	-	14,240	-
Capital Market	-	-	-	58	-
Communication	-	-	-	17,373	-
Consumer	-	-	-	6,424	-
Education	-	-	-	552	-
Finance and Insurance	-	31,289	86,864	12,471	-
Government	96,079	-	-	34,167	89,123
Manufacturing	-	-	-	7,286	-
Mining & Quarrying	-	-	-	13,755	-
Mortgage	-	-	-	9,754	-
Oil & Gas	-	-	-	230,282	-
Others	-	-	-	33,442	-
Power	-	-	-	23,802	-
Real Estate & Construction	-	-	-	45,036	-
Transportation	-	-	-	13,268	-
Non-Interest Banking	-	-	-	6,340	-
	96,079	31,289	86,864	468,250	92,042

Concentration by location:

Nigeria	96,079	11,570	86,864	468,250	92,042
America	-	11,378	-	-	-
Europe	-	8,317	-	-	-
Africa	-	24	-	-	-
Asia	-	-	-	-	-
	96,079	31,289	86,864	468,250	92,042

BANK 31 December 2017					
Carrying amount, net of allowance for impairment	122,630	51,066	145,179	598,073	107,585
Concentration by sector:					
Corporate	-	-	-	-	1,447
Agriculture	-	-	-	18,871	-
Capital Market	-	-	-	-	-
Communication	-	-	-	17,136	-
Consumer	-	-	-	5,351	-
Education	-	-	-	330	-
Finance and Insurance	-	51,066	53,954	31,895	-
Government	107,226	-	91,225	68,642	106,138
Manufacturing	-	-	-	5,423	-
Mining & Quarrying	-	-	-	613	-
Mortgage	-	-	-	8,057	-
Oil & Gas	-	-	-	243,950	-
Other Public Utilities	-	-	-	-	-
Others	-	-	-	60,504	-
Power	-	-	-	22,488	-
Real Estate & Construction	-	-	-	68,557	-
Transportation	-	-	-	20,132	-
Non-Interest Banking	-	-	-	26,126	-
	107,226	51,066	145,179	598,073	107,585

BANK 31 December 2017	Cash and bank balances N'000	Due from banks N'000	Pledged assets N'000	Loans and advances N'000	Investment securities N'000
<i>Concentration by location:</i>					
Nigeria	107,226	20,698	145,179	598,073	107,585
America	-	4,733	-	-	-
Europe	-	19,866	-	-	-
Africa	-	5,769	-	-	-
Asia	-	-	-	-	-
	107,226	51,066	145,179	598,073	107,585
BANK 31 December 2016	Cash and bank balances N'000	Due from banks N'000	Pledged assets N'000	Loans and advances N'000	Investment securities N'000
Carrying amount, net of allowance for impairment	96,079	31,289	86,864	468,250	88,654
<i>Concentration by sector:</i>					
Corporate	-	-	-	-	2,919
Agriculture	-	-	-	14,240	-
Capital Market	-	-	-	58	-
Communication	-	-	-	17,373	-
Consumer	-	-	-	6,424	-
Education	-	-	-	552	-
Finance and Insurance	-	31,289	86,864	12,471	-
Government	96,079	-	-	34,167	85,735
Manufacturing	-	-	-	7,286	-
Mining & Quarrying	-	-	-	13,755	-
Mortgage	-	-	-	9,754	-
Oil & Gas	-	-	-	230,282	-
Others	-	-	-	33,442	-
Power	-	-	-	23,802	-
Real Estate & Construction	-	-	-	45,036	-
Transportation	-	-	-	13,268	-
Non-Interest Banking	-	-	-	6,340	-
	96,079	31,289	86,864	468,250	88,654
<i>Concentration by location:</i>					
Nigeria	96,079	11,570	86,864	468,250	88,654
America	-	11,378	-	-	-
Europe	-	8,317	-	-	-
Africa	-	24	-	-	-
Asia	-	-	-	-	-
	96,079	31,289	86,864	468,250	88,654

(v) Credit Definitions

(a) Impaired loans and securities

Impaired loans and securities are loans and securities that the Bank considers probable and unable to realize principal and interest due according to the contractual terms. These are loans and securities specifically impaired and are graded 7, 8 and 9 in the Bank's internal credit risk grading system.

(b) Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and /or the stage of collection of amounts owed to the Bank.

(c) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

(d) Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are:

- a specific loss component that relates to individual significant exposures, and
- a collective loan loss component established for groups of homogeneous assets.

(e) Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Bank Management Credit Committee determines that the loans / securities are not realizable. This decision is reached after considering factors such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer unable to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For standardized loans, charge off decisions are generally based on a product specific past due status. All loans and advances are categorized as either: Individually impaired, Past due but not impaired and neither past due nor impaired.

The impairment allowance includes allowances against financial assets that have been individually impaired and those subjects to collective impairment.

(f) Description of Methods used for determining Impairment

CBN and NDIC stipulate that impairment charges recognized on the Profit or Loss shall be determined based on the requirements of IFRS.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of assets that can be reliably estimated.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Exposure to credit risk

GROUP & BANK	Loans and advances		Collateral	
<i>In millions of Naira</i>	2017	2016	2017	2016
Carrying amount, net of allowance for impairment	598,073	468,250	1,588,919	517,772
Assets at amortised cost:				
<i>Individually impaired</i>				
RR 7: Impaired	1,274	1,100	2,806	383
RR 8: Impaired	1,445	1,994	3,478	1,684
RR 9: Impaired	19,723	5,028	14,454	4,790
Gross amount	22,442	8,122	20,738	6,857
Allowance for impairment	(13,810)	(4,188)	-	-
Carrying amount, net of allowance for impairment	8,632	3,934	20,738	6,857
<i>Collectively impaired:</i>				
Risk rating 1-4: Low-fair risk	513,576	358,411	1,233,473	359,932
Risk rating 5-6: Watch list	65,534	70,903	312,556	89,559
Past due but not impaired				
RR 7	13,779	38,156	16,941	58,036
RR 8	833	79	1,209	700
RR 9	1,414	1,044	4,001	2,689
Gross amount	595,135	468,593	1,568,181	510,916
Allowance for impairment	(5,694)	(4,276)	-	-
Carrying amount, net of allowance for impairment	589,441	464,317	1,568,181	510,916
Total carrying amount, net of allowance for impairment	598,073	468,250	1,588,919	517,772

Commitments and Guarantees

To meet the financial needs of customers, the Bank 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 Bank.

The table below shows the Bank'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 Bank 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.

<i>In millions of Naira</i>	2017	2016
Bonds, guarantees and indemnities	95,078	59,647
Letters of credit	26,102	18,233
Others	9,926	33,379
	131,106	111,259

Maturity profile of contingents and commitments

In millions of Naira	On demand	Less than 3 months	3 -12 months	1 - 5 years	Over 5 years	Total
As at 31 December 2017						
Bonds, guarantees and indemnities	-	11,976	52,400	21,452	9,249	95,078
Letters of credit	-	26,102	-	-	-	26,102
Others	-	8,692	1,054	181	-	9,926
Total undiscounted financial assets (A)	-	46,770	53,454	21,633	9,249	131,106

As at 31 December 2016

Bonds, guarantees and indemnities	-	19,345	13,387	26,571	344	59,647
Letters of credit	-	18,233	-	-	-	18,233
Others	-	33,379	-	-	-	33,379
Total undiscounted financial assets (A)	-	70,957	13,387	26,571	344	111,259

CREDIT QUALITY OF FINANCIAL ASSETS

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 Bank's book and trading book are assigned in accordance with the regulatory guidelines

31 December 2017				
In millions of Naira	carrying values of:		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	38,467	579,110	(19,504)	598,073
Debt Securities	-	5,146	-	5,146
Off Balance sheet exposures	-	131,105	-	131,105
Total	38,467	715,361	(19,504)	734,324

In millions of Naira	Neither past due nor impaired					Total	Carrying Amount
	RR1-RR2	RR -RR4	RR5-RR6	Past due but not impaired	Indi- vidually impaired		
Balances with Central Bank of Nigeria	122,630	-	-	-	-	122,630	122,630
Due from banks	51,066	-	-	-	-	51,066	51,066
Pledged assets	145,179	-	-	-	-	145,179	145,179
Loans and advances	107,721	405,854	65,534	16,025	22,442	617,577	598,073
Held for trading	6,883	-	-	-	-	6,883	6,883
Investments securities available for sale	80,031	-	-	-	-	80,031	80,031
Investments securities held to maturity	20,671	-	-	-	-	20,671	20,671
Other assets- Account Receivables	-	18,728	-	-	-	18,728	18,728
Total	534,181	424,582	65,534	16,025	22,442	1,062,765	1,043,261

CREDIT QUALITY OF FINANCIAL ASSETS - continued

31 December 2016

Assets <i>In millions of Naira</i>	carrying values of:		Allowances/ impairments	Net values (a+b+c)
	Defaulted exposures	Non-defaulted exposures		
Loans	47,400	429,313	(8,463)	468,250
Debt Securities	-	9,468	-	9,468
Off Balance sheet exposures	-	111,260	-	111,260
Total	47,400	550,041	(8,463)	588,978

<i>In millions of Naira</i>	Neither past due nor Impaired					Total	Carrying Amount
	RR1-RR2	RR3-RR4	RR5-RR6	Past due but not impaired	Indivi- dually impaired		
Balances with Central Bank of Nigeria	96,079	-	-	-	-	96,079	96,079
Due from banks	31,289	-	-	-	-	31,289	31,289
Pledged assets	86,864	-	-	-	-	86,864	86,864
Loans and advances	58,285	300,126	70,903	39,278	8,122	476,714	468,250
Held for trading	1,653	-	-	-	-	1,653	1,653
Investments securities available for sale	32,277	-	-	-	-	32,277	32,277
Investments securities held to maturity	54,724	-	-	-	-	54,724	54,724
Other assets- Account Receivables	-	12,902	-	-	-	12,902	12,902
Total	361,171	313,028	70,903	39,278	8,122	792,502	784,038

Credit Mitigation Techniques

The Bank 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 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 Bank's exposure is secured, and to minimize the risk of credit losses to the Bank 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 2017

Assets <i>In millions of Naira</i>	Exposures unsecured	Exposures secured by collateral	Exposures secured by collateral of which secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which secured
Loans and advances	2,811	614,766	391,955	-	-
Debt Securities	5,146	-	-	-	-
Total	7,957	614,766	391,955	-	-
of which defaulted	20	38,447	30,627	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Assets Classes <i>In millions of Naira</i>	Exposure pres CCF and CRM		Exposures pre CCF and CRM		RWA
	On balance sheet	Off-balance sheet	On balance sheet	Off-balance sheet	
Sovereigns and their central Banks	364,086	-	364,086	-	-
Non-central government public sector entities	77,587	1,055	43,336	528	42,413
Supervised institutions	35,599	752	35,588	-	13,710
Corporates	338,713	129,293	260,638	7,205	267,843
Regulatory retail portfolios	4,096	4	4,036	-	3,027
Secured by residential property	68,708	-	68,708	-	61,965
Secured by commercial real estate	93,336	-	93,336	-	93,336
Past due loans	24,241	-	24,241	-	30,809
Higher –risk categories	2,101	-	2,101	-	3,152
Other assets	51,244	-	51,244	-	35,840
Total	1,059,711	131,105	947,314	7,733	552,095

31 December 2016

Assets <i>In millions of Naira</i>	Exposures unsecured	Exposures secured by collateral	Exposures secured by collateral of which secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which secured
Loans and advances	13,443	463,270	261,535	975	975
Debt Securities	9,468	-	-	-	-
Total	22,911	463,270	261,535	975	975
of which defaulted	-	47,400	39,905	-	-

Assets Classes <i>In millions of Naira</i>	Exposure pres CCF and CRM		Exposures pre CCF and CRM		RWA
	On balance sheet	Off-balance sheet	On balance sheet	Off-balance sheet	
Sovereigns and their central Banks	251,069	-	251,069	-	-
Non-central government public sector entities	48,035	1,170	33,325	585	32,517
Banks	26,679	508	26,677	-	14,966
Corporates	210,435	114,630	203,524	3,647	207,170
Regulatory retail portfolios	3,393	-	3,346	-	2,510
Secured by residential property	88,408	-	88,113	-	81,760
Secured by commercial real estate	97,504	-	95,918	-	95,918
Past due loans	42,040	-	42,040	-	60,265
Higher –risk categories	2,021	-	2,021	-	3,031
Other assets	55,598	33,379	55,598	16,690	54,939
Total	825,182	149,687	801,631	20,922	553,076

Exposure by asset classes and risk weights

31 December 2017 In millions of Naira							Total credit exposure amount (post CCF & post CRM)
Risk weight	0%	20%	50%	75%	100%	150%	
Sovereigns	364,086	-	-	-	-	-	364,086
Non-central government public sector entities (PSEs)	-	1,813	528	-	41,523	-	43,864
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	22,321	8,042	-	5,225	-	35,588
Corporates	-	7,205	-	-	260,638	-	267,843
Regulatory Retail Portfolios	-	-	-	4,036	-	-	4,036
Secured by Mortgages on Residential Properties	-	-	-	26,973	41,735	-	68,708
Exposures Secured by Mortgages on							
Commercial Real Estates	-	-	-	-	93,336	-	93,336
Past due loans	-	-	917	-	9,272	14,052	24,241
Higher –risk categories	-	-	-	-	-	2,101	2,101
Other assets	15,404	-	-	-	35,840	-	51,244
Total	379,490	31,339	9,487	31,009	487,569	16,153	955,047

Counterparty credit risk exposures by regulatory portfolio and risk weights

31 December 2017 In millions of Naira							Total credit exposure amount (pre CCF & CRM)
Risk weight	0%	20%	50%	75%	100%	150%	
Sovereigns	364,086	-	-	-	-	-	364,086
Non-central government public sector entities (PSEs)	-	1,813	1,055	-	75,774	-	78,642
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Supervised institutions	-	22,332	8,794	-	5,225	-	36,351
Corporates	-	36,027	93,266	-	338,713	-	468,006
Regulatory retail portfolios	-	-	4	4,096	-	-	4,100
Secured by Mortgages on Residential Properties	-	-	-	26,973	41,735	-	68,708
Exposures Secured by Mortgages on							
Commercial Real Estates	-	-	-	-	93,336	-	93,336
Past due loans	-	-	917	-	9,272	14,052	24,241
Higher –risk categories	-	-	-	-	-	2,101	2,101
Other assets	15,404	-	-	-	35,840	-	51,244
Total	379,490	60,173	104,036	31,069	599,895	16,153	1,190,816

Exposure by asset classes and risk weights

31 December 2016 In millions of Naira							Total credit exposure amount (post CCF & post CRM)
Risk weight	0%	20%	50%	75%	100%	150%	
Sovereigns	251,069	-	-	-	-	-	251,069
Non-central government public sector entities (PSEs)	-	388	2,164	-	31,357	-	33,909
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Banks	-	13,856	1,252	-	11,568	-	26,676
Securities Firms	-	-	-	-	-	-	-
Corporates	-	3,647	-	-	203,524	-	207,171
Regulatory retail portfolios	-	-	-	3,346	-	-	3,346
Secured by Mortgages on Residential Properties	-	-	-	25,413	62,699	-	88,112
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	95,918	-	95,918
Past due loans	-	-	1,608	-	2,373	38,059	42,040
Higher – risk categories	-	-	-	-	-	2,021	2,021
Other assets	11,780	6,961	16,690	-	36,858	-	72,289
Total	262,849	24,852	21,714	28,759	444,297	40,080	822,551

Counterparty credit risk exposures by regulatory portfolio and risk weights

31 December 2016 In millions of Naira							Total credit exposure amount (post CCF & CRM)
Risk weight	0%	20%	50%	75%	100%	150%	
Sovereigns	251,069	-	-	-	-	-	251,069
Non-central government public sector entities (PSEs)	-	388	3,334	-	45,482	-	49,204
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Banks	-	13,858	1,761	-	11,568	-	27,187
Securities Firms	-	-	-	-	-	-	-
Corporates	38,427	18,233	57,969	-	210,435	-	325,064
Regulatory retail portfolios	-	-	-	3,393	-	-	3,393
Secured by Mortgages on Residential Properties	-	-	-	25,650	62,758	-	88,408
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	97,504	-	97,504
Past due loans	-	-	1,608	-	2,373	38,059	42,040
Higher –risk categories	-	-	-	-	-	2,021	2,021
Other assets	11,780	6,961	33,379	-	36,858	-	88,978
Total	301,276	39,440	98,051	29,043	466,978	40,080	974,868

Age analysis for financial assets that are past due but not impaired:

<i>In millions of Naira</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Past due days				
1 - 30 days	798	2,452	798	2,452
31 - 60 days	43	680	43	680
Above 90 days	15,184	36,146	15,184	36,146
	16,025	39,278	16,025	39,277

(e) Liquidity Risk

Liquidity Risk and Funding Management: The Group is exposed to two types of liquidity risks:

1. **Market/Trading Liquidity Risk** - This 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** - Inability to access sufficient funds to meet payment obligations in a timely manner. The management of liquidity risk arising from funding and trading is very critical to the on-going viability of the Group. The Board-approved Liquidity Risk Management Policy Framework and the Contingency Plan for Liquidity Risk under Crisis are the policy documents in place for managing liquidity risk.

