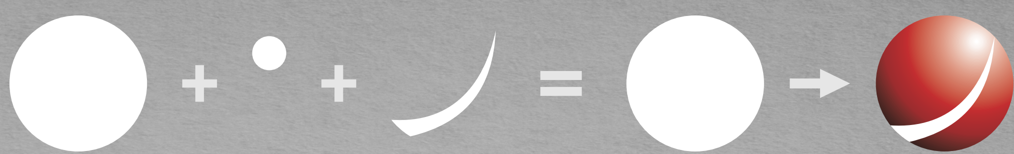
Sterling

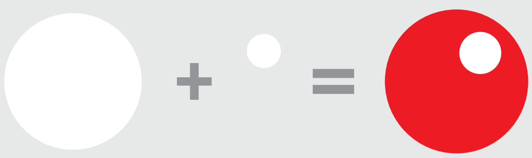
Annual Report | 2018

More agile than ever before

The Past



The Future



Sterling

Your One Customer Bank

Sterling

A Sterling Inspired By You

With renewed purpose to serve you better, our new identity is simpler, more dynamic and sophisticated in look. It echoes our evolution from legacy banking into a new and agile organization delivering financial solutions.

The revolution is in full swing and we've only just started.

#RisingSun

OUR NEW **IDENTITY**

"Rising Sun", the symbol of our new identity unveiled in January, 2019 is a new, modern look and feel which vividly illustrates the bank's growth trajectory and future positioning.

Simple, sophisticated and more dynamic in look, our new identity, reflects our progression from traditional banking to a new and agile force that delivers forward-moving disruptive solutions. The new look helps us tell our story better paving the way for us to make more impact.

The Rising Sun represents our drive and mission to be Nigeria's foremost bank, delivering highly impactful and valuable solutions for all our stakeholders. Our proof points are the recent launch of innovative, market-disrupting products such as Specta - Nigeria's fastest consumer lending platform, FarePay - Africa's 1st Contactless Transport Card and I-Invest - World's 1st Mobile Treasury Bills App among others. The logo reflects how far we have come as a Bank and our plans for the future.

While we continue to provide full-service commercial banking, Sterling will focus its resources on driving efficiency across the business under the three pillars of agility, digitization and specialization. These pillars are our pathway to sustainable growth by enhancing the ability to innovate, solidify retail funding base, strengthen enterprise-wide risk management framework and drive excellent service delivery across all channels to enhance customer experience.

Welcome to the new Sterling.

AT THE **HEART** OF STERLING

"Creating wealth by doing good is at our core as a financial institution, hence our focus on initiatives aimed at de-risking key sectors in the economy, supplying clean energy to households, ensuring food security and refining education and healthcare delivery, and providing these sectors with affordable finance."

TABLE OF **CONTENTS**


Justina Lewa
Company Secretary

NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 57th 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 25th day of April, 2019 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, 2018 and the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To elect/re-elect Directors
   (a) To elect **Mr. Michael Ajukwu** as an Independent Director
   (b) To elect **Mrs. Folasade Kilaso** as a Non-Executive Director
   (c) To re-elect **Mr. Michael Jituboh** as a Non-Executive Director
   (d) To re-elect the following Directors retiring by rotation:
   - **Mrs. Tairat Tijani**
   - **Dr. (Mrs.) Omolara Akanji**
3. To authorize the Directors to fix the remuneration of the Auditors
4. To elect members of the Statutory 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 Mr. Michael Jituboh, who attained the age of 70 years in September 2018, and being eligible and willing to continue will be proposed as a Director for re-election at the meeting.

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.

Statutory Audit Committee

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

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@sterling.ng not later than 11th April, 2019.

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.sterling.ng
dated this 27th day of March, 2019.

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, the numbers alone cannot tell our story. This integrated report is our approach to relaying information on the value created by the business for all stakeholder 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 2018 to 31 December 2018. Integrated reports are prepared annually, and the 2017 report can be accessed on the Sterling Bank website (www.sterling.ng).

This report was prepared in accordance with the Companies and Allied Matters Act (2004) and Banks and other Financial Institution Act (2004) amongst other regulatory frameworks guiding all aspects of 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 26 February, 2019. Assurance regarding annual financial statements is provided by the Independent Auditors report contained therein and, where considered appropriate, external sources have been used to provide independent information.

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

Email: customercare@sterling.ng or investor@sterling.ng
post; Sterling Towers, 20 Marina, P.M.B. 12735, Lagos, Nigeria.
Phone: +234 (1) 4884881-5

PERFORMANCE **HIGHLIGHTS**

Financials (N' millions)

TOTAL ASSETS	1,102,921	2.9% FROM FY 2017
LOANS & ADVANCES	621,017	3.8% FROM FY 2017
GROSS EARNINGS	152,164	14.0% FROM FY 2017
OPERATING INCOME	82,282	12.2% FROM FY 2017
DEPOSITS	760,608	11.1% FROM FY 2017
EARNINGS PER SHARE	32k	14.9% FROM FY 2017
PROFIT BEFORE TAX	9,489	17.1% FROM FY 2017
PROFIT AFTER TAX	9,218	14.9% FROM FY 2017

Channels

POS	ATM	USSD USERS	BRANCHES	CUSTOMERS	PROFESSIONAL STAFF
7,853	847	839k	179	>3M	2,401

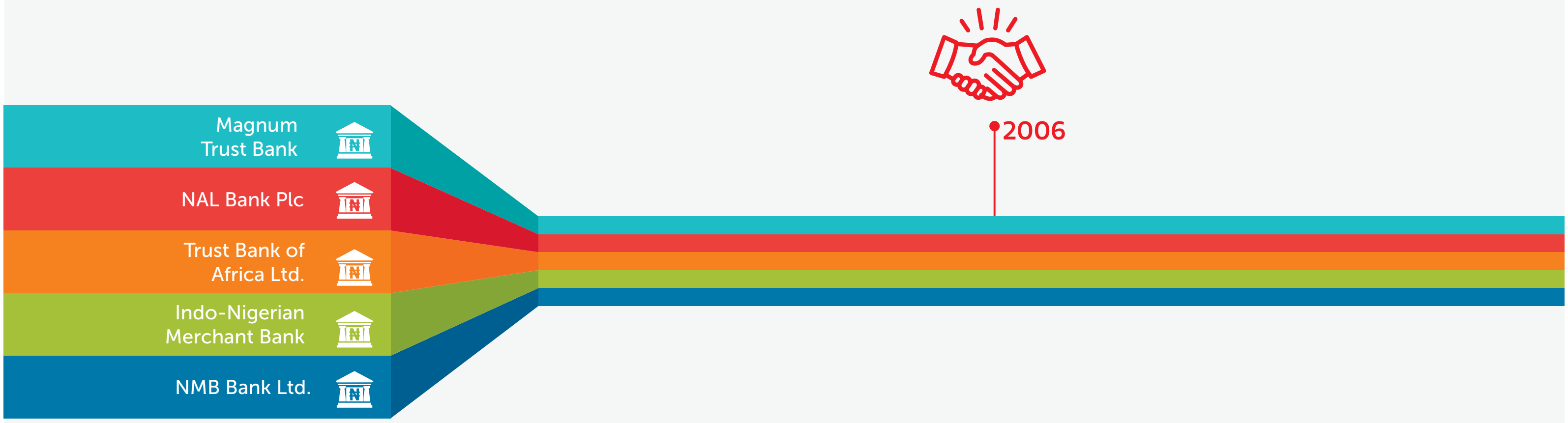
Ratings

Moody's	Fitch Ratings	GCR Global Credit Rating Co	DataPro Compliance Solutions Company
B2	B-	BBB	BBB+

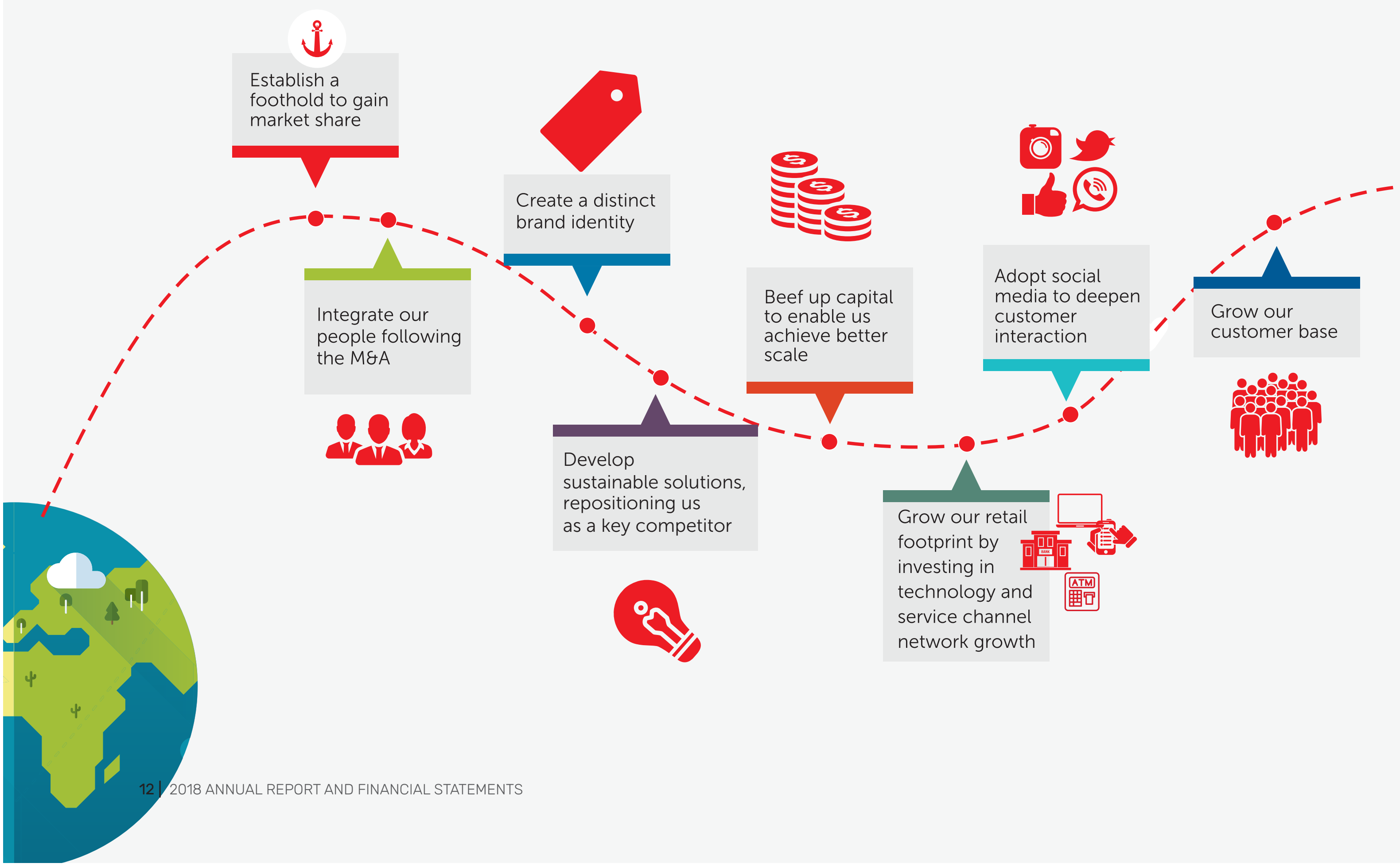
OUR BUSINESS **MODEL**

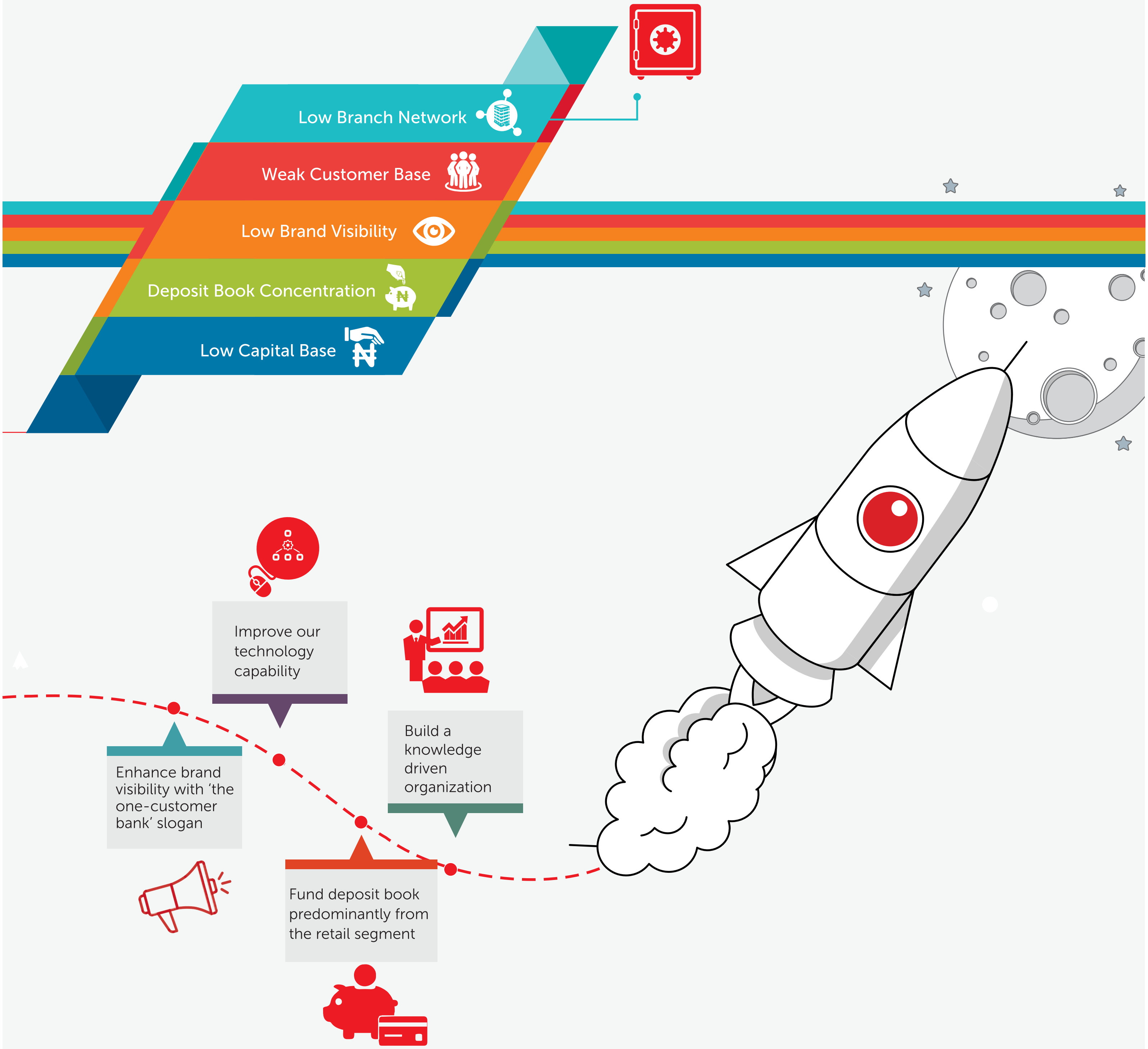
Our Heritage

2006-2010 | **The Birthing Process**



We navigated through these years to:




Low Branch Network
Weak Customer Base
Low Brand Visibility
Deposit Book Concentration
Low Capital Base
Improve our technology capability
Build a knowledge driven organization
Enhance brand visibility with 'the one-customer bank' slogan
Fund deposit book predominantly from the retail segment

Our Heritage

2011-2018 | Our Growth Years

2011
- Sold non core businesses following the repeal of universal banking by the CBN
- Acquired Equitorial Trust Bank to Scale our business

2012
Completed integration of ETB and launched retail banking

2013
- Raised N12.1bn via Rights Issued
- Obtained Non-Interest Banking license
- Launched Agent Banking

2014
Raised US$120m (N19.1bn) through private placement

2015
- Organisational restructuring along business lines Received PCIDSS certification for all our cards
- Received ISO certifications for our information assets

2016
- Deployed new CORE Banking application-Temenos T24
- Established Bond & Commercial Paper (CP) issuance programmes
- Launched the Sterling Environmental Makeover (STEM) campaigns

2017
- Completed the implementation work to achieve Basel 2 compliance
- Introduced HEART initiative to further drive sustainability banking
- Launched the AGILE way of working to improve efficiency and speed to market

2018
- Launched our digital transformation journey: achieved full launch of SPECTA, i-invest and Onepay
- For the first time, we achieved over one million monthly NIBBS Instant Payment transactions
- Ranked No. 26 in Top 100 corporates to work in Nigeria

WE BELIEVE THAT THE KEY OBJECTIVES OF NIGERIAN BANKS WILL CENTRE ON:

1. Efficient Liquidity Management
2. Cost Efficiency
3. Excellent service delivery
4. Asset protection in order to sustain optimal returns on capital.

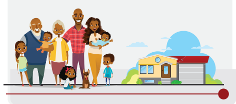
While...

- 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 potential

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"

Employees

To provide a motivating, safe work environment and career progression opportunities to our employees

Customers

To improve turnaround time for transactions, enhance the service experience, and increase retail channels to ensure our services are within reach

Regulators

Be responsive to the rules set and contribute to the achievement of a sound and stable financial services sector

Shareholders

Delivering strong ROE to investors without compromising the future

Community And Vendors

Enter responsible business partnerships that help to grow and improve the community and vendors

C Customer Focus

- "The customer is king"
- Holistic understanding of the customers' business
- Creativity in meeting the customers' needs, both internal and external

I Integrity

- Commitment, dependability, reliability and confidentiality geared towards winning the customers' implicit trust

T Teamwork

- "The success of one is the success of all"
- Seamless interface of all parts of the business

E Excellence

- Commitment to excellence in all our engagements

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

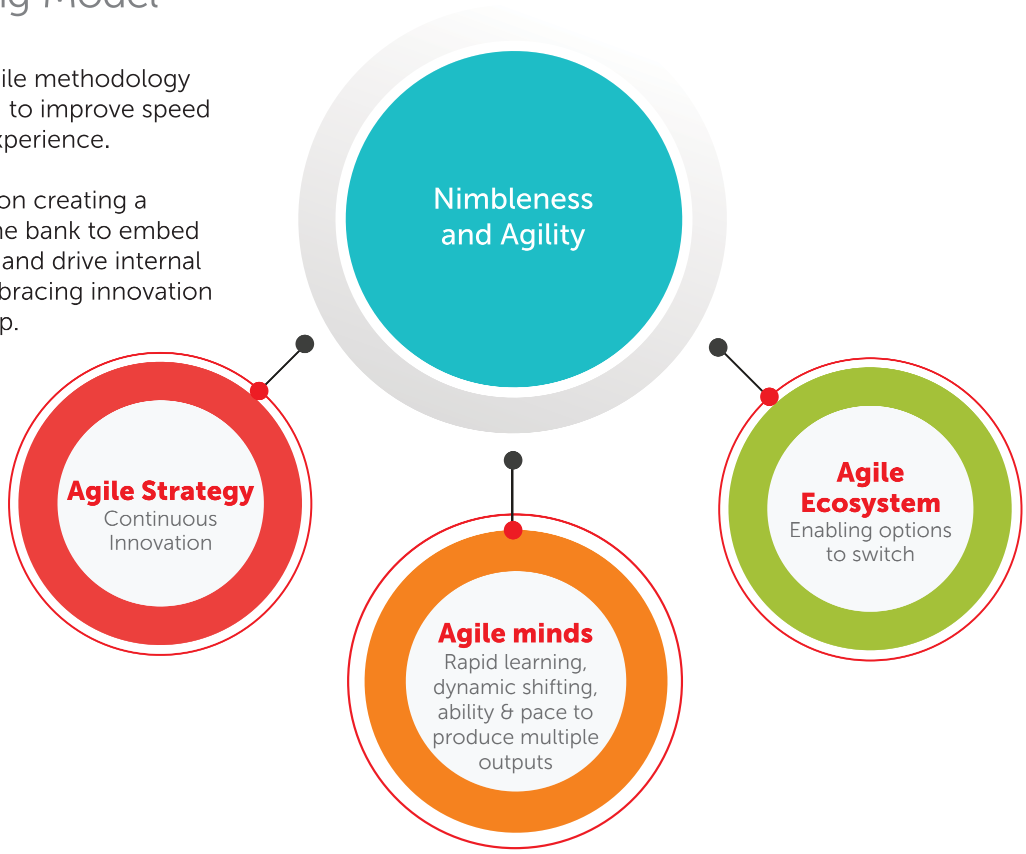
Focus on the user

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

Our Operating Model

We will adopt the agile methodology and journey thinking to improve speed and the customer experience.

We remain focused 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 and grow value

Extracting natural synergies among business groups

- Leveraging synergies and cross-selling opportunities
- Forging deeper relationships with customers
- Building customer networks accross businesses

Targeting high-growth market and segment

- Acquiring new customers along defined segments
- Using digital revolution to transform banking in Nigeria

Efficiency for profitable and sustainable growth

- Driving focus in specific sectors including Health, Education, Agribusiness, Renewable Energy and Transportation
- Exploiting the group structure for value realization and enhanced operating efficiency

Our Roadmap

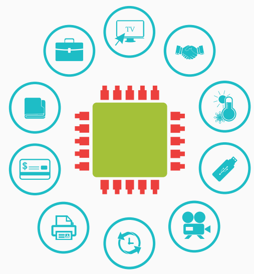
1. Focus on sustainable business lines

Building a stable funding base and lending securely

Retail Banking: “Growing with Nigeria”

Retail banking provides a sustainable business model for our ambitions

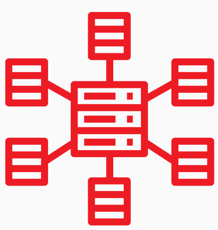
We are building our institution to cater intelligently to the growing, young and dynamic Nigerian population



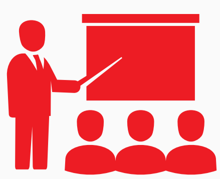
We are making significant investments in technology infrastructure that include smart systems for efficient and prompt processing...

...and marketing communications to make us 'the brand' to associate with

Corporate/Institutional Banking: “The next frontier”



We are building our internal processes and capital to enable us play aggressively in this space efficiently



Through educating our people, we are building a knowledgeable institution...

...able to cater to the complex financial needs of the next frontier in Nigeria's financial market development

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

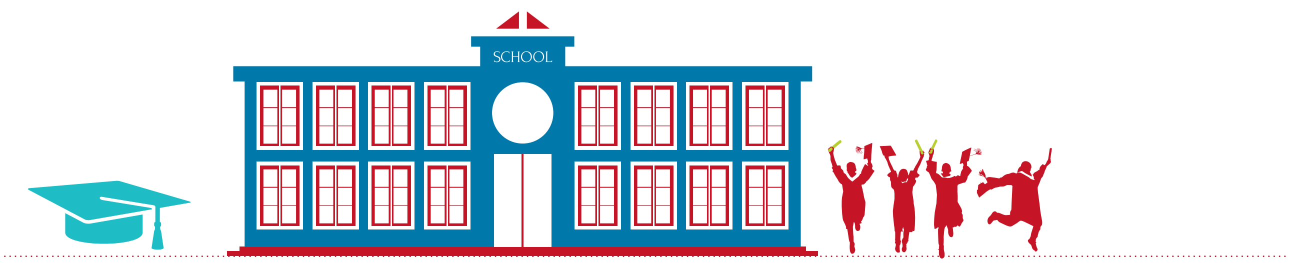
Our Roadmap

2. Engage Our Community

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.

A clean environment enables a healthy life.

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.

Target markets

Our choice of market segments was based on the understanding of emerging trends in the macroeconomic environment and opportunities in the sectors of interest.

Our Strategic Goals

Drive a Digital Strategy

Build a Trusted Bank

Pursue an Efficient Bank

MID-TERM (2017 -2021)

- 5% market share measured by deposits
- Diverse retail funding base
- Non-performing loans below peer group average
- Diversified income streams with top quartile position in all our operating areas
- Double digit revenue growth Y-o-Y
- Cost of funds <5%

LONG-TERM

- Globally competitive financial services franchise by financial and non financial measures
- Fully sustainable business model with institutionalized processes beyond the stewardship of current owners and managers
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- A trusted operator materially impacting all our segments of business participation
- Great place to work

A wealthy community produces a wealthy bank

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AT THE **HEART** OF STERLING

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"Our size, scale and influence mean we have both a responsibility to do the right thing and an opportunity to create real lasting change."
– Anna Gedda

Our purpose as an institution is to "enrich lives". We believe that by involving our community in our growth, we can only grow bigger. The potential of channeling private sector capital and market based tools to offer solutions to some of the most pressing social and environmental challenges cannot be underestimated. Increasingly, the Nigerian market is desperate for this kind of approach thus providing an opportunity for organizations such as ours. The core of our business as a financial institution is the commitment to improving lives and encouraging economic development as well as sustainability.

Emerging markets like Nigeria are living in an exciting financial era where innovation meets opportunity. Growth in the economy will call for more specialized and complex financial services which will lead to growth in other financial services outside of commercial banking.

More so, the growth of emerging market economies will enable financial service providers (especially banks) within those environments gain strength and provide the impetus for expansion beyond their borders. This enables them spread risks in time of volatility.

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.

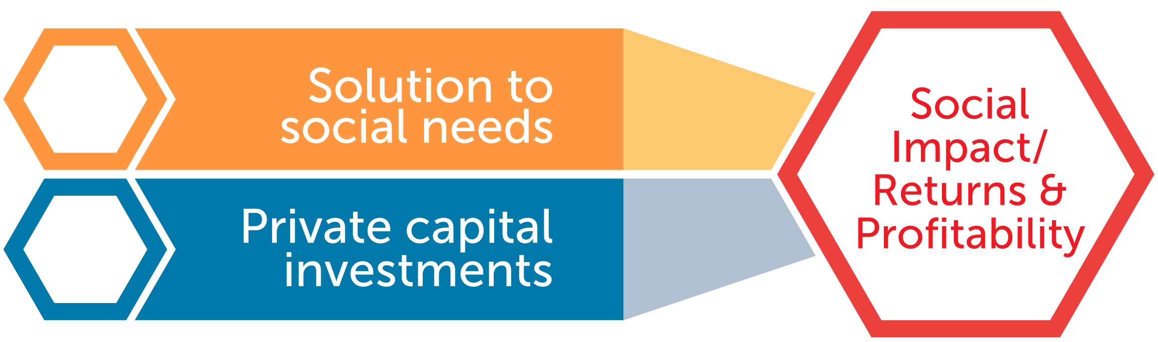
Our specialization path

We will ensure that in our areas of operation, we improve human capital and encourage economic development and sustainability. For this reason, we are guided by the thought that for human development, we require:

- a functional healthcare system supported by a clean environment
- a sound educational system fed by an agricultural sector that ensures food security
- adequate power generation and a robust transportation system to move all economic resources

Education, Good health and Healthy nutrition reduces the susceptibility to poverty and other challenges which suppress growth and a clean environment enables a healthy life.

Our business model is premised on social capitalism where we believe that private sector capital and market-based tools will offer the best types of solutions to Nigeria's most pressing social and environmental challenges. In addition, all solutions are designed with the customer/ final consumer in mind. Decisions are made based on the following:



The HEART Strategy

Health

The Nigerian health sector is valued at about US$18.3 billion of which approximately US$13.7 billion is private sector. Demand for healthcare in Nigeria currently exceeds supply, presenting a range of opportunities for much needed public and private sector investments.

The domestic healthcare sector is estimated to be worth US$5 billion per annum. In addition, Nigerians spend more than US$1 billion on about four million medical treatments abroad each year. Given the increasing demand for healthcare services and the inadequacy of Government's intervention in the sector, private sector participation has been on the rise across the entire value chain of the sector. Consequently, greater emphasis is placed on the growing private healthcare market, which makes it a focal point for prospective investors to examine.

Our goal in the sector is to:

Improve healthcare delivery infrastructure through Equipment Financing

Improve access to medical technology that also improves health business by providing access and information to practitioners in the sector. These will include technologies such as: Hospital Management systems to improve data collection, analysis and decision making and Inventory Management system to keep track of stock.

Increase technical capacity across the sector through Capacity Building/Trainings.

Encourage innovative cost-effective business models through our partnerships with other experts.

Education

Nigeria has one of the highest numbers of out of school children, one of the lowest budgets by the government for education and a large youth population - all three issues providing both a crisis and a blessing. The sector is valued at about US$9.2 billion of which approximately US$8.3 billion is the private sector. As of 2013 there were 13 million students enrolled in private schools and it is estimated that there will be 21 million students enrolled in private schools by 2021.

The education investment opportunity in Nigeria is one of the largest on the continent, estimated at over US$1.5 billion, mainly due to the large and growing youth population. Although the sector is highly regulated, with registration requirements across the levels, there are an emerging class of unregistered but high-volume schools in operations across the country to serve the significant demand for education.

Given the realization that the government alone cannot cater to the large need the population provides, by providing access and content we are aiming to:

01 Improve education infrastructure

02 Deepen the knowledge of students, teachers and school business owners

03 Improve the number of enrolled children per year

To achieve this, we will...

- Provide access to finance for parents, schools and other stakeholders. We will go a step further to fund unapproved schools to enable them to meet the criteria for approvals from the government.
- Invest in technology that enables easy learning and dissemination of information to students and teachers.
- Seek strategic partnerships outside of Nigeria to enable foreign investment flows into the education sector.

Agriculture

The two major gaps facing the agriculture today remains the inability to meet domestic food requirements, and export at quality levels required for market success. The problem of food sufficiency stems from a productivity challenge driven by an input system and farming model that is largely inefficient.

The country holds vast agricultural potential due to its large domestic market and its abundant arable land however has been unable to reach its full potential due to the lack of aggregation of smallholder farmers and infrastructure bottlenecks. For example, only 40% of the country's 84 million hectares of arable land is currently under cultivation.

Despite its large agricultural potential, Nigeria has been a net importer of foodstuffs for almost two decades, and the gap between imports and exports continues to grow. Currently, the agricultural sector is fragmented and dominated by smallholder farmers, suggesting that most producers cannot take advantage of the economies of scale required to compete globally or against imports.

'Feeding the Nation is everyone's responsibility'. This is the mantra that guides our actions in the Agriculture sector. We believe that Nigeria's industrialization and poverty reduction will come from the sector that currently provides the highest means of livelihood and thus we will:

Provide finance across the value chain for agriculture to ensure that clean food reaches the table of Nigerians, Agriculture industrialists are wealthy, and Farmers live a healthy and fulfilling life.

Provide a platform that links all players within the industry while providing information to help improve their business.

The sector is the oldest of all 5 sectors which started major business as a pilot in 2015. Today, the Agriculture sector currently holds 10% of the bank's entire loan book, setting it as the highest in that industry country wide. The bank has won awards as Best Bank in support of Agriculture, Agriculture Bank of the Year amongst others.

Renewable energy

Nigeria in its history of electricity generation has not had adequate supply of electricity, thus leaving it behind on various innovation in the globalized world. As the country's economy develops further, the demand for energy will increase. Already, the lack of adequate power supply cripples' industries and slows industrialization. It is estimated that only 5,000 megawatts of the country's 12,500 megawatt installed capacity are utilised at peak. Consequently, about 50% of Nigerians have limited or no access to the grid resulting in the need for a secondary power system to offset energy requirements.

Globally, the gradual diminishing of fossil fuels and the efforts to save the eco-system from global warming has seen nations turning to alternative sources to meet their energy demands. Nigeria is not left behind as the adoption of alternative sources of energy will accentuate existing supply capabilities from on-grid power sources, boost growth further and reduce environmental pollution. Nigerian homes and businesses spend up to US$14 billion (NGN5 trillion) annually on inefficient power generation that is costly, of poor quality, noisy, and polluting. Leveraging off-grid alternatives to complement the grid creates a US$9.2 billion/year (NGN3.2 trillion/year) market opportunity for mini-grids and solar home systems that will save about US$4.4 billion/year (NGN1.5 trillion/year) for Nigerians.

There is also a large potential for scaling within, for instance, installing 10,000 mini-grids of 100 kW by 2023 will only meet 30% of estimated demand.

Our play in the renewable space is part of our commitment to growing and improving businesses in Nigeria by reducing their cost of power while ensuring constant supply. We have taken a 3-pronged approach to achieving this:

Trading
we intend to create a platform that enables the sale of renewable energy solutions between electricity generators, distributors and users.

Financing
large projects that provide electricity to communities and businesses.

Creating Partnerships
to encourage the flow of foreign investments into the renewable space and bridge the service gaps which currently exist with the solutions.

Transportation

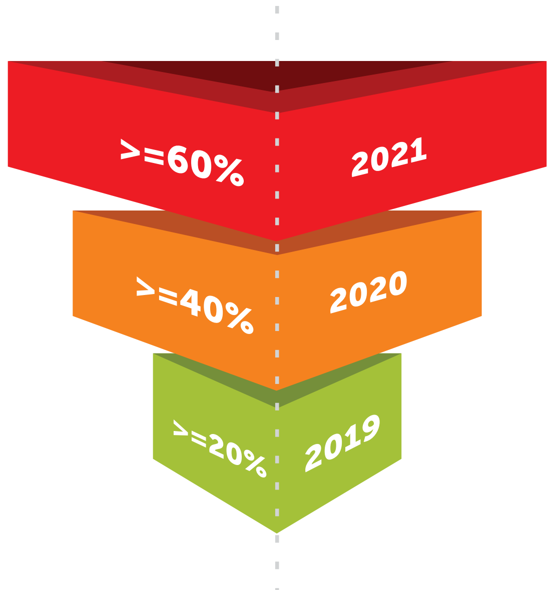
In many developing countries, the transportation sector contributes between 6% to 14% of the GDP but contributes below 1.5% to Nigeria's GDP. An efficient transport system optimizes the value chain in any economy and impacts on other sectors of the economy. The introduction of new technologies, new players and changing customer behaviors provide the sector with the potential to transform as a system and for new business models to develop. This provides an opportunity for us to bridge the gap that challenges such as poor infrastructure, lack of investment and development of new technologies and poor mass transit creates. For the transportation sector, we will:

- invest in technologies that ensure efficient collections for transport businesses;
- provide financing that enables transport businesses scale up from their current models;
- create partnerships with experts outside of Nigeria to test new business models that ensure that economic resources are adequately, properly and safely transported; and
- actively encourage the use of mass transit systems to reduce carbon emissions in line with our commitment to a cleaner environment.

With a relatively small community of investors and availability of required capital relative to the size of these sectors, our objective is to create an enabling environment within these sectors. We will entrench ourselves in these sectors, become specialists, invest in R&D and more importantly build technology platforms in these sectors to drive growth.

For every single one of these sectors, we are investing significantly in using technology to reduce the marginal cost for the players in these sectors which will increase

Asset Portfolio



market potentials and consequently attract the much-required additional investments. In addition to this, we are deliberately investing and partnering with key SMEs who contribute significantly to economic growth and development particularly within the HEART sectors. By growing a retail business, we are able to finance businesses in these sectors cost effectively and efficiently for us and them.

We have tested this business model for sector-based businesses over a few years which allowed us to gain traction in the Agriculture sector, which currently makes about 10% of our loan book. The other sectors have been in research since 2016 to pave way to expand business significantly in 2019.

Substitution pathway

Starting from 2018, we commenced a wind-down and re-allocation of capital to our focus sectors. We assume a complete reallocation by 2021 with over 60% of our portfolio focussed on the HEART sectors. As at today, they make up about 16% of the total asset portfolio.

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LEVERAGING ON **OUR PEOPLE** TO WIN

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Nurturing the right culture at Sterling is critical to our success and sustainability, as we remain committed to driving performance through right behaviours. So far, we have taken noble strides in adopting the Agile way of working.

These efforts are geared towards creating exceptional standards of organizational efficiency in service delivery, while we continue to promote ethical values across our diverse workforce in a bid to continuously deliver the best results for our customers, clients and employees, taking pride in our laudable accomplishments.

At the core of our strategy and processes is the ethical and values-based element of our organizational culture which sets out series of commitment as enshrined in our "Behavioural Codes".

Launched in 2018, the Sterling Behavioural codes personify our ethos to build a work place that is safe and enabling for all regardless of background or creed, a workplace devoid of all forms of abuse and work-place discrimination. A workplace where our workforce is consistently empowered, motivated and self-driven to do more and be more.

Our Behavioral Codes

01
Be Passionate

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

02
Be Impactful

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

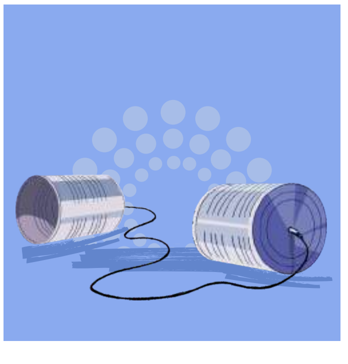
03
Be Respectful

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

04
Be Ethical

Avoid conflict of interest and personal gain. Adhere to policies

05
Be a listener



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

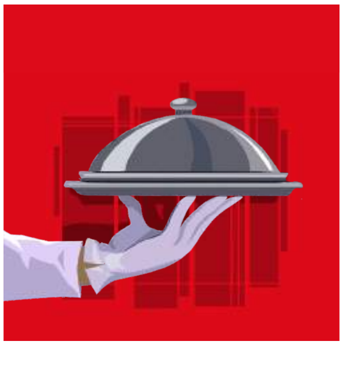
06
Be Responsible

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

07
Be Tolerant

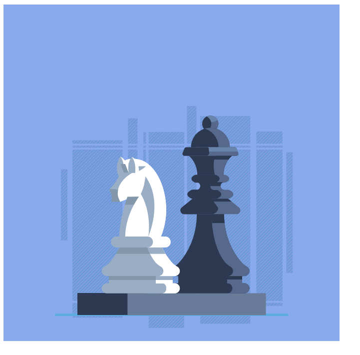
Step out of your comfort zone and seek to understand others

08
Be of Service



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

09
Be a Leader

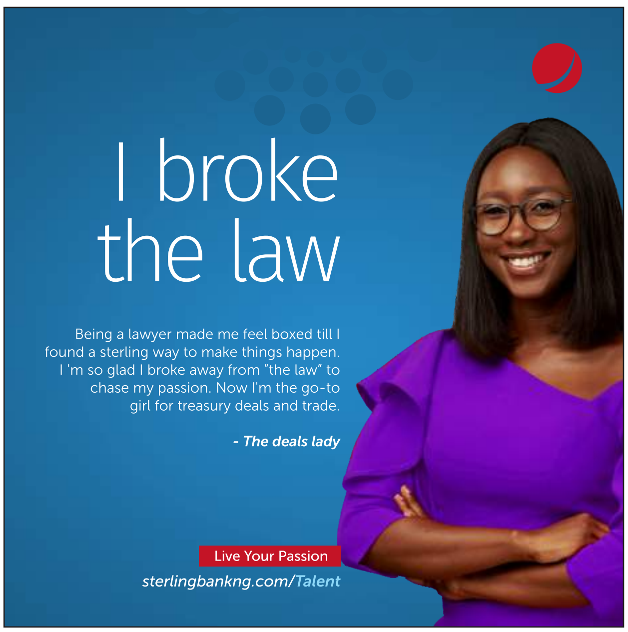


Demonstrate personal accountability by displaying behaviours and actions that reflect high professional standards

10
Be Agile

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

We are committed to helping our people succeed, whether entering the workplace for the first time or as an experienced professional. As part of our Talent acquisition strategy, our Internship programme which focuses on leveraging the dynamism of young talents across a broad spectrum and unique skillsets has continued to provide opportunities for talents from diverse backgrounds. Since the programme was revamped we have hired over 100 interns, the majority with no prior qualifications or experience. We have continued to expand the programme by introducing variants which includes; ***Women in banking, Young Talent, Tech Talents and Summer Associates.***



Further to our ambition and commitment to become an employer of choice, where colleagues are engaged and empowered to achieve their best in-order to deliver the best for our customers and clients, we reshaped our employee engagement strategy with two flagship platforms – ***Let's talk with the MD and the Sterling Leadership series.***

Pictures from Sterling Leadership series and Let's Talk with the MD

Both platforms are geared towards driving seamless enterprise engagement flow chains across board and promoting top to bottom communication which engenders the Employee Voice.

Our focus is hinged on leveraging dynamism and innovation, embedded in our workforce and the workplace, with employee well-being at the core, for example, our flexible working schemes and employee well-being campaigns, as well as prioritizing positive mental health awareness. Our ongoing commitment towards increasing female representation at all levels across Sterling remains a core focus of our talent management and leadership succession processes and we recognize that our commitment to greater gender equality is integral to drive optimal performance and societal change in equality, diversity and inclusion.

As we scale our Agile working model, we continue to foster a knowledge based element of our culture through specialized learning and developmental interventions by continuously leveraging on collaborations across our value chains to deliver improved solutions and products for our customers and clients.

In 2018, external recognitions validated the sustained and global impact of our work.

We are proud of the increased level of employee engagement we are seeing across the bank and the external and internal impact of our core values and culture.

Indeed, this speaks to our mantra of enriching lives. As we reminisce on these landmark achievements and recognitions, we are both elated and inspired to run a lot faster than ever in building an institution worthy of utmost heights of trust, service excellence, unique industry reputation and creating a truly great place to work.

Asue Ighodalo
Chairman of the Board of Directors

CHAIRMAN'S STATEMENT

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PROMOTING THE CULTURE OF **INNOVATION AND INCLUSION**

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Dear fellow shareholders, It is with great pleasure that I warmly welcome you all to the 57th Annual General Meeting of our Bank. Going by the results for the financial year ended 31st December 2018, I am pleased to report that Sterling Bank has, once again, delivered steady growth performance, despite the slow-growth environment.

Ladies and gentlemen, the Bank's performance in the just concluded financial year reflects good progress against the execution of our strategy. Before I proceed with our performance in 2018, please allow me to give context to the operating environment and highlight key aspects that shaped our performance in 2018.

The macroeconomic and operating environment

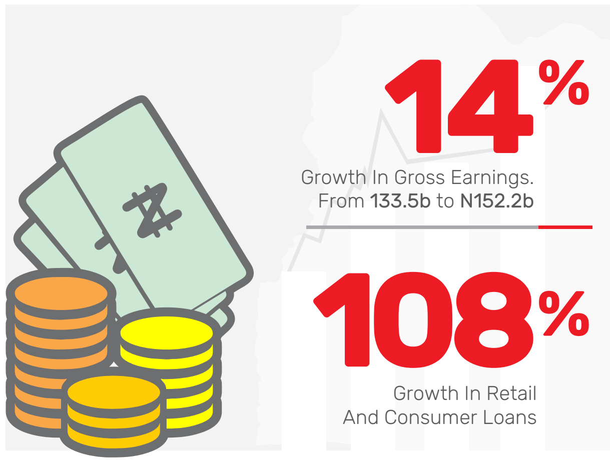
In 2018, the Nigerian economy consolidated on the recovery from the recession in 2016 delivering modest improvements in key economic indicators. According to the Nigerian Bureau of Statistics, our GDP expanded by 1.93% – this could be considered slow economic growth given our long-term growth average. Our economic recovery was buoyed by the growth in the oil sector with Brent crude prices averaging US$70/bbl during the year, rising by over 30% from an average of US$55/bbl in 2017. The sector continues to remain a key economic driver even with the inconsistent growth patterns and production levels at under 2mbpd all year round. Our industrial sectors maintained a steady growth pace since exiting the recent five-quarter recession, expanding twice as much in 2018 compared to 2017. On the other hand, clashes between herdsmen and farmers escalated during the year, causing a significant year-on-year decline in growth of the agriculture sector. With the monetary policy stance remaining largely unchanged through the year, the economy continued to witness relatively positive outcomes such as the convergence of the multiple exchange rates and a steady decline in inflation rate to 11.44% from 15.13% in January 2018. Also, 2018 saw the reduction in the government's debt-financed deficits through the local fixed income markets, significantly easing the interest rate environment for corporates looking to attract long-tenured funding.

Externally, volatility heightened as the momentum in growth trends quickly waned leading into the second quarter. The deceleration in growth was boosted by rising trade tensions between the U.S and its long-term allies (China, Canada, European Union, Mexico), gradual unwinding of quantitative easing programs by the U.S Federal Reserves and ongoing political unrests in some regions. The Eurozone witnessed decelerating growth amid prolonged social unrest in France and weak momentum in Germany, while the effects of Brexit began to materialize as the uncertainty diminished economic activity in the UK. In China, the combination of high tariffs, large debt profile, looming real estate bubble and a weakening currency have created downside risks for the economy. In contrast, the U.S economy achieved a 2.9% growth – the highest since 2015, underpinned by several factors including employment growth, elevated consumer confidence and strong wage growth. The strengthening of the U.S and its monetary policy normalization led to a reversal of capital inflow into the Nigerian economy. These reversals became evident in the second half of the year with Foreign Portfolio Investments decreasing by 47% to US$634 million as at December 2018 from US$1.2 billion as at June 2018 and was further propagated by the uncertainty that precedes every election cycle in Nigeria.

Performance overview and shareholders' returns

Our financial results in 2018 reflects an even stronger business performance despite the impact of an ailing operating environment. We sustained our earnings growth momentum in 2018 as gross earnings grew by 14.0% to N152.2 billion from N133.5 billion recorded in 2017. Although operating expenses increased by 26.4% to N66.9 billion – due to our investment in human capital and technology - we grew profit before tax by 17.1% to N9.5 billion and profit after tax by 14.9% to N9.2 billion.

We closed the year with an improved balance sheet position as total assets grew steadily by about 2.9% to N1.10 trillion, maintaining the over one trillion Naira mark achieved in the previous year. We continued to sustain operational efficiencies and our focus in growing the Bank's retail franchise. This resulted in an



improved deposit base and moderate growth in our loan book, specifically riding on the 108.3% growth in retail and consumer loans delivered mainly by SPECTA – Nigeria's fastest digital lending platform. In addition, we were also able to maintain our cost of funds at 7.4% despite the high interest rate environment which persisted for a significant part of the year.

We recognized a 3.9% decline in shareholders' funds due to the newly adopted IFRS 9 standard under the International Financial Reporting Standards (IFRS) regime. The mild erosion of the Bank's capital was occasioned by the requirement to charge certain credit losses. These charged losses and our determination to accelerate our growth ambitions suggest to your Board that it should not recommend the payment of dividends for the 2018 financial year. We are grateful for your continued support and count on your understanding as, together, we continue to build a formidable institution.

Banking on sustainability

Our bank has overtime understood the potent impact of sustainable banking on economic development and its contribution to the achievement of our sustainable development goals. We have achieved this by promoting the culture of innovation and inclusion in our initiatives as a financial institution. We have successfully adopted international best practices of sustainability across our business operations, entrenching this into areas such as product development, carbon footprint management, financial inclusion, environment and social risk management, amongst others. Some notable initiatives during the year include:

- The inauguration of the One Million Teachers (1MT) Initiative, a programme aimed at retraining one million teachers nationwide; and
- Facilitating trainings for over 20,000 Micro, Small and Medium Enterprises and financing of over N4 billion to MSMEs with a view to growing and expanding their businesses.

Our focus on Healthcare, Education, Agriculture, Renewable Energy and Transportation (the 'HEART' sectors), has led us to review and expand our environmental and social risk sectoral coverage. This enables us to be at the forefront of developing initiatives within each of these sectors as part of financing our growth programmes.

One notable initiative in this regard includes the commissioning of the total solarization of our head office - Sterling Towers which will allow us run on alternative and clean energy, reducing our conventional energy consumption and the attendant costs, significantly. Our digital assets, notably SPECTA and Farepay (a contactless payment solution on the mass transit network) have also contributed to economic and social development.

In the pursuit of building a truly sustainable institution, we understand that our employees are the driving force of the sustainability culture, which is why we continuously build an institution that attracts and retains the best, assures first class training, whilst providing favorable working conditions, and enhancing the work-life balance of our employees. A comprehensive sustainability report has been provided as part of this annual report. We remain firm in our commitment to the Central Bank of Nigeria's sustainable banking principles.

These challenges present the Bank with a unique opportunity to create value in innovative ways within our sectors of focus and deliver superior returns to our esteemed shareholders

Board Changes

Strong management and governance are an integral part of the Board's responsibilities and critical component of our business operations. During the year, three of our Board members retired; Mr. Kayode Lawal who served as Executive Director, Corporate & Investment Banking, Mr. Rasheed Kolarinwa who served as an Independent Director and Mrs. Egbichi Akinsanya who served as a Non-Executive Director. I wish to take this opportunity to once again convey my utmost gratitude for their outstanding contribution to our Bank.

Correspondingly, in line with our commitment to best practice in organizational succession planning, we strengthened our Board by appointing two new Directors who have been duly approved by the Central Bank of Nigeria.

On this note, it would be a great honor to be considered suitable by you, our esteemed shareholders, the endorsement of my colleagues, Mrs. Folasade Kilaso as Non-Executive Director and Mr. Michael Ajukwu as an Independent Director.

Their Resumes are contained in this Report. I have no doubt that their wealth of experience will be of great value in our continuous commitment to steering this great institution to unprecedented heights in the years to come.

Business Outlook for 2019

On the global scene, we should expect to see staggered growth compared to 2018, mainly due to less accommodating financial conditions worldwide. Despite the recent truce, both political and trade tensions between China and the United States remain elevated, fueling economic uncertainty. Meanwhile, the ongoing monetary tightening by central banks in advanced economies is likely to further spur capital outflows from emerging markets, putting their financial markets at risk.

The Nigerian business environment for 2019 would remain a "story of two halves". We anticipate the first half of the year would be largely dominated by election activities at the expense of economic growth, heightened by subdued foreign capital inflows, increased pressure on the Naira – albeit moderate, and an accelerated foreign exchange intervention programme. Going into the second half of the year, we expect to see increased economic activities with the likelihood of stronger consumer confidence.

However, the business environment may experience challenges owing to a possible delay in the passage of the budget accompanied by the perennial budgetary deficits. That said, these challenges present the Bank with a unique opportunity to create value in innovative ways within our sectors of focus and thus deliver superior returns to our esteemed shareholders.

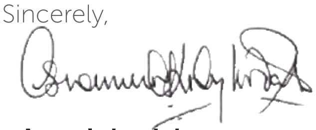
Appreciation

In closing, I take this opportunity to thank all our stakeholders, particularly our esteemed shareholders, customers and partners for the ardent support given throughout the year. I would also like to thank the management team and assure them of our continued support as they strive to take the Bank to greater heights. We have full confidence in their ability to strengthen the Bank's performance as we transform into a leading and extremely efficient financial institution. We also recognize the commitment of all our staff, the sterling family, and would like to extend our heartfelt gratitude for their hard work and dedication to this institution.

I also wish to extend my sincere appreciation to our regulators, the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the Securities and Exchange Commission, the Nigerian Stock Exchange, the Corporate Affairs Commission, and to the other government agencies and regulatory bodies we interact with, for their invaluable and ongoing support.
Sterling Bank's performance is the result of the actions of all our stakeholders. We are committed to creating appreciable and sustainable value and ensuring that you benefit extensively from the successes of your institution.

I thank you all.

Sincerely,



Asue Ighodalo
Chairman, Board of Directors


Abubakar Suleiman
Managing Director/CEO

MANAGING DIRECTOR'S STATEMENT

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A **TRANSFORMATIONAL** ORGANIZATION

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I am honoured to welcome you – our distinguished shareholders and investors, our ever-valuable customers and our regulators to our 57th Annual General Meeting.

The context

Frontier markets are typically characterized by the various challenges that come with growing pains and Nigeria is not left out. These challenges only strengthen our resolve to work harder, remain extra vigilant and continue to innovate even faster to allow us to take advantage of opportunities arising from our peculiar experiences.

Significant political shifts in the United States (US), United Kingdom (UK) and France meant that these three countries accounting for a quarter of Global GDP, grappled with the significance of their mandates and the reality of delivering on them.

The problems of Brexit, high trade tensions in the US especially with China and Canada; and the French system which experienced protests grinding its country to a halt meant that uncertainty characterised the globe.

Other policies in addition to these political concerns also added to the uncertainty around the globe; the US position on the Iran nuclear deal, the Paris Accord and their position in NATO created protracted stability in oil

> *We must rethink, not just our strategy or our operations, but our organizations*

production and high prices. For Nigeria, coupled with fragile peace in the Niger Delta, we were able to secure a stable foreign currency market and even FX regime for 2018. Our economy grew – albeit slowly – and certainly not enough to keep unemployment and poverty levels down. More so, the elevated risk perception as we approached another election cycle kept investors at bay in the second half of the year. Essentially, we were unable to record some of the gains a stable FX market and improved external reserve could provide.

Key learnings in 2018

They say the only constant is Change – the world as we saw in 2018 tells us this regularly. Away from the uncertainty of global conditions, disruptions in customer tastes and preferences means that customer satisfaction has become a largely dynamic thing forcing us to expand ourselves in ways we have not even thought of. As a country or an institution, we are left with the challenge of responding rapidly to threats that are occurring at a rate faster than the speed of light – from mobility (Uber) to Healthcare (Robotics) to financial services (Alipay), no sector is spared in the new order.

How does one respond to this? While there is no single answer, one thing is clear – we must rethink, not just our strategy or our operations, but our organizations. Rethinking organization for us means that our responses in an ever-changing world is to be adaptive, self-correcting with the capacity to learn all while keeping operations going. The term 'multitask' has never been realer than in the last year.

In our bid to be this organization, we evolved in response to our environment by nurturing a culture of Agility which culminated in the prestigious award as the most agile company in Africa by the World Agility Award, alongside global companies like Toyota in North America. We will continue to strive for resilience in the face of adversity and for innovation to harness the opportunities for growth.

Is it paying off? Progress report:

In 2018, we surpassed many of the important targets we set for ourselves, largely due to our culture of adaptability. Our profitability defied the larger economic indices to grow at over 14%, more interesting for us was the value seen across our new channels which shows our readiness for the areas of growth in the business – we doubled our transaction volumes on the instant payment platform, enhanced our mobile channel usage by over 80% and improved our collections via POS to give us 4% of the total collections via that channel.

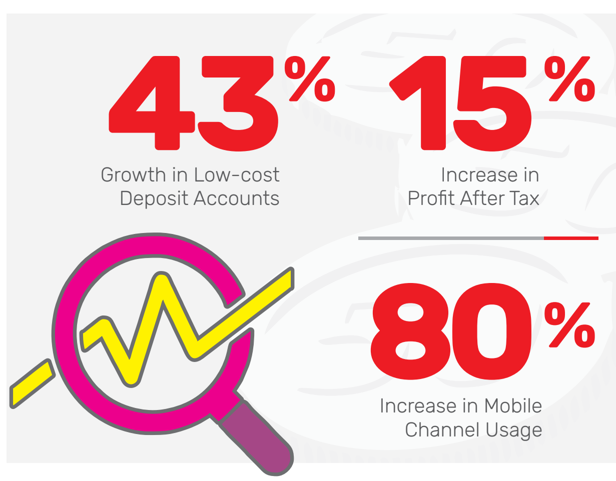
This improved e-channel pattern allowed us to increase our low-cost deposit accounts by 43 percent. For us, this indicates that the retail strategy is growing steadily and gearing to yield positively. We are convinced that this will continue to improve in 2019 with the new lending and payment platforms coming onstream in the second half of the year.

Welcome to Sterling!

How we will get there - 2019

In the new year, our commitment to remain profitable and ensure all investments are safeguarded irrespective of external events stands strong. We intend to achieve this by 'doing good'- creating an institution with impact. In a country like ours, this is not only the right thing to do, it remains the safest way to operate in our dynamic world.

We will work to advance the things that are important to our customers and our government to position us as partners rather than just another banking business. We will seek to contribute further to policy development



and collaborate more to execute national programmes. Through the HEART of Sterling, we will continue to deepen our specialization in these growth sectors.

In 2018, we were appointed Chairman of the Nigerian chapter of Africa Rural and Agricultural Credit Association (AFRACA), further confirming our contributions to the sector in addition to our numerous awards as the foremost bank in financing Agriculture in Nigeria.

The agriculture business in 2019 through partnerships such as that with AFEX Commodity Exchange and Binkabi will drive productivity in key export commodities, leading to improvement in the quality of lives of the rural communities while providing us access to stable financing.

Similar to Agriculture, you will see your Bank take on a leadership role in the health sector with policy formulation and health financing to ensure improvement in the sector. We will also remain at the forefront of making education accessible to all.

In 2018, we paid fees for over 3000 students through our Edu-finance scheme with the plan to triple this in 2019. Lastly, our commitment to promoting transparency and efficiency in the transport will be further entrenched by distributing the Farepay system more widely across the country.

We will continue to make investments in technology, digitization and data analytics to ensure our organization is a clear winner in its chosen markets. Our aim is to make lending more accessible through Specta, further decentralize the investment market through i-Invest and bridge the gap between digital services and physical fulfilment through Café One. We are changing the ways of banking by focusing solely on the customer.

None of this will be possible without people, so one of our pillars for the year is to enhance the capacity of our workforce and retool them for the future of work. We are raising passionate and agile people who are dedicated to building a better world – this is the only way our strategy can be successful.

Committed to tomorrow

As an institution devoted to enriching the lives of those we encounter, we will focus on building a resilient financial institution that generates profit today while building for the future.

We must therefore remain steadfast in our commitment to the environment as these principles are necessary for us a going concern. To further our commitment to the planet, we recently became a participatory member of the United Nations (UN) Global Compact, the world's largest sustainability initiative; this will set in motion changes to our business operations to allow the UN Global Compact and her 10 principles guide our business strategy, daily operations and organization culture going forward.

Perhaps one of the biggest and boldest statements we will make regarding the environment is committing to power our head office building and 60 percent of our branches using clean energy. Not only does this help create a better environment, it will also improve our cost profile which enables us to achieve our drive for efficiency. The desire for solarisation is not only beneficial today but necessary for survival tomorrow.

Gratitude in service

The 'one-customer' mantra is a lifestyle for me, a promise that everyone will get the Sterling service of excellence. The commitment is a huge aspiration and I am grateful to you all for entrusting me to be the Chief Servant.

A huge thank you to the Board, for their dedication to excellence, understanding and trust; the numerous shareholders for their unwavering support and to our ever loyal 'one-customer' for staying with us and trusting us to build a better financial life for you.

Finally, to team Sterling for keeping me company in the race to excellence, thank you.

Abubakar Suleiman
Managing Director/CEO

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.

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MARKET **DISRUPTIVE** OFFERINGS

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Specta: Specta is an online retail lending solution targeted at providing loans of up to N5,000,000 in 5 minutes. The platform leverages on a strong credit algorithm that enable customers access loans without lengthy paper work or collateral once they have been pre-qualified.

With Specta, scoring is instant and disbursement done in less than 5 minutes. Since its launch in 2018, the platform has profiled over 12,000 customers and disbursed about 8 billion Naira.

For the first 12 months after its launch, the platform was limited to employees of pre-qualified organizations, however, it has since been enhanced to accommodate a wider range of customers through some recently deployed variants;

Specta Xtreme: This variant enables access loans on the platform as long as they meet the pre-qualification criteria. Xtreme has disbursed over 250 million Naira to over 400 customers in 3 months.

Specta Prime: Prime was designed for corporate and individual customers who have existing investments with the bank. This system considers the investment as a pre-qualification criteria and disburses credit to the customers based on the value of their investments.

Doubble: This is an annuity savings product that offers beneficiaries financial stability. It provides a unique opportunity to literally double any amount saved. Unlike other savings products, Doubble empowers customers to make target, short and long term savings. At maturity, payments are made to the beneficiaries as lump sum or in monthly installments over a long period. Doubble offers truly flexible savings plans in both Naira and USD.

AltMall: The Alternative mall is a unique e-commerce platform that offers all the features of regular e-commerce platforms but also enables customers to make purchases with an option for deferred payments which can be made in installments. AltMall customers are pre-profiled or profiled at the point of purchase and when required can access credit to compete their transactions.

The platform is embedded with a credit logic which considers all regulatory checks and customer eligibility criteria. Ultimately it offers the customer ease and flexibility in the online marketplace.

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Imperium: Imperium is a digital ecosystem built to simplify the process of supplying and acquiring renewable energy solutions. The platform is designed to accommodate producers, retailers and consumers of renewable energy solutions and provide a platform for trade, advisory and technical support. Imperium offers diverse options for its customers including a Lease-to-own alternative which enables the customer to purchase energy solutions and pay the cost in installments over a period of time. Customers can also subscribe to the Power-as-a-service model which allows the customer to pay monthly for constant power supply without owning the equipment.·

i-invest: The growth of the middle class in Nigeria has provided the opportunity for growing investment portfolios. i-invest provides an unprecedented convenient opportunity for customers to make and manage investments in Treasury bills.
Customers can invest directly on the app and track their investments to determine the interest gains, payout dates and other important information. Since its launch, i-invest has acquired over 30,000 customers with investments of over 3 billion Naira.

GoMoney: GoMoney is a groundbreaking application that fosters mobile payments and promotes financial inclusion. If offers a digital wallet that enables users make and receive payments using their phone numbers, email address or bank account numbers. It is an all-inclusive platform that brings increased ease and convenience to the payment process by ensuring easy onboarding and lower transaction charges.

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 developed FarePay to facilitate seamless payments of fares in the transport system. FarePay processes payments using a contactless card system that ensures efficiency in the payment and collection process. Since its launch, over 11,000 cards have been issued with a transaction volume of over 25 million Naira.

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. Switch will leverage on AI to understand and predict customer behavior thereby creating a truly personalized customer experience.

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.

Social Lender: Social lender is an on-line peer to peer micro-credit lending platform using 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.

Chatpay: 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.

SnapCash: 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 of N10,000 for other bank customers and N20,000 loans for our customers 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**

*"We have committed N10 billion to improve infrastructure for **Healthcare** delivery through equipment financing, promoting cost-effective business models through partnerships, increasing technical capacity through capacity building/trainings, and improve access to medical technology."*

PERFORMANCE
REVIEW

Analysis of the Bank's Financial Performance

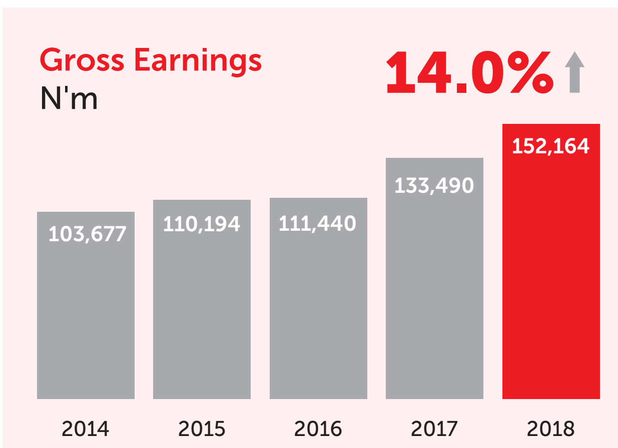
Our 2018 results highlight positive performance across key financial indices and a marked improvement from our position in 2017 despite a challenging business environment.

	2018		2017		Growth
In millions of Naira	N'M	% of TOTAL	N'M	% of TOTAL	%
Gross earnings	**152,164**	**100.0%**	**133,490**	**100.0%**	**14.0%**
Interest income	125,163	82.3%	110,312	82.6%	13.5%
Interest expense	(69,882)	45.9%	(60,138)	45.1%	16.2%
Net interest income	**55,281**	**36.33%**	**50,174**	**37.6%**	**10.2%**
Fees & commission income	15,211	10.0%	12,876	9.6%	18.1%
Net trading income	8,618	5.7%	4,675	3.5%	84.3%
Other operating income	3,172	2.1%	5,627	4.2%	- 43.6%
Non-interest income	**27,001**	**17.7%**	**23,178**	**17.4%**	**16.5%**
Operating Income	82,282	54.1%	73,352	54.9%	12.2%
Impairment charges	(5,843)	-3.8%	(12,267)	(9.2%)	-52.4%
Net Operating Income	**76,439**	**50.2%**	**61,085**	**45.8%**	**25.1%**
Personnel expenses	(13,194)	8.7%	(11,545)	8.6%	14.3%
Other operating expenses	(16,715)	11.0%	(15,284)	11.1%	9.4%
General and administrative expenses	(24,283)	16.0%	(16,554)	12.4%	46.7%
Depreciation & amortization	(5,730)	3.8%	(4,995)	3.7%	14.7%
Other property, plant and equipment	(7,028)	4.6%	(4,602)	3.4%	52.7%
Total expenses	**(66,950)**	**44.0%**	**(52,980)**	**39.3%**	**26.4%**
Profit before income tax	**9,489**	**6.2%**	**8,105**	**6.4%**	**17.1%**
Income tax expense	(271)	0.2%	(85)	0.1%	218.8%
Profit after income tax	**9,218**	**6.1%**	**8,020**	**6.4%**	**14.9%**

Earnings

We sustained our top-line earnings growth momentum in 2018, as revenues grew by 14.0% to N152.2 billion representing a compound annual growth rate of 10.7% over a five-year period (CAGR: 2013 – 2018).

This was supported by an expansion of our business activities in the form of lending, transaction volumes and trading activities thereby further demonstrating the Bank's diversified revenue base. Consequently, interest



income grew by 13.5% to N125.1 billion (FY 2017: N110.3 billion) accounting for 82.3% of the Bank's earnings.

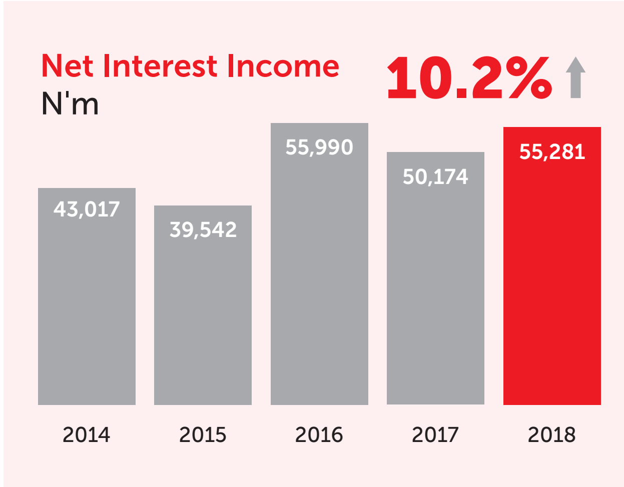
Fees & commission income and trading income grew by 18.1% and 84.3%, respectively, contributing to the 16.5% rise in non-interest income generated in 2018. On the fees side, our retail banking arm remained a key contributor, delivering approximately 46.4% of the sum, while the stable FX market offered us the opportunity to creatively double our trading income.

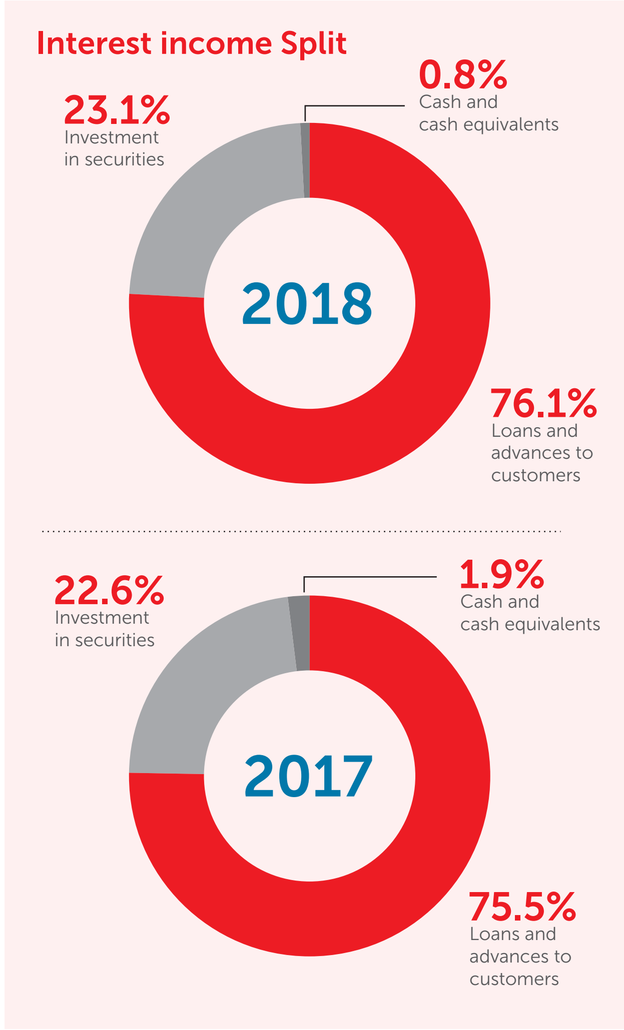
During the year, we realized the sum of N1.5 billion from previously written-off facilities as we continued to intensify our recovery efforts. In total, net operating income grew by 25.1% to N76.4 billion (FY 2017: N61.0 billion).

Net Interest Income

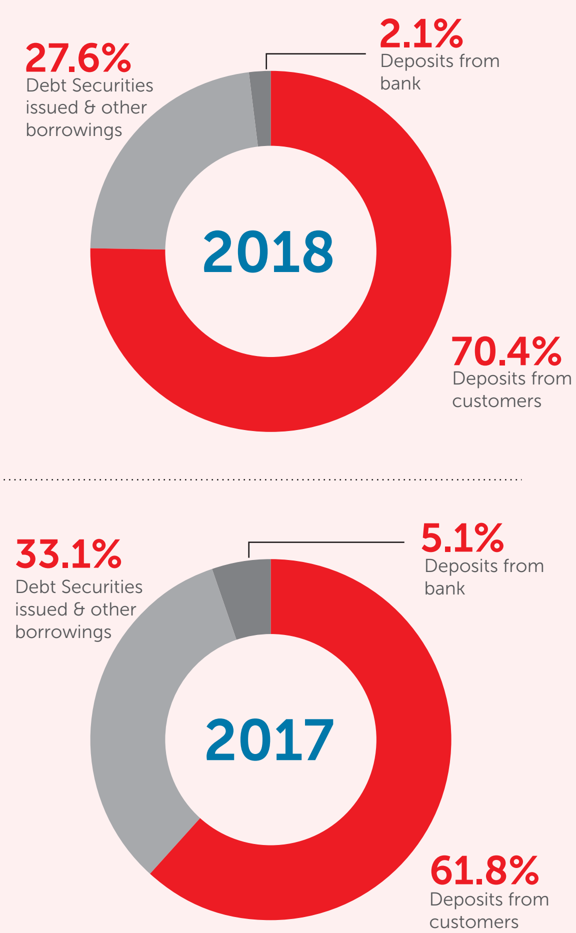
The 13.5% growth in interest income offset the 16.2% growth in interest expense, delivering a 10.2% increase in net interest income to N55.3 billion (FY 2017: N50.2 billion). Although the high interest rate environment persisted for the most part of the year, the Bank was able to maintain its cost of funds at 7.4% through active repricing of deposits. Overall, we sustained a decline in Net Interest Margin to 6.6% (FY 2017: 6.9%) resulting from a marginal decline in yield on earning assets by 30 basis points.