The Asset & Liability Committee (ALCO) is responsible for managing the liquidity of the Group. This function is delegated to the Asset & Liability Management (ALM) department that manage the day-to-day liquidity requirements of the Group, and also act as secretariat to ALCO. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch between the inflow and outflow, also when there is unexpected delay in repayment of loans (term liquidity risk) or an unexpected 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:

- a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements are 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;
- b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c. Monitoring balance sheets liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting Department).

(e) Liquidity risk

Group

The table below shows the undiscounted cash flows on the Group's financial 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.

<i>In millions of Naira</i>	<i>Note</i>	<i>Carrying amount</i>	<i>Gross nominal/ (outflow)</i>	<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>1-5 years</i>	<i>More than 5 years</i>
31 December 2017								
Financial assets								
Cash and balances with central bank	16	122,630	122,630	48,646	-	-	-	73,984
Due from banks	17	51,066	51,066	51,066	-	-	-	-
Pledged assets	18	145,179	242,825	8,228	764	24,279	98,856	110,699
Loans and advances to customers	20	598,073	963,165	468,610	23,868	80,979	277,570	112,138
Investment securities	21	110,988	342,522	41,398	27,128	41,288	109,805	122,904
		1,027,936	1,722,209	617,948	51,760	146,545	486,230	419,725
Financial liabilities								
Deposits from Banks	25	11,048	11,111	11,111	-	-	-	-
Deposits from customers	26	684,834	763,214	723,142	23,396	2,955	10,400	3,321
Debt securities issued & other borrowed funds	27&28	225,912	232,764	126,067	-	5,310	33,878	67,508
Other liabilities - Customers' deposits for foreign trade	29	15,203	15,203	15,203	-	-	-	-
Creditors & accruals	29	8,345	8,345	8,345	-	-	-	-
		945,345	1,030,637	883,868	23,396	8,265	44,278	70,829
Gap (asset - liabilities)		82,592	691,572	(265,920)	28,364	138,280	441,952	348,896
Cumulative liquidity gap				(265,920)	(237,556)	(99,276)	342,676	691,572
31 December 2016								
Financial assets								
Cash and balances with central bank	16	107,859	107,859	13,377	-	-	-	94,482
Due from banks	17	31,289	31,289	31,289	-	-	-	-
Pledged assets	18	86,864	120,137	5,987	6,517	8,117	51,659	47,858
Derivative financial assets	19	8	8	8	-	-	-	-
Loans and advances to customers	20	468,250	639,127	74,223	55,793	109,996	362,814	36,302
Investment securities	21	94,632	227,418	13,189	7,047	10,970	72,772	123,441
		788,902	1,125,838	138,073	69,357	129,083	487,245	302,083
Financial liabilities								
Deposits from Banks	25	23,769	23,769	23,769	-	-	-	-
Deposits from customers	26	584,734	586,016	566,097	9,371	4,924	5,151	473
Derivative financial liabilities	19	8	8	8	-	-	-	-
Debt securities issued & other borrowed funds	27&28	97,832	101,334	12,010	14,786	18,022	31,822	24,694
Other liabilities - Customers' deposits for foreign trade	29	9,559	9,559	9,559	-	-	-	-
Creditors & accruals	29	8,589	8,589	8,589	-	-	-	-
		724,491	729,275	620,032	24,157	22,946	36,973	25,167
Gap (asset - liabilities)		64,411	396,563	(481,959)	45,200	106,137	450,272	276,916
Cumulative liquidity gap				(481,959)	(436,759)	(330,622)	119,650	396,566

Bank

<i>In millions of Naira</i>	Note	Carrying amount	Gross nominal/ (outflow)	Less than 3 months	3 -6 months	6 - 12 months	1 -5 years	More than 5 years
31 December 2017								
Financial assets								
Cash and balances with central bank	16	122,630	122,630	48,646	-	-	-	73,984
Due from banks	17	51,066	51,066	51,066	-	-	-	-
Pledged assets	18	145,179	242,825	8,228	764	24,279	98,856	110,699
Loans and advances to customers	20	598,073	963,165	468,610	23,868	80,979	277,570	112,138
Investment securities	21	107,585	342,522	41,398	27,128	41,288	109,805	122,904
		1,024,533	1,722,209	617,948	51,760	146,545	486,230	419,725
Financial liabilities								
Deposits from Banks	25	11,048	11,111	11,111	-	-	-	-
Deposits from customers	26	684,834	763,214	723,142	23,396	2,955	10,400	3,321
Debt securities issued & other borrowed funds	27&28	222,556	229,407	126,067	-	5,310	33,878	64,151
Other liabilities - Customers' deposits for foreign trade	29	15,203	15,203	15,203	-	-	-	-
Creditors & accruals	29	8,345	8,345	8,345	-	-	-	-
		941,986	1,027,280	883,868	23,396	8,265	44,278	67,472
Gap (asset - liabilities)		82,548	694,929	(265,920)	28,364	138,280	441,952	352,252
Cumulative liquidity gap				(265,920)	(237,556)	(99,276)	342,676	694,929
31 December 2016								
Financial assets								
Cash and balances with central bank	16	107,859	107,859	13,377	-	-	-	94,482
Due from banks	17	31,289	31,289	31,289	-	-	-	-
Pledged assets	18	86,864	120,137	5,987	6,517	8,117	51,659	47,858
Derivative financial assets	19	8	8	8	-	-	-	-
Loans and advances to customers	20	468,250	639,127	74,223	55,793	109,996	362,814	36,302
Investment securities	21	91,244	221,543	13,189	7,047	10,970	72,772	117,566
		785,514	1,119,963	138,073	69,357	129,083	487,245	296,208
Financial liabilities								
Deposits from Banks	25	23,769	23,769	-	-	-	-	-
Deposits from customers	26	584,734	586,016	566,097	9,371	4,924	5,151	473
Derivative financial liabilities	19	8	8	8	-	-	-	-
Debt securities issued & other borrowed funds	27&28	94,426	95,456	11,745	14,786	17,757	29,708	21,459
Other liabilities - Customers' deposits for foreign trade	29	9,559	9,559	9,559	-	-	-	-
Creditors & accruals	29	7,895	7,895	7,895	-	-	-	-
		720,391	722,703	595,304	24,157	22,681	34,859	21,932
Gap (asset - liabilities)		65,123	397,260	(457,231)	45,200	106,402	452,386	274,276
Cumulative liquidity gap				(457,231)	(412,031)	(305,629)	146,757	421,033

While there is a negative cumulative liquidity gap within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

(f) Market Risks

Market risk is the potential for adverse changes in the value of the Bank's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. Interest Rate Risk both in the banking book and trading book, and foreign exchange risk are the major market risks borne by the Group.

Market Risk Policies and Framework

The Market and Liquidity Risk Management function has approved policy instrument to guide all stakeholders in the process of mitigating Market Risk events:

- i. Market/Liquidity Risk Manual
- ii. Market and Liquidity Risk Policy
- iii. StopLoss policy limits
- iv. Bond Trading framework
- v. Third Currency Policy
- vi. Counterparty limit Framework

Trading Risks

Market Risks on the trading portfolio are extensively monitored and managed using the following tools; Counterparty Trading limits, Dealer limits, Net Open Position, Maturity Cap limits and Stop Loss Limits. The Market Risks Trading risk desk is saddled with the responsibilities of monitoring the Treasury trading desk through the use of Internal and regulatory limits and other metrics earlier stated.

Market risks on the non-trading position are managed and monitored using sensitivity analysis

f(i) Interest Rate Risk

Interest rate risk occurs when there is a mismatch between interest sensitive assets and liabilities. The major objective of interest rate risk management is to minimise reduction in net income and reduction in the Group's economic value of equity resulting from changes in interest rates.

Interest rate risk is managed using static re-pricing gap cumulative analysis, by ensuring that a balanced re-pricing cumulative gap position is maintained in line with the limits set by the board. Re-pricing Gap reports are prepared to monitor level of compliance, in addition to testing the sensitivity of changes in interest rates to Net Interest Income, while duration analysis is used in measuring and managing interest rate risk in the trading book.

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standards and non-standards interest rate scenarios.

(i) Interest Rate Risk - continued

Group		Repricing Period						
In millions of Naira	Note	Carrying amount	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest Bearing
31 December 2017								
Non-derivative assets:								
Cash and balances with central bank	16	122,630	15,404	-	-	-	-	107,226
Due from banks	17	51,066	51,066	-	-	-	-	-
Pledged non trading assets	18	145,179	3,818	4,955	2,822	39,892	93,693	-
Loans and advances to customers	20	598,073	141,058	27,368	41,603	280,487	107,557	-
Investment securities	21	110,988	36,776	26,772	38,472	7,790	1,178	-
		1,027,936	248,122	59,095	82,896	328,169	202,428	107,226
Non-derivative liabilities:								
Deposits from Banks	25	11,048	11,048	-	-	-	-	-
Deposits from Customers	26	684,834	419,903	27,252	1,258	234,000	2,421	-
Other borrowed fund & Debt securities issued	27 & 28	225,915	103,593	-	-	39,238	83,082	-
		921,797	534,544	27,252	1,258	273,238	83,503	-
Total interest sensitivity gap		106,140	(286,442)	31,843	81,638	54,930	116,925	107,226
31 December 2016								
Non-derivative assets:								
Cash and balances with central bank	16	107,859	13,377	-	-	-	-	94,482
Due from banks	17	31,289	31,289	-	-	-	-	-
Pledged non trading assets	18	86,864	7,196	5,559	5,530	35,121	33,458	-
Loans and advances to customers	19	468,250	61,985	42,785	80,333	259,880	23,267	-
Investment securities	21	94,632	4,773	4,823	2,310	13,375	69,351	-
		788,894	118,620	53,167	88,173	308,376	126,076	94,482
Non-derivative liabilities:								
Deposits from Banks	25	23,769	23,769	-	-	-	-	-
Deposits from Customers	26	584,735	566,754	9,068	4,508	4,226	178	-
Other borrowed fund & Debt securities issued	27 & 28	97,832	11,300	14,786	16,802	27,787	27,157	-
		706,336	601,823	23,854	21,310	32,013	27,335	-
Total interest sensitivity gap		82,558	(483,203)	29,313	66,863	276,363	98,741	94,482

(i) Interest Rate Risk - continued

Bank			Repricing Period						
(a)	In millions of Naira	Note	Carrying amount	Less than 3 month	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non Interest Bearing
31 December 2017									
Non-derivative assets:									
	Cash and balances with central bank	16	122,630	15,404	-	-	-	-	107,226
	Due from banks	17	51,066	51,066	-	-	-	-	-
	Pledged non trading assets	18	145,179	3,818	4,955	2,822	39,892	93,693	-
	Loans and advances to customers	19	598,073	141,058	27,368	41,603	280,487	107,557	-
	Investment securities	21	107,585	36,734	26,771	38,474	4,427	1,178	-
			1,024,533	248,080	59,094	82,898	324,806	202,428	107,226
Non-derivative liabilities:									
	Deposits from Banks	25	11,048	11,048	-	-	-	-	-
	Deposits from Customers	26	684,834	419,903	27,252	1,258	234,000	2,421	-
	Other borrowed fund & Debt securities issued	27 & 28	222,556	103,593	-	-	39,238	79,725	-
			918,438	534,544	27,252	1,258	273,238	82,146	-
Total interest sensitivity gap			106,096	(286,463)	31,842	81,640	51,568	120,282	107,226

31 December 2016

Non-derivative assets:

	Cash and balances with central bank	16	107,859	13,377	-	-	-	-	-	94,482
	Due from banks	17	31,289	31,289	-	-	-	-	-	-
	Pledged non trading assets	18	86,864	7,196	5,559	5,530	35,121	33,458	-	-
	Loans and advances to customers	19	468,250	61,985	42,785	80,333	259,880	23,267	-	-
	Investment securities	21	91,244	4,602	4,650	2,228	12,896	66,868	-	-
			785,506	118,449	52,994	88,091	307,897	123,593	94,482	-

Non-derivative liabilities:

	Deposits from Banks	25	23,769	23,769	-	-	-	-	-	-
	Deposits from Customers	26	584,734	566,754	9,068	4,508	4,226	178	-	-
	Other borrowed fund & Debt securities issued	27 & 28	94,426	11,300	14,786	16,802	27,787	23,750	-	-
			702,929	601,823	23,854	21,310	32,013	23,928	-	-

	Total interest sensitivity gap		82,577	(483,374)	29,140	66,781	275,884	99,665	94,482	-
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Interest Rate Risk – Sensitivity Measurement

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standards and non-standard interest rate scenarios.

Analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position was as follows:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the gap between risk sensitive assets and risk sensitive liabilities for the different maturity Gaps of the Group's earning assets and liabilities. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the gap position of the different maturities mismatch.