Interest paid on customer deposits, which accounted for 70.4% of interest expense, grew by 32.3% reflecting an increase in deposits. Also, the Bank's debt securities – in Commercial Papers and Bonds – grew by almost 7 times to N86.6 billion (FY 2017: N13.0 billion) contributing to the growth in interest expense. In the last five years, net interest income grew at a compound annual rate of 9.1% (CAGR: 2013 – 2018).

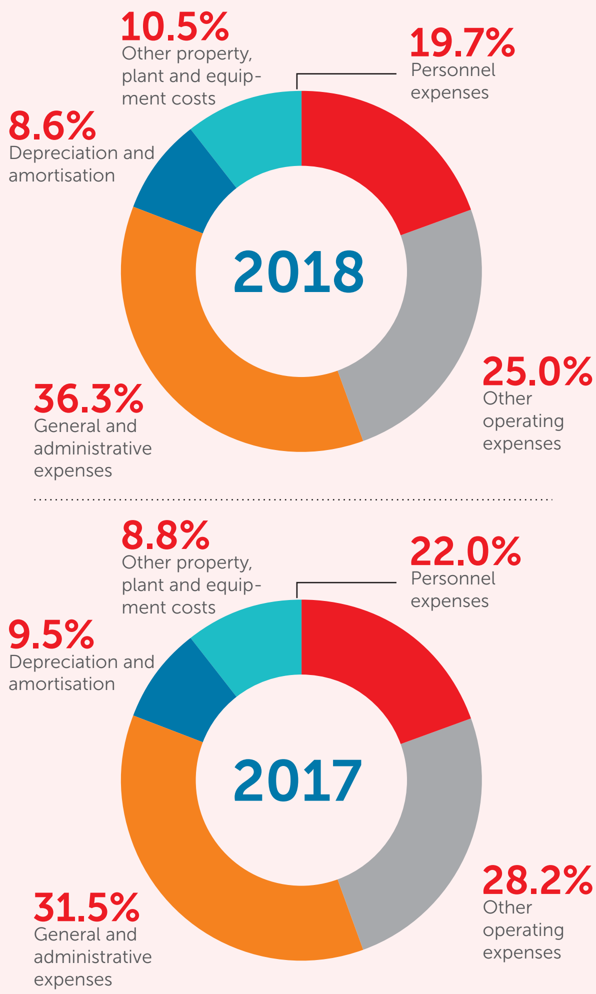




Interest Expense Split

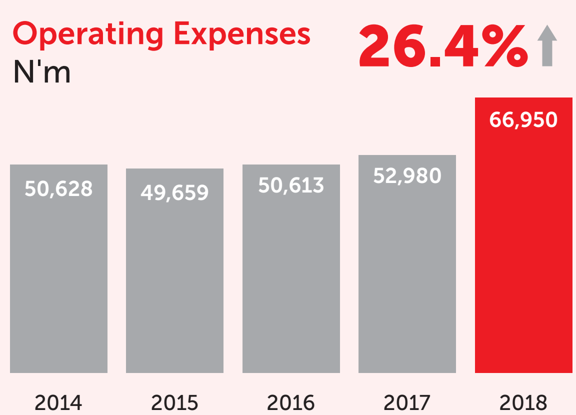


Operating Expense Split



Operating expenses

The Bank recorded a 26.4% increase in operating expenses reaching N66.9 billion in 2018 (FY 2017: N52.9 billion) representing a compound annual growth rate of 10.9% (CAGR: 2013-2018). The growth was attributable to a 46.7% growth in general and administrative expenses, on the back of on-going investments in electronic banking and increased activity in advertising and business promotion growing by 63.1% and 181.1% respectively.



Personnel cost also increased by 14.3% reflecting our ongoing efforts to invest in our workforce, while property, plant and equipment grew by 52.7% due to on-going investments in technology and physical infrastructure upgrades.

The increase in our operating expenses are in line with our growth plans as we recorded a cost-to-income ratio of 81.4% (FY 2017: 71.2%).

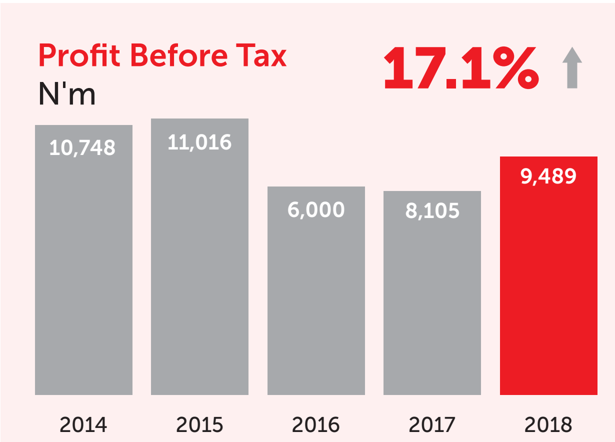
Profitability

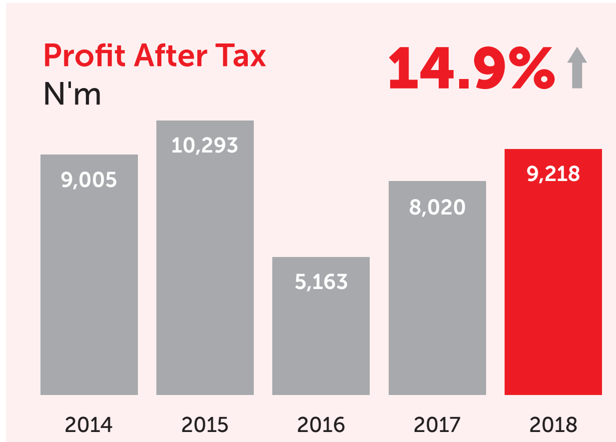
Overall, the Bank sustained its profit growth momentum with a 17.1% growth in profit before tax to N9.5 billion (FY 2017: N8.1 billion).

As a result, profit after tax grew by 14.9% to N9.2 billion. We have consistently delivered competitive return on average equity (ROAE) as Pre-Tax Return on Average Equity grew by 80 basis points to 9.5% (FY 2017: 8.7%).

Highlights from the Statement of Financial Position

	2018		2017		Growth
In millions of Naira	N'M	% of TOTAL	N'M	% of TOTAL	%
ASSETS					
Cash & balances with CBN	117,685	10.7%	122,630	11.4%	-4.0%
Due from banks	43,542	3.9%	51,066	4.8%	-14.7%
Pledged financial assets	11,423	1.0%	145,179	13.5%	-92.1%
Loans and advances	621,017	56.5%	598,073	55.8%	3.8%
Investment securities	248,827	22.6%	110,989	10.4%	124.2%
Other assets	29,446	2.6%	18,728	1.7%	57.23%
Property, plant and equipment	16,942	1.5%	16,451	1.5%	3.0%
Intangible assets	1,850	0.2%	2,114	0.2%	-12.5%
Deferred tax assets	6,971	0.6%	6,971	0.7%	0.0%
Non-current assets held for sale	5,218	0.5%	-	-	-
TOTAL ASSETS	1,102,921	100.0%	1,072,201	100.0%	2.9%
LIABILITIES					
Deposits to banks	-	-	11,048	1.0%	-
Deposits from customers	760,608	69.0%	684,834	63.9%	11.1%
Current income tax payable	405	0.0%	232	0.0%	74.6%
Other borrowed funds	119,526	10.8%	212,847	19.9%	-43.8%
Debt securities issued	86,609	7.9%	13,068	1.2%	562.8%
Other liabilities	37,678	3.4%	48,234	4.5%	-21.9%
Provisions	295	0.0%	295	0.0%	0.0%
Total Liabilities	1,005,121	91.1%	970,558	90.5%	3.6%
Total Equity	97,800	8.9%	101,643	9.5%	-3.8%
Total Liabilities and Equity	1,102,921	100.0%	1,072,201	100.0%	2.9%





Assets

The Bank's balance sheet grew by 2.9% to N1.1 trillion in 2018 (FY 2017: N1.07 trillion) driven primarily by an increase in investment securities which grew by 124.2% to N248.8 billion. On the other hand, pledged assets which represents pledges on clearing activities, letters of credit and collateral for funding obligations declined significantly by 92.1% to N11.4 billion (FY 2017: N145.1 billion) due to repayments of these obligations.

Deposits due from bank reduced by 14.7% to N43.5 billion, while deposit balances with the CBN also dipped by 4.0% to N117.6 billion. In the last five years, total assets grew at a compound annual rate of 9.3% (CAGR: 2013-2018). Overall, earning assets rose to N901.5 billion and contributed 82% of total assets, while yield on earning assets stood at 14%.

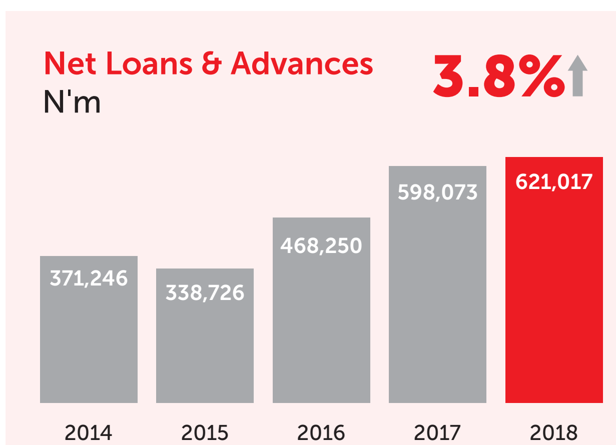
Liabilities

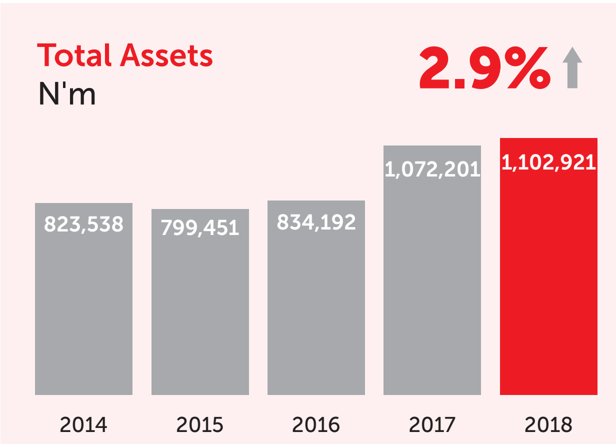
On the liability side, deposits from customers remained the largest contributor accounting for 69.0%. Debt securities issued was the major driver of growth, growing by 562.8% to N86.6 billion (FY 2017: 13.1 billion) on the back of investments in Commercial Papers and Bonds.
The 3.8% decline in shareholders' funds was attributable to the adoption of IFRS 9 standard under the International Financial Reporting Standards (IFRS) regime which implied additional requirements to charge certain credit losses.

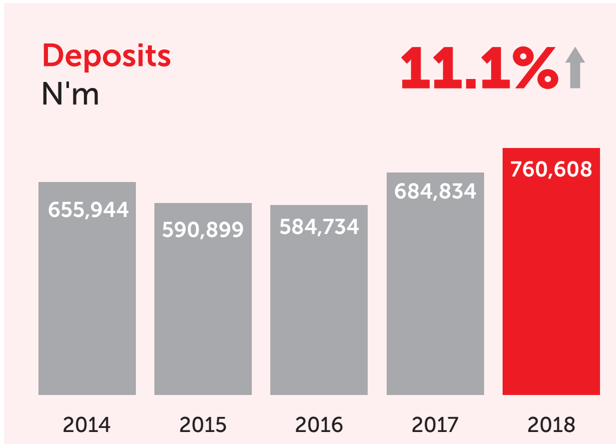
Loans and Advances

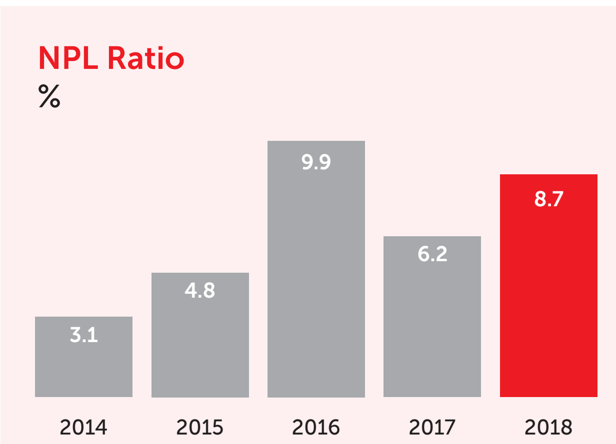
Net loans and advances grew by 3.8% to N621.0 billion (FY 2017: N598.0 billion) representing a compound annual growth rate of 14.1% (CAGR: 2013-2018) as we remained disciplined in our approach to lending. Loans to consumers grew by 108.3% reflecting our commitment to drive our retail business.

Transportation and Agriculture recorded the highest









loan growth, growing by 55.8% and 18.4% respectively, in line with our strategic focus. Oil & Gas exposure grew by 8.8% due to a rise in short tenured self-liquidating facilities majorly in the downstream sector.

Our long-term strategy remains to reduce the concentration of our loan book to the Oil & Gas sector while actively reallocating resources to the HEART sectors. Overall, in terms of asset quality, non-performing loans increased by 250 basis points to 8.7% (FY 2017: 6.2%).

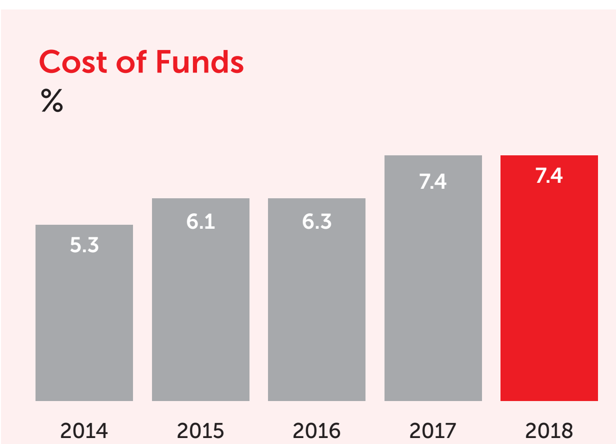
Customer Deposits

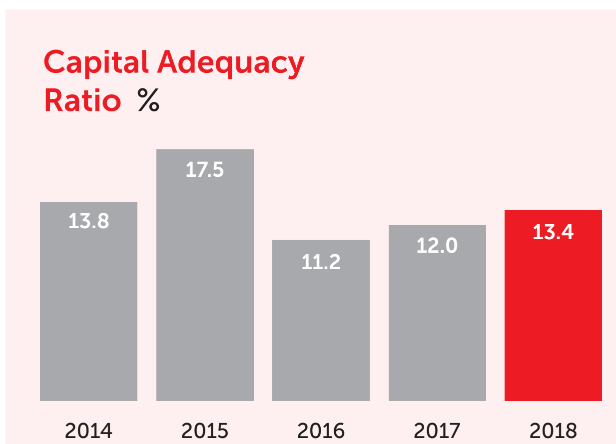
In 2018, customer deposits grew by 11.1% to N760.6 billion (FY 2017: N684.8 billion) and accounted for

Gross loans by sector

	2018		2017		Growth
In millions of Naira	N'M	% of TOTAL	N'M	% of TOTAL	%
Sectors					
Agriculture	22,785	3.6%	19,244	3.1%	18.4%
Communication	16,653	2.6%	17,287	2.8%	-3.7%
Consumer	11,914	1.9%	5,720	0.9%	108.3%
Education	646	0.1%	885	0.1%	-26.9%
Finance and Insurance	32,096	5.0%	32,124	5.2%	-0.1%
Government*	74,547	11.6%	69,571	11.3%	7.2%
Manufacturing	4,078	0.6%	6,680	1.1%	-39.0%
Mining & Quarrying	391	0.1%	768	0.1%	-49.1%
Mortgage	5,857	0.9%	8,877	1.4%	-34.0%
Oil and Gas	273,742	42.7%	251,590	40.7%	8.8%
Others	57,140	8.9%	64,706	10.5%	-11.7%
Power	16,638	2.6%	22,665	3.7%	-26.6%
Real Estate & Construction	56,531	8.8%	70,283	11.4%	-19.6%
Transportation	32,226	5.0%	20,681	3.3%	55.8%
Non-interest banking	35,435	5.5%	26,496	4.3%	33.7%
	640,678	100.0%	617,578	100.0%	3.7%

* inclusive of Government Agriculture concessionary facilities





69.0% of total liabilities. Over the last five years, deposits have grown at a compound annual growth rate of 5.9%. Growth in 2018 was driven by low-cost demand and savings deposits, which grew by 41.9% and 47.6% respectively (43% collectively) accounting for 60.0% of deposits (FY 2017: 46.0%), while tenured deposits declined by 14.8%. We achieved this through on-going investments in our retail business as we continued to leverage on our various digital led customer centric solutions. Cost of funds remained unchanged year on year at 7.4% largely due to high interest rate environment at the start of year.

Capital & liquidity

During the year we maintained a strong capital and liquidity position. Capital adequacy and liquidity ratios were above the regulatory benchmarks of 10% and 30% at 13.4% (December 2017: 12.0%) and 41.2% (December 2017: 33.2%) respectively. Total regulatory capital grew by 11.6% with tier 1 capital accounting for 75%.

We successfully concluded a Series 2 Notes issuance of N19.7 billion under our N39 billion debt issuance program duly registered with the Securities and Exchange Commission (SEC), achieving subscriptions 1.6x the initial targeted series 2 amount. This boost in capital levels will accommodate opportunities for business expansion across our focus areas going into 2019 and beyond.

PERFORMANCE BY BUSINESS SEGMENT

Retail & Consumer Banking

During the year, we gained significant traction on our retail and consumer banking business on account of ongoing investments in people and digital platforms. 2018 saw the launch of Sterling Onepay - our omnichannel mobile/internet banking platform - which largely drove the number of customers enrolled on our mobile platforms significantly by over 80% in 2018.

This, coupled with the launch of other disruptive digital assets including SPECTA, I-invest and Farepay, supported our customer acquisition drive significantly.
Our agent banking business continued to witness substantial growth as we leveraged on government intervention programs for microenterprises such as the Marketmoni, Farmermoni and the NIRSAL/Anchor Borrowers' scheme to deepen our reach in the underbanked segment, impacting over 200,000 beneficiaries.

Overall, as at 31 December 2018, our Retail & Consumer Banking deposits stood at N290.4 billion accounting for 38.2% of total deposits, loans and advances stood at N13.4 billion accounting for 2.2% of total loans, while profit recorded was N3.7 billion.

Commercial Banking

In 2017 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 Health.

We employed experts in these sectors who have deployed financial advisory, customer journey experiences and digital solutions to drive penetration into the various businesses in each sector. Our coverage includes commercial businesses with a turnover between N600 million and N5 billion.

As at 31 December 2018, Commercial Banking deposits stood at N167.5 billion accounting for 22.0% of total deposits, loans and advances stood at N119.4 billion accounting for 19.2% of total loans. The business recorded a loss in 2018 on the back of impairment charges, however with a significant reduction in impairments year-on-year by over 345%.

Institutional Banking

Our Institutional Banking business covers government related institutions which include federal government ministries, departments, agencies; states and local governments and their contractors. During the year, we continued to leverage on strategic government relationships by providing value through our robust collection platforms.

As at 31 December 2018, institutional banking deposits stood at N132.2 billion accounting for 17.4% of total deposits, loans and advances stood at N130.8 billion accounting for 21.1% of total loans, while profit was N7.5 billion.

Corporate & Investment Banking

Our Corporate Banking business covers large multinationals (Global/Africa) or local corporates with turnover of N5 billion and above as well as high net worth individuals through our private banking arm.

The business continues to leverage on product design capabilities to build a product organization that delivers valued digital solutions to corporate clients. During the year, the business launched its corporate banking solution (Sterling Pro) that allows our corporate clients carry out their day-to-day transactions with ease.

As at 31 December 2018, Corporate & Investment Banking deposits stood at N146.5 billion accounting for 19.3% of total deposits while loans to corporate clients stood at N322.4 billion accounting for 51.9% of total loans.

The business recorded a loss in 2018 on the back of impairment charges. Under our corporate & investment banking group, our structured solutions team has been equipped with specialists tasked for recovering these assets and we expect to see significant improvement as we continue to refocus the business with emphasis on providing innovative solutions to key corporates and banking the value chain.

Non-Interest Banking

Sterling Alternative Finance is the Non-Interest Banking window of Sterling Bank Plc that offers an array of financial services that are compliant to the principles of Islamic commercial jurisprudence.

The business offers transactional and investment accounts on the liability side, while assets come in the form of equity and debt contracts.

The equity contracts are variations of short and long-term partnership contracts while the debt offerings are based on various types of sale and lease contracts which are compliant with non-interest finance principles.

As at 31 December 2018, non-interest banking recorded N23.8 billion in deposits accounting for 3.1% of the bank's total deposits, N35.1 billion in facilities accounting for 5.7% of the total facilities booked, while the business recorded a profit of N1.3 billion.

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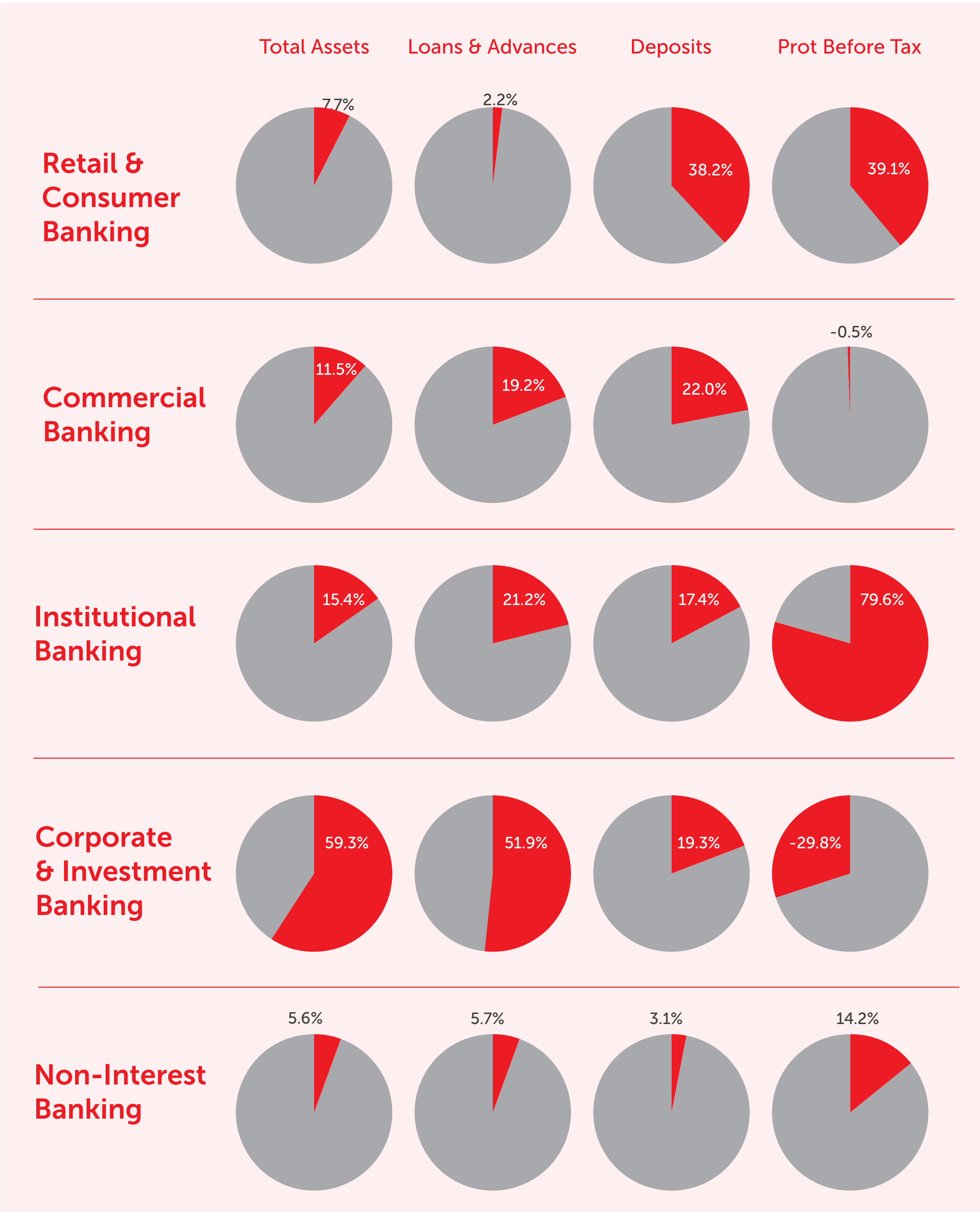
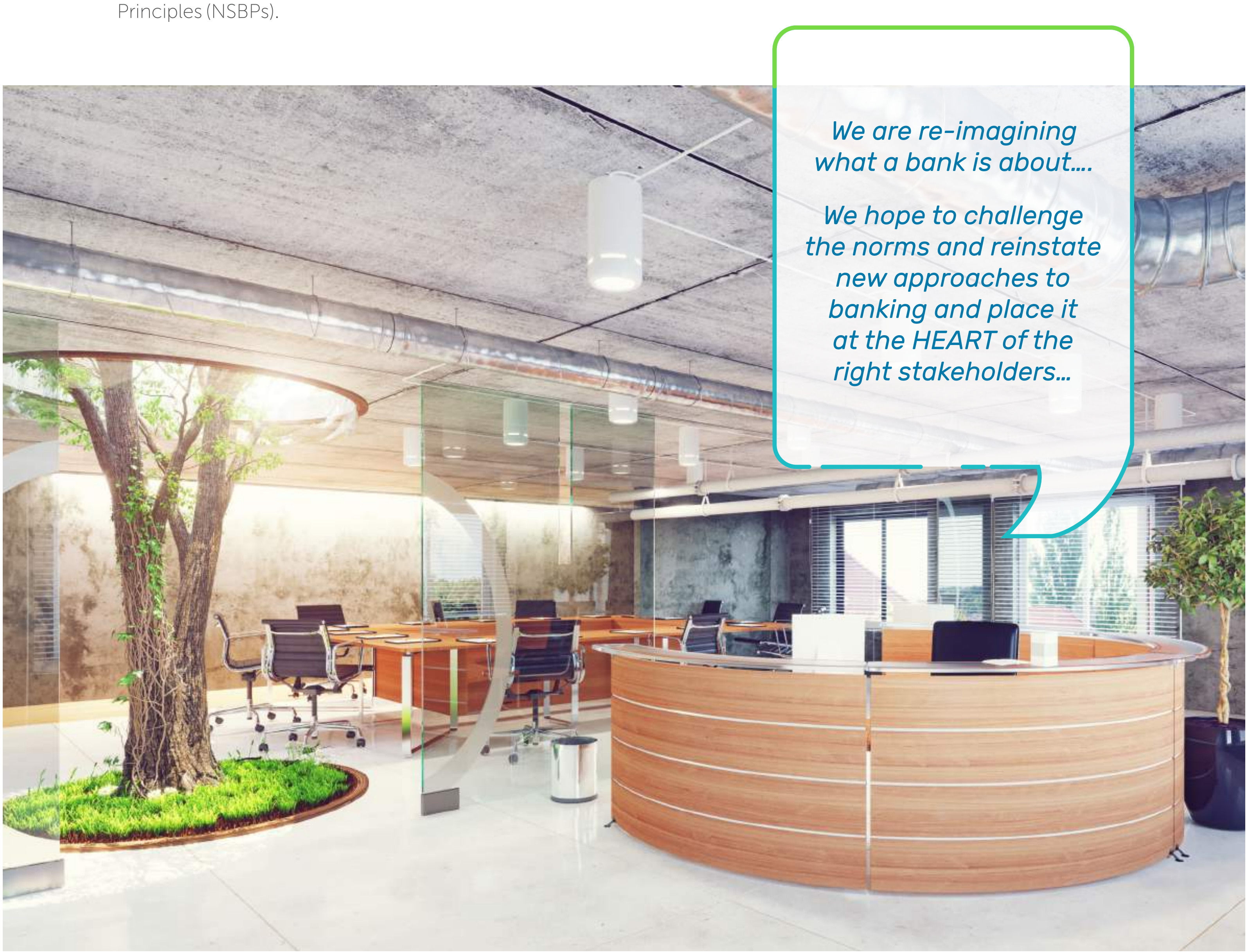
Contribution by segments



STERLING BANK 2018
SUSTAINABILITY REPORT

About This Report

This year's sustainability report presents our activities and performance from January 1, 2018 to December 31, 2018. This is an abridged report. The full 2018 sustainability report can be found on the Bank's website. PricewaterhouseCoopers (PwC) has conducted a limited independent external assurance on the report, using the International Framework for Assurance Engagements and International Standards on Assurance Engagements 3000 on the full 2018 sustainability report. The external assurance procedure included on-site visits, interviews with relevant KPI managers and verification of related documents and data. The full 2018 sustainability report has also been prepared in accordance with the Global Reporting Initiative's Standards and the Nigeria Sustainable Banking Principles (NSBPs).



OUR
AWARDS

Healthcare Friendly Financial Institution of The Year
The Nigerian Healthcare Excellence Awards 2018

Best Quality of Life in The Large Corporates
The Great Place to Work Awards 2018

Most Agile Company in Africa
The 2018 World Agility Forum

Card with The Most Utility Relevance for The Cardholder
The Digital Pay Expo Awards 2018

Clean Tech Finance Award
The 2018 Nigeria Energy Awards

Excellence in Commercial Banking
The 2018 Nigeria Energy Awards

Innovative Bank of the Year
The 2018 NIBBS Awards


SUSTAINABILITY IN
STERLING BANK
Social
Sustainability
Sterling Towers
Environmental
Sustainability
Financial
Sustainability

Over **N2.8 billion** loans granted to over **650 Small and Medium Scale (SMEs)** businesses

Over **N500 Million** invested on employee capacity building

Over **N1.5 billion** in loans granted to over **2,000 women**

Over **N100 million** in community investments

40% of women in employee composition, with **25% female** representation at Board level

Organized a Sustainability Award for Employees

Deployed hybrid power and renewable energy to **25 branches**

Achieved a **1.84%** reduction in carbon emissions, by reducing diesel consumption by **8.72% Y-o-Y**

Expanded our waste recycling initiative and recycled over **7,000kg** of waste

Established a renewable energy desk

Over **N10 Billion** invested in renewable energy

Commissioned over **100 solar powered ATM** nationwide

Commenced the **recycling** of our electronic waste

Over **11%** growth in customer deposit

Over **17%** Increase in profitability

13% Increase in customer base

53% Increase in internet banking users

135% Increase in USSD users

31% Increase in active customers

SUSTAINABILITY IN
STERLING BANK

As a socially and environmentally responsible Bank, we are committed to ensuring that sustainability is at the core of our business activities and operations. We have adopted a triple bottom line approach in our business activities and operations. Sustainable development is at the heart of our business strategy. We want to build a great bank that is best in class, and which will outlive the current managers of the business with a clear focus on enriching the lives of our stakeholders. Our relationship with customers, communities and other stakeholders, our business practices and use of the resources around us are all geared towards enriching lives.

Beyond this, the Nigerian Sustainable Banking Principles (NSBPs) adopted by the bank provides a standardised framework that guides our actions towards inclusive business practices. We also adopt international best practices in the implementation of sustainability across our activities and operations such as products development, carbon footprint management, environment and social risk management, financial inclusion and women's economic empowerment, among others.

Materiality Analysis

The Bank regularly analyses the social, environmental and ethical issues that are most relevant to stakeholders throughout its value chain. This analysis is critical to establish the Bank's main lines of action regarding sustainability while we are aligned with the best practices and reference standards. The 2017 materiality analysis result is still applicable; the Bank has therefore retained it for this report.

Process of identifying material concerns:

Quantitative Analysis

External

ESG Investors	The materiality of other banks	Media analysis	Sectors report analysis	Regulatory framework analysis

Internal

Internal workshops	Surveys	Meet with Abu	Sustainability Working Group	Yammer

Qualitative Analysis

Controversial events	Interviews with external experts	Social networks	Value chain	Megatrends analysis	NGOs analysis

Major concerns identified

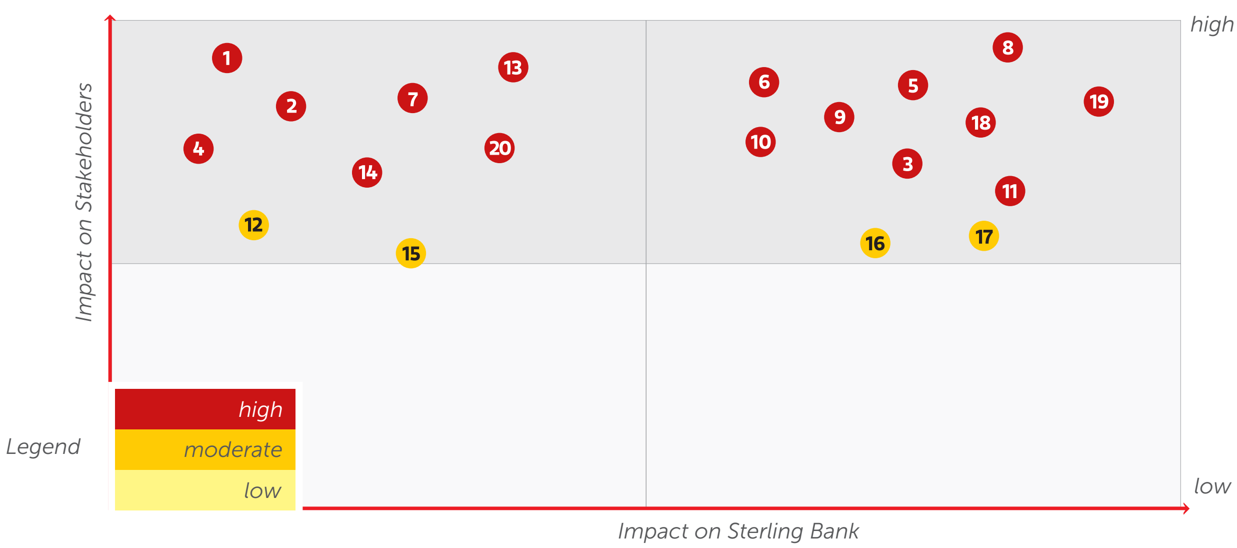
Customer trust & protection	Quality of Service	Customer Satisfaction	Data security	Financial Performance
Governance & Accountability	Human/labour Rights & Employee Well-being	Financial Stability	Risk Management	Fraud & anti-Money Laundering
Financial Inclusion	Fair Remuneration	Innovative Business Development	Responsible Lending	Career Development & employability
Sustainable Procurement	Infrastructure & accessibility	Business Ethics	Reduction of Environmental Impact of our Operations	Carbon Emission

Most concerned stakeholders

Regulators | Staff | Local Community | Customers | Shareholders

Environment | NGOs | Suppliers

Materiality matrix



RESPONSIBLE **CORPORATE CITIZENSHIP**

As a good corporate citizen, the Bank is conscious about managing our direct and indirect environmental footprint and seek to influence our supply chain towards sustainable practices. We are committed to making economic contributions to the communities in which we operate through paying our fair share of taxes and benevolent investment.

Entrenched in the culture of Sterling Bank is a deep sense of purpose to do things bigger than the day-to-day business interest of the bank. In so doing, we shape a better future within the communities we operate. Being a strong advocate for both entrepreneurship and innovation, it is natural for Sterling Bank to leverage our strengths to support businesses in delivering innovative solutions to build a better and more sustainable future for the country.