Interest Rate Risk – Sensitivity Measurement

Group	RATE SENSIVITY OF ASSETS AND LIABILITIES							
As at 31 December 2017 In millions of Naira	demand	Less On months	than 3 months	3 - 12 years	1 -5 5 years	Over Total		
Financial assets								
Due from other banks	30,368	20,698	-	-	-	51,066		
Pledged assets	-	3,818	7,776	39,892	93,693	145,179		
Financial assets held for trading	-	2,204	4,679			6,883		
Loans and advances	-	141,058	68,971	280,487	107,557	598,073		
Investment securities available for sale	-	26,059	44,639	4,818	4,515	80,031		
Investment securities held to maturity.	-	41	650	23,383	-	24,075		
Total financial assets (A)	30,368	193,878	126,716	348,580	205,764	905,306		
Financial Liabilities								
Due to banks	-	11,048	-	-	-	11,048		
Due to customers	19,343	400,559	28,511	234,000	2,421	684,834		
Debt securities issued and other borrowed funds	-	103,593	-	39,238	83,082	225,913		
Total financial Liabilities (B)	19,343	515,200	28,511	273,238	85,503	921,795		
Net financial assets/ (liabilities)	11,025	(321,322)	98,205	75,342	120,262	(16,489)		
Net financial assets/(liabilities) excluding AFS	11,025	(462,380)	29,234	(205,145)	12,705	(614,562)		
	Increase/ decrease in bp	Net Gap	Cumula- tive gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity (-2%)	Annual- ized Period
On Demand	+/-200bp	11,025	11,025	19	(19)	-	-	1 Month
Less than 3 months	+/-200bp	(321,322)	(310,297)	(1,585)	1,585	129	(129)	3 month
3-12 Months	+/-200bp	98,205	(212,092)	1,964	(1,964)	893	(893)	1 Year
1-5 Yrs	+/-200bp	75,342	(136,750)	1,507	(1,507)	96	(96)	
Over 5 Yrs	+/-200bp	120,262	(16,489)	2,405	(2,405)	90	(90)	

NOTES TO THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS

(i) Interest Rate Risk - continued

Group

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
As at 31 December 2016						
In millions of Naira	On demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Financial Assets						
Due from other banks	-	31,289	-	-	-	31,289
Financial assets held for trading	-	491	1,162	-	-	1,653
Loans and advances	-	61,985	123,119	259,880	23,267	468,251
Investment securities available for sale	-	6,214	1,283	16,432	44,274	68,203
Investment securities held to maturity	-	-	20,023	22,121	66,574	108,718
Total financial assets (A)	-	99,979	145,587	298,433	134,115	678,114
Financial Liabilities						
Due to banks	-	23,769	-	-	-	23,769
Due to customers	32,386	534,368	13,576	4,226	178	584,734
Debt securities issued and other borrowed funds	-	11,300	31,588	27,787	27,157	97,832
Total financial Liabilities (B)	32,386	569,437	45,164	32,013	27,335	706,335
Net financial assets/ (liabilities)	(32,386)	(469,458)	100,423	266,420	106,780	(28,221)
Net financial assets/(liabilities) excluding AFS	(32,386)	(475,672)	99,140	249,988	62,506	(96,424)

	Increase/decrease in bp	Net Gap	Cumulative gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity (-2%)	Annualized Period
On Demand	+/-200bp	(32,386)	(32,386)	(55)	55	-	-	1 Month
Less than 3 months	+/-200bp	(469,458)	(501,844)	(2,315)	2,315	-	-	3 month
3-12 Months	+/-200bp	100,423	(401,421)	2,008	(2,008)	-	-	1 Year
1-5 Yrs	+/-200bp	266,420	(135,001)	5,328	(5,328)	400	(400)	
Over 5 Yrs	+/-200bp	106,780	(28,221)	2,136	(2,136)	442	(442)	

(i) Interest Rate Risk - continued

Bank		RATE SENSITIVITY OF ASSETS AND LIABILITIES						
As at 31 December 2017								
In millions of Naira	On demand	Less than 3 months	3 - 12 months	1 -5 years	Over 5 years	Total		
Financial Assets								
Due from other banks	30,368	20,698	-	-	-	51,066		
Pledged assets	-	3,818	7,776	39,892	93,693	145,179		
Financial assets held for trading	-	2,204	4,679	-	-	6,883		
Loans and advances	-	141,058	68,971	280,487	107,557	598,073		
Investment securities available for sale	-	26,059	44,639	4,818	4,515	80,031		
Investment securities held to maturity.	-	-	-	650	20,021	20,671		
Total financial assets (A)	30,368	193,837	126,066	325,846	225,785	901,902		
Financial Liabilities								
Due to banks	-	11,048	-	-	-	11,048		
Due to customers	19,343	400,559	28,511	234,000	2,421	684,834		
Debt securities issued and other borrowed funds	-	103,593	-	39,238	79,725	222,557		
Total financial Liabilities (B)	19,343	515,200	28,511	273,238	82,146	918,439		
Net financial assets/ (liabilities)	11,025	(321,363)	97,555	52,609	143,640	(16,537)		
Net financial assets/(liabilities) excluding AF	11,025	(462,421)	28,584	(227,878)	36,083	(614,610)		
	Increase/ decrease in bp	Net Gap	Cumula- tive gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity (-2%)	Annual- ized Period
On Demand	+/-200bp	11,025	11,025	19	(19)	-	-	1 Month
Less than 3 months	+/-200bp	(321,363)	(310,339)	(1,585)	1,585	-	-	3 month
3-12 Months	+/-200bp	97,555	(212,784)	1,951	(1,951)	521	(521)	1 Year
1-5 Yrs	+/-200bp	52,609	(160,175)	1,052	(1,052)	893	(893)	
Over 5 Yrs	+/-200bp	143,640	(16,535)	2,873	(2,873)	96	(96)	

(i) **Interest Rate Risk - continued**

Bank

RATE SENSITIVITY OF ASSETS AND LIABILITIES						
As at 31 December 2016						
In millions of Naira	On demand	Less than 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Financial Assets						
Due from other banks	-	31,289	-	-	-	31,289
Financial assets held for trading	-	491	1,162	-	-	1,653
Loans and advances	-	61,985	123,119	259,880	23,267	468,251
Investment securities available for sale	-	6,214	1,283	16,432	44,274	68,203
Investment securities held to maturity.	-	-	20,023	22,121	63,186	105,330
Total financial assets (A)	-	99,979	145,587	298,433	130,727	674,726
Financial Liabilities						
Due to banks	-	23,769	-	-	-	23,769
Due to customers	32,386	534,368	13,576	4,226	178	584,734
Debt securities issued and other borrowed funds	-	11,300	31,588	27,787	23,750	94,425
Total financial Liabilities (B)	32,386	569,437	45,164	32,013	23,928	702,928
Net financial assets/ (liabilities)	(32,386)	(469,458)	100,423	266,420	106,799	(28,202)
Net financial assets/(liabilities) excluding AFS	(32,386)	(475,672)	99,140	249,988	62,525	(96,405)

	Increase/decrease in bp	Net Gap	Cumulative gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity (-2%)	Annualized Period
On Demand	+/-200bp	(32,386)	(32,386)	(55)	55	-	-	1 Month
Less than 3 months	+/-200bp	(475,672)	(508,058)	(2,346)	2,346	-	-	3 month
3-12 Months	+/-200bp	99,140	(408,918)	1,983	(1,983)	-	-	1 Year
1-5 Yrs	+/-200bp	249,988	(158,930)	5,000	(5,000)	400	(400)	
Over 5 Yrs	+/-200bp	62,525	(96,405)	1,251	(1,251)	109	(109)	

f(ii) Foreign Currency Risk

Foreign currency risk is the risk of how changes in foreign exchange rate would affect the value of the Group's assets and liabilities as well as off balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, foreign currency denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions.

Exposures to currency risk are consistently monitored by limit structures for overnight and intraday spot and forward limits for dealers and the global position. The Net Open Position limit on the Trading Desk and the Group's Balance Sheet are strictly monitored to ensure strict compliance with regulatory requirements. In order to avoid risk of loss or breaches of the regulatory limits, daily monitoring and reporting of all foreign currency transactions is in place.

f(ii) Foreign currency risk

The table below demonstrates the sensitivity to a reasonably possible change in exchange rates for the gap between foreign currency denominated balances for the different currency gaps of the Group's assets and liabilities. The sensitivity of the profit or loss is the effect of the assumed changes in exchange rates on the gap position.

(a) Foreign currency concentrations risk as at 31 December 2017

Group						
In millions of Naira	Naira	Dollar	GBP	Euro	Other	Total
Assets						
Cash and balance with Central Bank	83,947	4,618	325	498	-	89,388
add un-restricted balance	33,242	-	-	-	-	33,242
Due from other banks	26,993	20,786	1,044	2,122	122	51,066
Financial assets to maturity pledged as collateral	131,429	13,750	-	-	-	145,179
Loans and advances to customer	399,124	198,776	173	-	-	598,073
Financial assets held for trading	6,883	-	-	-	-	6,883
Financial assets available for sale	79,409	621	-	-	-	80,031
Financial investment held to maturity	24,075	-	-	-	-	24,075
Other assets	15,389	3,334	6	-	-	18,728
Total financial assets (A)	800,490	241,885	1,547	2,620	122	1,046,665
Liabilities						
Due to banks	1,569	9,479	-	-	-	11,048
Due to customers	570,234	110,045	2,875	1,680	-	684,834
Debt issued and other borrowed funds	171,818	54,095	-	-	-	225,913
Other financial liabilities	19,811	25,748	82	1,503	94	47,237
Total financial liabilities (B)	763,432	199,367	2,957	3,183	94	969,032
Net financial assets/(liabilities)	37,058	42,519	(1,409)	(563)	28	77,632

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	42,519	(1,409)	(563)	40,546
Closing Exchange Rate(Naira/Currency)	306	414	367	-
10% Currency Appreciation(-)	276	373	330	-
10% Currency Depreciation(+)	337	455	404	-
Effect of 10% appreciation on Profit	(4,252)	141	56	(4,055)
Effect of 10% depreciation on Profit	4,252	(141)	(56)	4,055

(a) Foreign currency concentrations risk

Group

As at 31 December 2016

<i>In millions of Naira</i>	Naira	Dollar	GBP	Euro	Other	Total
Assets						
Cash and balance with Central Bank	103,462	2,246	127	426	-	106,261
add un-restricted balance	1,598	-	-	-	-	1,598
Due from other banks	18,482	11,568	285	954	-	31,289
Financial assets to maturity pledged as collateral	63,279	23,585	-	-	-	86,864
Loans and advances to customer	269,537	198,575	138	-	-	468,250
Derivative financial assets	-	8	-	-	-	8
Financial assets held for trading	1,653	-	-	-	-	1,653
Financial assets available for sale	25,532	9,335	-	-	-	34,867
Financial investment held to maturity	58,113	-	-	-	-	58,113
Other assets	8,747	12,927	-	2	-	21,676
Total financial assets (A)	550,403	258,244	550	1,382	-	810,578
Liabilities						
Due to banks	23,769	-	-	-	-	23,769
Due to customers	391,995	188,374	3,002	1,362	-	584,733
Derivative financial liabilities	-	8	-	-	-	8
Debt issued and other borrowed funds	59,709	38,123	-	-	-	97,832
Other financial liabilities	40,784	19	441	-	-	41,244
Total financial liabilities (B)	516,257	226,524	3,443	1,362	-	747,586
Net financial assets/ (liabilities)	34,146	31,720	(2,893)	20	-	62,992

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	31,720	(2,893)	20	28,847
Closing Exchange Rate(Naira/Currency)	305	378	322	-
1% Currency Appreciation(-)	302	374	319	-
1% Currency Depreciation(+)	308	381	325	-
Effect of 1% appreciation on Profit	(317)	29	-	(288)
Effect of 1% depreciation on Profit	317	(29)	-	288

(a) Foreign currency concentrations risk as at 31 December 2017

Bank						
31 December 2017						
In millions of Naira	Naira	Dollar	GBP	Euro	Other	Total
Cash and balance with Central Bank	83,947	4,618	325	498	-	89,388
add un-restricted balance	33,242	-	-	-	-	33,242
Due from other banks	26,993	20,786	1,044	2,122	122	51,066
Financial assets to maturity pledged as collateral	131,429	13,750	-	-	-	145,179
Loans and advances to customer	399,124	198,776	173	-	-	598,073
Financial assets held for trading	6,883	-	-	-	-	6,883
Financial assets available for sale	79,409	621	-	-	-	80,031
Financial investment held to maturity	20,671	-	-	-	-	20,671
Other assets	15,389	3,334	6	-	-	18,728
Total financial assets (A)	797,086	241,885	1,547	2,620	122	1,043,261
	Naira	Dollar	GBP	Euro	Others	Total
Liabilities	N'000	N'000	N'000	N'000	N'000	N'000
Due to banks	1,569	9,479				11,048
Due to customers	570,234	110,045	2,875	1,680	-	684,834
Debt issued and other borrowed funds	168,461	54,095	-	-	-	222,556
Other financial liabilities	19,811	25,748	82	1,503	94	47,237
Total financial liabilities (B)	760,075	199,367	2,957	3,183	94	965,675
Net financial assets/ (liabilities)	37,011	42,519	(1,409)	(563)	28	77,585

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	42,519	(1,409)	(563)	40,546
Closing Exchange Rate(Naira/Currency)	305	378	322	-
10% Currency Appreciation(-)	275	340	290	-
10% Currency Depreciation(+)	336	415	354	-
Effect of 10% appreciation on Profit	(4,252)	141	56	(4,055)
Effect of 10% depreciation on Profit	4,252	(141)	(56)	4,055

(a) Foreign currency concentrations risk

Bank

31 December 2016

<i>In millions of Naira</i>	Naira	Dollar	GBP	Euro	Other	Total
Assets						
Cash and balance with Central Bank	103,462	2,246	127	426	-	106,261
add un-restricted balance	1,598	-	-	-	-	1,598
Due from other banks	18,482	11,568	285	954	-	31,289
Financial assets to maturity pledged as collateral	63,279	23,585	-	-	-	86,864
Loans and advances to customer	269,537	198,575	138	-	-	468,250
Derivative financial assets	-	8	-	-	-	8
Financial assets held for trading	1,653	-	-	-	-	1,653
Financial assets available for sale	25,532	9,335	-	-	-	34,867
Financial investment held to maturity	54,724	-	-	-	-	54,724
Other assets	8,747	12,927	-	2	-	21,676
Total financial assets (A)	547,014	258,244	550	1,382	-	807,190
Liabilities						
Due to banks	23,769	-	-	-	-	23,769
Due to customers	391,995	188,374	3,002	1,362	-	584,733
Derivative financial liabilities	-	8	-	-	-	8
Debt issued and other borrowed funds	56,303	38,123	-	-	-	94,426
Other financial liabilities	40,784	19	441	-	-	41,244
Total financial liabilities (B)	512,851	226,524	3,443	1,362	-	744,180
Net financial assets/ (liabilities)	34,163	31,720	(2,893)	20	-	63,010

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	31,720	(2,893)	20	28,847
Closing Exchange Rate(Naira/Currency)	305	378	322	-
1% Currency Appreciation(-)	302	374	319	-
1% Currency Depreciation(+)	308	381	325	-
Effect of 1% appreciation on Profit	(317)	29	-	(288)
Effect of 1% depreciation on Profit	317	(29)	-	288

(g) Operational Risk Management

Operational risk in the Sterling Bank context is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks.

The Group maintains a dedicated function for managing its operational risks with reporting line to the Executive Management and Board Risk Management Committee through the Chief Risk Officer depicting

robust governance culture. The Management Risk Committee, consisting of Heads of all business functions, reviews operational risk management reports quarterly and define action plans geared towards managing risks to acceptable levels.

The Operational Risk Management department is open to regular audits from internal and external auditors, and is taking positive steps towards the implementation of Basel II/III standards.

The specific objectives of Operational Risk Management in the Bank are as follows:

- Creating a minimal surprise environment in the Bank through the reduction of the frequency and impact of operational risk incidents.
- Instituting a systematic process and approach for the identification, assessment and management of operational risks inherent in people, processes, systems and external factors.
- Defining appropriate measurement metrics to monitor potential impact of operational risks in the Bank's activities and profitability.
- Monitoring and managing risks to minimize the Bank's exposure and losses arising from operational risks.
- Ensuring that risk ownership is established and responsibilities for the management of operational risk events is clearly documented.
- Constantly reviewing internal processes, procedures, products and policies to address the root causes of operational events.

1. Operational Risk Event Data Collection

The systematic capture and monitoring of risk events is one of the most important requirements for effective operational risk management. Data on the bank's historical loss experience provides meaningful information for assessing the Group's exposure to operational risk and developing controls to mitigate risks. Setting up internal risk events database enables Sterling Bank obtain very valuable information in order to improve the effectiveness of internal control systems and to determine the risk profile of the Group. Strict reporting requirements are in place to ensure that critical incidents are escalated for timely decision making.

2. Development & monitoring of key risk indicators

Key Risk Indicator are metrics set by the Operational Risk Management unit in conjunction with the process owners to monitor key threats to the achievement of strategic goals."

3. Operational Risk Measurement

The Basic Indicator Approach has been used for Operational risk measurement. The bank assesses its capital requirements using the regulatory prescribed calculation method

31 December 2017

Nature of item	Capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 -3)	Capital charges
		(N'million)	(N'million)	(N'million)	(N'million)	(N'million)
Basic Indicator Approach (BIA)						
Gross Income	15%	67,448	68,264	73,231	208,942	31,341
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						10,447
Calibrated Risk Weighted Amount (BIA)						130,589

31 December 2016

Nature of item	Capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 -3)	Capital charges
		(N'million)	(N'million)	(N'million)	(N'million)	(N'million)
Basic Indicator Approach (BIA)						
Gross Income	15%	68,762	67,448	68,196	204,406	30,661
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						10,220
Calibrated Risk Weighted Amount (BIA)						127,754

Risk and Control Self-Assessment

The Risk and Control Self-Assessment exercise provides proper perspective on the dynamics of risks and controls in Strategic Business functions. It provides an avenue for business owners to perform self-assessments and determine vulnerable areas that could be exploited and also assess controls effectiveness.

Scenario Analysis

The Operational Risk Management function utilizes scenario analysis in modelling tail risk events and determining the impact they could have on the organization.

Definition and Monitoring of Action Plans

Action Plans are designed based on results obtained from risk identification and assessment exercises with timelines and responsibilities defined for prompt resolution of potential issues. "

(h) Capital Management

(a) Regulatory Capital

The Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria. In implementing current capital requirements, the Central Bank of Nigeria requires the Bank to maintain a 10% minimum ratio for total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

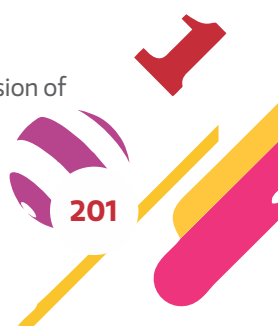
Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale..

Various limits are applied to elements of the capital base. The qualifying Tier 2 capital is limited to 33.3% of Tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of



the following reserves in the computation of total qualifying capital:

- Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines
- Collective impairment on loans and receivables and other financial assets
- Other Comprehensive Income (OCI) Reserves will be recognized as part of Tier 2 capital subject to the limits set in paragraph 3.2 of the CBN Guidance Notes on the Calculation of Regulatory Capital

(b) Capital Adequacy Ratio

In accordance with Central Bank of Nigeria regulations, a minimum threshold of 10% is to be maintained when computing the ratio qualifying capital to risk weighted assets.

The capital adequacy computation for the year ended 31 December 2017 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/BAS/08/031 and dated 24 June 2015. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Sterling Bank, in line with the directives from the Central Bank of Nigeria (CBN), has adopted the following approaches for its Pillar 1 capital calculations:

- Credit Risk – Standardised Approach
- Market Risk – Standardised Approach
- Operational Risk – Basic indicator approach, which is 15% of the average gross income for the past 3 year.

<i>In millions of Naira</i>	<i>Note</i>	Group 2017	Group 2016	Bank 2017	Bank 2016
Constituents of Capital					
Tier 1 capital					
Paid- up share capital	30	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
General reserve (Retained earnings)		8,285	6,226	8,238	6,242
SMEES reserve		235	235	235	235
Statutory reserve		18,678	17,409	18,680	17,409
Other reserve		5,276	5,276	5,276	5,276
Tier 1 Capital Before Regulatory Deduction		89,628	86,300	89,583	86,316
Regulatory Deduction					
Deferred tax asset		(6,971)	(6,971)	(6,971)	(6,971)
Other intangible assets		(2,114)	(2,037)	(2,114)	(2,037)
Total Regulatory Deduction		(9,085)	(9,008)	(9,085)	(9,008)
Tier 1 Capital after Regulatory Deduction		80,543	77,292	80,498	77,308
Tier 2 capital: Instruments & Reserves					
Sub-ordinated debt *		8,505	9,468	5,146	6,061
Other Comprehensive Income		(2,568)	(11,323)	(2,568)	(11,323)
Eligible Tier 2 Capital		5,937	(1,855)	2,578	(5,262)
Total regulatory capital		86,480	75,437	83,076	72,046
Risk-weighted assets		708,144	675,918	708,114	675,918
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		12.21%	11.16%	11.73%	10.66%

*Recognition of capital instrument in Tier 2 capital in its final five years to maturity is amortized on a straight-line basis by 20% per annum.

Description of Tier 2 Capital (Sub-ordinated debt)

Particulars	Place	Place	Date of maturity	Date of maturity	Coupon rate	N'million
Non- convertible debenture stock	Nigeria	25 August 2016	2023	2023	18.86%	5,146
Non- convertible debenture stock	Nigeria	19 December 2011	2018	2018	13.00%	4,575

Internal Capital Adequacy Assessment Process (ICAAP).

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the bank to meet regulatory requirements for current and future business needs, including under stressed scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's philosophy, processes, and techniques for managing risks across the Bank. Furthermore, it describes the controls Management has implemented to reduce the likelihood of occurrence and minimize the impact of risk events on the business and includes information on the Bank's governance structure, and policies that support risk and capital management systems.

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets	Capital requirements
1	Credit Risk	(N'million)	(N'million)
1.01	Sovereign	-	-
1.02	Public Sector Entities	3	0
1.03	State and Local Government	41,882	4,329
1.04	Multilateral Development Bank	0	0
1.05	Supervised Institutions	13,710	1,417
1.06	Corporates	260,638	26,937
1.07	Retail	3,027	313
1.08	Residential Mortgages	61,965	6,404
1.09	Commercial Mortgages	93,336	9,646
1.1	Past Due	30,809	3,184
1.11	Higher Risk Exposures	3,152	326
1.12	Other Balance Sheet Exposures	35,840	3,704
1.13	Off Balance Sheet Exposures	7,733	799
1.14	Regulatory Adjustment	(15,878)	0
2	Market Risk		
2.01	Interest Rate Risk	332	27
2.02	Foreign Exchange Risk	40,975	3,278
3	Operational Risk		
3.01	Basic Indicator Approach	130,589	10,447
4	Capital Adequacy Ratio		
4.01	Tier 1 Capital Adequacy Ratio	11.37%	
4.02	Total Capital Adequacy Ratio	11.73%	

(h) Capital management - continued

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, other resources, and the fit of the activity with the Bank's longer term strategic objectives.

38 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2017.

Group

<i>In millions of Naira</i>	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and balances with Central Bank of Nigeria	48,646	-	-	-	73,984	122,630
Due from banks	51,066	-	-	-	-	51,066
Pledged assets	3,818	4,955	2,822	39,892	93,693	145,179
Loans and advances to Customers	141,058	27,368	41,603	280,487	107,557	598,073
Investment in securities	36,776	26,771	38,472	7,790	1,178	110,987
Other assets	-	-	-	18,728	-	18,728
Property, plant and equipment	-	-	-	16,451	-	16,451
Intangible assets	-	-	-	2,114	-	2,114
Deferred tax assets	-	-	-	-	6,971	6,971
Total	281,364	59,094	82,896	365,462	283,383	1,072,199
Liabilities						
Deposits from bank	11,048	-	-	-	-	11,048
Deposits from customers	419,903	27,252	1,258	234,000	2,421	684,834
Debts issued and other borrowed funds	103,593	-	-	39,238	83,082	225,913
Current income tax liabilities	232	-	-	-	-	232
Other liabilities and Provision	-	47,683	-	295	-	47,683
Total	534,776	74,935	1,258	273,238	85,503	969,710
Net	(253,411)	(15,841)	81,638	92,224	10,586	(81,638)

31 December 2016

<i>In millions of Naira</i>	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and balances with Central Bank of Nigeria	13,377	-	-	-	94,482	107,859
Due from banks	31,289	-	-	-	-	31,289
Pledged assets	7,196	5,559	5,530	35,121	33,458	86,864
Derivative financial assets	8	-	-	-	-	8
Loans and advances to Customers	61,985	42,785	80,333	259,880	23,267	468,250
Investment in securities	4,773	4,823	2,310	13,375	69,351	94,632
Other assets	-	-	-	21,676	-	21,676
Property, plant and equipment	-	-	2,064	7,325	5,214	14,603
Intangible assets	-	-	-	2,037	-	2,037
Deferred tax assets	-	-	-	-	6,971	6,971
Total	118,628	53,167	90,237	339,414	232,743	834,189
Liabilities						
Deposits from Bank	23,769	-	-	-	-	23,769
Deposits from customers	566,754	9,068	4,508	4,226	178	584,734
Derivative financial liabilities	8	-	-	-	-	8
Debts issued and other borrowed funds	11,300	14,786	16,802	27,787	27,157	97,832
Current income tax liabilities	-	-	-	942	-	942
Other liabilities	-	-	-	41,595	-	41,595
Total	601,831	23,854	21,310	74,550	27,335	748,880
Net	(483,203)	29,313	68,927	264,864	205,408	85,309

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2017.

Bank

<i>In millions of Naira</i>	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and balances with Central Bank of Nigeria	48,646	-	-	-	73,984	122,630
Due from banks	51,066	-	-	-	-	51,066
Pledged assets	3,818	4,955	2,822	39,892	93,693	145,179
Loans and advances to Customers	141,058	27,368	41,603	280,487	107,557	598,073
Investment in securities	36,734	26,771	38,472	4,427	1,178	107,583
Other assets	-	-	-	18,728	-	18,728
Property, plant and equipment	-	-	-	16,451	-	16,451
Intangible assets	-	-	-	2,114	-	2,114
Deferred tax assets	-	-	-	-	6,971	6,971
Total	281,322	59,094	82,896	362,099	283,383	1,068,795

Maturity analysis of assets and liabilities cont'd

Bank
31 December 2017

<i>In millions of Naira</i>	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Liabilities						
Deposits from Bank	11,048	-	-	-	-	11,048
Deposits from customers	419,903	27,252	1,258	234,000	2,421	684,834
Debts issued and other borrowed funds	103,593	-	-	39,238	79,725	222,556
Current income tax liabilities	232	-	-	-	-	232
Other liabilities	-	47,372	-	-	-	47,372
Total	534,776	74,624	1,258	273,238	82,146	966,042
Net	(253,453)	(15,530)	81,638	88,861	201,237	102,753

Bank
31 December 2016

<i>In millions of Naira</i>	Less than 3 months	3 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and balances with Central Bank of Nigeria	13,377	-	-	-	94,482	107,859
Due from banks	31,289	-	-	-	-	31,289
Pledged assets	7,196	5,559	5,530	35,121	33,458	86,864
Derivative financial assets	8	-	-	-	-	8
Loans and advances to Customers	61,985	42,785	80,333	259,880	23,267	468,250
Investment in securities	4,602	4,650	2,228	12,896	66,868	91,244
Other assets	-	-	-	21,676	-	21,676
Property, plant and equipment	-	-	2,064	7,325	5,214	14,603
Intangible assets	-	-	-	2,037	-	2,037
Deferred tax assets	-	-	-	-	6,971	6,971
Total	118,457	52,994	90,155	338,935	230,260	830,801
Liabilities						
Deposits from Bank	23,769	-	-	-	-	23,769
Deposits from customers	566,754	9,068	4,508	4,226	178	584,734
Derivative financial liabilities	8	-	-	-	-	8
Debts issued and other borrowed funds	11,300	14,786	16,802	27,787	23,750	94,425
Current income tax liabilities	-	-	-	942	-	942
Other liabilities	-	-	-	41,245	-	41,245
Total	601,831	23,854	21,310	74,200	23,928	745,123
Net	(483,374)	29,140	68,845	264,735	206,332	85,678

39 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.7. The Group measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

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

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

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

Fair value measurement hierarchy for assets & liabilities as at 31 December 2017

Group

<i>In millions of Naira</i>		Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Pledged assets – Available for sale	18	-	61,673	-	61,673
Financial assets held for trading	21(a)	-	6,883	-	6,883
Financial assets available for sale	21(b)	-	80,029	-	80,029
Assets for which fair value are disclosed					
Due from banks	17		11,048	-	11,048
Pledged assets held to maturity		-	83,307	-	83,307
Loans and advances		-	712,318		712,318
Held to maturity		-	24,075	-	24,075
Liabilities for which fair values are disclosed:					
Deposits from customers		-	677,260	-	677,260
Other borrowed funds		-	214,065	-	214,065
Debt securities issued		-	13,066	-	13,066

Fair Value of financial instruments- continued

Group

<i>In millions of Naira</i>		Level 1	Level 2	Level 3	Total
31 December 2016					
Assets measured at fair value					
Pledged assets – Available for sale	18	-	33,336	-	33,336
Financial assets held for trading	21(a)	-	1,653	-	1,653
Financial assets available for sale	21(b)	-	34,867	-	34,867
Assets for which fair value are disclosed					
Due from banks	17	-	31,229	-	31,229
Pledged assets held to maturity		-	50,605	-	50,605
Loans and advances		-	420,305	-	420,305
Held to maturity		-	90,538	-	90,538
Liabilities for which fair values are disclosed:					
Deposits from customers		-	586,016	-	586,016
Other borrowed funds		-	82,450	-	82,450
Debt securities issued		-	18,884	-	18,884