Financial Inclusion

Sterling Bank is committed to enriching lives by providing sector-specific products & services that recognize segments of the economy that traditionally have had limited or no access to the formal financial sector. Through our Micro Banking unit, the number of unbanked individuals who received financial services or products for the first time stood at 281,155 individuals in 2018, while our agent banking network rose to 2,748.

Examples of some financial inclusion products include The 'Sterling I Can Save' account along with our E-money Box to provide financial literacy opportunities for children at an early age, The Sterling Kia Kia account, MSME Academy for SMEs and small-scale businesses, Zero-to-Export Finance Training etc.

Some of the Financial literacy initiatives organized in 2018 include:

Sterling Bank Financial Literacy Day Quiz Competition

The 2018 Financial Literacy Day Quiz competition was organized for prospects and existing Primary Schools within the Lagos region. The competition was aimed at hosting 60 schools, but 44 schools made an appearance with 88 participants with 307 students and 61 teachers sitting in the audience. The three winning schools went home with a chairman's empire board game each, while the winning students went home with an educational tablet each.

The 1st prize amount was N750,000, the 2nd prize amount was N500,000, and the third prize amount was N250,000. There were consolation prizes for the 4th – 10th position students who won N20,000 each. From the audience, 11 students and 3 teachers won N20,000 each.

Sterling Bank Children's Day Event

The children's day event was organized for secondary schools under the Lagos region. 12 Schools participated, with a total number of 42 students and 10 teachers.

A career talk was held for secondary school students between the class range of SS1 and SS2. They were lectured on 'Enhancing creativity using innovative methods'.

A guest speaker in the person of Okechukwu Ofili – the CEO and co-founder of OkadaBooks.com, the fastest growing mobile book reading app in Africa with over 200,000 users growing at a rate of 5,000 users per month, was in attendance.

One Million Teachers (1MT) Initiative

Sterling bank in collaboration with the One Million Teachers (1MT), organized the inauguration of the One Million Teachers (1MT) Initiative with the goal to help attract, train and retain one million teachers as well as develop their capacity to train several million more teachers. 85 teachers were inducted by the Bank in 2018 and had started training on the 1MT platform.

Other events held include:

- Mobile Agent Training and Promo - Agents were trained on the use of the Agent Banking Application and Financial literacy programmes. Top performing agents and customers were gifted with food supplies at the end of the year.
- Health Insurance Awareness for customers and agents- An event was organized to create awareness on having a Health insurance plan, where customers

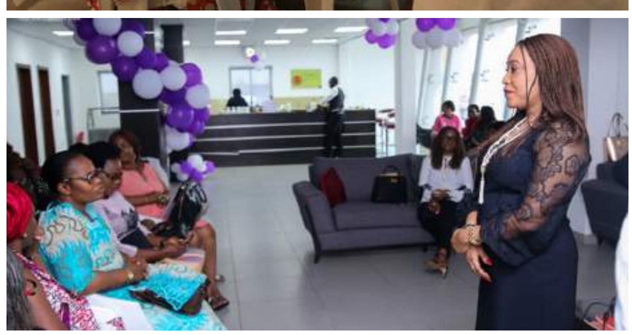
and agents can pay a minimum amounts on a daily/weekly basis to provide a health plan to treat common illnesses. As motivation, the Bank gave free one-year health plan to the first 100 customers and agents.

- Partnership with the African Cycling Foundation (Racing for the SDGs) to empower children and improve their learning capabilities.
- On Children's day, we commenced a campaign internally to support less privileged children in partnership with the Kanu Heart Foundation.
- We partnered with an NGO to produce a short film to create awareness on child mortality and maternal issues.

Women Economic Empowerment

Sterling Bank promotes a gender-inclusive workplace culture. In a bid to provide products and services designed specifically for women and promote female empowerment, we launched our 'One Woman' proposition in 2017 - an initiative focused on supporting women in business by granting them access to unique market and finance products and services.

- The Edu-Finance scheme empowered 1,162 women who could not afford to pay school fees. 45 previously unbanked and underserved women of the Grace Assembly Institute were also granted access to loans to improve their businesses.
- Widow Rehabilitation: As part of our CSR projects, we rehabilitated a homeless widow living in front of the Bank along with her 3 children. This was done with the help of members of staff who donated cash and home items for her.
- Women in Banking Internship program: An Internship/Job Shadowing scheme for Young Women interested in a corporate careers.
- Internal Women Network: The Sterling Women Network aims to empower female staff by supporting them to realize their full potential and ultimately drive representation in decision-making levels throughout the Bank.



Sustainable Sourcing

Sterling Bank procures products and services from more than 1,000 suppliers. Approximately 70% of our expenditure is for professional, real estate, sales and marketing, IT outsourcing and corporate services. We seek to influence our supply chain towards sustainable practices through the Sterling Bank Third Party E&S Management Framework which outlines our expectations of all suppliers, regardless of value or volume of purchase, in five key areas – Governance, Performance reporting, Environmental management, Social Responsibility (Occupational Health and Safety (OHS) and Employee Practices), and Supplier Management.

Due diligence is done at the new supplier registration stage, as well as at regular intervals as part of our ongoing supplier management process. The bank will continue to work with our suppliers and stakeholders to fine-tune the Sterling Bank Third Party E&S Management framework and drive improvement in our supply chain.

Responsible Lending

Our financing plays a role in shaping the attitude of our customers towards sustainable development. In 2018, we reviewed our E&S risk sectorial coverage to cover eight (8) additional sectors: Real Estate, Construction, Mining and Manufacturing and the HEART (Health, Education, Renewable Energy, Transportation) sectors in line with international best practice.

Our relationship managers and credit risk officers Bank-wide underwent E&S Risk Management training in 2018 in collaboration with the International Finance Corporation (IFC).

The ESG risk assessment enables us to develop an overall understanding of the customer's approach to managing ESG issues (including commitment, capacity and track record). Where we identify significant issues, additional due diligence would be required. This may entail site visits, independent reviews or certification requirements, escalation to relevant industry and sustainability specialists.

Sustainable Financing

As society continues to increase its expectations for businesses to deliver sustainable solutions for our planet, we see opportunities to offer banking solutions that can help meet those expectations. We are committed to promoting sustainable development and are continuously exploring opportunities that will help us contribute to the SDGs, particularly in the areas of women and youth empowerment, financial inclusion and green financing.

Sterling Bank demonstrated its commitment to sustainable financing by unveiling the HEART Sectors in 2017; which focus primarily on socially and environmentally conscious sectors and are well-aligned with the UN Sustainable Development Goals. We have also deployed sustainable and revolutionary products and services like i-invest, Specta, Farepay, EveryNanny, Quickcash, and many more.

- Improve healthcare delivery infrastructure through equipment financing;
- Increase technical capacity across the sector through capacity building/trainings;
- Improve access to medical technology that improves health business by providing access and information to practitioners in the sector.

- Improve education infrastructure, provide access to finance for parents, schools and other stakeholders;
- Invest in technology that enables easy learning and dissemination of information to students and teachers;
- Seek strategic partnerships outside of Nigeria to enable foreign investment flows to the sector.

- Provide a platform that links all players within the industry while providing information to optimize businesses;
- Enhance food supply across the value chain;
- Increase technical capacity across the sector through capacity building/trainings.

- Create a platform that enables the sale of renewable energy solutions between electricity generators distributors and users;
- Finance large projects that provide electricity to communities and businesses;
- Create partnerships to encourage the flow of foreign investments into the renewable space and bridge the service.

- Invest in technologies that ensure efficient collections for transport businesses;
- Provide financing that enables transport business scale up from their current models;
- Create partnerships with experts outside of Nigeria to test new business models ensure efficient transportation of economic resources.

MANAGING OUR
ENVIRONMENTAL FOOTPRINT

Our most direct and significant environmental impact stems from the carbon emissions from our facilities through the consumption of fossil fuels such as Diesel and PMS. We benchmark ourselves against external environmental certifications to ensure that we incorporate sustainable designs and practices into our offices and branches.
Sterling bank understands the importance of ensuring that the business operations of the bank are designed, constructed and operated to present as small a carbon footprint as practicable. Thus, we have set a 3-year target to reduce our Carbon Footprint by a minimum of 5% over 3 years ending in 2020.

Our efforts to green our premises have resulted in significant savings – both in terms of carbon emissions and costs. The Bank has also committed to putting the Head Office of the main grid in the coming year.

Sustainable Waste Management

As an environmentally friendly brand, we have adopted and embedded a waste recycling culture into our waste management processes. We are 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."

In 2018, we had several partnerships and collaborations with relevant organizations such as Wecyclers, Lagos State Waste Management Authority (LAWMA), E-terra, Data Guard, Lagos State Environmental Protection Agency (LASEPA) etc. around the issue of sustainable waste management. As a financial institution, we are committed to sustainable waste management, and this entails, among other measures, reducing the number of wastes sent to landfills, by adopting the principle of "Reduce, Reuse and Recycle."

Waste Recycling Initiative

The Bank in partnership with Wecyclers and LAWMA commenced a Waste Recycling Initiative on the 1st of November 2016 at the Head Office, Sterling Towers, with the aim of managing the bank's wastes in an orderly manner thereby reducing the Bank's Carbon footprint. The initiative enables the Bank to dispose of its waste by separating bio-degradable waste and recyclable wastes. LAWMA disposes of the bio-degradable wastes while the recyclable (Paper, Cans, Sachet and Pet) are further processed from waste to wealth thereby contributing to the economic growth of the recycling sector.

The initiative was retained at the Sterling Towers and extended to the Head Office Annex, Ilupeju, Lagos on the 5th of June 2018. We plan to further extend this initiative to additional office locations in the coming year. From inception till date, we have collected and recycled a total of 15,176 kg (7,312 kg of Plastics, 6,911 kg of Paper, 233 kg of Cans, 717 kg of sachets & nylons) of waste, while for 2018, we collected and recycled 7,677 kg (3,271 kg of Plastics, 3,566 kg of Paper, 101 kg of Cans, 705 kg of sachets & nylons) of waste.

Offsite Shredding Exercise

To further aid our waste recycling process, we engaged Dataguard, to shred obsolete documents to enable easy pick-up by our Waste recycling vendor, Wecyclers. A total of 709.6 kg of shredded paper was amassed after the exercise.

Electronic Waste Recycling

As further reiterate our commitment to sustainable waste management, we engaged E-Terra Technology Company to degauss, shred & recycle the Bank's E-Waste. E-Terra certified the Bank for this feat. This would be our approach to managing e-waste annually based on the waste generated and alignment with the Bank's retention policy.

Deployment of Energy Saving Initiatives

We partnered with Starsight, an Energy outsourcing vendor, to deploy hybrid power and renewable energy solutions to 25 branches, a total 40 branches are currently on the Power as a Service solution. The solution comes with bespoke air conditioners and light fittings to further reduce our greenhouse gas emissions. We plan to deploy the solution to additional 40 additional branches in the coming year.

We partnered with Starsight, an Energy outsourcing vendor, to deploy hybrid power and renewable energy solutions to 25 branches, a total 40 branches are currently on the Power as a Service solution. The solution comes with bespoke air conditioners and light fittings to further reduce our greenhouse gas emissions. We plan to implement the solution to additional 40 branches in the coming year.

Over 100 solar powered ATM were commissioned in 2018, bringing the total number of ATMs on hybrid/renewable energy to 189 ATMs out of 833 active ATMs. Solar powered branch perimeter lighting solutions have been deployed to about 80% of the Bank's network.

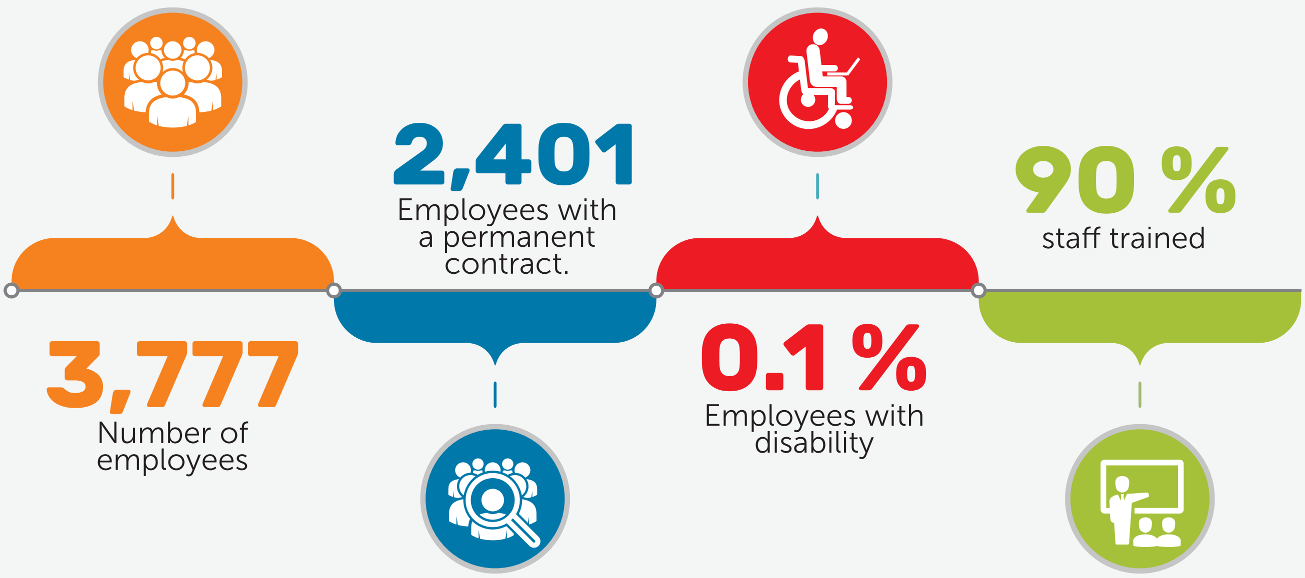
Other strategies include;

- Electrical load optimization and downsizing and rightsizing of generators.
- Reducing travel time by providing video conferencing services to more locations.
- Withdrawal and outsourcing of pool cars from Non-market facing staff, leading to a reduction in company fleet from 889 vehicles in 2016 to 665 vehicles as of December 2018, thereby reducing fleet maintenance cost and greenhouse gas (GHG) emissions.
- Purchase and deployment of solar kiosk across states. 8 Solar kiosks were deployed in 2018 across the country.

Resource	2017	2018	% Change
Amount spent on petrol (N)	241,705,490.90	235,701,278.70	-2.48%
Average cost per litre of petrol (N)	145	145	0.00%
No of litres consumed - petrol	1,666,934.42	1,625,526.06	-2.48%
CO_2 emission on petrol consumed (KgCO2e)	3,853,452.30	3,757,728.59	-2.48%
Weight per litre of petrol consumed (kg)	0.71	0.71	0.00%
Total weight of litres of petrol consumed (kg)	1,183,523.44	1,154,123.50	-2.48%
Amount spent on diesel (N)	500,569,896.61	495,731,968.40	-0.97%
Average cost per litre of diesel (N)	200	217	8.50%
No of litres consumed - diesel	2,502,849.48	2,284,479.12	-8.72%
CO_2 emission on diesel consumed (KgCO2e)	6,676,601.28	6,094,076.49	-8.72%
Weight per litre of diesel consumed (kg)	0.84	0.84	0.00%
Total weight of litres of diesel consumed (kg)	2,102,393.57	1,918,962.46	-8.72%
Amount spent on dispense bottle water (N)	30,360,060.00	33,472,486.57	10.25%
Cost per bottle of dispense water (N)	450	450	0.00%
No of litres consumed	1,281,869.20	1,413,282.77	10.25%
Weight per litre (kg)	1	1	0.00%
Weight of litres of water consumed (kg)	1,281,869.20	1,413,282.77	10.25%
Amount spent on paper (N)	25,682,040.00	32,825,880.20	27.82%
Average cost per paper ream (N)	1,500.00	1,700.00	13.33%
No of reams consumed	17,121.36	19,309.34	12.78%
Weight per ream (kg) -	2.4	2.4	0.00%
Weight of reams of paper consumed (kg)	41,091.26	46,342.42	12.78%
Amount spent on electricity (N	310,863,929.83	352,988,228.72	13.55%
Average cost of electricity per KWH (N)	40	40	0.00%
No of KWH consumed	7,771,598.25	8,824,705.72	13.55%
CO_2 emission on electricity consumed (KgCO2e)	4,076,980.44	4,629,440.62	13.55%
Total CO2 emissions on Electricity, diesel and petrol consumed (KgCO2e)	14,607,034.02	14,481,245.71	-0.86%
Consumption of Natural Gas (Nm3)	108,601.00	30,646.00	-71.78%
Co2 emission from Natural Gas (KgCO2e)	204,930.10	57,829.04	-71.78%
Total waste generated (kg)	1,439,880.95	1,105,220.31	-23.24%
Total waste recycled (kg)	6,432.00	7,677.00	19.36%

Notes:

- During the year, diesel consumption declined by 8.72% compared to a 13.55% increase in electricity consumed, while Petrol consumption (PMS) and Natural Gas consumption fell by 2.48% and 71.78% respectively.
- The total GHG emitted by the Bank's business operations declined marginally by 1.84% from 14,811 tCO2e in 2017 to 14,539 tCO2e in 2018. Diesel consumption contributed 58% of all carbon emissions generated by the bank in 2018. Carbon Footprint per employee reduced by 4.75% from 4.0 tCO2e in 2017 to 3.8 tCO2e in 2018.
- Paper consumption increased by 12.78 % due to the increase in staff strength and customer base.
- Drinking water consumption from water dispensers at our offices increased by 10.25% due to an increase in staff strength and customer base.
- Total waste recycled increased by 19.36% from 6,432 kg in 2017 to 7,677 kg in 2018, due to the extension of our waste recycling initiative to the Head Office Annex, Illupeju. Ikeja. Lagos


3,777
Number of employees
2,401
Employees with a permanent contract.
0.1 %
Employees with disability
90 %
staff trained


NUMBER OF INITIATIVES FOR STAFF
Provision of Recreational Facility
Flexible Work Arrangements
Provision of Health Insurance Scheme (HMO)
Provision of a Crèche Facility
A
B
C
Sterling bank Sustainability Awards 2018
The Jets Sterling Football team
Md's Cup, to encourage recreation via sport games

Employer of Choice

Hiring and employee engagement

We continued to grow our headcount to acquire skills to support our digitalization agenda.

Employee experience

Sterling Bank fosters the commitment and motivation of its employees with measures that encourage listening, a more flexible way of working which enhances the work-life balance, as well as a healthy environment.

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-biases. As at December 2018, female representation on the Board of Directors was at 25 %, while the ratio of women to men in the bank is 40% to 60% respectively.

Work-life balance

We have adopted the "Flexi-plan and Flexi-place" initiatives for staff to enable them to achieve their desirable work-life balance.

The Bank has also implemented a medical insurance scheme for core and outsourced staff, with leading Health Management Organizations (HMO) to enhance qualitative medic-care. For cases requiring immediate attention, the Bank has also set-up a well-equipped clinic facility at the Head office annex and continued to upgrade the health clinic at the Sterling Towers and the Annex office to address such developments.

Sterling Bank's objective is to be one of the best institutions to work for, capable of attracting and retaining the best talent globally by providing our workforce with opportunities to grow, develop and make a difference by helping people and businesses prosper. The ability to attract, retain and develop talent continues to be crucial to our continued success.

Developing a future-ready workforce and talent pipeline

Beyond delivering exceptional employee experiences, we seek to prepare our workforce to be ready for future roles and opportunities.

New way of working

In creating a new way of working at the Bank, we have leveraged on technology to encourage continuous collaboration across groups and regions using Microsoft Office 365 to improve performance.

Sterling Sustainability Award

We commemorated the World Environmental Day by awarding branches with outstanding performance in Sustainability Reporting.








Codes, Standards and Guidelines

The following codes, standards and guidelines underpin the Bank's approach to sustainable governance:

United Nations Global Compact

As a participatory member of the United Nations Global Compact (UNGC), the Bank is committed to integrating the UNGC Ten principles into its corporate strategy, culture, day-to-day operations and even its supply chain. We will also work at raising awareness and understanding about how the financial sector impacts society, and how a shift in priorities and ways of working is crucial for the sector to remain relevant and legitimate in the future.

International Finance Corporation

We have updated and aligned our systems and processes to be consistent with the International Finance Corporation (IFC) Performance Standards and World Bank Group Environmental Health and Safety (EHS) Guidelines.

Wolfberg Group

We are compliant with the Group's anti-money laundering standards.

Nigerian Sustainable Banking Principles (NSBPs)
The Bank has actively implemented the NSBPs beyond the industry standard. Some outstanding achievements in 2018 include:

- Principle 1 - The E&S risk sectorial coverage was reviewed to cover eight (8) additional sectors: Mining, Manufacturing, Real Estate, Construction, Health, Renewable energy, Education and Transportation, in line with proposed CBN implementation plans and AFDB credit requirements.
- Principle 2 - On the 5th of June 2018, we successfully extended our Waste Recycling initiative to our Head Office Annex, Ilupeju location, while on 25th October 2018, we engaged E-Terra, an Electronic waste recycler, to recycle our electronic wastes.
- Principle 3 - We implemeted a 60-day maternity leave and a 5-day paternity leave.
- Principle 4- Over 2000 individual loans valued at over N 1 Billion were given out to women in 2018.

- Principle 5- Over 280,000 accounts were opened for unbanked individuals who received financial services or products for the first time, while the number of new mobile banking agents registered in 2018 stood at 2,748.
- Principle 6 - We have established Policies, Frameworks and a Standard Operating Manual which clearly defines the roles, lines of responsibility, and processes for assessing, categorizing and managing environmental and social risks inherent in our operations.
- Principle 7 - In 2018, we conducted 23 capacity building training sessions, with a total of 4,162 participants bank-wide, through specialized trainings, On-boarding training sessions and the IFC/World Bank Sustainability E-Learning training programme.
- Principle 8- In 2018, we successfully subscribed as participatory member of the United Nations Global Compact - which focuses on Human Rights, Labor, Environment and Anti-Corruption.
- Principle 9 - We have published our Annual Sustainability Report for four consecutive years 2015 to 2018 and ensured an independent external assurance was done on our reports (2016, 2017 and 2018 report).
- (Please see our standalone 2018 sustainability report for a detailed report on the Bank's implementation of the NSBPs in 2018.)

Sterling Bank and the Sustainable Development Goals

In September 2015, the United Nations announced a set of 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet and ensure that all people enjoy peace and prosperity as part of the 2030 Agenda for Sustainable Development. Shortly after, the Paris Agreement on climate change was adopted by 195 countries, underscoring the need to limit the rise of global temperatures.

At Sterling bank, we believe that we have a role to play in promoting sustainable development, including the transition to a low carbon economy and creating wealth for the growth of the economy.

To this end, we have chosen to focus on Five SDGs for sustainable finance purposes and three for community investments. This decision was based on the fact that we believe we can make the most impactful contributions in these areas where the Bank's business activities have the most weight.

- Agriculture Business Focus, Financial Inclusion Programs, Women & Youth empowerment programs
- Health Sector Business Focus
- Education Sector Business Focus

- Renewable Energy Business Focus
- Diversity & Equality Policy
- Transportation Business Focus, Specta, CaféOne, i-invest
- Diversity & Equality Policy, Employee Welfare Packages

- Resource Efficiency Initiatives, Waste Management Programs
- Financing of climate change resilient projects
- Member of the United Nations Global Compact, Member of NSBPs Forum

Sustainability Targets and Achievements

Focus Area	Description	2018 Targets	2018 Achievements	2019 Targets
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 3.3% achieved	3.5% market share by deposits
		Non-performing loans (NPL) ratio of <5%	NPL ratio of 8.7 % achieved	NPL ratio of <5%
		Return on equity of above peer group	Return on average equity of 9.5% achieved	Return on equity of above peer group
		Deposit growth of 15% Y-o-Y	Deposit growth of 11.1% achieved	Deposit growth of 15% Y-o-Y
		Liquidity ratio of 30%	Liquidity ratio of 42.2%	Liquidity ratio of >35%
		Double digit revenue growth Y-o-Y	Earning of 14% achieved	Double digit revenue growth Y-o-Y
		Capital adequacy ratio > 10 %	Capital adequacy ratio of 13.4 %	Capital adequacy ratio > 10 %
		Minimum of two investment grade credit rating	Two investment grade ratings achieved from Global Credit Rating (GCR) and DataPro	Two investment grade credit ratings
		CUSTOMERS Top 5 in 2018 in the KPMG Customer satisfaction survey	Top 5 in SME category	Top 5 in all categories in the 2019 KPMG customer satisfaction survey
		Increase customer engagement via various channels to drive the bank's sustainability strategy	Launched our "Sterling One Pay" mobile application, a new and improved mobile platform. This platform has improved features and has recorded an impressive growth in the number of users and transactions consummated. Refreshed the look and feel of our website to encourage easy navigation and ease of access to content by customers and stakeholders.	Aspire to be the No. 1 Digital bank in Nigeria over the next 2 years. Aspire to be the No. 1 Nigerian Bank offering Renewable energy opportunities and services.
Social Sustainability	Ensure the organization prioritizes engagement with her employees, customers, shareholders and communities	Conduct employee surveys to feel the pulse of the workforce	Organized five (5) roadshows in various Regions to feel employee pulse and address issues raised. Established a Business Partnering model to support each strategic group/department.	Organize more roadshows and cover more regions to feel employee pulse and address issues raised.
		Establish an E-learning platform to block knowledge gaps and build capacity	Our E-learning training platform is being revamped. Our relationship managers and credit risk officers Bank-wide underwent E&S risk management training in 2018 in collaboration with the International Finance Corporation.	Re-vamp our E-learning training platform. Develop and implement additional Sustainable Banking E-learning trainings. Develop and implement tailored Sustainable banking trainings to the Strategic Business Units
		SHAREHOLDERS Continuous engagement with shareholders	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

Focus Area	Description	2018 Targets	2018 Achievements	2019 Targets
		COMMUNITIES Continue to identify and invest in communities where we operate in line with our Corporate Social	Partnered with several organizations to organize the I Create Skill fest - an initiative focused on skill acquisition among the youth	Continue to identify and invest in communities where we operate in line with our Corporate Social Responsibility (CSR) focus areas i.e., Education, Sports and the Environment
		Responsibility (CSR) focus areas i.e., Education, Empowerment and the Environment	We commenced a campaign internally to support less privileged children in partnership with the Kanu Heart Foundation. Rehabilitation and provision of accommodation for a homeless woman, within the bank premises	Collaborate with the H.E.A.R.T sectors business owners to promote CSR and sustainability initiatives within the sectors
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	Participate in international and multi-stakeholder initiatives to drive improved standards and progress of Sustainable banking in Nigeria	The Waste Recycling initiative was expanded to the Head Office Annex, Ilupeju. Lagos. A total of 7,202 kg of waste was recycled Partnered with The Nigeria Economic Summit Group to sponsor the NESG-HBS Green Financing workshop conference. Successfully subscribed as a participatory member of the United Nations Global Compact - which focuses on Human Rights, Labor, Environment and Anti-Corruption. The Sustainable banking team attended a training organized by International Finance Corporation on Environmental and Social Risk Management	Implement the UN Global Compact action plans. Implement the Environmental Management System (EMS Certification ISO 14001:2015) Implement the Occupational Health and Safety Management System Business (OHSMS Certification ISO 45001:2018)
		Incorporate energy efficiency equipment into new and already existing buildings	Deployed hybrid power and renewable energy to 25 branches Commissioned over 100 solar powered ATM nationwide. Achieved a 1.84% reduction in carbon emissions, by reducing diesel consumption by 8.72% Y-o-Y.	Reduce the Bank's Carbon Footprint by a minimum of 2% Deployment of hybrid/ renewable energy to 40 additional branches. Solarization of the Sterling Bank Head Office
		Conduct Environmental and Social Risk Assessment for transactions under the 3 sectors of focus (Agriculture, Oil & Gas and Power)	E&S risk sectorial coverage was expanded to cover additional 8 sectors; Mining, Manufacturing, Real Estate, Construction, Health, Renewable energy, Education and Transportation. 140 transactions corporate and commercial transactions under the sectors under our focus were screened and assessed for E&S Risk.	Increase E&S monitoring of customers to help them improve on their sustainable practices

CORPORATE **GOVERNANCE REPORT**

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 are as follows:

		Designation	Attendance	No. of Meetings
1	Mr. Asue Ighodalo	Chairman	5	5
2	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Non-Executive Director	4	4
3	Dr. (Mrs.) Omolara Akanji	Non-Executive Director	5	5
4	Mr. Olaitan Kajero	Non-Executive Director	5	5
5	Mrs. Tairat Tijani	Non-Executive Director	5	5
6	Ms. Tamarakare Yekwe (Retired 06/03/18)	Non-Executive Director	2	2
7	Mrs. Egbichi Akinsanya (Retired 22/05/18)	Non-Executive Director	3	3
8	Mr. Michael Jituboh	Non-Executive Director	3	5
9	Mr. Sujit Varma (Indian)	Non-Executive Director	1	5
10	Mrs. Folasade Kilaso (Appointed 14/06/18)	Non-Executive Director	2	2
11	Mr. Michael Ajukwu (Appointed 22/06/18)	Non-Executive Director	2	2
12	Mr. Abubakar Suleiman	Managing Director/CEO	5	5
13	Mr Yemi Adeola (Retired 01/04/18)	Managing Director/CEO	1	1
14	Mr. Kayode Lawal (Retired 31/08/18)	Executive Director	3	3
15	Mr. Grama Narasimhan (Indian)	Executive Director	5	5
16	Mr. Yemi Odubiyi	Executive Director	5	5
17	Mr. Emmanuel Emefienim (Appointed (05/02/18)	Executive Director	4	4

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 approved by the Central Bank of Nigeria. The Board has five (5) standing committees, namely: Board Credit Committee, Board Finance & General Purpose Committee, Board Risk Management Committee, Board Audit Committee, and Board Governance & Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

Board Credit Committee

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

Terms of reference

- Consider credit proposals for approval on the recommendation of the Management Credit Committee (MCC);
- Recommend to the Board assignment of credit approval authority limits on the recommendation of the MCC;

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

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

		Designation	Attendance	No. of Meetings
1	Dr. (Mrs.) Omolara Akanji	Chairperson	4	4
2	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Member	4	4
3	Mr. Olaitan Kajero	Member	4	4
4	Mr. Michael Ajukwu	Member	2	2
5	Mr. Abubakar Suleiman	Member	4	4
6	Mr. Grama Narasimhan (Indian)	Member	4	4
7	Mr. Yemi Odubiyi	Member	1	1
8	Mr. Emmanuel Emefienim	Member	2	2

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
- To perform any other duties assigned by the Board from time to time.

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

		Designation	Attendance	No. of Meetings
1	Mrs. Tairat Tijani	Chairman	4	4
2	Mrs. Egbichi Akinsanya (Retired 22/05/18)	Member	2	2
3	Mrs. Folasade Kilaso	Member	2	2
4	Mr. Michael Jituboh	Member	3	4
5	Ms. Tamarakare Yekwe (Retired 06/03/18)	Member	1	1
6	Mr. Abubakar Suleiman	Member	4	4
7	Mr. Yemi Odubiyi	Member	4	4

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
- To perform any other duties assigned by the Board from time to time.

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

		Designation	Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	4	4
2	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Member	4	4
3	Dr. (Mrs.) Omolara Akanji	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mr. Michael Jituboh	Member	2	4
6	Mr. Abubakar Suleiman	Member	4	4
7	Mr. Kayode Lawal (Retired 31/08/18)	Member	2	2
8	Mr. Yemi Odubiyi	Member	4	4
9	Mr. Emmanuel Emefienim (Appointed 05/02/18)	Member	2	2

Board Audit Committee

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

Terms of reference

- Review the appropriateness of accounting policies;
- Review the appropriateness of assumptions made by Management in preparing the financial statements;
- Review the significant accounting and reporting issues, and understand their impact on the financial statements;
- Review the quarterly and annual financial statements and consider whether they are complete, consistent with prescribed accounting and reporting standards;
- Obtain assurance from Management with respect to the accuracy of the financial statements;
- Review with management and the external auditors the results of external audit, including any significant issues identified;
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- Review the adequacy of the internal control system, including information technology security and control;
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;

- Review the relevant policies and procedures in place and ensure they are up to date, and are complied with;
- Review and ensure the financial internal controls are operating efficiently and effectively;
- Review the Bank's compliance with the performance management and reporting systems;
- Review and ensure the performance reporting and information uses appropriate targets and benchmarks;
- Review the Internal Audit operations manual, budget, activities, staffing, skills and organizational structure of the Internal Audit;
- Review and approve the Internal Audit plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate co-ordination with the Bank's External Auditors;
- Review and concur in the appointment, replacement, or dismissal of the Chief Internal Auditor;
- Resolve any difficulties or unjustified restrictions or limitations on the scope of Internal Audit work;
- Resolve any significant disagreements between Auditors and Management;
- Review the significant findings and recommendations by Internal Audit and Management responses thereof;
- Review the implementation of Internal Audit recommendations by Management;
- Review the performance of the Chief Internal Auditor;
- Review the effectiveness of the Internal Audit function, including compliance with acceptable International Standards for the Professional Practice of Internal Auditing;
- Review the external auditors' proposed audit scope, approach and audit fees for the year;
- Review the findings and recommendations by External Auditors and Management responses thereof;
- Review the implementation of External Auditors' recommendations by Management;
- 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:

		Designation	Attendance	No. of Meetings
1	Mr. Michael Ajukwu	Chairman	2	2
2	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Member	4	4
3	Dr. (Mrs.) Omolara Akanji	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mrs. Egbichi Akinsanya (Retired 22/05/18)	Member	2	2
6	Ms. Tamarakare Yekwe (Retired 06/03/18)	Member	1	1
7	Mr. Michael Jituboh	Member	3	4
8	Mrs. Folasade Kilaso	Member	2	2

Board Governance & Remuneration Committee

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

Terms of reference

- Monitoring, reviewing and approving employee relations' issues such as compensation matters/bonus programs and profit-sharing schemes;
- Advise the Board on recruitment, promotions and disciplinary issues affecting top management of the Bank from Assistant General Manager grade and above;
- Appraise the Managing Director & Chief Executive and Executive Directors annually for appropriate recommendation to the Board;
- Approve training programmes for Non-Executive Directors;
- The Committee shall review the need for appointments and note the specific experience and abilities needed for each Board Committee, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such appointments to the Board;
- The Committee shall review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees;
- The Committee shall recommend any proposed change(s) to the Board;
- Recommend to the Board renewal of appointment of Executive and Non-Executive Directors based on the outcome of review of Directors performance;
- To make recommendations on experience required by Board Committee Members, Committee Appointments and Removal, Reporting and other Committee Operational matters;
- To ensure that the Board evaluation is carried out on an annual basis.
- To review and make recommendations to the Board for approval of the Bank's Organisational structure and any proposed amendments;
- Review and make recommendations on the Bank's succession plan for Directors and other senior management staff from Assistant General Manager grade and above;
- Regular monitoring of compliance with Bank's Code of Ethics and Business Conduct for Directors and Staff;
- The Committee shall determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank for recommendation to the Board;
- Review and submit to the full Board, recommendations concerning Executive Directors Compensation plans, salaries and perquisites ensuring that the compensation packages are competitive;
- Review and submit to the full Board, recommendations concerning Non-Executive Directors remuneration;
- Review and recommend for Board approval stock-based compensation, share option, incentive bonus, severance benefits and perquisites for Executive Directors and employees;
- Ensure that the level of remuneration is sufficient to attract, retain and motivate Executive Directors and all employees of the Bank while ensuring that the Bank is not paying excessive remuneration;
- Recommend to the Board compensation payable to Executive Directors and Senior Management employees for any loss of office or termination of appointment;

- Develop, review and recommend the remuneration policy to the Board for approval;
- The Committee may engage a remuneration consultant at the expense of the Bank for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent; and
- To perform any other duties assigned by the Board from time to time.

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

		Designation	Attendance	No. of Meetings
1	Mrs. Folasade Kilaso	Chairperson	2	2
2	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Member	5	5
3	Dr. (Mrs.) Omolara Akanji	Member	5	5
4	Mr. Olaitan Kajero	Member	5	5
5	Mrs. Egbichi Akinsanya (Retired 22/05/18)	Member	3	3
6	Ms. Tamarakare Yekwe (Retired 06/03/18)	Member	1	1
7	Mrs. Tairat Tijani	Member	5	5
8	Mr. Michael Ajukwu	Member	2	2

Statutory Audit Committee

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

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors

4 Mr. Olaitan Kajero
5 Mr. Rasheed Kolarinwa
6 Mr. Michael Jituboh

Terms of reference

- To make recommendations to the Board to be put to the Shareholders for approval at the AGM regarding the appointment, removal and remuneration of the external auditors of the Bank;
- To authorise the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- To review and approve the annual audit plan and ensure that it is consistent with the scope of audit engagement, having regard to the seniority, expertise and experience of the audit team;

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

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

		Designation	Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	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 (Retired 06/03/18)	Member	1	1
6	Mr. Rasheed Kolarinwa (Retired 26/10/18)	Member	2	2
7	Mr. Michael Jituboh	Member	1	2

Dates for Board and Board Committee meetings held in 2018 financial year:

Meetings	Dates				
Board	26-Jan-18	6-Mar-18	22-May-18	14-Aug-18	22-Nov-18
Board Credit Committee	16-Feb-18	25-Apr-18		13-Jul-18	15-Oct-18
Board Finance & General Purpose Committee	21-Feb-18	17-Apr-18		6-Jul-18	16-Oct-18
Board Audit Committee	22-Feb-18	26-Apr-18		18-Jul-18	22-Oct-18
Board Risk Management Committee	15-Feb-18	24-Apr-18		16-Jul-18	29-Oct-18
Board Governance & Remuneration Committee	11-Jan-18	20-Feb-18	23-Apr-18	17-Jul-18	18-Oct-18
Statutory Audit Committee	23-Feb-18	19-Apr-18		25-Jul-18	25-Oct-18

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 Nigerian Stock Exchange, including advising Management on prompt disclosure of material information.

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

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

Management Committees

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

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

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

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

5 **Criticised Assets Committee (CAC)**
The Committee reviews the Bank's credit portfolio and collateral documentation. It reviews the non-performing loans and recovery strategies for bad loans.

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

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

Succession Planning

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

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

Code of Ethics

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

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

Securities Trading Policy

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 the issue relating to the Investment and Securities Act.

Process of Board Appointments

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

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

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

DIRECTORS, OFFICERS AND **PROFESSIONAL ADVISERS**

DIRECTORS

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

COMPANY SECRETARY

Justina Lewa

REGISTERED OFFICE

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

REGISTRATION NUMBER

2392

AUDITORS

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

REGISTRAR

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

CONSULTANTS

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

[1] Appointed 14th June 2018
[2] Appointed 22nd June 2018

DIRECTOR'S **PROFILE**

ASUE IGHODALO
Chairman

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

OMOLARA AKANJI
Independent Director

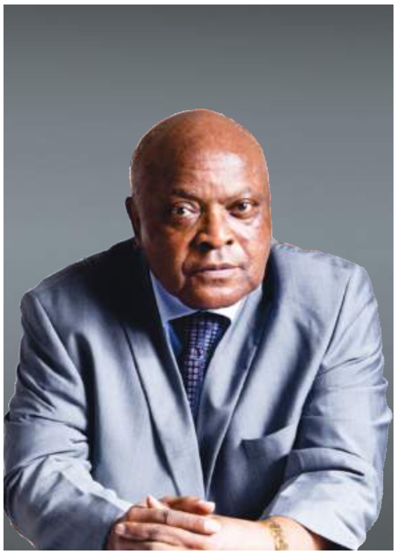
Dr. (Mrs.) Omolara Akanji was appointed an Independent Director of Sterling Bank in February, 2014. She holds a B.Sc. in Agricultural Economics from the University of Ibadan, an M.Sc. in Agricultural Economics from the University of Reading, a Diploma in Statistics from the University of Kent, Mathematical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

OLAITAN KAJERO
Non-Executive Director

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

TAIRAT TIJANI
Non-Executive Director

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



MICHAEL JITUBOH
Non-Executive Director

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

SUJIT 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 roles 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.

FOLASHADE KILASO
Non-Executive Director

Mrs. Folasade Kilaso joined the Board of Sterling Bank Plc as a Non-Executive Director in June 2018.
She holds a bachelor's degree in law from the University of Kent and an LLM from the prestigious University of Cambridge specializing in International Corporate law and Finance. Mrs. Kilaso was called to the Nigerian Bar in 1988. She trained with leading international law firm Clifford Chance in the United Kingdom and is a solicitor of the Supreme Court of England and Wales. She is presently the Principal Partner at Berkeley Legal where she specializes in Banking & Corporate Finance, Asset Management, Energy, Real Estate, Insurance, Immigration and Risk Management.
Prior to setting up Berkeley Legal in 2015, she was Executive Director at Standard Chartered Bank, Nigeria. Mrs. Kilaso had a multifunctional career at Standard Chartered during her 11 years with the Bank. She has served on the Board of the Financial Institutions Training Centre (FITC), and on the committees of various institutions such as the Nigeria Inter Bank Settlement Systems (NIBSS), Chartered Institute of Bankers Nigeria (CIBN) and Central Bank of Nigeria (CBN) - Sub Committee for Women Economic Empowerment. She is currently serving on the board of other companies.

MICHAEL AJUKWU
Independent Director

Mr. Michael Ajukwu was appointed an Independent Director on the Board of Sterling Bank Plc in June, 2018. He holds a B.Sc in Finance from the University of Lagos and an MBA in Accounting & Finance from New York University. He worked for 21 years in the banking industry retiring in 2002 as an executive board member of United Bank for Africa. Mr. Ajukwu is currently a Non-Executive Director on the Boards of Intafact Beverages Ltd (Nigerian sub of South African Breweries), Mobax Nigeria Ltd (A South African Company) and Novotel- A member of ACCOR (A French Hotel Group). He is also an Independent Director on the Board of Tiger Brands SA.

ABUBAKAR SULEIMAN

Managing Director/ Chief Executive Officer

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

Mr. Suleiman joined the Sterling Bank family (Trust Bank of Africa) in 2003 with responsibility for Treasury and Finance. Following the merger in 2006, he was appointed Group Treasurer; a position he held until 2011 when he assumed the role of Integration Director – tasked with managing and integrating Equitorial Trust Bank (ETB) into Sterling. He began his career as an Experienced Staff Assistant at Arthur Andersen (now KPMG Nigeria), before moving to MBC International Bank (now First Bank) as a Management Associate. He later worked in Citibank Nigeria in roles spanning Treasury and Asset & Liability Management.

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

GRAMA NARASIMHAN

Executive Director

Mr. Grama Narasimhan currently serves as the Executive Director, Retail and Consumer Banking at Sterling Bank; a role he has held since October, 2014. Born on the 15th of March, 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.

YEMI ODUBIYI
Executive Director

Mr. Yemi Odubiyi currently serves as the Executive Director, Corporate & Investment Banking at Sterling Bank; a role he has held since June, 2018. Mr. Odubiyi was born on 2nd September, 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. Over the course of his career, Mr. Odubiyi has undertaken senior management/executive education programs in Risk Management, Finance, and General Management at leading international educational institutions including the London and Harvard Business Schools to name a few.

EMMANUEL EMEFIENIM
Executive Director

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

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

REPORT OF **THE DIRECTORS**

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

Corporate Structure and Business

Principal activity and business review

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 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

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

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

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

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

The Bank has 179 branches and cash centres as at 31 December 2018.

Operating Results

Highlights of the Group and the Bank's operating results for the year ended 31 December 2018 are as follows:

In millions of Naira	Group 2018	Group 2017 Restated*	Bank 2018	Bank 2017 Restated*
Gross earnings	152,164	133,490	151,247	133,022
Profit before income tax	9,489	8,105	9,739	8,039
Income tax expense	(271)	(85)	(271)	(85)
Profit after income tax	9,218	8,020	9,468	7,954
Profit attributable to equity holders	9,218	8,020	9,468	7,954
Appropriation:				
Transfer to statutory reserve	1,420	1,268	1,420	1,268
Transfer to retained earnings	7,798	6,752	8,048	6,686
	9,218	8,020	9,468	7,954
Total non-performing loans as % of gross loans	8.69%	6.20%	8.69%	6.20%
Earnings per share - basic (in Kobo)	32k	28k	33k	28k
Earnings per share - diluted (in Kobo)	32k	28k	33k	28k

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statements

Directors who served during the year

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

Name	Designation	Date appointed/retired	Interest represented
Mr. Asue Ighodalo	Chairman		Moehi Nigeria Limited
Mr. Rasheed Kolarinwa	Independent Director	Retired -26/10/2018	
Dr. (Mrs.) Omolara Akanji	Independent Director		
Mr. Michael Ajukwu	Independent Director	Appointed - 22/06/2018	
Mr. Olaitan Kajero	Non-Executive Director		Eba Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investment Limited
Mrs. Egbichi Akinsanya	Non-Executive Director	Retired - 22/05/2018	Asset Management Corporation of Nigeria (AMCON)
Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
Mr. Sujit Varma (Indian)	Non-Executive Director		State Bank of India
Mrs. Folasade Kilaso	Non-Executive Director	Appointed - 14/06/2018	Alfanoma Nigeria Limited Plural Limited Reduvita Limited Quakers Integrated Services Limited Concept Features Limited
Mr. Abubakar Suleiman	Managing Director/CEO		
Mr. Kayode Lawal	Executive Director	Retired - 31/08/2018	
Mr. Grama Narasimhan (Indian)	Executive Director		
Mr. Yemi Odubiyi	Executive Director		
Mr. Yemi Adeola	Managing Director/CEO	Retired - 1/04/2018	
Ms. Tamarakare Yekwe (MON)	Independent Director	Retired - 06/03/2018	
Mr. Emmanuel Emefienim	Executive Director	Appointed - 05/02/2018	

Going concern

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

Director's interests in shares

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

		31-Dec-18	31-Dec-18	31-Dec-17	31-Dec-17
	Names	Direct	Indirect	Direct	Indirect
1	Mr. Asue Ighodalo	-	62,645,242	-	62,645,242
2	Mr. Rasheed Kolarinwa	-	-	-	-
3	Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
4	Dr. (Mrs) Omolara Akanji	-	-	-	-
5	Mr. Michael Ajukwu	-	-	-	-
6	Mr. Sujit Varma	-	2,549,505,026	-	2,549,505,026
7	Mr. Olaitan Kajero	-	1,582,687,059	-	1,582,687,059
8	Mrs. Tairat Tijani	-	1,149,566,801	-	1,444,057,327
9	Mrs. Folasade Kilaso	-	1,440,337,670	-	-
10	Mr. Abubakar Suleiman	28,108,227	-	25,157,631	-
11	Mr. Grama Narasimhan	-	-	-	-
12	Mr. Yemi Odubiyi	19,342,826	-	16,473,564	-
13	Mr. Emmanuel Emefienim	12,158,681	-	-	-
14	Yemi Adeola	-	-	25,535,555	-
15	Tamarakare Yekwe (MON)	-	-	-	-
16	Mrs. Egbichi Akinsanya	-	-	-	1,685,614,073
17	Mr. Kayode Lawal	-	-	16,220,306	-

Director's interests in contracts

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

Director's Remuneration

The Bank ensures that remuneration paid to its Directors comply with the provisions of the codes of corporate governance issued by its regulators. In compliance with Section 34 (5) of the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission, the Bank hereby disclose the remuneration paid to its Directors as follows:

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

Beneficial ownership

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

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2018 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1 000	31,909	36.77%	14,391,739	0.05%
1001 - 5,000	26,238	30.24%	59,884,413	0.21%
5,000 - 10,000	8,912	10.27%	60,865,275	0.21%
10,001 - 20,000	7,053	8.13%	96,630,937	0.33%
20,001 - 50,000	4,826	5.56%	153,757,434	0.52%
50,001 - 100,000	2,688	3.10%	199,744,127	0.64%
100,001 - 200,000	2,022	2.33%	293,512,054	1.01%
200,001 - 500,000	1,612	1.86%	504,195,110	1.77%
500,001 - 10,000,000	1,389	1.60%	1,974,003,980	7.08%
Above 10,000,001	123	0.14%	14,798,036,648	51.24%
Foreign shareholding	5	0.01%	10,635,396,407	36.94%
	86,777	100%	28,790,418,124	100.00%

The following shareholders have shareholding of 5% and above as at 31 December 2018:

	31-Dec-18	31-Dec-18	31-Dec-17	31-Dec-17
	Unit holding	% holding	Unit holding	% holding
Silverlake Investments Limited	7,197,604,531	25.00	7,197,604,531	25.00
State Bank of India	2,549,505,026	8.86	2,549,505,026	8.86
Sterling Bank Staff Investment Trust Fund	1,735,550,547	6.03	-	0.00
SNNL/Asset Management Corporation of Nigeria - Main	-	0.00	1,685,614,073	5.85
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63
Ess-ay Investments Limited	1,149,566,801	3.99	1,444,057,327	5.02

Donations and charitable gifts

The Bank during the year ended 31 December 2018 donated a total sum of N299 million (2017: N346 million) 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)
States' Investment Summit	Sponsorship	65.4
Arts and Book festival	Corporate Social Responsibility	35.0
Nigeria Economic Summit Group	Sponsorship/ CSR	33.7
States' Security Trust Fund	Corporate Social Responsibility	25.0
Teach for Nigeria	Corporate Social Responsibility	15.0
Leah Foundation - Production of movie on Breast and Cervical Cancer	Corporate Social Responsibility	15.0
Support for SMEs initiatives	Sponsorship	10.8
Department of Obstetrics and Gynecology (LUTH)	Corporate Social Responsibility	10.0
ICREATE Skills fest	Corporate Social Responsibility	8.5
Nationwide League One	Corporate Social Responsibility	8.1
Education support for Schools	Corporate Social Responsibility	8.0
One Million Teachers (1MT) partnership	Corporate Social Responsibility	6.0
Environmental sustainability partnership with States Government	Corporate Social Responsibility	5.9
Racing for Sustainable Development Goals	Corporate Social Responsibility	5.9
Training for Film Producers	Corporate Social Responsibility	5.0
Made in Nigeria Festival	Sponsorship	4.0
Other Donations and collaborations	Corporate Social Responsibility	37.8
		299.1

Gender analysis of staff

Analysis of staff employed by the Bank during the year ended 31 December 2018

Description		Number	% to Total Staff
Female new hire		165	38%
Male new hire		274	62%
Total new hire		439	100%
Female as at 31 December 2018		970	40.4%
Male as at 31 December 2018		1,431	59.6%
Total staff		2,401	100%

Analysis of top management positions by gender as at 31 December 2018: GRADE	FEMALE	MALE	TOTAL
Senior Management (AGM –GM)	12	31	43
Middle Management (DM – SM)	66	155	221
TOTAL	78	186	264

Analysis of Executive and Non-Executive positions by gender as at 31 December 2018: GRADE	FEMALE	MALE	TOTAL
Executive Director	-	3	3
Managing Director	-	1	1
Non-Executive Director	3	5	8
TOTAL	3	9	12

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2018 (2017: 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.

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.

Events after the reporting date

Note 35 to the consolidated and separate financial statements disclose no events after the reporting date, that could have a material effect on the consolidated and separate financial position of the Group and the Bank as at 31 December 2018 or their profit for the year then ended.

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/00000001255
20 Marina, Lagos, Nigeria
26 February 2019

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

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

The Directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respects, the financial position and the financial performance of the Group and the Bank as at and for the year ended 31 December 2018.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of financial control.
Nothing has come to the attention of the Directors to indicate that the Group and the Bank will not remain as a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:

Abubakar Suleiman	Asue Ighodalo
Managing Director/CEO	Chairman
FRC/2013/CIBN/00000001275	FRC/2015/NBA/00000010680

26 February 2019

ADVISORY COMMITTEE OF **EXPERTS (ACE) REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. We have also conducted our review to form an opinion as to whether Sterling NIB has complied with the Shariah principles and rulings issued by the ACE of Sterling Bank and Financial Regulation Advisory Council of Experts (FRACE) of the Central Bank of Nigeria The management of Sterling Bank Plc is responsible for ensuring that Sterling NIB conducts its business in accordance with Shariah principles. It is our responsibility to form our independent opinion, based on our review of the operations of Sterling NIB and to report. We have assessed the work carried out by 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, few errors of process were reported to us. We are convinced that these issues will be addressed with policies and procedures. In the case where the process errors led to non -permissible income, the amount received has been paid into the charity account of Sterling NIB for distribution. In our opinion:

- The contracts, transactions and dealings entered into and executed by Sterling NIB during the calendar year ended 31 December 2018 duly followed the Shariah requirement:

- 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 2018 have been conducted in conformity with Islamic commercial jurisprudence.

Date: March 8, 2019

Shaykh. AbdulKader Thomas
(Chairman)

Imam AbdulRaheem A. Sayi
(Member)

Shaykh. Abubakar M. Musa
(Member)

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

FOR YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 was comprised of seventeen members during the year under review. Eleven of these members were Non-Executive Directors (including the Chairman of the Board), while six were Executive Directors (including the Managing Director/Chief Executive Officer). Four of the Non-Executive Directors were Independent Directors appointed based on criteria laid down by the Central Bank of Nigeria for the appointment of Independent Directors and core values enshrined in the Bank's Code of Corporate Governance.

During the year, two Non-Executive Directors were appointed and three Non-Executive Directors retired from the Board. Also, the Managing Director (the MD/CEO) and one Executive Director retired from the Board. Mr. Abubakar Suleiman was appointed as the new Managing Director/Chief Executive Officer of the Bank with effect from 1st April, 2018 to fill the vacancy created by the retirement of Mr. Yemi Adeola while one Executive Director was appointed onto the Board. As at 31st December, 2018, the Board had twelve (12) Directors comprising eight (8) Non-Executive Directors and four (4) Executive Directors. The composition of the Board during the year was in line with best practice and in conformity with CBN regulations. The ratio of Non-Executive Directors to Executive Directors is in line with best practice and the CBN Code. With three female members on the Board as at 31st December, 2018 the Board has almost satisfied the CBN gender ratio requirement. The ratio in favour of female members now stands at 25% against the minimum requirement of 30% effective 2014.

Members of the Board remained conscious of their responsibilities in respect of the operations of the Board and the Bank. The frequency of meetings, level of attendance at Board and Board Committee meetings were in conformity with regulations. The Board held 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 re-enforcing governance policies and practices. The Board also performed other statutory responsibilities including rendering accounts of the operations and activities of the Bank to the Shareholders. To a large extent, our previous recommendations have been implemented by the Board. The performance of the Board is adjudged to be satisfactory.

At the conclusion of the exercise, we recommended that the Board should continue to strengthen the Compliance Unit with a view to achieving zero tolerance to contraventions and penalties. Also, the Board should collaborate with Management to tighten controls regarding the Bank's transactions in order to further reduce the incidence of fraud. More emphasis should be laid on preventive controls without losing sight of the effectiveness of detective controls.

Bashorun J.K.Randle, FCA; OFR
Chairman/Chief Executive
FRC/2013/ICAN/00000002703
Dated 18 March, 2019

J K R

REPORT OF THE STATUTORY AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2018
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 2018 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 consolidated and separate financial statements.

Mr. Olaitan Kajero
Chairman, Statutory Audit Committee — 22 February 2019
FRC/2018/CIBN/00000018913

Members of the Statutory Audit Committee are:

1.	Mr. Olaitan Kajero		Chairman
2.	Alhaji Mustapha Jinadu		Member
3.	Ms. Christie Vincent		Member
4.	Mr. Idongesit Udoh		Member
5.	Mr. Rasheed Kolarinwa	Retired - 26/10/2018	Member
6.	Mr. Michael Jibutoh		Member

In attendance:
Justina Lewa — Company Secretary

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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 2018, 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 2018, 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 of Nigeria Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 Auditors' 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.

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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.

Expected Credit Loss (ECL) assessment on financial instruments

The Group has significant financial assets in its portfolio which are measured either at amortised cost, fair value through profit or loss or fair value through other comprehensive income. This represents about 94% of total assets, and the associated impairment provision are significant to the consolidated and separate financial statements. The adoption of the International Financial Reporting Starndards (IFRS 9) - Financial Instrument Recognition and Measurement, effective 01 January 2018, introduced an expected credit loss model (ECL) for recognizing impairment for financial instruments different from the incurred loss model under IAS 39.

"The ECL involves the application of judgement and estimation in determining inputs for ECL calculation such as:

- determining criteria for significant increase in credit risk (SICR) for staging purpose.
- assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.
- incorporating forward looking information in the model building process.
- factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD).
- factors considered in cash flow estimation including timing and amount.
- factors considered in collateral valuation.

These estimates are driven by a number of factors, changes in which might lead to a significant impact in the impairment value.

Adopting IFRS 9 also requires some judgements in taking certain key decisions which will impact the transitional disclosures as at 01 January 2018. Refer to Notes 3, 20 and 37 to the consolidated and separate financial statements.

This is considered a key audit matter in the consolidated and separate financial statements given the level of significance of the amount, the complexity and judgement involved in the process which required considerable audit time and expertise.

How the matter was addressed in the audit

Our audit approach was a mix of both control and substantive procedures

- We reviewed the IFRS 9 model prepared by the management for computation of impairment on financial assets in line with the requirements of IFRS9
- We gained an understanding of how the Probability of Default (PD) and Loss Given Default (LGDs) were derived by the system by performing a walkthrough using live data.
- For loans classified under stages 1 and 2, we selected material loans and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the loans within stages 1 and 2 and in the measurement of ECL.
- For stage 3 loans, we challenged all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realisation. In instances where we were not satisfied with the assumption used by the management in its cash flow estimation and discounting, we challenged

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management assumptions by re-computing the cash flows to determine the recoverable amounts.

- We focused on the most significant model assumptions including probability of default and loss given default.
- We performed detailed procedures on the completeness and accuracy of the information used.
- We used our internal specialists to assess the appropriateness of the models used and to perform an independent recalculation of the impairment provision for the selected portfolios.
- Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rate, etc. were equally challenged for reasonableness taking into consideration available information in the public domain.
- We reviewed the qualitative and quantitative disclosures for reasonablenes to ensure conformity with IFRS 7 - Financial Instruments: Disclosures.

Other Information

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

Our opinion on the consolidated and separate financial statements does not cover 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 Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011' and Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial

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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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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

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opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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) The information required by the Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Noted 34b to the consolidated and separate financial statements.

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

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

Oluwasayo Elumaro, FCA
FRC/2012/ICAN/00000000139
For: Ernst & Young
Lagos, Nigeria
14th March, 2019

FINANCIAL **STATEMENTS**

*"With over N50 billion invested in the Nigerian **Agriculture** Sector, we will continue to drive initiatives that empower small holder farmers and drive efficiency across the agro value chain – ultimately promoting food security."*

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		Group	Group	Bank	Bank
In millions of Naira	Note(s)	31 Dec 2018	31 Dec 2017 Restated*	31 Dec 2018	31 Dec 2017 Restated*
Interest income	6	125,163	110,312	124,248	109,844
Interest expense	7	(69,882)	(60,138)	(68,733)	(59,736)
Net interest income		55,281	50,174	55,515	50,108
Fees and commission income	8	15,211	12,876	15,211	12,876
Net trading income	9	8,618	4,675	8,618	4,675
Other operating income	10	3,172	5,627	3,170	5,627
Operating income		82,282	73,352	82,514	73,286
Credit loss expense	11	(5,843)	(12,267)	(5,832)	(12,267)
Net operating income after credit loss expense		76,439	61,085	76,682	61,019
Personnel expenses	12	(13,194)	(11,545)	(13,194)	(11,545)
Other operating expenses	13.1	(16,715)	(15,284)	(16,715)	(15,284)
General and administrative expenses	13.2	(24,283)	(16,554)	(24,276)	(16,554)
Depreciation and amortisation	23&24	(5,730)	(4,995)	(5,730)	(4,995)
Other property, plant and equipment costs	13.4	(7,028)	(4,602)	(7,028)	(4,602)
Total expenses		(66,950)	(52,980)	(66,943)	(52,980)
Profit before income tax		9,489	8,105	9,739	8,039
Income tax expense	14a	(271)	(85)	(271)	(85)
Profit after income tax		9,218	8,020	9,468	7,954
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent period:					
Revaluation gains on equity instruments at fair value through other comprehensive income**		(550)	-	(550)	-
Total items that will not be reclassified to profit or loss in subsequent period		(550)	-	(550)	-
Items that will be reclassified to profit or loss in subsequent period:					
- Net change in fair value during the year		(2,684)	-	(2,684)	-
- Changes in allowance for expected credit losses		(19)	-	(19)	-
Net losses on debt instruments at fair value through other comprehensive income		(2,703)	-	(2,703)	-
Available-for-sale financial assets**:					
Net gains on available-for-sale financial assets		-	8,755	-	8,755
Total items that will be reclassified to profit or loss in subsequent period:		(2,703)	8,755	(2,703)	8,755
Other comprehensive (loss)/income for the year, net of tax		(3,253)	8,755	(3,253)	8,755
Total comprehensive income for the year, net of tax		5,965	16,775	6,215	16,709
Profit attributable to:					
Total equity holders of the Bank		9,218	8,020	9,468	7,954
Total comprehensive income attributable to:					
Total equity holders of the Bank		5,965	16,775	6,215	16,709
Earnings per share - basic (in kobo)	15	32k	28k	33k	28k
Earnings per share - diluted (in kobo)	15	32k	28k	33k	28k

*Certain amounts shown here do not correspond to the 2017 consolidated and separate financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statement.

**Income from these instruments is exempted from tax.

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

In millions of Naira	Note(s)	Group 31 Dec 2018	Group 31 Dec 2017 Restated*	Group 1 Jan 2017 Restated*	Bank 31 Dec 2018	Bank 31 Dec 2017 Restated*	Bank 1 Jan 2017 Restated*
ASSETS							
Cash and balances with Central Bank of Nigeria	16	117,685	122,630	107,860	117,685	122,630	107,860
Due from banks	17	43,542	51,066	31,289	43,435	51,066	31,289
Pledged assets	18	11,423	145,179	86,864	11,423	145,179	86,864
Derivative financial assets		-	-	8	-	-	8
Loans and advances to customers	19	621,017	598,073	468,250	621,017	598,073	468,250
Investments in securities:							
- Financial assets at fair value through profit or loss	20(a)	4,110	6,883	1,653	4,110	6,883	1,653
- Debt instruments at fair value through other comprehensive income	20(c)	117,620	-		117,620	-	
- Equity instruments at fair value through other comprehensive income	20(b)	4,011	-		4,011	-	
- Debt instruments at amortised cost	20(d)	123,086	-		106,147	-	
- Available for sale	20(e)	-	80,031	34,867	-	80,031	34,867
- Held to maturity	20(f)	-	24,075	58,113	-	20,671	54,725
Investment in subsidiary	21	-	-	-	1	1	1
Other assets	22	29,446	18,728	21,676	29,446	18,728	21,676
Property, plant and equipment	23	16,942	16,451	14,605	16,942	16,451	14,605
Intangible assets	24	1,850	2,114	2,036	1,850	2,114	2,036
Deferred tax assets	14(g)	6,971	6,971	6,971	6,971	6,971	6,971
		1,097,703	1,072,201	834,192	1,080,658	1,068,798	830,805
Non-current assets held for sale	25	5,218	-	-	5,218	-	-
TOTAL ASSETS		1,102,921	1,072,201	834,192	1,085,876	1,068,798	830,805
LIABILITIES							
Deposits from banks	26	-	11,048	23,769	-	11,048	23,769
Deposits from customers	27	760,608	684,834	584,734	760,608	684,834	584,734
Derivative financial liabilities		-	-	8	-	-	8
Current income tax payable	14(b)	405	232	941	405	232	941
Other borrowed funds	28	119,526	212,847	82,451	119,526	212,847	82,451
Debt securities issued	29	86,609	13,068	15,381	69,355	9,709	11,975
Other liabilities	30	37,678	48,234	41,744	37,678	48,234	41,743
Provisions	30.2	295	295	295	295	295	295
TOTAL LIABILITIES		1,005,121	970,558	749,323	987,867	967,199	745,916
EQUITY							
Share capital	31	14,395	14,395	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759	42,759	42,759
Retained earnings		(3,307)	6,991	5,434	(3,101)	6,944	5,452
Other components of equity	32.1	43,953	37,498	22,281	43,956	37,501	22,283
Total equity		97,800	101,643	84,869	98,009	101,599	84,889
TOTAL LIABILITIES AND EQUITY		1,102,921	1,072,201	834,192	1,085,876	1,068,798	830,805

The consolidated and separate financial statements were approved by the Board of Directors on 26 February 2019 and signed on its behalf by:

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

Abubakar Suleiman
Managing Director/ Chief Executive Officer
FRC/2013/CIBN/00000001275

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

*Certain amounts shown here do not correspond to the 2017 consolidated and separate financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statement.

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

			EQUITY RESERVES								
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
GROUP											
Balance at 1 January 2018	14,395	42,759	(2,568)	5,276	15,878	235	-	18,678	37,498	6,991	101,644
Impact of adopting IFRS 9 (Note 4.2)	-	-	1,224	-	-	-		-	1,224	(10,456)	(9,232)
Transfers between reserves (Note 32.1)	-	-	-	-	(9,837)	-		-	(9,837)	9,837	-
Restated opening balance under IFRS 9	14,395	42,759	(1,344)	5,276	6,041	235	-	18,678	28,885	6,372	92,412
Comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	9,218	9,218
Other comprehensive income for the year, net of tax:											
Net change in fair value of debt instrument at FVOCI	-	-	(2,684)	-	-	-	-	-	(2,684)	-	(2,684)
Net change in fair value of equity instrument at FVOCI	-	-	(550)	-	-	-	-	-	(550)	-	(550)
Changes in allowance for expected credit losses	-	-	(19)	-	-	-	-	-	(19)	-	(19)
Total comprehensive income	-	-	(3,253)	-	-	-	-	-	3,253	9,218	5,965
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 32)	-	-	-	-	-	-	-	-	-	(576)	(576)
Transfer to regulatory risk and statutory risk reserve (Notes 32.1a, 32.1c & 32.1d)	-	-	-	-	16,219	-	682	1,420	18,321	(18,321)	-
Balance at 31 December 2018	14,395	42,759	(4,597)	5,276	22,260	235	682	20,098	43,953	(3,307)	97,800

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED SEPARATE STATEMENTS OF CHANGES IN EQUITY - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings*	Total
			EQUITY RESERVES								
GROUP											
Balance at 1 January 2017	14,395	42,759	(11,323)	5,276	10,683	235	-	17,410	22,281	6,227	85,662
Correction of errors (see note 46)	-	-	-	-	-	-	-	-	-	(793)	(793)
Restated 1 January 2017	14,395	42,759	(11,323)	5,276	10,683	235	-	17,410	22,281	5,434	84,869
Comprehensive income for the year:											
Profit for the year as reported in the 2017 financial statement	-	-	-	-	-	-	-	-	-	8,521	-
Correction of error (Note 46)	-	-		-	-	-	-	-	-	(501)	-
Restated profit for the year	-	-	-	-	-	-	-	-	-	8,020	8,020
Other comprehensive income, net of tax											
Net changes in fair value of available for sale investment securities	-	-	8,755	-	-	-	-	-	8,755	-	8,755
Total comprehensive income	-	-	8,755	-	-	-	-	-	8,755	8,020	16,775
Transactions with equity holders, recorded directly in equity:											
Transfer to regulatory risk and statutory risk reserves (Notes 32.1a & 32.1c)	-	-	-	-	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	6,991	101,644

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statements

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED SEPARATE STATEMENTS OF CHANGES IN EQUITY - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
			EQUITY RESERVES								
BANK											
Balance at 1 January 2018	14,395	42,759	(2,568)	5,276	15,878	235	-	18,680	37,501	6,944	101,599
Impact of adopting IFRS 9 (Note 4.2)	-	-	1,224	-		-		-	1,224	(10,453)	(9,229)
Transfers between reserves (Note 32)	-	-		-	(9,837)	-		-	(9,837)	9,837	-
Restated opening balance under IFRS 9	14,395	42,759	(1,344)	5,276	6,041	235	-	18,680	28,888	6,328	92,370
Comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	9,468	9,468
Comprehensive income for the year:											
Net change in fair value of debt instrument at FVOCI	-	-	(2,684)	-	-	-	-	-	(2,684)	-	(2,684)
Net change in fair value of equity instrument at FVOCI	-	-	(550)	-	-	-	-	-	(550)	-	(550)
Changes in allowance for expected credit losses	-	-	(19)	-	-	-	-	-	(19)	-	(19)
Total comprehensive income	-	-	(3,253)	-	-	-		-	(3,253)	9,468	6,215
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 32)	-	-	-	-	-	-	-	-	-	(576)	(576)
Transfer to regulatory risk and statutory risk reserves (Notes 32.1a, 32.1c & 32.1d)	-	-	-	-	16,219	-	682	1,420	18,321	(18,321)	-
Balance at 31 December 2018	14,395	42,759	(4,597)	5,276	22,260	235	682	20,100	43,956	(3,101)	98,009

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED SEPARATE STATEMENTS OF CHANGES IN EQUITY - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

			EQUITY RESERVES								
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total equity reserves	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
Correction of errors (see note 46)										(793)	(793)
Restated 1 January 2017	14,395	42,759	(11,323)	5,276	10,683	235	-	17,412	22,283	5,452	84,889
Comprehensive income for the year:											
Profit for the year as reported in the 2017 financial statement	-	-	-	-	-	-	-	-	-	8,455	-
Correction of error (Note 46)	-	-		-	-	-	-	-	-	(501)	-
Restated profit for the year	-	-	-	-	-	-	-	-	-	7,954	7,954
Other comprehensive income, net of tax											
Net changes in fair value of available for sale investment securities	-	-	8,755	-	-	-	-	-	8,755	-	8,755
Total comprehensive income	-	-	8,755	-	-	-	-	-	8,755	7,954	16,709
Transactions with equity holders, recorded directly in equity:											
Transfer to regulatory risk and statutory risk reserves (Notes 32.1a & 32.1c)	-	-	-	-	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	6,944	101,599

*Certain amounts shown here do not correspond to the 2017 consolidated and separate financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statement.