Bank

Fair value measurement hierarchy for assets & liabilities as at 31 December 2017

<i>In millions of Naira</i>		Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Pledged assets – Available for sale		-	61,673	-	61,673
Financial assets held for trading		-	6,883	-	6,883
Financial assets available for sale		-	80,029	-	80,029
Assets for which fair value are disclosed					
Due from banks		-	11,048	-	11,048
Pledged assets held to maturity		-	83,307	-	83,307
Loans and advances		-	712,318	-	712,318
Held to maturity		-	20,671	-	20,671
Liabilities for which fair values are disclosed:					
Deposits from customers		-	677,260	-	677,260
Other borrowed funds		-	214,065	-	214,065
Debt securities issued		-	10,660	-	10,660

Fair Value of financial instruments- continued

Bank

31 December 2016

<i>In millions of Naira</i>	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Pledged assets – Available for sale	-	33,336	-	33,336
Financial assets held for trading	-	1,653	-	1,653
Financial assets available for sale	-	34,867	-	34,867
Assets for which fair value are disclosed				
Due from banks	-	31,229	-	31,229
Pledged assets held to maturity	-	50,605	-	50,605
Loans and advances	-	420,305	-	420,305
Held to maturity	-	90,538	-	90,538
Liabilities for which fair values are disclosed:				
Deposits from customers	-	586,016	-	586,016
Other borrowed funds	-	82,450	-	82,450
Debt securities issued	-	18,884	-	18,884

Group

<i>In millions of Naira</i>	Carrying amount		Fair value amount	
	2017	2016	2017	2016
Financial assets				
Cash and balances with Central Bank of Nigeria	122,630	107,859	122,630	107,859
Due from banks	51,066	31,289	51,066	31,289
Pledged assets	145,179	86,864	145,179	82,736
Derivative financial instruments	-	8	-	8
Loans and advances to customers	598,073	468,250	712,318	420,305
Investment in securities:				
- Held for trading	6,883	1,653	6,883	1,653
- Available for sale	80,031	34,867	80,029	34,867
- Held to maturity	24,075	54,724	24,075	87,352
Total	1,027,936	785,514	1,138,759	766,069
Financial liabilities				
Deposits from banks	11,048	23,769	11,048	23,769
Deposits from customers	684,834	584,734	677,260	586,016
Derivative financial instruments	-	8	-	8
Other borrowed funds	212,847	82,450	214,065	82,450
Debt securities issued	13,068	15,382	14,017	18,884
Customer deposits for foreign trade	15,203	9,559	15,203	9,559
Creditors and accruals	7,895	8,589	7,895	8,589
Total	944,895	724,491	939,488	729,275

Fair Value of financial instruments- continued

Bank

	Carrying amount		Fair value amount	
<i>In millions of Naira</i>	2017	2016	2017	2016
Financial assets				
Cash and balances with Central Bank of Nigeria	122,630	107,859	122,630	107,859
Due from banks	51,066	31,289	51,066	31,289
Pledged assets	145,179	86,864	145,179	82,736
Derivative financial instruments	-	-	-	-
Loans and advances to customers	598,073	468,250	712,318	420,305
Investment in securities:	-	-	-	-
- Held for trading	6,883	1,653	6,883	1,653
- Available for sale	80,031	34,867	80,029	34,867
- Held to maturity	20,671	54,724	20,671	87,352
Total	1,024,533	785,506	1,138,775	766,061
Financial liabilities				
Deposits from banks	11,048	23,769	11,048	23,769
Deposits from customers	684,834	584,734	677,260	586,016
Other borrowed funds	212,847	82,450	214,065	82,450
Debt securities issued	9,709	11,976	10,660	13,006
Customer deposits for foreign trade	15,203	9,559	15,203	9,559
Creditors and accruals	8,345	8,589	8,345	8,589
Total	941,986	721,077	936,581	723,389

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value

The management assessed that cash and balances with Central Bank of Nigeria, creditors & accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity; it is assumed that the carrying amounts approximates their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining AFS financial assets are measured using quoted market prices in active markets which are adjusted for using the accrued interest to date.

The fair values of the Bank's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2017 was assessed to be insignificant.

For loans and receivables , a discounted cash flow model is used based on various fair Value of the loan portfolio by discounting the future cash flows on these loans using interest rates on loans and remaining days to maturity of each of the cash flows.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

40. Compliance with banking regulations

Included in fines and penalties are contravention with certain Central Bank of Nigeria's guidelines and circulars listed below:

Circular	Nature of contravention	Penalty N'million
BSD/MEG/STERLING/VOL.1/01 3 February 2017	BSD/MEG/STERLING/VOL.1/01 February 3, 2017 - The Bank opened new LCs only for finished goods sector as against CBN's condition for the sale of SMIS Forward of December 21, 2016	2
BSD/MEG/CON/SBP/FOR/VOL.1/02 4 October 2017	((i) Violation of CBN circular No. TED/FEM/FPC/GEN/01/005 dated February 19, 2015. (ii) In violation of the CBN circular No. TED/FEM/FPC/GEN/01/007 dated 22 August 2016 which stipulates that 60% of the total FX purchased should be allocated. (iii) Contrary to CBN circular No. TED/AD/78/98 dated 23 July 1998, the Bank did not maintain an Export Proceeds Domiciliary Account.	6
BSD/BCS/CON/STB/04/121 18 July 2017	Late rendition of daily returns	0.03
		8.03

41. Customer Complaints

In line with Circular No: FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2017 is as set out below:

FINANCIAL YEAR	Number		Number claimed		Amount refunded	
	2017	2016	2017 N'million	2016 N'million	2017 N'million	2017 N'million
PENDING COMPLAINTS B/F	571	64	1,734	1,129		
COMPLAINTS RECEIVED	51,415	19,238	3,718	6,746		
COMPLAINTS RESOLVED	51,854	18,731	5,013	6,140	5,013	6,140
UNRESOLVED COMPLAINTS ESCALATED TO CBN FOR ININTERVENTION	2	9	135	2,738		
UNRESOLVED COMPLAINTS PENDING WITH THE BANK C/F	132	571	439	1,734		

42. Card Usage data

In line with the Central Bank of Nigeria guidelines for card issuance and usage in Nigeria, Section 11.0, the report on card issuance and usage for the year ended 31 December 2017 is set out below:

	31 December 2017		31 December 2016	
Product	Volume	Value N'million	Volume	Value N'million
Visa	140	4,085	1,290	25,837
Verve	21,905	156,433	22,722	100,757

43. Whistle Blowing

The Bank complied with the provisions of CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance from Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2017.

44. Reclassification

Certain reclassifications were made to the recorded figures of prior year to conform to this year's presentation. Below are the reclassifications:

- i) Land & Buildings have been further disclosed separately as Land, Building and Leasehold improvements in note 23

	N'million Cost	N'million Accumulated depreciation	N'million Net book value
Amount previously reported			
Leasehold land & Buildings	8,655	3,440	5,215
New amount reported			
Land	1,571	135	1,436
Leasehold building	2,497	279	2,218
Leasehold improvement	4,587	3026	1,561
	8,655	3,440	5,215

- ii) Provisions of N295million has been reclassified from Other Liabilities and shown separately on the face of the consolidated and separate statement of the financial Position as note 29.2.

Other liabilities	N'million
Amount previously reported	41,246
Reclassification of provisions	(295)
New amount reported in note 29	40,951

44. Reclassification - continued

- ii) Rent and rates have been reclassified from other property, Plant and Equipment (Note 13.4) and shown under the General and administrative expenses (Note 13.2)

Other property, Plant and equipment cost	N'million
Amount previously reported	5,196
Reclassification of rent and rates to administrative expenses	(1,022)
Rounding adjustment	
New amount reported in note 13.4	4,174

General and administrative expenses	N'million
Amount previously reported	16,997
Reclassification of rent and rates to administrative expenses	1,022
New amount reported in note 13.2	18,019

- iv) The disclosure on interest income in note 6 on investment securities have been amended to reflect the balances of income on held for trading.
- v) Additional disclosures have been made on the consolidated and separate statement of cashflows.

	Amount previously reported N'million	New Amount reported N'million
Purchase of investment securities	(35,996)	-
Proceeds from sale of investment securities	76,258	-
Loss on bond held for trading	2,426	-
Derivative financial assets		8
Derivative financial liabilities		8
(Gain) or loss on disposal of investment securities		884
Purchase of available for sale investment securities		(24,893)
Purchase of held to maturity investment securities		(23,760)
Proceeds from available for sale investment securities		93,482
Investment securities held for trading		(3,040)
	42,688	42,688

- iv) The following 2016 balances reported as nil in the comparative figures because 2017 financial statement is presented in millions of naira.

	N'000
Note 29 - Defined contribution obligations	369
Note 10 - Net gain on sale of investment securities	149

45 Non-Audit Services

During the year, the bank’s auditor, Ernst & Young, provided the following non-audit services to the Bank

Description of the service	N'million
i) Review of IFRS 9 & 15 implementation	27
ii) Review of regulatory compliance in respect of corporate governance as required under CBN CCG Section 5.2.10.	17
iii) Advise on IT Services Cost Model	10
iv) Certification for the National Deposit Insurance Corporation	4

In the bank’s opinion, the provision of these services to the bank did not impair the independence and objectivity of the external auditor.

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2017

<i>In millions of Naira</i>	Group				Bank			
	2017	%	2016	%	2017	%	2016	%
Gross earnings	133,490		111,440		133,022		111,238	
Interest expense	(60,137)		(43,114)		(59,736)		(42,894)	
	73,352		68,326		73,286		68,344	
Exceptional income								
Net impairment	(12,267)		(11,714)		(12,267)		(11,714)	
Bought-in-materials and services -local	(35,939)		(34,894)		(35,939)		(34,893)	
Value added	25,146	100	21,718	100	25,080	100	21,737	100
Applied to pay:								
Employee as wages, salaries and pensions	11,545	46	11,522	53	11,545	46	11,522	53
Income taxes	85	0	837	4	85	0	837	4
Retained in business:								
Depreciation and amortisation	4,995	20	4,196	19	4,995	20	4,196	19
Profit for the year	8,521	34	5,163	24	8,455	34	5,182	24
	25,146	100	21,718	100	25,080	100	21,737	100

Value added is the wealth created by the efforts of the Bank and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

OTHER NATIONAL DISCLOSURES FIVE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2017

<i>In millions of Naira</i>	2017	2016	2015	2014	2013
ASSETS					
Cash and balances with Central Bank of Nigeria	122,630	107,860	115,924	174,760	96,901
Due from other banks	51,066	31,289	68,799	67,330	85,601
Pledged assets	145,179	86,864	69,338	78,751	79,722
Derivative financial assets	-	8	-	-	-
Loans and advances to customers	598,073	468,250	338,726	371,246	321,744
Investment securities:					
- Held for trading	6,883	1,653	4,693	1,949	2,201
- Available for sale	80,031	34,867	119,479	49,039	19,496
- Held to maturity	20,671	54,725	45,360	45,582	76,124
Investment in subsidiary	1	1	-	-	-
Other assets	18,728	21,676	13,903	14,137	9,317
Property and equipment	16,451	14,605	15,258	13,952	9,069
Intangible assets	2,114	2,036	1,000	821	601
Deferred tax assets	6,971	6,971	6,971	6,971	6,971
TOTAL ASSETS	1,068,798	830,805	799,451	824,538	707,797
LIABILITIES					
Deposits from banks	11,048	23,769	-	-	-
Deposits from customers	684,834	584,734	590,889	655,944	570,511
Derivative financial liabilities	-	8	-	-	-
Current income tax liabilities	232	941	780	1,802	1,112
Other borrowed funds	212,847	82,451	60,286	45,371	38,795
Debt securities issued	9,709	11,975	4,564	4,564	4,564
Other liabilities	46,940	40,950	47,367	32,143	29,358
Provisions	295	295	-	-	-
TOTAL LIABILITIES	965,905	745,123	703,886	739,824	644,339
NET ASSETS	102,893	85,682	95,565	84,714	63,458
EQUITY					
Share capital	14,395	14,395	14,395	14,395	10,796
Share premium	42,759	42,759	42,759	42,759	27,872
Retained earnings	8,238	6,245	10,042	5,754	7,786
Other components of equity	37,501	22,283	28,369	21,807	17,004
Attributable to equity holders of the Bank	102,893	85,682	95,565	84,715	63,458
Other Commitments and Contingencies	131,106	111,260	166,245	203,843	201,629
PROFIT OR LOSS ACCOUNT FOR YEAR ENDED	2017 N'million	2016 N'million	2015 N'million	2014 N'million	2013 N'million
Gross earnings	133,022	111,238	110,194	103,677	91,743
Profit before income tax	8,540	6,019	11,016	10,748	9,310
Income tax expense	(85)	(837)	(724)	(1,743)	(1,035)
Profit after income tax	8,455	5,182	10,293	9,005	8,275
Earning per share in Kobo (Basic/Diluted)	29k	18k	36k	42k	52k
Dividend per share	2k	-	9k	6k	25k

SHARE CAPITAL HISTORY

Date	Authorised Share Capital		Issued & Fully Paid Up		Consideration
	Increase (N)	Cumulative (N)	Increase (N)	Cumulative (N)	
1960	-	500,000	-	500,000	Cash
1970	1,000,000	1,500,000	1,000,000	1,500,000	Scrip
1973	1,000,000	2,500,000	-	1,500,000	-
1974	-	2,500,000	625,000	2,125,000	Scrip
1975	-	2,500,000	375,000	2,500,000	Scrip
1979	2,500,000	5,000,000	1,000,000	3,500,000	Scrip
1982	2,500,000	7,500,000	1,400,000	4,900,000	Scrip
1983	-	7,500,000	2,450,000	7,350,000	Cash
1984	3,000,000	10,500,000	3,150,000	10,500,000	Scrip
1985	4,500,000	15,000,000	-	10,500,000	-
1987	5,000,000	20,000,000	5,250,000	15,750,000	Scrip
1989	30,000,000	50,000,000	15,750,000	31,500,000	Scrip
1991	50,000,000	100,000,000	31,500,000	63,000,000	Scrip
1992	-	100,000,000	-	63,000,000	-
1994	-	100,000,000	31,500,000	94,500,000	Scrip
1995	50,000,000	150,000,000	47,250,000	141,750,000	Scrip
1997	450,000,000	600,000,000	-	141,750,000	-
1998	-	600,000,000	212,625,000	354,375,000	Scrip
1999	-	600,000,000	177,188,000	531,563,000	Scrip
2001	400,000,000	1,000,000,000	132,890,125	664,453,125	Scrip
2003	500,000,000	1,500,000,000	132,890,125	797,343,750	Scrip
2003	-	1,500,000,000	34,344,239	831,687,989	Cash
2004	1,000,000,000	2,500,000,000	171,229,880	1,002,917,869	Scrip
2004	-	2,500,000,000	240,375,737	1,243,293,605	Cash
2005	2,000,000,000	4,500,000,000	621,646,803	1,864,940,408	Scrip
2006	5,500,000,000	10,000,000,000	522,045,592	2,386,986,000	Cash
2006	-	10,000,000,000	2,889,437,825	5,276,423,825	Merger
2008	2,000,000,000	12,000,000,000	6,658,513,143	11,934,936,968	Merger Adjustment
2008	-	12,000,000,000	-	6,281,545,772	Reconstruction
2011	-	12,000,000,000	1,570,386,444	7,851,932,216	ETB Merger
2013	-	12,000,000,000	2,944,474,581	10,796,406,797	Rights Issue
2014	4,000,000,000	16,000,000,000	3,598,802,266	14,395,209,063	Private Placement