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

In millions of Naira	Note(s)	GROUP 2018	GROUP 2017 Restated*	BANK 2018	BANK 2017 Restated*
Profit before income tax		9,489	8,105	9,739	8,039
Adjustments for non cash items:					
Credit loss expense	11	5,843	12,267	5,832	12,267
Depreciation and amortisation	23 & 24	5,730	4,995	5,730	4,995
Fair value changes recognised in profit or loss		-	11,323	-	11,323
Dividend income	10	(225)	(163)	(225)	(163)
Gain on disposal of property, plant and equipment	10	(46)	(55)	(46)	(55)
Gain on disposal of investment securities		-	(1,203)	-	(1,203)
Net unrealised profit on sale of investments	10	-	-	-	-
Property and equipment written off		34		34	-
Write off of intangible assets		-	28	-	28
Foreign exchange gain		(1,724)	(3,466)	(1,724)	(3,466)
		19,102	31,831	19,340	31,765
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		(19,469)	20,498	(19,469)	20,498
Investment securities held for trading		2,773	5,230	2,773	5,230
Pledged assets		17,723	(58,315)	17,723	(58,315)
Loans and advances to customers		(23,100)	(140,863)	(23,100)	(140,863)
Derivative financial assets		-	(8)	-	(8)
Non-current assets held for sale		(5,218)	-	(5,218)	-
Other assets		(10,277)	2,491	(10,277)	2,491
		(18,467)	(139,136)	(18,228)	(139,203)
Changes in operating liabilities:					
Deposits from banks		(11,048)	(12,721)	(11,048)	(12,721)
Deposits from customers		75,774	100,100	75,774	100,100
Other liabilities		(10,556)	6,491	(10,556)	6,491
Derivative financial liabilities		-	(8)	-	(8)
Cash generated from operations		35,703	(45,274)	35,942	(45,341)
Vat Paid		(856)	(492)	(856)	(492)
Income tax paid	14b	-	(710)	-	(710)
Net cash flows from/(used in) operating activities		34,847	(46,476)	35,056	(46,542)
Investing activities					
Purchase of property, plant and equipment	23	(5,789)	(6,334)	(5,789)	(6,334)
Purchase of intangible assets	24	(404)	(691)	(404)	(691)
Proceeds from sale of property, plant and equipment		249	133	249	133
Purchase of debt instruments at FVOCI		(363,551)	(50,712)	(363,551)	(50,712)
Proceeds from sale of debt instruments at FVOCI		335,527	54,640	335,527	54,640
Purchase of debt instruments at amortised cost		(11,412)	(34,083)	-	(34,016)
Redemption of debt instruments at amortised cost		3,032	10,207	3,032	10,207
Proceeds from sale of equity instrument at FVOCI		-	15	-	15
Dividends received	10	225	163	225	163
Net cash flows used in investing activities		(42,123)	(26,662)	(30,711)	(26,594)
Financing activities:					
Proceeds from other borrowed funds	28b	28,434	182,361	28,434	182,361
Proceeds from debts & securities issued	29	72,295	-	60,537	-
Repayment of debt & securities issued	29	(4,563)	(2,634)	(4,563)	(2,634)
Repayments of other borrowed funds	28b	(125,211)	(51,964)	(125,211)	(51,964)
Dividends paid	32	(576)	-	(576)	-
Net cash flows (used in)/from financing activities		(29,621)	127,763	(41,379)	127,762
Net (decrease)/increase in cash and cash equivalents		(36,897)	54,626	(37,004)	54,626
Effect of exchange rate changes on cash and cash equivalents		4,959	418	4,959	418
Cash and cash equivalents at 1 January		99,712	44,667	99,712	44,667
Cash and cash equivalents at 31 December	36	67,774	99,712	67,667	99,712
Operational cash flows from interest:					
Interest received		90,590	99,104	89,199	72,625
Interest paid		(67,573)	(43,115)	(66,259)	(58,220)

*Certain amounts shown here do not correspond to the 2017 consolidated and separate financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statement.

The accompanying notes 1 to 46 form part of the consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED **AND SEPARATE FINANCIAL STATEMENTS**

"With significant investments earmarked for the ***Renewable Energy*** *sector, our focus is to create aggregator platforms that connects all players within the sector and finance projects that provide clean energy to communities and businesses."*

STATEMENT OF
PRUDENTIAL ADJUSTMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The regulators, Central Bank of Nigeria and Nigeria Deposit Insurance Corporation, stipulates that impairment charges recognized in the Income Statement account shall be determined based on the requirements of IFRS. The IFRS impairment should then be compared with provisions determined under the prudential guidelines as prescribed by CBN and the expected impact/changes 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 Risk Reserve.

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

In millions of Naira	Note(s)	As at 31 Dec 2018	As at 31 Dec 2017
Transfer to Regulatory Risk Reserve			
Prudential provision		43,332	37,220
Total Prudential provision		43,332	37,220
IFRS provision			
Impairment allowance on loans to corporate entities	19.1.1	17,991	-
Impairment allowance on loans to individuals	19.1.2	1,670	-
Individual impairment allowance	19.1.3	-	13,810
Collective impairment allowance	19.1.4	-	5,694
Allowances for impairment for other assets	22.1	834	1,275
Impairment allowance on debt instruments at amortised cost	18.3.2 & 20(h)	115	-
Impairment allowance on debt instruments at FVOCI	18.3.1 & 20(g)	167	268
Provisions for litigation, letters of credits and guarantees	30.2	295	295
		21,072	21,342
Difference in impairment provision balances		22,260	15,878
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		15,878	10,683
Impact of adopting IFRS 9 (Note 4.2)		(9,837)	-
Transfer to Regulatory Risk Reserve		16,219	5,195
		22,260	15,878

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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2019.

2. Accounting policies

2.1 Basis of preparation and statement of compliance

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

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

Functional and presentation currency

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

(a) Presentation of financial statements

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12months after the reporting date (current) and more than 12 months after the reporting date non-current) is presented in Note 37 to the consolidated and seperate financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses are not offset in the income statement unless required or permitted by any IFRS accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2018. 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 interest, even if this results in the non-controlling interests having a deficit balance.

2.2 Summary of significant accounting policies

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

2.2.1 Taxes

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent that it is probable that 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.

2.2.2 Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification of financial instruments

Policy applicable from 1 January 2018

The Group classified its financial assets under IFRS9, into the following measurement categories:

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

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flow (i.e solely payments of principal and interest- SPPI test). Directors determine the classification of the financial instruments at initial recognition. The Group classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortised cost.

Policy applicable prior to 1 January 2018

The Group classified its financial assets under IAS 39 as financial assets at Fair value through profit or loss, Loans and receivables, held to Maturity investments and available for Sale financial assets.

(iii) Subsequent measurement
Policy applicable from 1 January 2018

(i) Debt instruments
The subsequent measurement of financial assets depend on its initial classification:
Amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

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

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

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI) and accumulated in a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. Interest income from these financial assets is determined using the effective interest method and recognised in profit or loss as 'Interest income'.

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

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

Fair value through profit or loss (FVTPL):

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

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

(ii) Equity instruments

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

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

Business Model Assessment

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

1) The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
2) How the performance of the portfolio is evaluated and reported to the Group's management;
3) The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
4) How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
5) The frequency, volume and timing of sales in prior periods the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

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

b. Financial assets - policy applicable prior to 1 January 2018

(i) Financial assets at fair value through profit or 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

(ii) Available-for-sale financial assets

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 change are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and loss 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.

(iii) 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 rigger 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.

(iv) Loans and receivables

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.

c. Financial liabilities - policy applicable for current and comparative periods

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

(i) Financial liabilities at fair value through profit or loss

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

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

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

From 1 January 2018, under IFRS 9, where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

(ii) Financial liabilities at amortised cost

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

(iv) Reclassifications

Policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets that are debt instruments. A change in the objective of the Group's business occurs only when the Group either begins or ceases to perform an activity that is significant to its operations (e.g.,via acquisition or disposal of a business line).

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

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

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

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

- Run on the Bank/stressed liquidity scenarios
- Credit risk event i.e. perceived issuer default
- In the event of merger and takeover, the Bank may sell portion of the portfolio if the security holdings violates set limits
- Other one-off events

Significance is defined to mean 5% of the portfolio value and subject to the policy on frequency above.

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

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

(v) Modifications of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'. If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

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

Qualitative criteria

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

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

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

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

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

Quantitative criteria

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

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

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

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.
- If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see below) and Expected credit losses (ECL) are measured as follows:

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

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

(ii) Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(vi) Impairment of financial assets
See also Note 37(I) on Credit risk disclosure

(i) Policy applicable from 1 January 2018
The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

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

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

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

The Group considers a risk free and gilt edged debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

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

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

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or

contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

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

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

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

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

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

4. Write-off

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

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

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

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

Impairment: Policy applicable before 1st January, 2018

(a) 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 postponement 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 individually 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 assets'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.

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.

(b) Assets classified as available for sale

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 th reporting date, that have an impact on the 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.

(c) 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.

(d) 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.

(e) Collateral repossessed

Repossessed collateral are land and buildings repossessed from a customer and used to settle the customer's outstanding obligation. When collaterals are repossessed in satisfaction of a loan, the receivable is written down against the allowance for losses. Repossessed collaterals are included in the financial statement based on how the Bank intends to realize benefit from such collateral such as Non current assets held for sale and carried at the lower of cost or estimated fair value less costs to sell.

(vii) Embedded derivatives

Policy applicable after 1 January 2018

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

(viii) Offsetting financial instruments -
Policy applicable for current and comparative periods
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amount and intends either to settle on a net basis or to realise the asset & settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

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

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

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(xi) Financial guarantees and loan commitments
(i) Policy applicable before 1 January 2018
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.

(ii) Policy applicable after 1 January 2018
The date that the entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements. Financial guarantees issued are initially measured at fair value and the fair value is amortised over the life of the guarantee .Subsequently, the financial guarantees are measured at the higher of this amortised amount and the amount of expected loss allowance (See Note 33c). The Group also recognises loss allowance for its loan

commitments (See Note 33c). The expected loss allowance for the Loan commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive. The Group has issued no loan commitment that is measured at FVTPL.

2.2.3 Revenue recognition

Interest income and expense

(i) Policy applicable from 1 January 2018

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

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

a. Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

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

b. Calculation of interest income and expenses

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

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

c. Presentation

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in Net trading income on financial instruments classified as held for trading.

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

d. Non-interest income and non -interest expense

Sharia compliant income

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

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

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

e. Fees and commission income and expense

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

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

f. Net trading income

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

g. Dividend income

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

(ii) Policy applicable before 1 January 2018

a. 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 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.

b. 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 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 relate 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.

c. Net trading income

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

d. 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.

2.2.4 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central banks, operating accounts with other banks, amount due from other banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of change in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost.

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

2.2.5 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within he 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	50years
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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

2.2.6 Non-current assets held for sale

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

2.2.7 Intangible assets

Software

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

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

2.2.8 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 rewards incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Contingent rental payable recognised as an expense in the period in which they are incurred.

Group as a lessor

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

2.2.9 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.

2.2.10 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.

2.2.11 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.

2.2.12 Share capital

(I) Share issue costs

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

(ii) Share premium

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

(iii) Dividend on ordinary shares

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

2.2.13 Equity reserves

(i) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value through other comprehensive income 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 expected loss model used in calculating the impairment under IFRS.

(iv) SMEEIS reserve

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a percentage 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.

(vii) AGSMEIS reserve

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

2.2.14 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.

2.2.15 Segment reporting

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

2.2.16 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).

2.2.17 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 o debt instruments at FVOCI, and debt instruments at amortised cost are shown separately in the statement of financial position if they can be sold or pledged by the transferee.

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

2.2.18 Fair value definition and measurement

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

- Disclosures for valuation methods, significant estimates and assumptions are in Note 3.
- Quantitative disclosures of fair value measurement hierarchy are in Note 39.
- Financial instruments (including those carried at amortised cost) are in Note 39.

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

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

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

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

2.2.19 Non interest banking

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

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

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

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

(I) Deposit Liabilities

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

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

2.3 Changes in accounting policies and disclosures

The following are the standards, pronouncements and amendments effective for annual periods beginning on or after 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Classification and Measurement of Share-based Payment Transactions –Amendments to IFRS 2
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28
- Transfers of Investment Property – Amendments to IAS 40
- AIP IAS 28 - Investment in Associates
- AIP IFRS 1 First-time Adoption of IFRS - Deletion of short-term exemptions for first-time adopters

The Group applied for the first time, the standards and amendments that are applicable. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below:

2.3.1 IFRS 9 Financial instruments

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading at FVOCI.

If a risk free and gilt edged debt instrument has low credit risk equivalent to investment grade at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since initial recognition.

In accordance with the transition requirements for classification and measurement and impairment, the Group has not restated comparative periods. As a consequence:

- Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings (or another component of equity as appropriate).
- Financial assets are not reclassified in the statement of financial position for the comparative period.
- Allowance for impairment has not been restated in the comparative period.

"

New accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.

Investments in financial assets are classified as either debt or equity investments in accordance with IAS 32

Financial Instruments: Presentation.

The Group adopted the general Expected Credit Loss (ECL) model for loans and advances to banks, loans and advances to customers, other debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, loan commitments and financial guarantees. ECL model is not applied to equity instruments.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below:

a. Classifications of financial assets and financial liabilities

The Group classified its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
The following summarises the key changes:

- The held-to-maturity and available-for-sale financial assets categories were removed.
- A new asset category measured at fair value through other comprehensive income (FVOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. All of the Group's

available-for-sale debt instruments were classified in this category.

- A new asset category for non-traded equity investments measured at FVOCI was introduced. All of the Group's available-for-sale equity instruments were classified in this category.
- Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, are never bifurcated. Instead, the whole hybrid instrument is assessed for classification."

Classification of financial liabilities remained largely unchanged for the Group. Financial liabilities continue to be measured at either amortised cost or FVTPL. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of changes in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss."

For an explanation of how the Group classifies its financial assets and financial liabilities under IFRS 9, see the Note on adoption of IFRS 9 in the financial statements.

b. Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss model under IAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below:

The Group applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortised cost, FVOCI, loan commitment and financial guarantee contracts. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount

ii) Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains unchanged. For financial assets that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using an allowance for credit losses account. The Group considers its historical loss experience and adjusts this for current observable data. In addition, the Group uses reasonable and supportable forecasts of future economic conditions including experience judgment to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.
If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the life time (stage 2 or stage 3) of the ECL bucket, the Group would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from life time ECL (Stage 2) to 12-months ECL (Stage 1). In addition to 90 days probationary period above. The Group also observes a probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from lifetime ECL (Stage 3) to 12 months ECL (Stage 1).

In the case of the new asset category for debt instruments measured at FVOCI, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortised cost. The Group recognises the impairment charge in profit or loss, with the corresponding amount recognised in other comprehensive income, with no reduction in the carrying amount in the statement of financial position.

Overall, impairment under IFRS 9 results in earlier recognition of credit losses than under IAS 39. For explanation of how the Group applies the impairment requirements of IFRS 9, see the Note on adoption of IFRS 9 in the financial statement.

2.3.2 IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 4.2, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 37.1. Reconciliation from opening to closing ECL allowance are set out in Note 18, 19 & 20.

2.3.3 IFRS 15 Revenue from contracts with customers

The Group adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Group to

(I) identify the contract with the customer,
(ii) identify each of the performance obligations included in the contract,
(iii) determine the amount of consideration in the contract,
(iv) allocate the consideration to each of the identified performance obligations and
(v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Group recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, Sterling Bank will continue to recognise fee and commission income charged for services provided by the Group as the services are provided (for example on completion of the underlying transaction). Revenue recognition for trading income and net investment income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

2.3.4 Impact of adoption of new standard on the third statement of financial position

The Group adopted new IFRS standards during the period which led to changes in its accounting policies. The Group applied these changes in accounting policies using the modified retrospective approach and as such it is not expected to present a third statement of financial position. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position. This is because the Group opted not to restate the comparative figures as permitted by IFRS 9.

3. Significant accounting judgements, estimates and assumptions

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

3.1 Estimates and Assumptions

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

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

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

(ii) Amortisation and carrying value of intangible assets

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

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

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

(iv) Determination of collateral value

Management monitors market value of collateral on 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 once a year; except real estate, which is valued every three years. However some collaterals, 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. See Note 37 for further disclosure on collateral value.

(v) Business model assessment

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

Allowances for credit losses

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

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

These critical assumptions have been applied consistently to all periods presented, except as follows:

The Group applied the impairment requirements under IFRS 9 from 1 January 2018 resulting in changes to the assumptions used for the calculation for allowance for impairment using the expected credit loss model. The comparative period has not been restated for IFRS 9. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors. These have been discussed in note 3.1.1 above – Changes in accounting policies

Impairment of financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

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

(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 2.2.18. 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, ncentration, 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 judgement and estimates relating to deferred tax assets.

3.2 Judgements

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. 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

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

FRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lesees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets(e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Bank plans to adopt IFRS 16 on the required effective date, as the Bank has leases that qualify to be treated in line with this standard. The Bank is currently assessing the impact of this standard.

IFRS 17 Insurance Contracts

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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.

The Interpretation specifically addresses the following:

Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances An entity has to 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 Bank will apply the interpretation from its effective date. Since the Bank operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements. In addition, the Bank may need to

establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Bank is still assessing the impact of these amendments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively an are effective from 1 January 2019, with earlier application permitted. The Bank is still assessing the impact of these amendments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments will currently have no impact on the financial statements of the Bank. The Bank will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event .
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

"An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Bank does not expect any effect on its financial statements. These amendments will not have any impact on the Bank."

Amendments to IAS 28: Long-term interests in associates and joint ventures.

"The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The Bank does not have any investment in associate and joint venture, the amendments will not have an impact on its financial statements."

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations

  "The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments do not have any impact on the Bank."

- IFRS 11 Joint Arrangements

  "A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Bank but may apply to future transactions."

- IAS 12 Income Taxes

  "The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted.

When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Bank is still assessing the impact of these amendments."

- IAS 23 Borrrowing Costs
  "The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements."

- Definition of Material – Amendments to IAS 1& IAS 8
  The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear.

Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

4.2 Transition Disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs. The group adopted IFRS 9 using the modified retrospective approach. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

Group		IAS 39 measurement			Re-measurement		IFRS 9	
In millions of Naira	Notes	Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial assets								
Cash and balances with Central Bank of Nigeria	a	Loans and receivables	122,630	-	-	-	**122,630**	Amortized cost
Due from banks	a	Loans and receivables	51,066	-	-	-	**51,066**	Amortized cost
Loans and advances to customers	a,e	Loans and receivables	598,073	-	(9,720)	-	**588,353**	Amortized cost
Other assets: Account receivables	a,e	Loans and receivables	6,179	-	(18)	-	**6,161**	Amortized cost
Debt instruments at amortised cost	a,e	HTM		24,075	(172)	-	**23,903**	Amortized cost
From Investment securities held to maturity (HTM)		HTM		24,075				Amortized cost
Total financial assets measured at amortised cost			777,948	24,075	(9,910)	-	792,113	
Equity instruments at fair value through other comprehensive income (FVOCI)	b	N/A		2,671	-	696	**3,367**	Fair Value through OCI (FVOCI)
From Investment securities - Available for sale (AFS)		AFS		2,671				
				2,671		696	3,367	Fair Value through OCI (FVOCI)
Debt instruments at fair value through other comprehensive income (FVOCI)	a	N/A		77,360			**77,360**	Fair Value through OCI (FVOCI)
From Investment securities - Available for sale (AFS)		AFS		77,360				
				77,360			**77,360**	Fair Value through OCI (FVOCI)
Investment securities - Fair value through profit or loss (FVPL) Held for trading		Fair value through profit or loss (FVPL)	6,883	-	-	-	6,883	Fair Value through profit or loss (FVPL) (mandatory)
Pledged assets	a,e		145,179		(67)	-	145,112	
Debt instruments at amortised cost		HTM	83,506		(67)	-	83,439	Amortized cost
Debt instruments at fair value through other comprehensive income (FVOCI)		AFS	61,673	-	-	-	61,673	Fair value through OCI (FVOCI)
			145,179		(67)	-	145,112	
Investment securities : Available for sale (AFS)	a	AFS	80,031	(80,031)			N/A	
To: Equity instruments at fair value through other comprehensive income (FVOCI)				(2,671)				
To: Debt instruments at fair value through other comprehensive income (FVOCI)				(77,360)				
			80,031	(80,031)				
Investment securities: Held to maturity (HTM)	a	HTM	24,075	(24,075)			N/A	
To: Debt instruments at amortised cost				(24,075)				
			24,075	(24,075)				

4.2 Transition Disclosures

Group *In millions of Naira*	Notes	IAS 39 measurement		Reclassification	Re-measurement		IFRS 9	
		Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial liabilities								
Deposits from banks	a	Other financial liabilities	11,048	-	-	-	11,048	Amortised cost
Deposits from customers	a	Other financial liabilities	684,834	-	-	-	684,834	Amortised cost
Other borrowed funds	a	Other financial liabilities	212,847	-	-	-	212,847	Amortised cost
Debt securities issued	a	Other financial liabilities	13,068	-	-	-	13,068	Amortised cost
Other liabilities	a	Other financial liabilities	48,149	-	-	-	48,149	Amortised cost
			969,946	-	-	-	969,946	
Non-financial liabilities								
Provision	d		295	-	17	-	312	N/A

Bank *In millions of Naira*	Notes	IAS 39 measurement		Reclassification	Re-measurement		IFRS 9	
		Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial assets								
Cash and balances with Central Bank of Nigeria	a	Loans and receivables	122,630	-	-	-	122,630	Amortised cost
Due form Banks	a	Loans and receivables	51,066	-	-	-	51,066	Amortised cost
Loans and advances to customers	a,e	Loans and receivables	598,073	-	(9,720)	-	588,353	Amortised cost
Other assets: Account receivables	a,e	Loans and receivables	6,179	-	(18)	-	6,161	Amortised cost
Debt instruments at amortised cost	a,e	N/A		20,671	(169)	-	20,502	Amortised cost
From: Investment securities held to maturity (HTM)		HTM		20,671				Amortised cost
Total financial assets measured at amortised cost			777,948	20,671	(9,907)	-	788,712	
Equity instruments at fair value through other comprehensive income (FVOCI)	b	N/A		2,671	-	696	3,367	Fair value through OCI (FVOCI)
From: Investment securities - Available for sale (AFS)		AFS		2,671				
				2,671		696	3,367	Fair value through OCI (FVOCI)
Debt instruments at fair value through other comprehensive income (FVOCI)	a	N/A		77,360			77,360	Fair value through OCI (FVOCI)
From: Investment securities - Available for sale (AFS)		AFS		77,360				
				77,360			77,360	Fair value through OCI (FVOCI)
Investment securities - Fair value through profit or loss (FVPL) Held for trading		Fair value through profit or loss (FVPL)	6,883	-	-	-	6,883	Fair value through profit or loss (FVPL) (mandatory)

4.2 Transition Disclosures

Bank

		IAS 39 measurement			Re-measurement		IFRS 9	
In millions of Naira	Notes	Category	Amount	Reclassification	ECL	Other	Amount	Category
Pledged assets	a,e		145,179		(67)	-	145,112	
Debt instruments at amortised cost		HTM	83,506		(67)	-	83,439	Amortized cost
Debt instruments at fair value through other comprehensive income (FVOCI)		AFS	61,673	-	-	-	61,673	Fair value through OCI (FVOCI)
			145,179		(67)	-	145,112	
Investment securities : Available for sale (AFS)	a	AFS	80,031	(80,031)			N/A	
To: Equity instruments at fair value through other comprehensive income (FVOCI)				(2,671)				
To: Debt instruments at fair value through other comprehensive income (FVOCI)				(77,360)				
			80,031	(80,031)				
Investment securities: Held to maturity (HTM)		HTM	20,671	(20,671)			N/A	
To: Debt instruments at amortised cost	a			(20,671)				
Financial liabilities								
Deposits from banks	a	Other financial liabilities	11,048	-	-	-	11,048	Amortized cost
Deposits from customers	a	Other financial liabilities	684,834	-	-	-	684,834	Amortized cost
Other borrowed funds	a	Other financial liabilities	212,847	-	-	-	212,847	Amortized cost
Debt securities issued	a	Other financial liabilities	9,709	-	-	-	9,709	Amortized cost
Other liabilities	a		48,149	-	-	-	48,149	Amortized cost
			966,587	-	-	-	966,587	
Non-financial liabilities								
Provision	d		295	-	17	-	312	N/A

4.2 Transition Disclosures

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

Group

In millions of Naira	Reserves and retained earnings
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	(2,568)
Recognition of fair value gains on equity investments previously carried at cost	1,037
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	187
Sub-total	1,224
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (1 January 2018)	(1,344)
Non-distributable regulatory reserve	
Closing balance under IAS 39 (31 December 2017)	15,878
Excess charges from IFRS 9 ECL computation (see below)	(9,837)
Opening balance under IFRS 9 (1 January 2018)	6,041
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	6,991
Recognition of IFRS 9 ECLs including those measured at FVOCI, loan commitments and financial guarantee contracts (see below)	(10,114)
Derecognition of unquoted equity as at 1 January 2018	(610)
Transfer from non-distributable regulatory reserve	9,837
Reversal of Impairment previously charged on equity instruments carried at cost	268
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (1 January 2018)	6,372
Total change in equity due to adopting IFRS 9	(9,232)

The following table reconciles the aggregate opening allowance for impairment under IAS 39- Financial instruments and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 - Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

In millions of Naira	Allowance for impairment under IAS 39/IAS 37 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for			
Loans and advances to customers	19,504	9,720	29,224
Other assets	1,275	18	1,293
Held to maturity debt investment securities per IAS 39/Debt instruments at amortised cost under IFRS 9	-	172	172
Available-for-sale debt investment securities per IAS 39/debt financial assets at FVOCI under IFRS 9	-	187	187
	20,779	10,097	30,876
Financial guarantees	-	13	13
Letters of credit for customers	-	4	4
	-	17	17
	20,779	10,114	30,893

4.2 Transition Disclosures

Bank

In millions of Naira	Reserves and retained earnings
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	(2,568)
Recognition of fair value gains on equity investments previously carried at cost	1,037
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	187
Sub-total	1,224
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (1 January 2018)	(1,344)
Non-distributable regulatory reserve	
Closing balance under IAS 39 (31 December 2017)	15,878
Excess charges from IFRS 9 ECL computation (see below)	(9,837)
Opening balance under IFRS 9 (1 January 2018)	6,041
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	6,944
Recognition of IFRS 9 ECLs including those measured at FVOCI, loan commitments and financial guarantee contracts (see below)	(10,111)
Derecognotion of unquoted equity as at 1 January 2018	(610)
Transfer from non-distributable regulatory reserve	9,837
Reversal of Impairment previously charged on equity instruments carried at cost	268
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (1 January 2018)	6,328
Total change in equity due to adopting IFRS 9	(9,229)

The following table reconciles the aggregate opening allowance for impairment under IAS 39- Financial instruments and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 - Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

In millions of Naira	Allowance for impairment under IAS 39/IAS 37 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for			
Loans and advances to customers	19,504	9,720	29,224
Other assets	1,275	18	1,293
Held to maturity debt investment securities per IAS 39/Debt instruments at amortised cost under IFRS 9	-	169	169
Available-for-sale debt investment securities per IAS 39/debt financial assets at FVOCI under IFRS 9	-	187	187
	20,779	10,094	30,873
Financial guarantees	-	13	13
Letters of credit for customers	-	4	4
	-	17	17
	20,779	10,111	30,890

4.2 Transition disclosures

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as detailed below:

a. Reclassification from retired categories with no change in measurement
The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:
(i) those previously classified as available for sale and now classified as measured at FVOCI;
(ii) those previously classified as held to maturity and now classified as measured at amortised cost; and
(iii) those previously classified as loans and receivables and now classified as measured at amortised cost.
(iv) those previously classified as other financial liabilities and now classified as measured at amortised cost."

b. Designation of equity instruments at FVOCI
The Bank has elected to irrevocably designate investments in equity with a gross carrying amount of N2.9 billion in a portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale and measured at cost less impairment.

The cumulative fair value gains of N1.037 billlion has been recognised at 1 January 2018 since they were previously measured at cost less impairment."

c. Deferred tax implication of IFRS 9
Deferred tax assets have not been recognised in respect of the impact of IFRS 9 at the date of initial application; as there is no evidence that there will be sufficient taxable profits available to the Bank in future periods to utilize the asset. If the Bank were able to recognise all deferred tax assets related to the impact of transition, the Bank's equity would increase by N3.2billion.

d. ECL computation on loan commitment and financial guarantee contracts under IFRS 9
Provision for financial guarantee contracts and other contingent liabilities were previously determined in accordance with IAS 37-Provisions Contingent Liabilities and Contingent Assets. The impairment computation for loan commitments and financial guarantee contracts is now in accordance with IFRS 9. As at 1 January 2018, the Bank recognised additional impairment of N17million on these instruments in accordance with IFRS 9.

e. ECL Computation on loans and advances to customers, account receivables, debt instruments at amortised cost and debt instruments at FVOCI under IFRS 9 Impairment allowance on loans and advances was previously determined in accordance with the incurred loss model of IAS39 Financial Instruments - Recognition and measurement. There was no impairment charge on account receivables, debt instruments classified at held to maturity and debt instruments classified as available for sale under IAS 39. Effective 1 January 2018, the impairment computation for all these instruments is determined in accordance with the expected credit loss model under IFRS 9.
As at 1 January 2018, the Bank adopted the general approach for these instruments in accordance with IFRS 9 and recognised an additional impairment of N10.09 billion.

5 Segment Information

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

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

(b) Reportable segment

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

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

- Corporate banking provides banking solutions to multinationals companies and other financial institutions.
- Retail and Commercial banking provides banking solutions to individuals, small businesses, partnerships and commercial entities among others.
- Non-Interest banking provides solutions that are consistent with Islamic laws and guided by Islamic economics.
- 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 2018 (2017: none). The activity of the segments are centrally financed, thus the cash flow for the Bank is presented in the Statement of cash flows

5 Segment information

31 December 2018 *In millions of Naira*	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Total
Interest and Non - interest income	7,822	18,625	25,749	68,357	3,695	915	125,163
Interest and Non - interest expense	(10,445)	(10,160)	(8,919)	(37,558)	(1,650)	(1,149)	(69,882)
Net interest and Non - interest margin	(2,623)	8,464	16,830	30,799	2,045	(234)	55,281
Net fees and commission income	7,063	1,208	4,102	2,838	-	-	15,211
Credit loss expense	1,214	(2,161)	(495)	(4,246)	(143)	(11)	(5,843)
Depreciation and Amortization	(3,308)	(598)	(322)	(1,390)	(111)	-	(5,730)
Operating Expenses	(5,005)	(8,196)	(14,426)	(33,009)	(570)	(7)	(61,213)
Segment profit/(loss)	3,710	(50)	7,556	(2,831)	1,343	(239)	9,489
Assets as at 31 December 2018							
Capital expenditure: Additions during the year							
Property, plant and equipment & Intangible assets	5,275	20	264	201	28	-	5,789
Other intangible assets	404	-	-		-		404
Total Assets	84,701	126,892	169,774	653,908	50,584	17,061	1,102,921
Total Liabilities	294,127	192,764	215,556	239,450	45,971	17,252	1,005,121

31 December 2017 *In millions of Naira*	Retail Banking	Commercial & Institutional Banking	Corporate & Investment Banking	Non-interest Banking	SPV	Total
Interest and Non - interest income	12,421	44,032	49,328	3,150	1,381	110,312
Interest and Non - interestexpense	(6,570)	(22,445)	(27,936)	(1,872)	(1,315)	(60,138)
Net interest and Non - interest margin	5,851	21,587	21,392	1,278	66	50,174
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	(2,512)	(20,808)	(24,217)	(448)	-	(47,985)
Segment profit/(loss)	4,588	(4,412)	7,393	470	66	8,105
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	172,645	299,594	460,958	29,152	8,210	970,558

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
6 Interest income				
Loans and advances to customers	95,227	78,379	95,227	78,379
Cash and cash equivalents	972	2,092	972	2,092
Investment securities	28,964	24,984	28,049	24,516
Interest on impaired loans	-	4,857	-	4,857
	125,163	110,312	124,248	109,844
Interest from investment securities were derived from:				
Debt instruments at fair value through other comprehensive income	16,742	-	16,742	-
Debt instruments at amortised cost	12,222	-	11,307	-
Available for sale	-	13,600	-	13,600
Held to maturity	-	11,384	-	10,916
	28,964	24,984	28,049	24,516

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
7 Interest expense				
Deposits from customers	49,178	37,166	49,178	37,165
Debts issued	10,327	2,162	9,178	1,760
Other borrowed funds expense	8,939	17,744	8,939	17,745
Deposits from banks	1,438	3,066	1,438	3,066
	69,882	60,138	68,733	59,736

8 Fees and commission income

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

	2018					2017
Group & Bank *In millions of Naira*	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Total	Total
E-business commission and fees	4,835	12		2	4,848	-
Account maintenance fees	820	373	693	81	1,966	1,441
Commissions and similar income	522	76		1,008	1,606	4,135
Facility management fees	277	277	476	430	1,460	1,008
Other fees and commissions (Note 8.1)	224	250	2,822	1,156	4,452	5,467
Total revenue from contracts with customers	6,678	987	3,991	2,676	14,332	12,051
Other non-contract fee income:						
Commissions on letter of credit transactions	386	221	111	161	879	825
Total fees and commission income	7,063	1,208	4,101	2,838	15,211	12,876

8.1 Other fees and commission includes mostly advisory fees of N3.8billion (2017:N3.7billion).

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
9 Net trading income				
Foreign exchange trading	7,605	3,466	7,605	3,466
Treasury bills	873	1,784	873	1,784
Bonds	139	(581)	139	(581)
Financial asset held for trading	1	6	1	6
	8,618	4,675	8,618	4,675

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

The net trading loss on bonds is as a result of decline in the fair value of Federal Government of Nigeria securities as at 31 December 2017.

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
10 Other operating income				
Cash recoveries on previously written off accounts	1,539	4,656	1,539	4,656
Other sundry income (note 10.1)	1,188	652	1,186	652
Rental income	174	101	174	101
Dividends on FVOCI equity investments	225	163	225	163
Gains on disposal of property, plant and equipment	46	55	46	55
	3,172	5,627	3,170	5,627

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

11 Credit loss expense

The table below shows the ECL charges/(reversals) on financial instruments for the year 31 December 2018 recorded in profit or loss :

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

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

	In millions of Naira	Group 2018	Group 2017 Restated*	Bank 2018	Bank 2017 Restated*
11	Credit loss expense				
(i)	Loan impairment				
	Impairment allowance on loans to corporate entities	12,836	-	12,836	-
	Impairment allowance on loans to individuals	648	-	648	-
	- Individual impairment	-	10,889	-	10,889
	- Collective impairment	-	1,418	-	1,418
	Bad debts written off	611	463	611	463
	Allowances no longer required	(7,958)	(981)	(7,958)	(981)
		6,137	11,789	6,137	11,789
(ii)	Impairment charge on other assets (note 22.1)	(217)	457	(217)	457
(iii)	Impairment charge on investment securities	(61)	21	(72)	21
(iii)	Letters of credit and guarantees	(16)	-	(16)	-
		(294)	478	(305)	478
		5,843	12,267	5,832	12,267
12	Personnel expenses				
	Wages and salaries	11,920	10,244	11,920	10,244
	Defined contribution plan	1,274	1,301	1,274	1,301
		13,194	11,545	13,194	11,545
13.1	Other operating expenses				
	Contract services	5,525	4,291	5,525	4,291
	AMCON surcharge (See (a) below)	6,000	4,711	6,000	4,711
	Insurance	3,486	3,865	3,486	3,865
	Net foreign exchange loss	764	1,372	764	1,372
	Net loss on trading securities	16	-	16	-
	Other professional fees (See (b) below)	924	1,045	924	1,045
		16,715	15,284	16,715	15,284

(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 2018. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2017: 0.5%) of its total assets plus 0.5% of all contingent assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines. This contribution is meant to be for 10 years from the effective date of December 2010. It is non-refundable and does not represent any ownership interest.