BASIC INFORMATION



SENIOR MANAGEMENT TEAM

EMPLOYEE NAME	GRADE	FUNCTION
Yemi Razack Adeola*	Managing Director	Managing Director/Chief Executive Officer
Abubakar Suleiman	Managing Director	Managing Director/Chief Executive Officer
Mudathir Omokayode Lawal	Executive Director	Executive Director - Corporate & Investment Banking
Yemi Odubiyi	Executive Director	Executive Director - Operations & Services
Gramma Srinath Narasimhan	Executive Director	Executive Director - Retail & Consumer Banking
Emmanuel Efe Emeferienim	Executive Director	Executive Director - Institutional Banking
Tunde Adeola	General Manager	Divisional Head - Commercial Banking
Raheem Bankole Owodeyi	General Manager	Divisional Head - Conduct & Compliance
Olayinka Abiodun Oni	General Manager	Divisional Head - IT & Shared Services
Ifedayo Orimoloye	General Manager	Chief Risk Officer
Adegboyega Adelani Adegun	General Manager	Group Head - Large Corporates (Corporate Banking)
Mojisola Bakare	General Manager	Group Head, Wealth Management & Financial Institutions
Moronfolu Fasinro	General Manager	Divisional Head - Client Engagement & Digital Banking
Eniola Obe	Dep. General Manager	Business Executive - Retail (Ikeja & Beyond)
Olufunmilayo Lewis	Dep. General Manager	Business Executive - Commercial (Lagos Victoria)
Rasaq Aboyeji	Dep. General Manager	Business Executive - Institutional (South West 1)
Ehianeta Mondritz Ebhohimhen	Dep. General Manager	Business Executive - Institutional (Abuja)
Bonaventure Kelechi Nwaoba	Dep. General Manager	Divisional Head - Wholesale Operations & Transaction Banking
Abiodun Aderoju	Dep. General Manager	Group Head - Credit Recovery & Collections
Justina Akpoabugo Lewa	Dep. General Manager	Company Secretary & Chief Legal Counsel
Paul-Taiwo Adeoye	Dep. General Manager	Head - Manufacturing (Corporate Banking)
Adebimpe Olambiwonnu	Dep. General Manager	Group Head - Finance & Performance Management
Cyril Oshoku	Dep. General Manager	Group Head - Internal Audit
Olubukola Irene Awosanya	Dep. General Manager	Group Head - Agriculture Finance & Exports
Shina Bashiru Atilola	Dep. General Manager	Group Head - Strategy and Innovation
Temitope Mosunmola Dalley	Dep. General Manager	Chief Human Resource Officer
Umma Yusuf Aboki	Dep. General Manager	Business Executive - Institutional (North West)
Oluremi Oyinloye	Asst. General Manager	Business Executive - Retail (Lagos Victoria)
Ebere Elizabeth Eze	Asst. General Manager	Business Executive - Retail (South East 2)
Ayodeji Olusoji Akintola	Asst. General Manager	Business Executive - Retail (Lagos Eko)
Abbas Yerima	Asst. General Manager	Business Executive - Institutional (North East)
Moses Adewale Adefope	Asst. General Manager	Business Executive - Commercial (Lagos - Apapa)

* Retired 1st April, 2018

SENIOR MANAGEMENT TEAM cont'd

EMPLOYEE NAME	GRADE	FUNCTION
Ademola Adeyemi	Asst. General Manager	Business Executive - Institutional (South West 2)
Abdulhadi Masanawa Yau	Asst. General Manager	Business Executive - Commercial (North west)
Olufemi Adeola Joseph	Asst. General Manager	Head - Infrastructure & Telecoms (Corporate Banking)
Oluwabunmi Aderonke Famogbiele	Asst. General Manager	Business Executive - Commercial (Lagos - Ikeja)
Monday Abure	Asst. General Manager	Business Executive - Institutional (Mid-west)
Foluke Grace Akinwande	Asst. General Manager	Head - Financial/Regulatory Reporting
Ojonimi Friday Imaji	Asst. General Manager	Special Projects
Olufunso Ayodele Ogunmeru	Asst. General Manager	Group Head - Trade services
Abiola Olugbenga Ojo	Asst. General Manager	Business Executive - Commercial (Lagos Island)
Olanrewaju Olalusi	Asst. General Manager	Head - Corporate & Structured Finance
Michael Olusoga Osinowo	Asst. General Manager	Head - Credit Analysis
Olawale Yinusa	Asst. General Manager	Head - Central Processing
Lateef Aliu	Asst. General Manager	Head - Channel Operations
Adekunle Adewole	Asst. General Manager	Head - Large Corporates (Corporate Banking)
Basheer Adebola Oshodi	Asst. General Manager	Head - Non-Interest Banking
Olugbenga Lanre Adams	Asst. General Manager	Group Head - Digital Innovation and Fintech
Kehinde Olamide Wole-Olomojobi	Asst. General Manager	Group Head - Treasury
Dare Yunus Alaiya	Asst. General Manager	Head - Credit/Documentation (Legal Services)
Olufemi Bamidele Aiyegbusi	Asst. General Manager	Head - Litigation (Legal Services)
Olabisi Sunday Ogunwoye	Asst. General Manager	Special Project
Abiodun Adebola Odutola	Asst. General Manager	Head - Large Corporates (Corporate Banking)

BRANCH NETWORK

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
ABUJA				
1	Mamman Kontagora Close	Abuja	450, Mamman Kontagora Close Area 3, Garki	08075292668
2	Sterling Boulevard	Abuja	Plot 1083, Muhammad Buhari Way, Central Business District	08075292676
3	Wuye Service Centre	Abuja	Plot 1135, Gidado Idris Street, Eternal Oil Filling Station, Finance Junction Wuye Abuja	08075292680
4	Ladoke Akintola	Abuja	Block T 16, Samuel Akintola Boulevard, Garki 2	08075292683
5	Seda Close	Abuja	17, Sheda Close Area 8, Garki	08075292687
6	National Assembly (NASS)	Abuja	SB 67 National Assembly Complex	08075292693
7	Ademola Adetokunbo	Abuja	5, Ademola Adetokunbo Street Wuse 2	08075292698
8	Kashim Ibrahim	Abuja	Plot 603, Kashim Ibrahim Way, Wuse 2	08075292885
9	Conoil - Kado	Abuja	Conoil Premises, Kado	08075292887
10	Conoil - Utako	Abuja	Conoil Station, Utako	08075292888
LAGOS - EKO				
11	67 Marina	Lagos	67, Marina, Lagos	08125248200 / 08028265601
12	Idumota	Lagos	99, Enu -Owa Street, Idumota Lagos	08033613041 / 08085932098
13	Broad Street	Lagos	Bookshop House, 50/52, Broad Street, Lagos Island	08033075137 / 08024581197 08035637309
14	Igbosere	Lagos	198, Igbosere Road, Obalende, Lagos Island	08029735078 / 08022968539 08050813216
15	Head Office Branch	Lagos	20, Marina Lagos	08023693076 / 07086641442 08091475526 / 07088883835
16	Martins	Lagos	41/43, Martins Street, Lagos Island	08166277642 / 08060656870 08023441589
17	John Street	Lagos	37B, John Street, Oke Arin, Lagos Island	08058058712 / 08050402784
18	Idumagbo	Lagos	106, Iga-Iduganran Street, Lagos Island	07084065201 / 08064341594
19	Sura	Lagos	Block 11, Suite 3, Sura Shopping Complex, Sura	08033707567 / 08059422302 08060791346
20	Issa Williams	Lagos	4, Issa Williams Street, Oke Arin, Lagos Island	08038107791 / 08065207581
21	Sangrouse (Lafaiji)	Lagos	33, Hawley Street, Lafaiji, Lagos Island	08026068908 / 07038079632
LAGOS - VICTORIA				
22	30 Adetokunbo Ademola	Lagos	30, Adetokunbo Ademola Street Victoria Island	08028153943, 08055999039
23	228A Awolowo Road	Lagos	228, Awolowo Road Ikoyi Lagos	8070991472, 08033414257
24	Bakky Plaza - Lekki	Lagos	Agungi Bus-Stop, Bakky Plaza Lekki	08138607582; 08033291735 08132774554
25	Adeola Hopewell	Lagos	42, Adeola Hopewell Street Victoria Island, Lagos	08179104237 08025369878
26	Ikota Shopping Complex	Lagos	Shop 14/15, Block F, Ikota Shopping Complex, Ajah	08075292254
27	114 Awolowo Road	Lagos	114, Awolowo Road, Ikoyi	08075292810
28	62 Adetokunbo Ademola	Lagos	62, Adetokunbo Ademola Street (by Ajose Adeogun Roundabout), Victoria Island, Lagos	08034013776 08033577549
29	Adeola Odeku	Lagos	Plot 300, Adeola Odeku Street, Victoria Island	08075292819; 08037825022; 08072868892
30	Langbasa Service Centre	Lagos	26, Langbasa Road, Ajah	08075290106

BRANCH NETWORK

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
31	Awoyaya Service Centre	Lagos	Awoyaya beside Gommek Petrol Station, Awoyaya, Ajah	08113944148
APAPA & BEYOND				
32	Wharf Road	Lagos	13/15, Wharf Road, Apapa	08075292193
33	Tincan	Lagos	10, Tincan Island Port Road, Apapa Lagos	08075292195
34	1 Creek Road (Nnewi Building)	Lagos	1- 3, Creek Road, Apapa, Lagos	08075292199
35	LASU (Lagos State University)	Lagos	Lagos State University, Ojo, Lagos	08075292350
36	Kirikiri Road	Lagos	250, Kirikiri Road, Apapa, Lagos	08075292215
37	26B Creek Road	Lagos	26B, Creek Road, Apapa, Lagos	08075292223
38	Commercial Road	Lagos	17, Commercial Road, Apapa Lagos	08075292238
39	Ibru Jetty	Lagos	31, Ikudaisi Str Apapa Oshodi Exp Way Lagos	08075292246
40	FESTAC	Lagos	21 Road, FESTAC, Lagos	08151491801
41	Trade Fair	Lagos	8C, Executive Plaza, BBA, Trade Fair, Lagos	08075292829
42	Alaba	Lagos	5, Alaba International Market Road, Alaba, Lagos	08075292845
43	Alaba Service Centre	Lagos	50/51, Alaba International Market Road, Alaba, Lagos	08075292844
44	Mobil Road	Lagos	66, Mobil Road, Ajegunle, Lagos	08075292986
45	Coker	Lagos	29, Badagry Express-way, Coker Orile, Lagos	08075292322
IKEJA & BEYOND				
46	Aromire	Lagos	9, Aromire Avenue, Ikeja Lagos	08028411644, 08077629299
47	Ilupeju	Lagos	(Akintola Williams Delloite Building) 235, Ikorodu Road, Lagos	08075292330, 08023000000
48	Adebola House	Lagos	38, Opebi Road, Lagos	08033894405, 08023000000
49	Awolowo Way	Lagos	104, Awolowo Way Ikeja, Lagos	08054248382, 08023247844
50	68 Opebi	Lagos	68, Opebi Street, Ikeja, Lagos	08033009718, 08035000000
51	Allen	Lagos	53 Allen Avenue, Ikeja, Lagos	08032453924, 08033814121
52	Conoil Station	Lagos	Conoil Station, Opp. General Hospital (LASUTH), GRA Ikeja, Lagos	08056564799, 08033938398
53	Fadeyi	Lagos	96, Ikorodu Road, Fadeyi, Lagos	08023404896, 08037013650
54	Ogudu	Lagos	28, Ogudu Road, Ojota, Lagos	08169832522, 08038338614
55	Oworonsoki Service Centre	Lagos	10 Adams Street, Oworonsoki, Lagos	8076093038
56	Iju Road	Lagos	102, Iju Rd, Ifako Lagos	08075292334
57	Idimu	Lagos	294, Idimu Road, Isheri, Lagos	08075292338
58	Iyana-Ipaja	Lagos	109, Lagos-Abeokuta Express-way, Iyana Ipaja, Lagos	08075292342
59	Dopemu	Lagos	32, Shasha Road, Akowonjo, Lagos	08075292360
60	Ikotun	Lagos	18 Idimu-Ikotun Road, College Bus-Stop, Ikotun, Lagos	09053821422
61	Ogba	Lagos	38 Ijaiye Road, Ogba, Lagos	08075292830
62	Abule Egba	Lagos	585 Lagos-Abeokuta Express-way, Abule-Egba	08070894094
YABA & BEYOND				
63	Ojuwoye Service Centre	Lagos	9, Dada Iyalode Street, Ojuwoye Mushin, Lagos	CUG:08075292306
64	Adeniran Ogunsanya	Lagos	74, Adeniran Ogunsanya, Surulere, Lagos	CUG:08075292313 & 4
65	Willoughby	Lagos	28, Willoughby Street, Ebute Metta, Lagos	CUG:08075292326
66	Iddo	Lagos	Railway Terminus Ebute Metta, Lagos	CUG:08075292190
67	Ogunlana Drive	Lagos	141, Ogunlana Drive, Surulere, Lagos	CUG:08075292382