(b) Other professional fees include legal charges and filling fees

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
13.2 General and administrative expenses				
Administrative expenses	5227	3,022	5227	3,022
Office expenses	3,535	3,020	3,535	3,020
E-business expense	3,456	2,119	3,456	2,119
Communication cost	1,487	1,207	1,487	1,207
Rents and rates	1,634	1,112	1,634	1,112
Advertising and business promotion	2,985	1,062	2,985	1,062
Other general expenses (Note 13.3)	1,412	888	1,405	888
Branding expenses	377	783	377	783
Seminar and conferences	1,209	728	1,209	728
Security	466	552	466	552
Cash handling and cash processing expenses	772	508	772	508
Transport, travel, accomodation	520	503	520	503
Directors other expenses	371	281	371	281
Annual general meeting expenses	55	108	55	108
Stationery and printing	246	195	246	195
Audit fees	215	215	215	215
Membership and subscription	253	194	253	194
Directors fee	41	46	41	46
Fines and penalties	20	8	20	8
Newspapers and periodicals	2	3	2	3
	24,283	16,554	24,276	16,554

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
13.4 Other property, plant and equipment (PPE) costs				
Repairs and maintenance of PPE	7,028	4,602	7,028	4,602
	7,028	4,602	7,028	4,602

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
14 Income tax				
a Current income tax expense:				
Income tax (note 14d(i))	173	-	173	-
Education tax (note 14d(ii))	-	-	-	-
	173	-	173	-
Information Technology levy (note 14e)	98	85	98	85
	271	85	271	85
Deferred tax expense:				
Origination of temporary differences (note 14g)	-	-	-	-
Total income tax expense	271	85	271	85
b Current income tax payable				
The movement on this account during the year was as follows:				
Balance, beginning of the year	232	941	232	941
Estimated charge for the year (see (14a) above)	173	-	173	-
Payments during the year	-	(711)	-	(711)
Balance, end of the year	405	232	405	232

In millions of Naira		Group 2018		Group 2017		Bank 2018		Bank 2017
14. Income tax - continued								
C Reconciliation of total tax charge	%		%		%		%	
Profit before income tax	100%	9,489	100%	8,105	100%	9,739	100%	8,039
Income payable @ statutory tax rate of 30%	30%	2,847	30%	2,432	30%	2,922	30%	2,412
Tax effect of:								
Non - deductible expenses	33%	3,241	58%	4,914	33%	3,166	58%	4,914
Tax- exempt Income	-103%	(9,946)	-107%	(9,106)	-102%	(9,946)	-106%	(9,086)
Education tax		-	-	-	-	-	-	-
Information Technology Levy (NITDA)	1%	98	1%	85	1%	98	1%	85
Minimum tax	-	-	-	-	-	-	-	-
Unrecognised tax loss	40%	3,858	19%	1,610	40%	3,858	19%	1,610
Tax on dividend paid basis	-	173	-	-	-	173	-	-
Effective tax rate/Income tax expense	3%	271	1%	85	3%	271	1%	85

d(I) The basis of income tax for (2018) is 30% of N575,808,363 which was dividend paid to shareholders in 2018 and relating to the 2017 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. The Bank was not liable to Company Income Tax in 2017 as the Bank did 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 was exempted from minimum tax as stated in Section 33(3) of CITA as amended 2007.

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

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

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

14 Income tax

g. Deferred tax assets and liabilities

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

31 December 2017	Balance at 31 December 2016	Recognised in profit or loss	Balance at 31 December 2017
In millions of Naira			
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)

The Bank has unutilized capital allowance of N42,205,728,033 (2017: N21,652,598,187), unused tax losses carried forward available of N46,812,538,168 (2017: N24,152,957,225) and deductible temporary differences of N86,329,545,876 (2017: N173,147,704) 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 2018 was based on the profit attributable to ordinary shareholders of N9,218 million (2017: N8,020 million) and weighted average number of ordinary shares outstanding calculated as follows:

		Group 2018	Group 31 Dec 2017 Restated*	Bank 2018	Bank 31 Dec 2017 Restated*
		Unit ('millions)	Unit ('millions)	Unit ('millions)	Unit ('millions)
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	9,218	8,020	9,468	7,954
	Basic earnings per share	32k	28k	33k	28k
	Diluted earnings per share	32k	28k	33k	28k

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
16 Cash and balances with Central Bank of Nigeria				
Cash and foreign monies	20,772	15,404	20,772	15,404
Unrestricted balances with Central Bank of Nigeria	3,460	33,242	3,460	33,242
Deposits with the Central Bank of Nigeria	93,453	73,984	93,453	73,984
	117,685	122,630	117,685	122,630

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
17 Due from banks				
Balances held with banks outside Nigeria	22,954	30,368	22,954	30,368
Money market placements	8,690	20,698	8,690	20,698
Balances held with local banks	11,898	-	11,791	-
	43,542	51,066	43,435	51,066

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 30). 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 earn interest at the prevailing market rate.

In millions of Naira	Group 2018	Bank 2018
18 Pledged assets		
18.1 ***Debt instruments at Fair value through other comprehensive income (FVOCI)***		
Treasury bills FVOCI (see note (a) below)	7,063	7,063
Total debt instruments measured at FVOCI	7,063	7,063
18.2 ***Pledged assets Debt instruments at amortised cost***		
Government bonds Amortised cost (see note (b) below)	4,255	4,255
Other pledged assets (see note (c) below)	108	108
Sub-total	4,363	4,363
Less: Allowance for impairment losses	(3)	(3)
Total debt instruments measured at amortised cost	4,360	4,360
Total pledged assets	11,423	11,423

Pledge assets as at 31 December 2017

In millions of Naira	Group 2017	Bank 2017
Treasury bills AFS (see note (a) below)	7,619	7,619
Government bonds HTM (see note (b) below)	83,307	83,307
Government bonds AFS (see note (b) below)	40,380	40,380
Euro Bond AFS (see note (b) below)	13,674	13,674
Other pledged assets (see note (c) below)	199	199
	145,179	145,179

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

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

b) 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.

c) Included in other pledged assets are cash collateral for letters of credit and visa card transactions. The deposit are not part of the fund used by the bank for day to day activities.

18.3 Impairment losses on pledged assets subject to impairment assessment

18.3.1 Pledged assets measured at FVOCI

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

Group and Bank

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

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

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2018	61,673			61,673
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(54,654)	-	-	(54,654)
Change in fair value	44	-	-	44
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	7,063	-	-	7,063

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	50	-	-	50
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(45)	-	-	(45)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	1	-	-	1
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	6	-	-	6

18.3.2 Pledged assets instruments measured at Amortised cost

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

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	4,363	-	-	4,363
Total	4,363	-	-	4,363

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	83,506	-	-	83,506
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(79,143)	-	-	(79,143)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	4,363	-	-	4,363

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	67	-	-	67
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(65)	-	-	(65)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	1	-	-	1
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	3	-	-	3

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
19 Loans and advances to customers				
Loans to corporate entities and other organizations	621,257	602,472	621,257	602,472
Loans to individuals	19,421	15,106	19,421	15,106
	640,678	617,578	640,678	617,578
Less:				
Impairment allowance on loans to corporate entities	(17,991)	-	(17,991)	-
Impairment allowance on loans to individuals	(1,670)	-	(1,670)	-
Individual impairment allowance	-	(13,810)	-	(13,810)
Collective impairment allowance	-	(5,694)	-	(5,694)
	621,017	598, 073	621,017	598, 073

19.1 Impairment allowance for loans and advances to customers

19.1.1 Loans to corporate entities and other organizations

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

Group and Bank	31 December 2018					31 December 2017
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total	Total
External rating grade						
RR1-RR2	103,549	-	-	-	103,549	109,523
RR3-RR4	361,401	-	-	-	361,401	394,287
RR5-RR6	64,388	55,313	-	-	119,701	62,405
RR7	-		43	-	43	14,224
RR8	-		15,915	-	15,915	6,803
RR9	-	-	20,648	-	20,648	15,229
Total	529,338	55,313	36,606	-	621,257	602,472

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

Group and Bank	31 December 2018				
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2018	546,886	21,279	34,306	-	602,471
New assets originated or purchased	204,082	-	-	-	204,082
Assets derecognised or repaid (excluding write offs)	(131,435)	(56,464)	(20,308)	-	(208,206)
Transfers to Stage 1	14,441	(13,855)	(586)	-	-
Transfers to Stage 2	(100,275)	100,315	(40)	-	-
Transfers to Stage 3	(28,218)	(3,473)	31;691	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	15		-	-	15
Amounts written off			(12,339)	-	(12,339)
Foreign exchange adjustments	23,841	7,511	3,883	-	3,5,235
At 31 December, **2018**	**529,337**	**55,313**	**36,606**	-	**621,257**

Group and Bank	31 December 2018				
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2018 under IFRS 9	2,494	70	23,719	-	26,283
New assets originated or purchased	66	-	-	-	66
Assets derecognised or repaid (excluding write offs)	(1,970)	(46)	(6,843)	-	(8,859)
Transfers to Stage 1	431	(22)	(409)	-	-
Transfers to Stage 2	(129)	165	(36)	-	-
Transfers to Stage 3	(78)	(20)	98	-	-
Impact on year end ECL of exposures transferred between stages during the period	56	246	6,989	-	7,291
Unwind of discount	372	17	1,541	-	1,930
Changes to contractual cash flows due to modifications not resulting in derecognition				-	-
Changes to models and inputs used for ECL	(297)	(20)	2,227	-	1,910
Amounts written off	-	-	(12,347)	-	(12,347)
Foreign exchange adjustments	82	0	1,635	-	1,717
At 31 December, **2018**	1,027	390	16,575	-	17,991

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was N5.37billion at 31 December (2017:N6.76billion).

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

19.1.2 Loans to Individuals

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

Group and Bank	31 December 2018					31 December 2017
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Internal rating grade						
RR1-RR2	5,184	-	-	-	5,184	787
RR3-RR4	10,008	-	-	-	10,008	8,906
RR5-RR6	949	547	-	-	1,496	1,251
RR7	-	-	415	-	415	1,422
RR8	-	-	1,942	-	1,942	1,746
RR9	-	-	376	-	376	994
Total	16,141	547	2,733	-	19,421	15,106

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

Group and Bank	31 December 2018				
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2018	9,974	971	4,161	-	15,106
New assets originated or purchased	12,588	-	-	-	12,588
Assets derecognised or repaid (excluding write offs)	(3,597)	(1,407)	(2,751)	-	(7,754)
Transfers to Stage 1	377	(40)	(337)	-	-
Transfers to Stage 2	(894)	1,088	(194)	-	-
Transfers to Stage 3	(2,308)	(65)	2,373	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off			(519)		(519)
Foreign exchange adjustments	-		-	-	-
At 31 December, 2018	16,141	547	2,733	-	19,421

Group and Bank	31 December 2018				
In millions of Naira	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance as at 1 January 2018 under IFRS 9	181	6	2,755	-	2,942
New assets originated or purchased	18	-	-	-	18
Assets derecognised or repaid (excluding write offs)	(151)	(35)	(1,209)	-	(1,395)
Transfers to Stage 1	285	(1)	(285)	-	-
Transfers to Stage 2	(13)	207	(194)	-	-
Transfers to Stage 3	(26)	(1)	27	-	-
Impact on year end ECL of exposures transferred between stages during the period	(247)	(129)	431	-	55
Unwind of discount	16	25	164	-	205
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	(11)	6	361	-	357
Amounts written off	-	-	(511)	-	(511)
Foreign exchange adjustments	-	-	-	-	-
At 31 December, 2018	53	78	1,539	-	1,670

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

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

	In millions of Naira	Group 2017	Bank 2017
19.1.3	Impairment allowance on loans and advances to customers		
	Individual impairment allowance		
	Balance, beginning of year	4,188	4,188
	Impairment charge for the year (note 11)	10,889	10,889
	Reversal for the year (note 11)	(981)	(981)
	Write-offs	(286)	(286)
	Balance, end of year	13,810	13,810
19.1.4	Collective impairment allowance		
	Balance, beginning of year	4,276	4,276
	Impairment charge for the year (note 11)	1,418	1,418
	Balance, end of year	5,694	5,694

	In millions of Naira	Group 2017	Bank 2017
19.1.5	Classification of loans and advances by category		
	1. Individually Impaired	22,443	22,443
	2. Past due but not impaired	16,025	16,025
	3.Neither past due nor impaired	579,110	579,110
		617,578	617,578

	In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
19.1.6	Classification of loans and advances by rating				
	Rating				
	RR1-RR2	108,732	107,722	108,732	107,722
	RR3-RR4	371,409	405,854	371,409	405,854
	RR5-RR6	121,197	65,535	121,197	65,535
	RR7	263	16,235	263	16,235
	RR8	16,950	2,278	16,950	2,278
	RR9	22,127	19,954	22,127	19,954
		640,678	617,578	640,678	617,578
19.1.7	Classification of loans and advances by security				
	Cash	113,914	148,711	113,764	148,711
	Real estate	224,679	198,379	224,679	198,379
	Stocks/shares	3,261	3,350	3,261	3,350
	Debentures	106,357	156,030	106,357	156,030
	Other securities	157,152	108,296	157,302	108,296
	Unsecured	35,316	2,812	35,316	2,812
		640,678	617,578	640,678	617,578

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

19.1.8 Classification of loans and advances per performance

31 December 2017

Rating	INDIVIDUALLY IMPAIRED	PAST DUE BUT NOT IMPAIRED	NEITHER PAST DUE NOR IMPAIRED	TOTAL
	N'millions	N'millions	N'millions	N'millions
31 December 2017				
RR1	-	-	65,143	65,143
RR2	-	-	42,579	42,579
RR3	-	-	176,651	176,651
RR4	-	-	229,204	229,204
RR5	-	-	65,490	65,490
RR6	-	-	44	44
RR7	2,358	13,878	-	16,236
RR8	1,445	833	-	2,278
RR9	18,640	1,314	-	19,954
	22,443	16,025	579,110	617,578

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
19.1.9 Classification of loans and advances by				
Agriculture	22,785	19,244	22,785	19,244
Communication	16,653	17,287	16,653	17,287
Consumer	11,914	5,720	11,914	5,720
Education	646	885	646	885
Finance and insurance	32,096	32,124	32,096	32,124
Government	74,547	69,571	74,547	69,571
Manufacturing	4,078	6,680	4,078	6,680
Mining & quarrying	391	768	391	768
Mortgage	5,857	8,877	5,857	8,877
Oil and gas	273,742	251,590	273,742	251,590
Others	57,140	64,706	57,140	64,706
Power	16,638	22,665	16,638	22,665
Real estate & construction	56,531	70,283	56,531	70,283
Transportation	32,226	20,681	32,226	20,681
Non-interest banking	35,435	26,496	35,435	26,496
	640,678	617,578	640,678	617,577

**Includes various intervention funds to Government*

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
20 Investment in securities				
(a) *Financial instrument held at fair value through profit or loss (FVTPL)*				
Treasury bills	4,110	6,883	4,110	6,883
Total financial assets measured at FVTPL	4,110	6,883	4,110	6,883

	In millions of Naira	Group 2018	Bank 2018
(b)	*Equity instrument at fair value through other comprehensive income*		
	Lotus Capital Halal	245	245
	Africa Export/Import Bank	190	190
	Nigeria Interbank Settlement System plc	594	594
	Africa Finance Corporation	1,826	1,826
	Unified Payment System	95	95
	Investment in AGSMEIS	682	682
	Nigeria Mortgage Refinancing Corporation	379	379
	Total equity instruments at FVOCI	4,011	4,011
(c)	*Debt instruments at fair value through other comprehensive income*		
	Treasury bills	33,879	33,879
	Government bonds	82,829	82,829
	Corporate bonds	912	912
	Total debt instruments measured at FVOCI	117,620	117,620
(d)	*Debt instruments at amortised cost*		
	Government bonds	122,502	105,581
	Corporate bonds	678	678
	Treasury Bills	32	-
		123,212	106,259
	Less: Allowance for Impairment losses	(126)	(112)
	Total debt instruments measured at amortised cost	123,086	106,147

	In millions of Naira	Group 2017	Bank 2017
(e)			
	Equity securities	2,939	2,939
	Allowance for impairment on AFS	(268)	(268)
		2,671	2,671
	Treasury bills	69,097	69,097
	Government bonds	7,091	7,091
	Euro bonds	621	621
	Corporate bonds	551	551
		80,031	80,031

	In millions of Naira	Group 2017	Bank 2017
(f)	*Held to maturity*	23,207	19,845
	Government bonds	826	826
	Corporate bonds	41	-
	Treasury Bills	24,075	20,671

Impairment losses on financial investments subject to impairment assessment

(g) Debt instruments measured at FVOCI

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

Group and Bank				
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	114,101	-	-	114,101
RR3-RR4	2,608	-	-	2,608
RR5-RR6	912	-	-	912
Total	117,620	-	-	117,620

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

Group and Bank				
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2018	80,031			80,031
New assets originated or purchased	109,020	-	-	109,020
Assets derecognised or matured (excluding write-offs)	(71,315)	-	-	(71,315)
Change in fair value	(116)	-	-	(116)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	117,620	-	-	117,620

Group and Bank				
In millions of Naira	Stage 1 individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2018 under IFRS 9	137	-	-	137
New assets purchased	21	-	-	21
Assets derecognised or matured (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages	-	-	-	-
Unwind of discount (recognised in interest income)	3	-	-	3
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	161	-	-	161

(h) Debt instruments measured at amortised cost

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

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

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

Group				
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	20,310	490	-	20,800
New assets originated or purchased	104,013	-	-	104,013
Assets derecognised or matured (excluding write-offs)	(1,463)	(138)	-	(1,601)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	122,860	352	-	123,212

Bank				
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2018	20,310	490	-	20,800
New assets originated or purchased	87,060	-	-	87,060
Assets derecognised or matured (excluding write-offs)	(1,463)	(138)	-	(1,601)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	105,907	352	-	106,259

Group				
In millions of Naira	Stage 1 individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2018	61	43	-	104
New assets purchased	31	-	-	31
Assets derecognised or matured (excluding write offs)	-	(12)	-	(12)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	2	1	-	3
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modification not derecognised				
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	94	32	-	126

Bank				
In millions of Naira	Stage 1 individual	Stage 2 Individual	Stage 3	Total
ECL allowance as at 1 January 2018	59	43	-	102
New assets purchased	20	-	-	20
Assets derecognised or matured (excluding write offs)	-	(12)	-	(12)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred	-	-	-	-
Unwind of discount (recognised in interest income)	1	1	-	2
Changes due to modifications not resulting in derecognition	-	-	-	-
Impact on year end ECL of exposures transferred between	-	-	-	-
Changes due to modification not derecognised	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	80	32	-	112

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
(h) Allowance for impairment on Investment securities				
Allowance for Instrument held at FVOCI				
Balance, beginning of year	268	247	268	247
Reversal of impairment	(268)	21	(268)	21
Balance, end of year	-	268	-	268

21 Investment in subsidiary

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

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

Condensed Statement of profit or loss for the Year ended 31 December 2018	Group N'million	Elimination Entries N'million	Bank N'million	Sterling SPV N'million
Operating Income	82,282	(2,883)	82,514	2,651
Operating expenses	(66,950)	2,883	(66,943)	(2,890)
Credit loss expense	(5,843)	(11)	(5,832)	-
Profit/(loss) for the year before Tax	9,489	-	9,739	(239)
Taxation	(271)	-	(271)	-
	9,218	-	9,468	(239)
Condensed statement of financial position As at 31 December 2018				
Assets:				
Cash and balances with Central Bank of Nigeria	117,685	-	117,685	-
Due from banks	43,542	-	43,435	107
Pledged assets	11,423	-	11,423	-
Loans and advances to customers	621,017	(25,717)	621,017	25,717
Investments in securities:	-	-	-	-
- Financial assets at fair value through profit or loss	4,110	-	4,110	-
- Debt instruments at fair value through other comprehensive income	117,620	-	117,620	-
- Equity instruments at fair value through other comprehensive income	4,011	-	4,011	-
- Debt instruments at amortised cost	123,086		106,147	16,939
Investment in subsidiary	-	(1)	1	-
Other assets	29,446	-	29,446	-
Property, plant and equipment	16,942	-	16,942	-
Intangible assets	1,850	-	1,850	-
Deferred tax assets	6,971	-	6,971	-
	1,097,703	(25,718)	1,080,658	42,764
Non-current assets held for sale	5,218	-	5,218	-
TOTAL ASSETS	1,102,921	(25,718)	1,085,876	42,764
LIABILITIES & EQUITY				
Deposits from customers	760,608	-	760,608	-
Current income tax payable	405	-	405	-
Other borrowed funds	119,526	-	119,526	
Debt securities issued	86,609	(25,717)	69,355	42,970
Other liabilities	37,678	-	37,678	-
Provisions	295	-	295	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	(3,307)	-	(3,101)	(206)
Other components of equity	43,953	(3)	43,956	-
TOTAL LIABILITIES AND EQUITY	1,102,921	(25,721)	1,085,876	42,764

21 Investment in subsidiary

Condensed statement of cash flows Year ended 31 December 2018	Group N'million	Elimination Entries N'million	Bank N'million	Sterling SPV N'million
Net cash flows (used in)/from operating activities	35,703	-	35,942	(239)
Net cash flows used in investing activities	(42,979)		(31,567)	346
Net cash flows used in financing activities	(29,621)	11,758	(41,379)	-
Net decrease in cash and cash equivalents	(36,897)	11,758	(37,004)	107
Exchange rate movements on cash and cash equivalents	4,959	-	4,959	-
Cash and cash equivalents, beginning of the year	99,712	-	99,712	-
Cash and cash equivalents, end of the year	67,774		67,667	107
Condensed Statement of profit or loss for the Year ended 31 December 2017				
Operating Income	73,352	(1,315)	73,286	1,381
Operating expenses	(52,980)	1,315	(52,980)	(1,315)
Credit loss expense	(12,267)		(12,267)	
Profit/(loss) for the year before income tax	8,105	-	8,039	66
Income tax expense	(85)		(85)	-
	8,020	-	7,954	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)	1,068,798	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	(5,142)	9,709	8,501
Other liabilities	48,234	-	48,234	-
Provisions	295	-	295	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	6,991	-	6,944	48
Other components of equity	37,498	(3)	37,501	-
TOTAL LIABILITIES AND EQUITY	1,072,201	(5,147)	1,068,798	8,550

21 Investment in subsidiary

Condensed statement of cash flows Year ended 31 December 2017	Group N'million	Elimination Entries N'million	Bank N'million	Sterling SPV N'million
Net cash flows (used in)/from operating activities	(46,476)	-	(46,542)	66
Net cash flows used in investing activities	(26,662)	(68)	(26,594)	-
Net cash flow from financing activities	127,763	1	127,762	-
Net increase in cash and cash equivalents	54,626	(67)	54,626	66
Exchange rate movements on cash and cash equivalents	418	-	418	-
Cash and cash equivalents, beginning of the year	44,667	-	44,667	-
Cash and cash equivalents, end of the year	**99,712**	**(67)**	**99,712**	**66**

22. Other assets

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Accounts receivable (see note (i))	10,720	6,179	10,720	6,179
Contribution to AGSMEIS (see note (iii) below)	-	259	-	259
	10,720	6,438	10,720	6,438
Prepayments and other debit balances (see note (ii) below	17,643	10,534	17,643	10,534
Prepaid staff cost	1,401	2,205	1,401	2,205
Stock of cheque books and administrative stationeries	516	826	516	826
Gross other assets	30,280	20,003	30,280	20,003
Allowance for impairment on other assets (note 22.1)	(834)	(1,275)	(834)	(1,275)
	29,446	**18,728**	**29,446**	**18,728**

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.

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
22.1 Movement of allowance for impairment on other assets				
Balance, beginning of year	1,275	879	1,275	879
Charge on other assets (note 11)	(217)	457	(217)	457
Write offs	(224)	(61)	(224)	(61)
Balance, end of year	834	1,275	834	1,275

23 Property, plant and equipment

Group & Bank

The movement during the year was as follows:

	31 December 2018 *In millions of Naira*	Leasehold Land	Leasehold Building	Leasehold Improvement	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Capital work-in-progress	Total
		N'000			N'000	N'000	N'000	N'000	N'000
(a)	Cost								
	Beginning at 1 January 2018	1,966	3,690	3,299	9,839	8,818	3,407	684	31,703
	Additions	181	144	234	544	2,547	1,619	520	5,789
	Reclassifications	-	75	15	226	42	-	(358)	-
	Disposals	(19)	(5)	(7)	(104)	(4)	(792)	-	(931)
	Written off	-	-	-	-	-	-	(34)	(34)
	Balance at 31 December 2018	2,128	3,904	3,541	10,505	11,403	4,234	812	36,527
(b)	Accumulated depreciation and impairment								
	Beginning at 1 January 2018	154	351	1,955	6,085	4,612	2,095	-	15,252
	Charge for the year	41	76	263	1,603	2,323	756	-	5,062
	Written off	-	-	-	-	-	-	-	-
	Disposals	-	(1)	-	(101)	(3)	(623)	-	(728)
	Balance at 31 December 2018	195	426	2,218	7,587	6,932	2,228	-	19,585
	Net book value								
	Balance at 31 December 2018	1,933	3,478	1,323	2,918	4,471	2,006	812	16,942
	Balance at 31 December 2017	1,812	3,339	1,344	3,754	4,206	1,312	684	16,451

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N8.7billion (2017: N5.5billion).

ii) The write off of N34million from capital work-in-progress relates to expenditure for branch development which was stalled. This is because the location is no longer viable for business.

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

	31 December 2017 *In millions of Naira*	Leasehold Land	Leasehold Building	Leasehold improvement	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Capital work-in-progress	Total
		N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
(a)	Cost								
	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
(b)	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

i) Assets that have been fully depreciated (acquired between the year of 2000 to 2010) were written off in 2017, as no future economic benefits can be derived from its use or disposal.

ii) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N5.5billion (2016: N12.4billion).

	In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
24	Intangible assets				
	Purchased Software				
(a)	Cost				
	Balance at beginning	3,720	3,871	3,720	3,871
	Additions	404	691	404	691
	Written off	-	(842)	-	(842)
	Balance end of year	4,124	3,720	4,124	3,720
(b)	Accumulated amortisation and impairment				
	Beginning of year	1,606	1,835	1,606	1,835
	Amortisation for the year	668	585	668	585
	Written off	-	(815)	-	(815)
	Balance end of year	2,274	1,606	2,274	1,606
	Balance as at 31 December	1,850	2,114	1,850	2,114

	In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
25	Non-current assets held for sale				
	Additions	5,218	-	5,218	-
	Disposal	-	-	-	-
		5,218	-	5,218	-

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

	In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
26	Deposits from banks				
	Money Market	-	9,479	-	9,479
	Due to local banks	-	1,569	-	1,569
		-	11,048	-	11,048
27	Deposits from customers				
	Current accounts	361,212	254,476	361,212	254,476
	Savings accounts	89,546	60,687	89,546	60,687
	Term deposits	234,437	275,141	234,437	275,141
	Pledged deposits	75,413	94,530	75,413	94,530
		760,608	684,834	760,608	684,834

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

	In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
28	Other borrowed funds				
	Due to Standard Chartered Bank (see (28(i))	-	11,756	-	11,756
	Due to CBN-Agric-Fund (see (28(ii))	49,800	56,824	49,800	56,392
	Due to Citibank (see (28(iii))	-	7,664	-	7,664
	Due to CBN-State ECA secured loans (see (28 (iv))	14,119	14,454	14,119	14,454
	Due to Islamic Corporation (see (28(v))	6,831	14,712	6,831	14,712
	Due to Bank of Industry - manufacturing (see (28(vi))	-	1,678	-	1,678
	Due To Nigeria Mortgage Refnance Company (see (28(vii))	2,472	1,622	2,472	1,622
	Due to CBN - ABP (see (28(viii))	436	-	436	432
	Due to ABSA Bank (see (28(ix))	17,975	-	17,975	-
	Due to Counter Party - CBN (See 28(x))	-	84,173	-	84,173
	Due to AFREXIM (see note 28 (xi)	15,263	19,963	15,263	19,963
	Due to CBN - RSSF Fund (See (xii) below)	7,605	-	7,605	-
	Due to CBN - NESF Fund (See (xiii) below)	5,025	-	5,025	-
		119,526	212,847	119,526	212,847

28b Movement on other borrowed funds:

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Beginning of year	212,847	82,451	212,847	82,451
Additions during the year	28,434	182,361	28,434	182,361
Repayment during the year	(125,211)	(51,964)	(125,211)	(51,964)
Foreign exchange gain/(loss)	3,235	-	3,235	-
Accrued interest	221	-	221	-
	119,526	212,847	119,526	212,847

28(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 and Libor. This facility was fully repaid on 25th June, 2018.

28(ii) Due to CBN-Agric Fund

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

28(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 effective interest rate of the loan is 6.9% per annum. Principal shall be payable at maturity. This facility was fully repaid on 25th June 2018

28(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 and Kwara State Government, indicated their willingness to work with Sterling Bank Plc on the transaction. The Osun State Government applied for 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 the States at 9% annually for 20 years.

28(v) Due to Islamic Corporation

This represents Naira equivalent of $18.75 million amortizing Murabaha financing facilities granted by Islamic Corporation for the development of the private sector for a period of two years. The facility attracts a margin of 6.25%

28(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 and 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. Loans can be accessed as working capital facility for 1 year with an option of rollover. Principal and interest shall be payable quarterly.

28(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.

28(viii) Due to Central Bank of Nigeria - Anchor Borrower's Fund (ABP)

Anchor Borrowers Programme (ABP) is an initiative of the Central Bank of Nigeria and was launched by President Muhammadu Buhari in November, 2015 in Kebbi State. CBN earmarked N40bn out of N220bn Micro, Small and Medium Enterprises Development Fund (MSMEDF) to be given to farmers in cooperative at a single rate of 9% and the amount is dependent on the economics of production of each commodity. It is aimed at creating an ecosystem to link small holder farmers (borrowers) and processors (anchor) in the agricultural value chain to achieve job creation, increase domestic production of agric commodities/raw materials, improve farmers income and reduce import duty.

28 (ix) Due to ABSA

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

28 (x) Due to Counter Party - CBN

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.

28 (xi) Due to AFREXIM

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

28 (xii) Due to CBN - RSSF Fund

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

28 (xiii) Due to CBN - NESF Fund

Non-Oil Support Export Stimulation Facility (NESF) is designed to redress the declining export credit and reposition the sector to increase its contribution to revenue generation and economic development. Its designed to be accessed by exporters at a single digit of 9% and maximum obligor limit of N5bn. It aimed at improving export financing and additional opportunities for exporters to upscale and expand their businesses in improving their competitiveness. The general aim is to diversify the revenue base of the country from mono economy i.e oil.

29 Debt securities issued

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
13% Debt securities carried at amortised cost (See (i) below)	-	4,563	-	4,563
18.86% Debt securities carried at amortised cost (See (ii) below)	-	-	5,171	5,146
17.55% Debt securities carried at amortised cost (See (iii) below)	-		20,546	
Commercial Paper (See (iv) below)	43,638	-	43,638	-
16.5% Debt securities carried at amortised cost (See (v) below)	8,503	8,503	-	-
16.25% Debt securities carried at amortised cost (See (vi) below)	34,468	-	-	-
	86,609	13,068	69,355	9,709
Movements in debt securities issued				
At beginning of the year	13,068	15,381	9,709	11,975
Additions	72,295		60,537	-
Repayment	(4,563)	(2,634)	(4,563)	(2,634)
Accrued interest	5,809	321	3,672	368
	86,609	13,068	69,355	9,709

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. The debenture note was fully repaid on 30th December 2018.

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

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

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

v 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.

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

30 Other Liabilities

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Financial Liabilities				
Other credit balances (note 30.1)	10,108	21,249	10,108	21,249
Customers' deposits for foreign trade	12,147	15,203	12,147	15,203
Certified cheques	3,065	2,508	3,065	2,508
Creditors and accruals	12,260	9,189	12,260	9,189
	37,580	48,149	37,580	48,149
Non Financial Liabilities				
Information technology levy	98	85	98	85
Total Other Liabilities	37,678	48,234	37,678	48,234

30.1 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.

30.2 Provisions

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Provisions for litigations and claims	295	295	295	295
	295	295	295	295
Balance, beginning of year 1 January 2018	295	295	295	295
Impact of adopting IFRS 9 (Note 4.2)	17		17	
Reversal of provision	(17)		(17)	
	295	295	295	295

Provision for litigations: This is provision for litigations and claims against the Bank as at 31 December 2018. 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

31 Capital and equity reserves

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Share capital				
(a) Authorised:				
32,000,000,000 Ordinary shares of 50k each	16,000	16,000	16,000	16,000
(b) Issued and fully-paid:				
28.79 billion (2018: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	14,395

(i) Ordinary shareholding

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

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

In millions of units	Group 2018	Group 2017	Bank 2018	Bank 2017
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 units				
Balance at beginning of the year	28,790	28,790	28,790	28,790
	28,790	28,790	28,790	28,790

32 Dividend

In respect of 2018, the Directors have not declared any proposed dividend for the year. In 2017, the directors declared a dividend of 2 Kobo per share, amounting to N576 Million. This was approved by members at the Annual General Meeting dated May 17, 2018.

32.1 Other components of equity

In millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
Group							
(a) Balance at 1 January 2018	(2,568)	5,276	15,878	235		18,678	37,498
Impact of adopting IFRS 9 (Note 4.2)	1,224	-	-	-		-	1,224
Transfers between reserves (Note 32)	-	-	(9,837)	-		-	(9,837)
Restated opening balance under IFRS 9	(1,344)	5,276	6,041	235	-	18,678	28,885
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	(2,684)	-	-	-	-	-	(2,684)
Net change in fair value of equity instrument at FVOCI	(550)	-	-	-	-	-	(550)
Changes in allowance for expected credit losses	(19)	-	-	-	-	-	(19)
Transfers for the year	-	-	16,219	-	682	1,420	18,321
Balance at 31 December 2018	(4,597)	5,276	22,260	235	682	20,098	43,953
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

In millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
Bank							
(b) Balance at 1 January 2018	(2,568)	5,276	15,878	235		18,680	37,501
Impact of adopting IFRS 9 (Note 4.2)	1,224	-	-	-		-	1,224
Transfers between reserves (Note 32)	-	-	(9,837)	-		-	(9,837)
Restated opening balance under IFRS 9	(1,344)	5,276	6,041	235	-	18,680	28,888
Comprehensive income for the year:							-
Profit for the year	-	-	-	-		-	-
Other comprehensive income net of tax							-
Net change in fair value of debt instrument at FVOCI	(2,684)	-	-	-		-	(2,684)
Net change in fair value of equity instrument at FVOCI	(550)	-	-	-		-	(550)
Changes in allowance for expected credit losses	(19)	-	-	-		-	(19)
Transfers for the year	-	-	16,219	-	682	1,420	18,321
31 December 2018	(4,597)	5,276	22,260	235	682	20,100	43,956
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

32.1 Other components of equity - continued

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. Amount transferred to statutory reserve for the year ended 31 December 2018 was (15% of N9.485 billion) N1.420 billion (2017: N1.268 billion).

b. Share capital reserve

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

c. AGSMEIS reserve

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

d. 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:

- Where Prudential impairment provision is greater than IFRS impairment provision; transfer the difference from the Retained Earnings to a non-distributable Regulatory Risk Reserve.
- Where Prudential impairment provision is less than IFRS impairment provision; the excess charges resulting should be transferred from the Regulatory Risk Reserve account to the Retained Earnings to the extent of the non-distributable reserve previously recognized. Refer to Note 2.2.13 on accounting policies on fair value and equity reserves."

e SMEEIS reserve

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

33 Commitments and Contingencies

a. Litigations and claims

There are litigations and claims against the Bank as at 31 December 2018. These claims arose in the normal course of business and are being contested by the Group. The Directors, having sought advice of professional counsels and are of the opinion that no significant liability will crystalise from these claims. Provisions of N295million at 31 December 2018 (2017: N295million) have been made in these financial statements on crystalised claims, refer to note 30.2.