BRANCH NETWORK

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
68	Herbert Macaulay	Lagos	260/262, Herbert Marcaulay Way, Yaba, Lagos	CUG:08075292386 & 08075292303
69	Mushin	Lagos	122 Agege Motor Road, Mushin, Lagos	CUG: 08075292303
70	Airport Road	Lagos	Airport Road, Ikeja, Lagos.	08075292841
71	Daleko	Lagos	Plot 8, Block E Daleko Market, Isolo Express Way, Lagos	CUG: 08075292310 & 08075292837
72	Matori	Lagos	26, Fatai Atere Way, Matori Ind. Estate, Lagos	CUG: 08075292368 & 08075292439
73	Matori Service Centre	Lagos	1/5 Jimade Close, Matori Market, Lagos	CUG: 08075292368
74	Ire-Akari	Lagos	68, Ire-Akari Estate, Isolo, Lagos	CUG: 08075292982
75	Okota Road	Lagos	101 Okota Road Isolo, Lagos	CUG: 08075292835
76	Itire	Lagos	Itire Road, by Iyana-Itire Bus Stop, Off Apapa-Oshodi, Lagos	CUG: 08113944137, 07055771742
77	Oshodi	Lagos	Oyetayo Street, Oshodi Local Govt, Oshodi, Lagos	08075292389
NORTH CENTRAL				
78	Ali Akilu	Kaduna	9, Ali Akilu Road, Kaduna	08038166018/ 08036743897
79	Kachia Road	Kaduna	236, Kachia Road, Kaduna	07032808982/ 08060149944
80	Minna	Niger	Federal Mortgage Bank Building, Bosso Road, Minna	08021176827/ 08086038881
81	Independence Way	Kaduna	Indepedence Road, Beside Food Planet Kaduna	07061124172/ 08037038904
82	Kaduna Refinery	Kaduna	Km 16, Kachia Road, KRPC Staff Co-Operative Commercial Plaza, Kaduna Refinery, Kaduna	08066747923/ 08032975626
83	Makurdi	Benue	7, New Bridge Street, Makurdi	08030974877/ 07055333570
84	Lokoja	Kogi	64, Ibrahim Babangida Way, Lokoja	08036059064/ 07039802689
85	Zaria	kaduna	No 1, River Road, Sabon-Gari, Kaduna	08036808194/ 08034697144
86	Kagoro	Kaduna	Along Kagoro Road, Kaduna	08036831828/ 08189797042
NORTH EAST				
87	Maiduguri	Borno	39, Kashim Ibrahim Way, Maiduguri	08139643932 ,08032368003
88	Bauchi	Bauchi	Yakubun Bauchi Road, Beside CBN Bauchi	08037709604, 07035517183
89	Terminus House	Plateau	Terminus House, 1, Ahmadu Bello Way, Jos	08077697510, 07038131451
90	Jingiri Road	Plateau	13, Jingiri Road, Opp. Leventis Motors Jos	08060042653, 08035556744
91	Jimeta	Adamawa	28, Atiku Abubakar Way, Beside Sabru House, Jimeta Yola	07055371034, 07034279332
92	Gombe	Gombe	New Market Road, Gombe, Gombe State	07030821960, 08058056959
NORTH WEST				
93	Sani Abacha Way	Kano	12, Sani Abacha Way, Kano	08075292893, 08058056968
94	MM Way	Kano	110, Murtala Mohammed Way, Kano	08075292749, 08054519042
95	Zaria Road	Kano	No 42, Zaria Road, by Zoo Road Roundabout (Maitanguran House), Kano	09053821372, 08054928336
96	Dutse	Jigawa	Kiyawa Road Opp. Oando Filling Station Dutse, Jigawa	08075292752, 08036285445
97	Kwari Market	Kano	20, Unity Road (Kwari Market), Kano	08075292756, 08069582707
98	Niger Street	Kano	2B, Niger Street, (Gidan Goldie) Kano	08075292760, 08035858329
99	Kofar Ruwa	Kano	Aminu Dantata Estate, Kofar Ruwa, Kano	08075292765, 08058199056
100	Bayero University	Kano	Bayero University New Campus, Kano	08075292767, 08167777777

BRANCH NETWORK

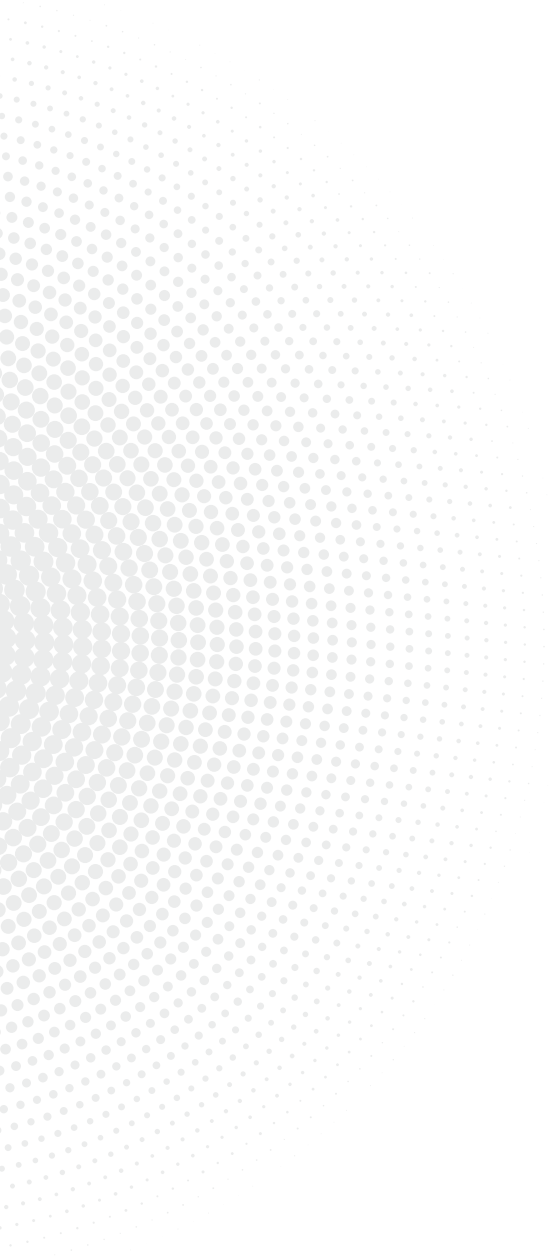
S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
101	Sokoto	Sokoto	14, Kano Road, Sokoto	08075292775, 08055259987
102	Katsina	Katsina	3, Ibrahim Babangida Way, Katsina	08075292779, 08023617881
103	Kebbi	Kebbi	31, Sultan Abubakar Road, GRA	08151491875, 07068722586
104	Gusau	Zamfara	Zaria Road, Gusau, Zamfara	08075292782, 08033353134
SOUTH EAST 1				
105	Douglas Road	Imo	71, Douglas Road,Owerri, Imo State	08033926762/ 08075292598
106	Naze	Imo	Naze Timber Market, Owerri	08034649331/ 08070991908
107	Eziukwu Road	Abia	Plot 3, Eziukwu Road, Aba	08032129224
108	Ariaria	Abia	A-Line, Ariaria International Market, Ariaria, Aba	08036751646
109	Azikiwe Road	Abia	127, Nnamdi Azikwe Road, Aba	08058058668, 07064402838
110	Eziukwu Market Service Centre	Abia	New Market Road, Eziukwu Cemetery Market, Aba	08034367694
111	Library Avenue	Abia	2, Library Avenue, Opp. Michela Okpara Auditorium, Umuahia	08055065534
112	Oron Road	Akwa Ibom	52, Oron Road, Uyo	08075292630
113	University of Uyo Teaching Hospital	Akwa Ibom	University of Uyo Teaching Hospital (UUTH), Uyo	8039474248
114	Abak Road	Akwa Ibom	Plot 16, Block 1, Abak Road Estate Uyo	08077926238
115	Clement Ebri Drive	Cross river	1, Clement Ebri Drive, State Housing Estate, Calabar	08037427745
116	Whetheral Road	Imo	Plot 24, Ikenegbu Layout, Wetheral Road, Owerri	08033125793
117	Calabar Free Trade Zone	Cross river	Calabar Free Trade Zone	08057422155
SOUTH EAST 2				
118	New Market Road	Anambra	24, New Market Road, Onitsha	08033854955
119	Market Road	Enugu	2A, Market Road, Enugu	08034594132
120	Port-Harcourt Road	Anambra	34, Port-Harcourt Road, Fegge, Onitsha	07069552179
121	Zik Avenue	Anambra	140, Zik Avenue, Awka	08058056451
122	Okpara Avenue	Enugu	Plot 23 (48), Okpara Avenue, Enugu	08055072744
123	Uga Bridge Head	Anambra	45 Uga Street, Fegge Bridgehead, Onitsha	08033531366
124	Nottidge	Anambra	23, Nottidge Street, Onitsha	08034911733
MID-WEST				
125	Akpakpava	Edo	38, Akpakpava Street, Benin City	8056150081
126	Asaba 1	Delta	180, Nnebisi Road, Asaba	8034250048
127	Odibo	Delta	Effurun Sapele Road, Opp. Urhobo College, Odibo Housing Estate, Delta	8076329021
128	Asaba 2	Delta	290, Nnebisi Road, Asaba	8057032795
129	Adesuwa Road	Edo	5, Adesuwa Street, Benin City	8055965756
130	Mission Road	Edo	58, Mission Road Benin	8023972898
131	Sapele Road	Edo	56/58 Sapele Road, Benin City	8054860550
132	Ikpoba Hill	Edo	40B, Ohovbe Quarters, Ikpoba Hill, Benin City	8072479479
133	Okada	Edo	Igbinedion University, Okada	8057099131
134	Warri	Delta	75, Warri/Sapele Road, Warri	8058412878
135	Effurun	Delta	71, Effurun-Sapele Road, Effurun, Warri	8050901050
136	Enerhen Junction	Delta	5, Effurun-Sapele Road, Warri	8057036985

BRANCH NETWORK

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
SOUTH SOUTH				
137	13 Trans Amadi	Rivers	Plot 13, Trans-Amadi, Ind. Layout Port-Harcourt	08033124787
138	59 Trans Amadi	Rivers	Plot 59, Trans-Amadi Ind. Layout Port-Harcourt	08037277928
139	Mbiama Road	Bayelsa	268, Mbiama/Yenagoa Road, Yenagoa	08055213126
140	Olu Obasanjo	Rivers	4, Olu Obasanjo Road, Port-Harcourt	08033200052
141	Woji Road	Rivers	142, Woji Road, GRA 2, Port-Harcourt	08033134874
142	UPTH	Rivers	University of Port-Harcourt Teaching Hospital Permanent Site, Port-Harcourt	08037102165
143	115 Trans Amadi	Rivers	Plot 115, Trans Amadi Ind. Layout, Port-Harcourt	08033428348
144	204 Aba Road	Rivers	204, Kalagbor Street, Rumuola, Port-Harcourt	08072749590
145	87 Rumuola	Rivers	87, Rumuola Road, Rumuokara Port-Harcourt	08057032799
146	Ogbunabali	Rivers	2A, Aguma Street, Port-Harcourt	8075292882
147	Aggrey Road	Rivers	14, Aggrey Road, Port Harcourt	08023359295
148	Melford Okilo Road	Bayelsa	252, Melford Okilo Road, Amarata, Yenagoa	08056148538
149	Port-Harcourt Refinery	Rivers	Refinery, Elelewon, Port Harcourt	08066020904
150	Onne	Rivers	New Oppe Ekara, along Wharf Road, Onne, Port-Harcourt	08032537317
151	Rumuibekwe	Rivers	Plot 6/7, 420, Aba Road, Rumuibekwe Port Harcourt	8058020591
152	Yenagoa 3	Bayelsa	Sani Abacha Way, Yenagoa, Bayelsa State	08079734688
IKORODU & BEYOND				
153	Ikorodu	Lagos	43, Lagos-Ikorodu Road Lagos	08083185566, 08037259127
154	Ketu	Lagos	548, Ikorodu Road, Ketu, Lagos	08136904647, 08023238114
155	Owode Onirin Service Centre	Lagos	Owode Onirin Iron Market, Lagos	8055067133
156	Abeokuta	Ogun	Abeokuta Sport Club Road, Opic Roundabout, Oke-Ilewo, Abeokuta	08075292852, 07056812125, 08023018899
157	Ijebu-Ode	Ogun	39, Ibadan Road, Ijebu-Ode, Ogun State	08075292856, 07055013207, 08073764515
158	Shagamu	Ogun	Along Akarigbo Road, Shagamu	08070990610, 08131128704, 08034438591
159	Ota	Ogun	64, Idiroko Road Ota	08075292393
160	Magboro	Ogun	Former Fielding Arena, beside Peace Estate Gate at Ewenla Bus Stop, Magboro Ogun	08055548674, 08055068373
161	Mosinmi Service Centre	Ogun	NNPC Depot, Mosinmi along Shagamu Road, Ogun State	08075292383, 08030423769
162	Akute	Ogun	No 22, Ogunlowo Street, Ajuwon, Akute - Alagbole.	08035633001, 08029165880
163	Ijoko	Ogun	KM 4, Ijoko Road, Cele Bus-Stop, Ijoko, Sango-Ota	08090742020
164	Ogijo	Ogun	1, Bishop Close, Ogijo, Lagos-Shagamu	08053528605, 08057000000
SOUTH WEST 1				
165	Iwo Road - Ibadan	Oyo	49A, Iwo Road, Ibadan	08075292850, 08074483633, 08025369905
166	Dugbe	Oyo	3, Obafemi Awolowo Way, Dugbe, Ibadan	08075292469, 08050957509, 08055932480
167	Apata - Ibadan	Oyo	529, Old Abeokuta Road, Apata Gangan, Ibadan	08075292854, 08052442010, 08057704667

BRANCH NETWORK

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
168	Ring Road	Oyo	97, Lagos Road, Challenge, Ibadan	08075292848, 08070927241, 08072783048
169	Secretariat - Ibadan	Oyo	Oyo State Government Secretariat Complex, Ibadan	0807529283, 08069662221, 08057736848
170	Jericho - Ibadan	Oyo	1, Magazine Road, Jericho, Ibadan	08075292855, 08036842144, 08035068306
171	Oke-Ado - Ibadan	Oyo	2, Ososami Road, Oke-Ado, Ibadan	08075292851, 08079909033, 08023301972
SOUTH WEST 2				
172	Ado Ekiti	Ekiti	Bank Road, by New Iyin Road, Ado Ekiti	08032180546, 08034390473
173	Ikere Ekiti	Ekiti	Ikere Ekiti College of Education	08032180546, 08034390473
174	Ore	Ondo	82, Ondo Road, Ore	0803444484, 08035036313
175	Akure	Ondo	142, Oba Oyemekun Road, Akure	08062147623, 08060629248
176	Mm Way, Ilorin	Kwara	11, Muritala Mohammed Way, Ilorin	07064708156, 08032124399
177	Ibrahim Taiwo	Kwara	Plot 240, Ibrahim Taiwo Road, Ilorin	08079660162, 08054005304
178	Oshogbo	Osun	KM3 Ibadan Gbongan Road, Oshogbo	08032816259, 08116759620
179	Bowen University	Osun	Bowen University, Iwo	08036173747, 08034180775



CHANGE OF ADDRESS FORM

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

I/We hereby request to change my/our address in books of:

NAME OF COMPANY: **STERLING BANK PLC**

OLD ADDRESS: _____

NEW ADDRESS: _____

Registrar account No: _____

Shareholder's Full Names: _____

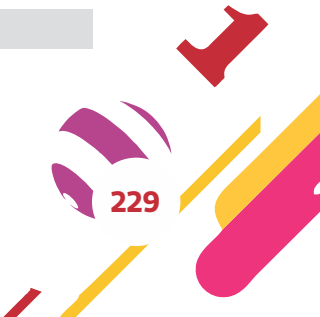
E-mail: _____

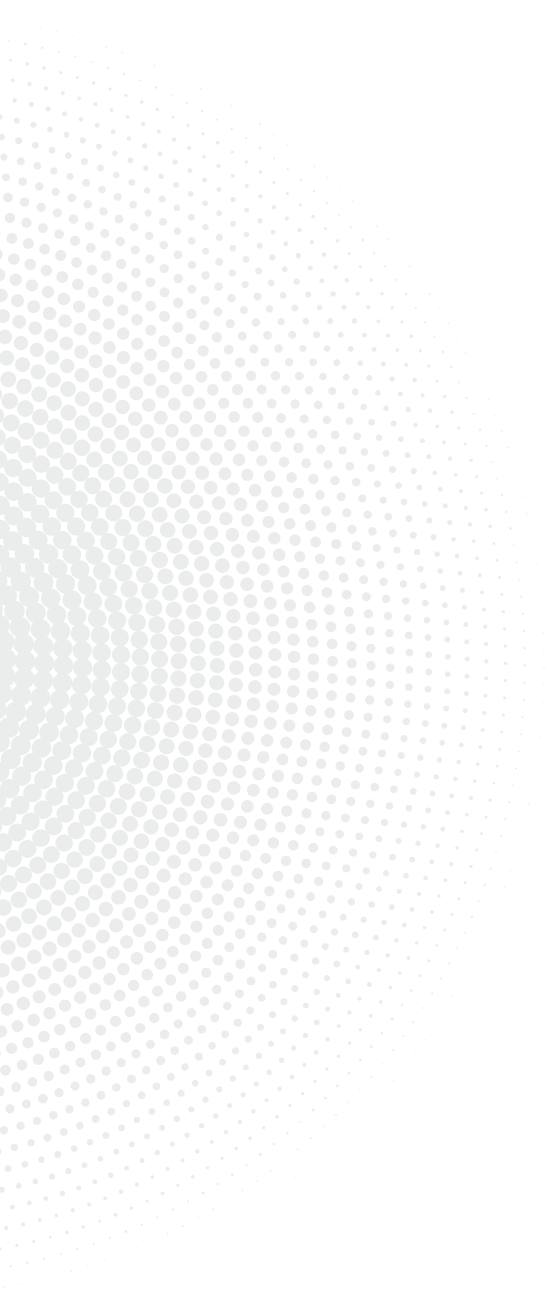
Mobile Phone No. _____

Shareholder's Signature:

- (1) _____
- (2) _____

NB: Corporate Seal/stamp required for (corporate Shareholder)





E-BONUS/OFFER/RIGHTS FORM

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

Please credit my/our account at Central Securities Clearing System Limited (CSCS) with all subsequent allotments and bonuses due to me/us in the books of:

NAME OF COMPANY: **STERLING BANK PLC**

PERSONAL DATA

Surname: _____

Other Names: _____

Address: _____

Mobile Phone No.: _____

E-mail: _____

Shareholder's Signature:

(1) _____

(2) _____

NB: Corporate Seal/stamp required for (corporate Shareholders)

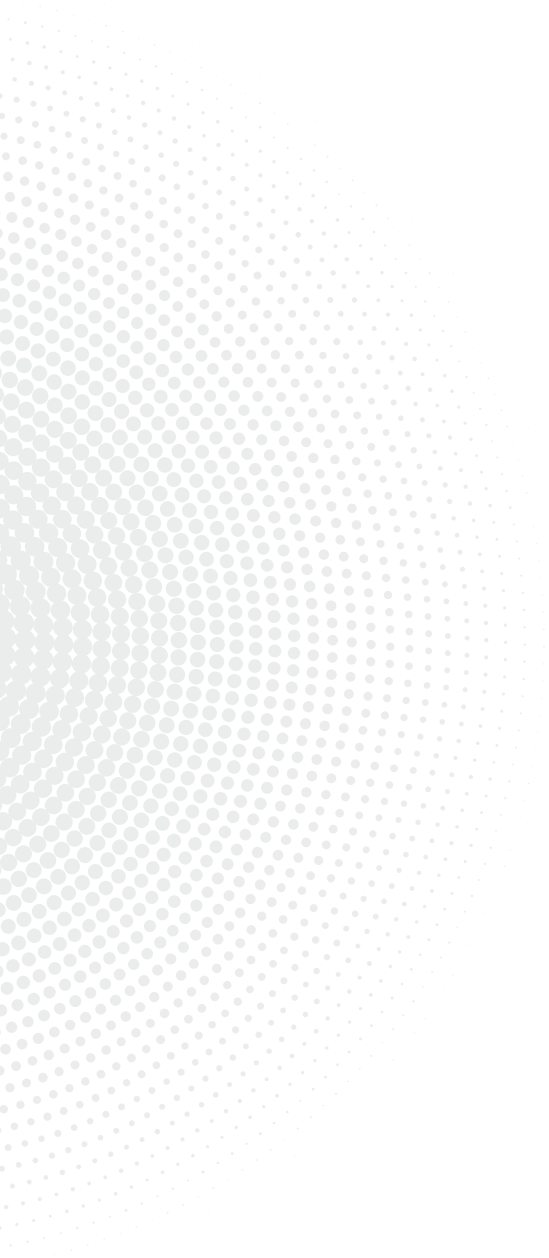
CSCS DETAILS

Stockbroker: _____

Clearing House Number: C _____

Authorized Signature & Stamp of Stockbroker _____

Please attach a copy of your CSCS statement as evidence of opening the CSCS account.



MANDATE FOR DIVIDEND PAYMENT TO BANK E-DIVIDEND FORM

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.
Tel: 01-2806987-8, 2805538
info@paceregistrars.com
www.paceregistrars.com

I/We hereby request that subsequently all my/our dividends due or which may become due in my/our holding in the book of Sterling Bank Plc be paid electronically to my/our Bank with below details:

Shareholder's Full Name:

Bank Name: _____

Account Number (NUBAN): _____

BVN: _____

Bank Branch Address: _____

E-mail: _____

Mobile Phone No.: _____

Shareholder Signature:

Joint holders

(1) _____ (2) _____

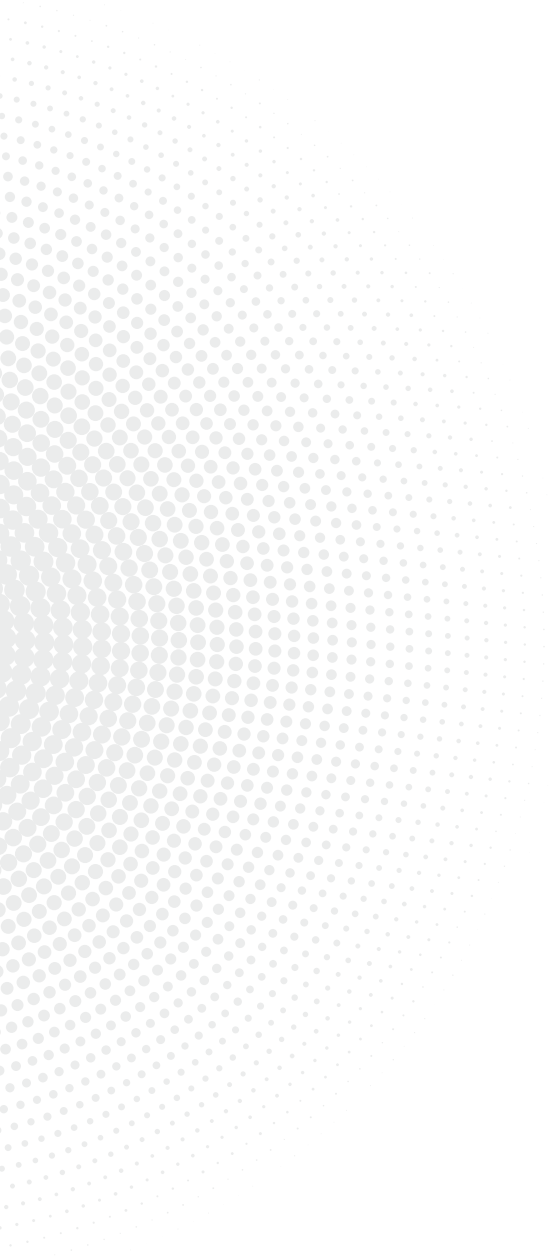
If Corporate

Authorised signature's: (1) _____ (2) _____

NB: Corporate Seal/stamp required for (corporate Shareholders)

Authorised Signature and Stamp of Banker's: _____

PLEASE ATTACH VALID MEANS OF IDENTIFICATION



SHAREHOLDER'S DATA UPDATE FORM

To:

The Registrar:
Pace Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos.

SHAREHOLDER DETAILS:

In order to effectively communicate with and to provide you with information on developments within Sterling Bank Plc, kindly complete your shareholder's details below:

Surname: _____

Other Names: _____

Address: _____

Registrar A/c No.: _____

Postal Address: _____

Email Address: _____

Mobile Phone No: _____

Shareholder's Signature OR Thumbprint: _____

CSCS INFORMATION

I/We hereby request that subsequently all my/our dividends due or which may become due in my/our holding in Sterling Bank Plc indicated below to transfer to CSCS electronically:

CLEARING HOUSE NUMBER:

C								
---	--	--	--	--	--	--	--	--

NAME OF STOCKBROKERS

--

JOINT HOLDERS:

(1) _____ (2) _____

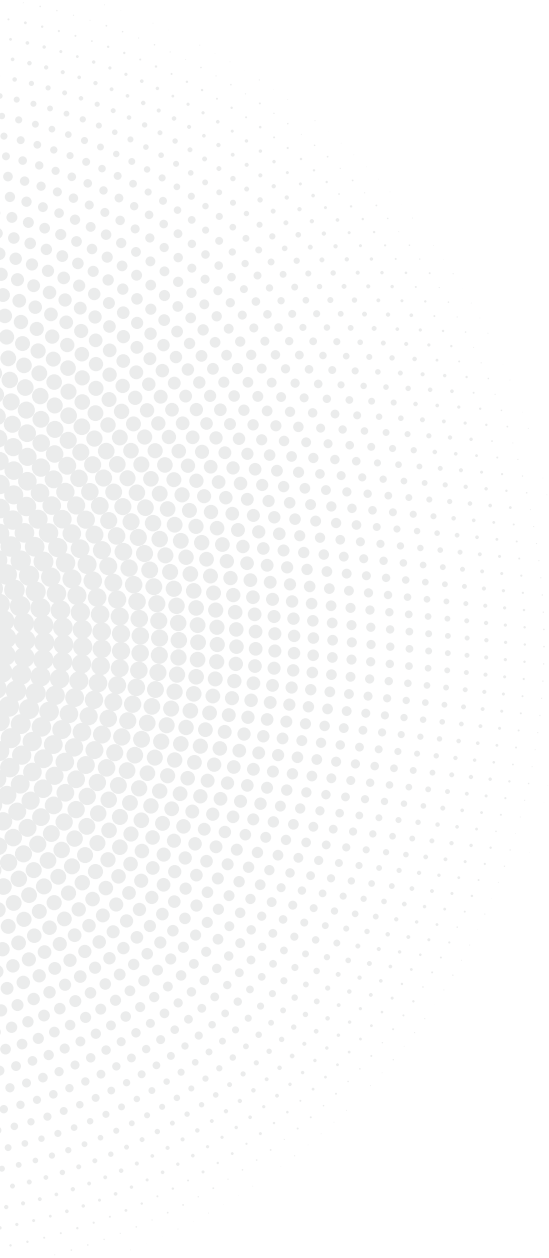
if Corporate

Authorised Signatures: (1) _____ (2) _____

NB: Corporate Seal/stamp required for (corporate Shareholder)

Kindly return duly completed form to the Registrar:
Pace Registrars Limited RC 248500
8th Floor, Knight Frank Building
24, Campbell Street, Lagos

P.M.B.12735 Lagos, Nigeria
Tel: 01-2806987-8, 2805538, Email:
info@paceregistrar.com,
website: www.paceregistrar.com



PROXY FORM

I/WE, _____ of
_____ being a member of Sterling Bank Plc hereby

appoint _____ or failing him Mr. Asue Ighodalo or failing him Mr. Abubakar Suleiman to act as my proxy, to vote for me and on my behalf at the Annual General Meeting of the Bank to be held on Thursday, 17th May, 2018 at 10.00 a.m and at every adjournment thereof.

As Witness under my hand this _____ day of _____ 2018

Signed _____

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve the Audited Financial Statements		
2.	To declare a Dividend		
3. a	To elect Mr. Emmanuel Emefienim as an Executive Director		
b	To re-elect Dr. (Mrs.) Omolara Akanji as an Independent Director		
c	To re-elect Mr. Michael Jituboh and Mr. Olaitan Kajero as Directors		
4.	To approve the remuneration of the Directors		
5.	To authorize the Directors to fix the remuneration of the Auditors		
6.	To elect members of the Audit Committee		
		Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion	

ADMISSION CARD

Please admit the Shareholder named on this card or his duly appointed proxy to the Annual General Meeting of the Company to be held on Thursday, the 17th day of May, 2018 at Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos at 10.00a.m.

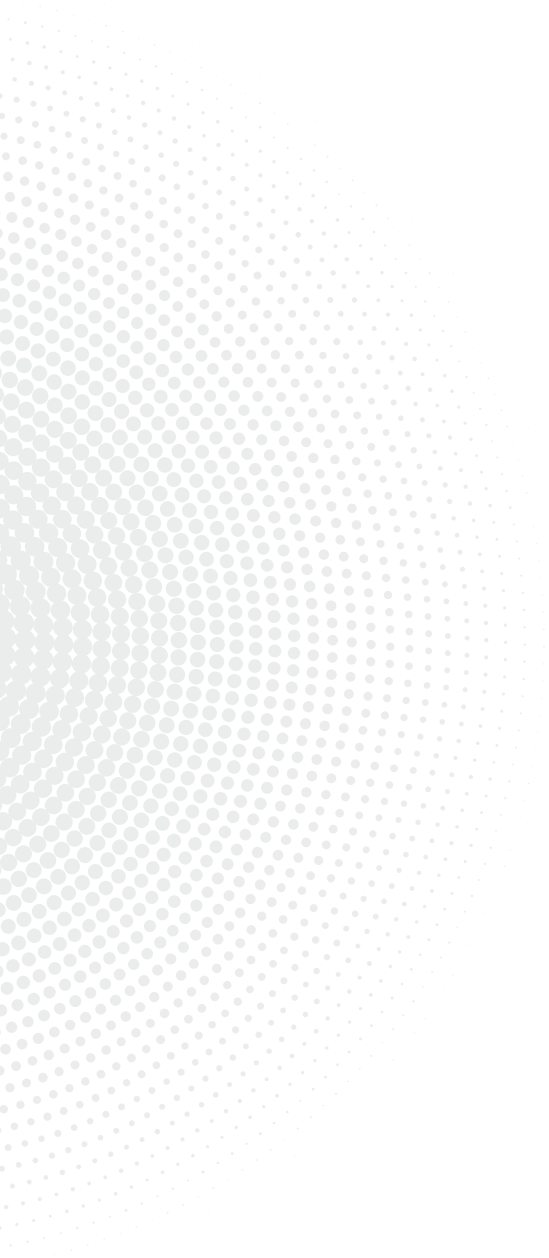
This admission card must be produced by the Shareholder to obtain entrance to the Annual General Meeting.

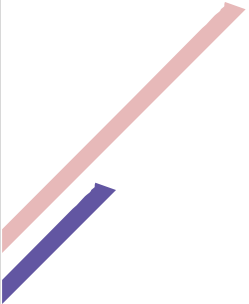
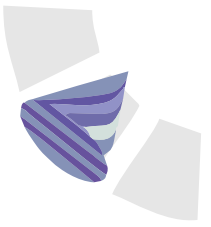
Name of Shareholder

Name of Shareholder

Signature

Address of Shareholder





disruption



Sterling Bank Plc.
Sterling Towers, 20 Marina Lagos
Tel: +234700STERLING (070078375464)
Email: customercare@sterlingbankng.com
www.sterlingbankng.com