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

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Bonds, guarantees and indemnities	97,396	95,078	97,396	95,078
Letters of credit	32,951	26,102	32,951	26,102
Others	-	9,926	-	9,926
	130,347	131,106	130,347	131,106

Above balances represent contingent liabilities for which the customers have not defaulted. As stated in note 2.2.13, any portion that is due for which the Group has become liable are recognised in Other liabiliites (Note 30)

c. Impairment losses on guarantees and other commitment

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

Financial guarantees

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

	2018				2017
In millions of Naira	Stage 1	Stage 2	Stage 3	Total	
Internal rating grade					
RR1-RR2	66,434	-	-	66,434	52,126
RR3-RR4	30,963	-	-	30,963	42,951
Total	97,396	-	-	97,396	95,078

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

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2018	95,078	-	-	95,078
New exposures	72,394	-	-	72,394
Exposure derecognised or matured/lapsed (excludingwrite offs)	(70,076)	-	-	(70,076)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	97,396	-	-	97,396

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	13	-	-	13
New exposures	0	-	-	0
Exposure derecognised or matured (excludingwrite offs)	(13)	-	-	(13)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	-	-	-	-

Letters of Credit

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

	2018				2017
In millions of Naira	Stage 1	Stage 2	Stage 3	Total	
Internal rating grade					
RR1-RR2	32,951	-	-	32,951	26,102
Total	32,951	-	-	32,951	26,102

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

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

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	4	-	-	4
New exposures	0	-	-	0
Exposure derecognised or matured (excludingwrite offs)	(4)	-	-	(4)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	-	-	-	-

34a Related party transactions

Parties are considered to be related if one party has the ability to 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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
(i) Transactions with the related parties				
Loans and advances				
a. Secured loans and advances	3,223	6,070	3,223	6,070
b. Contingent liabilities	11,633	7,487	11,633	7,487
c. Transactions and balances with the Bank's subsidiary				
Sterling Investment Management Plc				
Debt instrument issued by the Bank	-	-	25,237	5,146
Interest expense	-	-	2,334	1,760

(ii) Transactions with key management personnel

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Secured loans and advances	242	280	242	280
Deposit liabilities (related parties and key management personnel)	7,148	8,579	7,148	8,579

(iii) Compensation of key management personnel :

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

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Executive compensation	124	158	124	158
Pension contributions	11	14	11	14
	135	172	135	172

(iv) Directors' remuneration below relates to payment made to non-executive directors and charged as expense during the year. The non-executive directors do not receive pension entitlements from the Bank.

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
Directors' remuneration				
Fees as directors	85	85	85	85
Other emoluments	40	48	40	48
	125	133	125	133

(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 related parties are at normal commercial rates. Outstanding balances at the year-end are secured. For the year ended 31 December 2018, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2017: Nil).

34b Insider Related Credits

Insider Related Credits are disclosed below in accordance to Central Bank of Nigeria Circular BSD/1/2004

The Group granted various credit facilities to meeting the definition of insider related credits at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N3.2billion (2017: N6.1billion) 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 2018

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Facility limit (N'million)	Outstanding credit (N'million)	Status	Perfected Security/ Nature	Facility Type
CONOIL PLC	Related to a Director	Michael Jituboh	22-Feb-18	1-Sep-19	12,187	355	PERFORMING	Negative Pledge	OVERDRAFT
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000	600	PERFORMING	Legal Mortgage and Debenture	OTHER LOANS
FTA ASSOCIATES LIMITED	Related to a Director	Michael Jituboh	28-Jun-18	14-Jan-19	12	1	PERFORMING	Legal Mortgage	TERM LOAN
OSUNSADE OLUFUNMILOLA	Related to a Director	Michael Jituboh	9-Aug-17	31-Jul-20	2	2	PERFORMING	Personal Guarantee	OTHER LOANS
LENOX AND BLAIR ESTATE LTD	Related to a Management Staff	Tunde Adeola	24-Oct-18	14-May-19	1,000	1,021	PERFORMING	Cash Deposit	TERM LOAN
AMBY BUILDMART LIMITED	Related to a Management Staff	Adebimpe Olambiwonnu	18-Dec-18	18-Jun-19	5	3	PERFORMING	Keyman Insurance/ Personal Guarantee	OVERDRAFT
COMMERCIAL STAFF LOAN	Employees	Employees	NA	NA	1,671	1,242	PERFORMING	Lien on entitlements/ Indemnity	OTHER LOANS
	TOTAL				15,877	3,223			

Insider Related Credits - Continued

31 December 2018

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Facility limit (N'million)	Outstanding credit (N'million)	Perfected Security/ Nature	Purpose
CONOIL PLC	Related to a Director	Michael Jituboh	22-Aug-18	26-Apr-19	7,022	7,022	Negative Pledge	Letter of Credit
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	08-Dec-14	02-Mar-21	1,244	1,244	Legal Mortgage and Debenture	Bank Guarantee
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	02-Jul-18	21-feb-19	2,562	2,562	Legal Mortgage, Debenture and Cash collateral	Letter of Credit
AUDEO CLOTHING COMPANY LTD	Related to a Management Staff	Tunde Adeola	08-Oct-13	23-Dec-24	76	76	Legal Mortgage	Bank Guarantee
LOTUS CAPITAL	Related to a Management Staff	Tunde Adeola	19-Oct-16	18-Oct-21	500	500	Lien on Cash Deposit	Bank Guarantee
LENOX AND BLAIR ESTATE LTD.	Related to a Management Staff	Tunde Adeola	29-Feb-16	24-Feb-21	9	9	Equitable Mortgage	Bank Guarantee
STATE BANK OF INDIA	Related to a Director	Grama Narasimhan	01-Feb-18	30-Jul-20	221	221	Corporate Guarantee	Bank Guarantee
TOTAL					11,633	11,633		

31 December 2017

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Facility limit (N'million)	Outstanding credit (N'million)	Status	Perfected Security/ Nature	Facility Type
CONOIL PLC	Related to a Director	Michael Jituboh	22-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 2017

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Facility limit (N'million)	Outstanding credit (N'million)	Perfected Security/ Nature	Purpose
CONOIL PLC	Related to a Director	Michael Jituboh	10-Nov-17	09-Jan-18	2,832	2,832	Negative Pledge	Letter of Credit
CONOIL PLC	Related to a Director	Michael Jituboh	10-Nov-17	09-Jan-18	2,807	2,807	Negative Pledge	Bank Guarantee
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	08-Dec-14	02-Mar-21	1,244	1,244	"Legal Mortgage, Debenture"	Bank Guarantee
LOTUS CAPITAL	Related to a Director	Yemi Adeola	19-Oct-16	18-Oct-21	500	500	Lien on Cash Deposit	Bank Guarantee
AUDEO CLOTHING COMPANY LTD	Related to a Director	Yemi Adeola	08-Oct-13	23-Dec-24	76	76	Legal Mortgage	Bank Guarantee
GLOBACOM LIMITED	Related to a Director	Michael Jituboh	25-Jan-16	22-Jan-18	19	19	Cash Backed	Bank Guarantee
MARGARET OLUYEMISI LABINJO	Related to a Management Staff	Bukola Awosanya	22-Mar-17	22-Mar-18	10	10	Cash/Personal Guarantee	Bank Guarantee
TOTAL					7,487	7,487		

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, 2018 and profit and other comprehensive income attributed to equity holders on that date which have not been adequately adjusted for or disclosed.

In millions of Naira	Group 2018	Group 2017	Bank 2018	Bank 2017
36 Cash and cash equivalents				
Cash and foreign monies	20,772	15,404	20,772	15,404
Unrestricted balances with Central Bank of Nigeria	3,460	33,242	3,460	33,242
Balances held with local banks	11,898	-	11,791	-
Balances held with banks outside Nigeria	22,954	30,368	22,954	30,368
Money market placements	8,690	20,698	8,690	20,698
	67,774	99,712	67,667	99,712

37 Financial Risk Management

(a) Introduction and overview

Risks are inherent in the lending, trading and all other intermediation activities of the Group. In managing these risks, the Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Group has adopted a standard template and common methodology for risk identification, measurement, management and control. The Group is exposed to various risks including Credit Risk, Liquidity Risk Market Risk and Operational Risk in the trading book and banking book. The Group has put in place approved policies, procedures and guidelines for identifying, measuring, management and control of these risks.

Risk management framework

The Group has adopted the Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through efficient management of risks. The Group's risk management framework consists of the governance structure, policies, strategy, processes and techniques for the management of risks faced by the Group.

The risk governance structure is modelled according to the three lines of defense. The Board and its committees oversee the risk management framework and approve the corresponding risk management policies and strategies. Senior management provides oversight across the Group to ensure that all material risks are properly identified, measured, mitigated and monitored in order to minimize the impact of adverse events. The Chief Risk Officer (CRO) coordinates the process of monitoring and reporting identified risks. The Risk Management division is complemented by Finance and Performance Management Department, Compliance and Strategy Department and the Internal Control Group in the management of strategic, regulatory compliance and reputational risks. Internal Audit department provides assurance to Management and Board that instituted controls are effective in mitigating identified and emerging risks.

To achieve its risk management objectives, the Group has a risk management framework that comprises the following elements:

- Risk management objectives and philosophy
- ·Governance structure
- Roles and responsibilities for managing risks
- Risk management process

Three Lines of Defense

The philosophy of three lines defense have been adopted in the Group for proactive and efficient identification and management of risks inherent in the Group's activities, processes, system, products and external events as follows:

First line of defence – Strategic Business Functions

This consists of business units and line functions with primary responsibilities for risk management. The first line of defense includes business owners who execute transactions in the Bank with the following risk management responsibilities;

- Identify emerging risks at the transaction/business unit level and conduct material risk assessments at least annually;
- Imbibe risk culture in order to align risk management with business objectives; and
- Implement controls to reduce the likelihood and impact of risks.

Second line of defense – Independent Risk and Control Oversight

This consists of functions responsible for providing independent oversight over key risks like credit, market, liquidity and operational risk and facilitating the implementation of risk controls to ensure that the business and process owners operate within the defined risk appetite and align with approved policies and procedures. They formulate risk management policies, processes and controls, provide guidance and coordination of activities of all other monitoring functions within the Group and identify enterprise trends, synergies and opportunities for change.

Third line of defense – Independent Assurance

This consists of all functions with primary responsibilities for evaluating and providing independent assurance on the adequacy, appropriateness and effectiveness of the risk management process and policy. This function is performed by internal and external audit.

(b) Risk Management Structure

The responsibility for management of risk exposure of the Group rests with the Board. This responsibility is delegated to various committees of the Board. The Board Risk Management Committee (BRMC) is designated with the responsibility of managing the overall risk exposure of the Group. The Committee reviews and recommends risk management policies and procedures for Board approval. The Board Credit Committee (BCC) acts on behalf of the Board of Directors on all credit matters. It considers and approves lending exposures, treasury investments exposures, as well as other credit exposures that exceed the mandated approval limit of Management.

The Management Risk Committee (MRC) is responsible for planning and management of the Group's overall risk profile; including the determination of the Group's risk philosophy, appetite, limits and policies.

The Management Credit Committee (MCC) is vested with the responsibility of credit policy articulation and credit approval that falls within the mandated approval limit. It reviews and recommends credit policy direction to the BCC. The Assets and Liability Committee ensures that the Group has adequate liquidity to meet the funding need of the Group, and also manages the interest rate and foreign exchange risk of the Group. The Committee also reviews the economic outlook and its likely impact on the Group's current and future performance.

The Criticised Assets Committee (CAC) reviews the non-performing loans and recommends strategies for recovery of bad loans. The Committee also reviews the Group's loan portfolio and validates collateral documentation.

The Enterprise Risk Management Group is saddled with the responsibility of implementing and supervising all risk management policies, guidelines, and procedures.

The Conduct and Compliance Department monitors compliance with risk principles, polices and limits across the Group. Exceptions are reported on a daily basis to management and appropriate action are taken to address the threats.

The Internal Audit Department as part of its annual audit programme, examines the adequacy and level of compliance with the procedures. Result of assessments, findings and recommendations are discussed with the relevant departments, and reported to the Board Audit Committee.

(c) Risk measurement and reporting systems

Quantitative and qualitative assessment of credit risks is carried out through a rigorous internal ratings system. The Group also carries out scenario analysis as stated in the Group's credit policy guide and stressed testing to identify potential exposure under stress market situations.

Monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limit reflects both the quantitative and qualitative risk appetite of the Group. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the Group's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Group through regular risk reports.

(d) Risk Mitigation

The Group has in place a set of management actions to prevent or mitigate the impact of business risks on earnings. Business risk monitoring, through regular reports and oversight, results in corrective actions to plans and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

a. Acceptable collateral for each credit product;
b. Required documentation/perfection of collaterals;
c. Conditions for waiver of collateral requirement and approval of collateral waiver; and
d. Acceptance of cash and other forms of collateral denominated in foreign currency.

Finally, master netting arrangements for credit facilities collateralised partly with deposits are settled by set-off based on underlying set-off agreement.

(e) Risk Appetite

The Group's risk appetite is an expression of the maximum level of risk the group is willing and able to accept in pursuit of its strategic and financial objectives expressed in the strategic plan. The risk appetite statement expresses the degree of risk acceptable to the group in achieving its strategic plan. The group shall consider the following in defining the Risk Appetite Statement:

- Strategic Objectives
- Management perspective
- Economic conditions
- Stakeholders expectations
- Target benchmarking
- Regulatory threshold

The methodology described on the next page is used in updating Sterling Bank's risk appetite framework.

(f) Concentration Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid concentration risk, credit concentration limits are set and monitored along industries and sectors, geography, collaterals and products. The ultimate objective of managing credit portfolio concentration risk is to ensure proper diversification of the risk assets portfolio. Concentration limits are also in place to manage Investment Portfolio & customer deposit concentration in the management of liquidity risk.

(g) . Credit Risk Management

The Group's credit risk management activities are - based on certain fundamental principles. The effectiveness of risk management process throughout the Group is based on a formal governance

RISK BASED DECISIONS

- Cascade risk appetite down throughout organisation
- Align compensation and culture with risk appetite

LIMIT FRAMEWORK

- Define core set of measures aligned with risk appetite appetite
- Determine tolerance limits
- Ensure metrics are practically achievable

INSTITUTE GOVERNANCE

- State the roles and responsibilties of individuals on risk appetite
- Regularly monitor as-is risk profile against target risk profile

A Risk Appetite Framework is a key business performance tool

Central to strategic planning implementation of processes requires substantial effort and resource

SET RISK APPETITE STATEMENT

- Translate the corporate strategy into explicit statements of risk preferences
- Consider economic and market conditions
- Ensure alignment with stakeholders

REVISE RISK APPETITE

- Review risk appetite in light changing business, industry and market conditions
- Consider the evolvement of the business and strategy

CORPORATE STRATEGY
OUTLINES STERLING BANK'S GOALS AND STRATEGIES

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 lease.

(h) Risk Management Architecture

Risks are managed such that the risk profile and the Group's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(i) Organization Structure

Sterling Bank is a national bank having divested its subsidiaries and affiliates following receipt of its new national commercial banking license in 2011 financial year. Sterling Bank has restructured its business activities along business lines with primary focus on the following market segments:

- Corporate and Investment Banking
- Commercial and Institutional Banking and
- Retail Banking
- Non Interest Banking
- Sterling Investment Management Plc

Corporate & Investment Banking – The Corporate & Investment Banking Group provides services to corporate entities with annual turnover greater than N5 billion. The target market covers the following sectors: oil & 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.

The Retail Banking – Retail Banking Group serves individuals consisting of mass market, affluent, youths and high net worth. The Retail Banking Group customer segmentation consist of:

- High net-worth individuals who earn N30 million (thirty million naira) and above annually or have net investable assets of $150,000 (one hundred and fifty thousand US dollars) and above"
- Mass affluent professionals who earn between N6million (six million naira) and N30million (thirty million naira) annually
- Mass market professionals who earn less than N6 million (six million naira) annually
- Youth below 25 years of age.

The Bank's product include: savings accounts, current accounts, fixed deposit accounts, e-banking, local and international funds transfer, trade finance, project finance, mortgage finance, bankers' acceptances and commercial paper.

In addition to the business segments, the Bank is also supported by the activities of the following Strategic Resource Functions:

- Enterprise Risk Management
- Internal Audit
- Strategy and Innovation/Branding and Communication
- Finance and Performance Management
- General Internal Services
- Human Capital Management
- Channel Operations

- Trade Services
- Information Technology
- Customer Experience Management
- Legal and Company
- Conduct & Compliance
- Centralised Processing
- Health, Safety and Environment
- Enterprise Quality Assurance

(j) Methodology for Risk Rating

The Group has credit rating and scoring systems developed for rating exposures. They were developed in line with international best practice. Exposures are created by Corporate, Commercial and Retail business segments. The credit risk rating system assigns scores using various risk parameters based on the information provided by the borrower. The rating is derived by adding the scores from all the risk parameters and the outcome of the rating is important for approval / rejection of the loan request.

Retail Loans:
Retail loans are governed by standard credit product programs and categorized as Consumer & MSME loans. Consumer loans are availed to individuals while MSME loans are granted to unstructured businesses. Unstructured businesses are small and medium scale businesses that rarely keep proper accounting records. Retail and SME scorecards are used for assessing Consumer and MSME loans respectively.

Commercial and Corporate Loans:
Commercial and Corporate Customers are rated using risk rating models. Depending on the underlying business transaction, Specialized Lending Models are also used for assessing specialized loans to Corporate and Commercial Customers. The rating methodology is based on both quantitative and qualitative factors. Quantitative factors are mainly the financial ratios, account conduct among others. Qualitative factors are based on the following risk categories:
(a) Business Risk (b) Industry Risk (c) Management Risk

Credit Scoring System:
The risk rating methodology is based on the following fundamental analyses (financial analysis and non-financial analysis):

Structured Businesses
The factors to be considered are:
Quantitative factors are basically the financial ratios which include:

a. Leverage ratios
b. Liquidity ratios
c. Profitability ratios
d. Interest Coverage ratios

Qualitative factors. These include:

a. Industry
    i. Size of the business
    ii. Industry growth
    iii. Market Competition
    iv. Entry/Exit barriers

b. Management:
    i. Experience of the management team
    ii. Succession Planning
    iii. Organizational structure

c. Security:
    i. Collateral type
    ii. Collateral coverage
    iii. Guarantee i.e. the worth of Personal Guarantee/Corporate Guarantee pledged as support.

d. Relationship with the Bank:
    i. Account turnover (efficiency ratio)

ii. Account conduct
iii. Compliance with covenants/conditions
iv. Personal deposits with the bank.

Unstructured Businesses:
These are customers that rarely keep proper accounting records, hence the maximum limit that can be availed to them is restricted to N20m.

The factors to be considered are:
Quantitative factors. These include:
i) Contract related transactions
a) Net Profit Margin
b) Counterparty – Nature/Financial capacity of the Principals

ii) Other Facilities
a) Account turnover
b) Repayment history

Qualitative factors. These include:
Management:
i. Experience/Technical competence with evidence
ii. Succession Planning

Industry:
i. Industry growth
ii. Share of the market
iii Regulations: Whether the industry is regulated or not
iv. Entry/Exit

In general, the following are considered in assessing facility request

(i) Character
Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Group lends directly or who manage the enterprises to which the Group lends. Character is the single most important factor in the credit decision.

(ii) Capacity
The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment.

(iii) Capital
The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

(iv) Cash Collaterised Facilities
Cash collaterised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected. For cash collaterised facilities, the key issue is safety margin. Local cash deposits shall provide 110% coverage for the Bank's exposure. Foreign currency deposits pledged shall provide minimum 120% coverage for the Bank's exposure.

(v) Pricing
The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the Group. The average score computed often determines the minimum level of interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Asset and Liability Management Department and other rates are either above or below it.

(vi) Collateral/Security
Collateral, often referred to as credit risk mitigant, gives additional assurance to recovering loans granted to customers. The pledged collateral is documented and

continuously reviewed as to its value and marketability. Collaterals/securities are reviewed and scored based on the following parameters:

- Whether secured or not secured
- If secured, what type of security
- Perfectible legal mortgage
- Equitable mortgage
- Chattel mortgages
- Location of security/collateral
- Loan to value ratio of collateral offered
- Marketability of security/collateral
- Whether collateral is a specialised asset or general purpose - type asset.
- Depreciating or appreciating value over time.

Enterprise risk review

The 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. Risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return; and minimise potential adverse effects on the Bank's financial performance. The 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 liquidity risk, 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.

37.1 Credit risk

Credit exposures arise principally in lending activities carried out through loans and advances, debt securities and other instruments in the Group's risk asset portfolio. Credit risk is also inherent in off-balance sheet financial instruments.

The Group manages credit risks, which has been defined as the potential for a counterparty to default on financial obligations leading to financial losses. Credit risk is the principal source of risk to the 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.

Purpose: Main Characteristics and Elements of Credit Risk Management;

(a) Risk Portfolio Planning

In line with the Group's planning cycle, risk portfolio plans are developed and approved at the overall Group 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 Group.

(b) Exposure Development and Creation

Exposure Development and creation incorporates the procedures for preliminary screening of facility requests, detailed credit risk analysis and risk rating, risk triggered review and approval of facilities, and controlled credit availment of approved facilities, processes and guidelines for developing credit opportunities and creating quality risk assets in line with the 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 reduces credit risk losses in the Group. The delinquency management/loan workout module of the integrated risk management framework outlines the approach for identification and management of declining credit quality. This also covers loan workout where all activities are geared towards resuscitating non-performing loans, and the first stage in the process of recognizing possible credit loss.

(e) Credit Recovery

Deliberate actions are taken proactively to minimize the Group's loss on non-performing loans. Directions are provided in the Credit Policy guide for winding down the Group's exposure, waivers, write-offs, etc. In the event of recovery, process for recognizing income and previously written-off amounts is also defined

The Group's Risk Management Objectives and Policies

The Group's risk management objectives and policies for credit risk include the following:

1. To ensure optimal earnings through high quality risk portfolio.
2. Clear articulation of criteria for decision making.
3. Description of specific activities and tasks with respect to the creation and management of risk assets.
4. Definition of Past due loans as those with interest and principal repayment outstanding for 90 days or more.
5. Other criteria are also defined for determining impaired loans. These include:
   - Borrower's business recording consistent losses which might impair the cash flow, and loan repayment.
   - Borrower's networth being grossly eroded due to some macroeconomic events.
   - Lack of commuication from the borrower.
   - Security offered has deteriorated in value and full payment cannot be guaranteed from normal operating sources.
   - Where the 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 Income Statement.

(f) Risk Management Architecture

Risks are managed such that the risk profile and the

Bank's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(ii) Credit risk measurement.

Before a sound and prudent credit decision can be made, the credit risk of the borrower or counterparty must be accurately assessed. Each application is analyzed and assigned one of 9 (nine) grades using a credit rating system developed by the Group for all exposures to credit risk. Each grade corresponds to a borrower's or counterparty's probability of default.

The Group's credit risk management activities are based on certain fundamental principles.

The effectiveness of risk management process throughout the Group is based on a simple formal governance structure with regular reporting processes within a well-defined control environment.

The Group's risk policy allows its personnel take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases.

Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

(iii) Credit granting process

Credit granting decisions are based on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Group's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management team and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risk.

(a) Loans and advances.

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects the following components:

(i) the character and capacity of the client or counterparty to pay down on its contractual obligations;

(ii) current exposures to the counterparty and its likely future development;

(iii) credit history of the counterparty; and

(iv) the likely recovery ratio in case of default obligations using value of collateral and other ways out.

The Group's rating scale, which is shown below, reflects the range of scores defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their credit risk changes.

The risk rating scale and the external rating equivalent is detailed below:

Risk Rating	External Rating Equivalent	Score Range	Remarks
RR -1	AAA TO AA-	90-100	Superior
RR -2	A+ TO A-	80-89.99	Strong
RR -3	BBB+ TO BB-	70-79.99	Good
RR -4	BB+ TO BB	50-69.99	Satisfactory
RR -5	B+ TO B-	40-49.99	High risk
RR -6	CCC+ TO CCC	30-39.99	Watch list
RR -7	CC+ TO C	20-29.99	Substandard
RR -8	D	10-19.99	Doubtful
RR -9	D	<10	Lost

(b) Debt Securities and Other Bills

For debt securities and other bills, external rating such as Agusto rating or their equivalents are used by Treasury Department primarily to manage their liquidity risk exposures.

(iv) Credit Risk Control & Mitigation policy

The Group manages concentration risks to counterparties, groups, sectors and countries. The level of credit risk undertaken is controlled by setting limits on exposures to individuals, groups, geographical and sectoral segments and facilitate continuous monitoring of adherence to set limits. The limits set are reviewed periodically and approved by the Board of Directors.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and sectoral segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by industry sector and by geography are reviewed and approved quarterly by the Board of Directors.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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 (Naira)
Full Board	Above 1,500,000,000
Board, Credit Committee	1,500,000,000
Management Credit Committee	750,000,000
Managing Director	500,000,000
Executive Director	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 Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

i. Mortgages over residential properties;
ii. Charges over business assets such as premises, inventory and accounts receivable;
iii. Charges over financial instruments such as debt securities and equities.

Long-term finance and lending to corporate entities as well as individuals are generally secured. However, in order to minimize losses, the Group will seek additional collateral from the counterparty when there are indicators of devaluation in existing collateral value.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

The fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:
The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

(b) Master Netting Arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if default occurs, all amounts with the counterparty are settled on net basis.

The following gross amounts are subject to a master netting arrangement between the Bank and counter parties.

In millions of Naira	2018	2017
Financial assets:		
Loans and advances	113,914	148,444
Financial liabilities:		
Collaterised deposits	107,076	123,070

These amounts are currently not presented net on the statement of financial position due to the performing status of the facilities; If the items were to be netted, the following net asset will be presented on the statement of financial position:

In millions of Naira	2018	2017
Net financial assets/liabilities:		
Loans and advances	6,838	25,374

c. Credit-related Commitments

The primary purpose of these instruments is to create other avenues for lending. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore, carry less risk than a direct loan.

(d) Credit Concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Breakdown of Exposures by Geographic Areas
31 December 2018

S/N	Region	2018 (N'million)	2017 (N'million)
1	Abuja	8,487	9,420
2	Lagos	488,435	489,264
3	North Central	1,188	902
4	North East	2,690	3,847
5	North West	2,532	2,392
6	South East	694	1,071
7	South South	83,207	58,804
8	South West	53,445	51,877
	Grand Total	640,678	617,577

37 Financial risk management

Enterprise risk review

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

The Bank's maximum exposure to credit risk as at 31 December 2018 and 31 December 2017 is represented by the net carrying amounts of the financial assets found below:

Group

Type of collateral or credit enhancement

31 December 2018

Financial assets	Maximum exposure to credit risk ₦'million	Fair value of collateral and credit enhancements held: Cash ₦'million	Secured against Real Estate ₦'million	Stocks/shares ₦million	Debenture ₦million	Others ₦million	Total collateral value ₦'million	Net exposure ₦'million	Associated ECLs ₦'million
Cash and balances with Central Bank of Nigeria	117,685	-	-	-	-	-	-	117,685	-
Due from banks	43,542	-	-	-	-	4,191	4,191	39,351	-
Pledged assets	11,423	-	-	-	-	-	-	11,423	9
Loans and advances to customers							-	-	
- Corporate loans	621,257	106,670	214,076	3,870	1,051,614	-	1,376,231	(621, 256)	17,991
- Individual/retail loans	19,421	391	13,902	-	-	-	14,294	5,126	1,670
Debt instruments at amortised cost	123,212	-	-	-	-	-	-	123,212	126
Total financial assets at amortised cost	936,540	107,061	227,978	3,870	1,051,614	4,191	1,394,716	(458,176)	19,796
- Financial assets at fair value through profit or loss	117,620	-	-	-	-	-	-	117,620	-
Total financial instruments at fair value through profit or loss	117,620	-	-	-	-	-	-	117,620	-
- Debt instruments at fair value through other comprehensive income	4,110	-	-	-	-	-	-	4,110	161
Total debt instruments at fair value through other comprehensive income	4,110	-	-	-	-	-	-	4,110	161
Financial guarantees	97,396	10,128	6,280	-	9,161	-	25,569	71,827	-
Letters of credit for customers	32,951	2,413	-	-	235	-	2,648	30,303	-
	1,188,617	119,602	234,258	3,870	1,061,010	4,191	1,422,933	(234,316)	19,957

Bank

Type of collateral or credit enhancement

31 December 2018

Financial assets	Maximum exposure to credit risk ₦'million	Fair value of collateral and credit enhancements held: Cash ₦'million	Secured against Real Estate ₦'million	Stocks/shares ₦million	Debenture ₦million	Others ₦million	Total collateral value ₦'million	Net exposure ₦'million	Associated ECLs ₦'million
Cash and balances with Central Bank of Nigeria	117,685	-	-	-	-	-	-	117,685	-
Due from banks	43,542	-	-	-	-	4,191	4,191	39,351	-
Pledged assets	11,423	-	-	-	-	-	-	11,423	9
Loans and advances to customers							-	-	
- Corporate loans	621,257	106,670	214,076	3,870	1,051,614	-	1,376,231	(754,974)	17,991
- Individual/retail loans	19,421	391	13,902	-	-	-	14,294	5,127	1,670
Debt instruments at amortised cost	106,259	-	-	-	-	-	-	106,259	112
Total financial assets at amortised cost	919,586	107,061	227,979	3,870	1,051,614	4,191	1,394,715	(475,129)	19,782
Derivative financial assets	-	-	-	-	-	-	-	-	-
- Financial assets at fair value through profit or loss	117,620	-	-	-	-	-	-	117,620	-
Total financial instruments at fair value through profit or loss	117,620	-	-	-	-	-	-	117,620	-
- Debt instruments at fair value through other comprehensive income	4,110	-	-	-	-	-	-	4,110	161
Total debt instruments at fair value through other comprehensive income	4,110	-	-	-	-	-	-	4,110	161
Financial guarantees	97,396	10,128	6,280	-	9,161	-	25,569	71,827	-
Letters of credit for customers	32,951	2,413	-	-	235	-	2,648	30,303	-
Other commitments	-	-	-	-	-	-	-	-	-
	1,171,663	119,602	234,259	3,870	1,061,010	4,191	1,422,932	(251,269)	19,943

37 Financial risk management
Enterprise risk review

Group

Type of collateral or credit enhancement

31 December 2017

Financial assets	Maximum exposure to credit risk ₦'million	Fair value of collateral and credit enhancements held Cash ₦'million	Secured against Real Estate ₦'million	Stocks/shares ₦million	Debenture ₦million	Others ₦million	Total collateral value ₦'million	Net exposure ₦'million	Associated ECLs ₦'million
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	
Loans and advances to customers							-	-	
- Corporate loans	602,471	124,054	283,238	3,479	1,156,877	-	1,567,648	(965,177)	
- Individual/retail loans	15,106	161	21,095	15	-	-	21,272	(6,166)	
Debt instruments at amortised cost							-	-	
Held to maturity investments	110,988								
Total financial assets at amortised cost	**1,047,440**	**124,215**	**304,333**	**3,494**	**1,156,877**	**-**	**1,588,920**	**(652,468)**	**-**
Derivative financial assets									
Debt instruments at fair value through profit or loss							-	-	
Held for trading investment	6,883						-	6,883	
Total financial instruments at fair value through profit or loss	**6,883**	**-**	**-**	**-**	**-**	**-**	**-**	**6,883**	**-**
Debt instruments at fair value through OCI							-	-	
Available for sale investment	80,031						-	80,031	
Total debt instruments at fair value through OCI	**80,031**	**-**	**-**	**-**	**-**	**-**	**-**	**80,031**	**-**
Financial guarantees	95,078	9,775	8,883	1,424			20,082	74,995	
Letters of credit for customers	26,102	790	130	60			980	25,122	
Other commitments	-	-	-	-	-	-	-	-	-
	1,255,534	134,780	313,346	4,978	1,156,877	-	1,609,982	(465,437)	-

Bank

Type of collateral or credit enhancement

31 December 2017

Financial assets	Maximum exposure to credit risk ₦'million	Fair value of collateral and credit enhancements held Cash ₦'million	Secured against Real Estate ₦'million	Stocks/shares ₦million	Debenture ₦million	Others ₦million	Total collateral value ₦'million	Net exposure ₦'million	Associated ECLs ₦'million
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	
Loans and advances to customers							-	-	
- Corporate loans	602,471	124,054	283,238	3,479	1,156,877	-	1,567,648	(965,177)	
- Individual/retail loans	15,106	161	21,095	15	-	-	21,272	(6,166)	
Debt instruments at amortised cost	-	-	-	-	-	-	-	-	
Held to maturity investments	107,585								
Total financial assets at amortised cost	**1,044,037**	**124,215**	**304,333**	**3,494**	**1,156,877**	**-**	**1,588,920**	**(652,468)**	**-**
Derivative financial assets									
Debt instruments at fair value through profit or loss							-	-	
Held for trading	6,883						-	6,883	
Total financial instruments at fair value through profit or loss	**6,883**	**-**	**-**	**-**	**-**	**-**	**-**	**6,883**	**-**
Debt instruments at fair value through OCI							-	-	
Available for Sale investment	80,031						-	80,031	
Total debt instruments at fair value through OCI	**80,031**	**-**	**-**	**-**	**-**	**-**	**-**	**80,031**	**-**
Financial guarantees	95,078	9,775	8,883	1,424			20,082	74,995	
Letters of credit for customers	26,102	790	130	60			980	25,122	
Other commitments	-	-	-	-	-	-	-	-	-
	1,252,130	134,780	313,346	4,978	1,156,877	-	1,609,981	(465,436)	-

Enterprise risk review
Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2018, is set out below:

Group 31 December 2018	Cash and bank balances ₦'million	Due from banks ₦'million	Pledged assets ₦'million	Loans and advances ₦'million	Debt instruments at fair value through profit or loss ₦'million	Debt instruments at amortised cost ₦'million	Debt instruments at fair value through OCI ₦'million	Financial guarantees ₦'million	Letters of credit for customers ₦'million	Total ₦'million
Carrying amount, net of allowance for impairment										-
Concentration by sector:										
Corporate	-	-	-	-	-	677	912	50	-	1,639
Agriculture	-	-	-	22,703	-	-	-	-	14	22,717
Capital Market	-	-	-		-	-	-	395	-	395
Communication	-	-	-	16,593	-	-	-	3,913	-	20,506
Consumer	-	-	-	10,491	-	-	-	-	-	10,491
Education	-	-	-	646	-	-	-	-	-	646
Finance and Insurance	-	43,542	-	31,601	-	-	116,708	2,300	78	194,230
Government	117,685	-	11,423	74,453	4,110	122,409	-	2,547	6,477	339,103
Manufacturing	-	-	-	4,076	-	-	-	-	7,539	11,615
Mining & Quarrying	-	-	-	391	-	-	-	-	-	391
Mortgage	-	-	-	5,613	-	-	-	3,322	-	8,936
Oil & Gas	-	-	-		-	-	-	-	10,552	10,552
Other Public Utilities	-	-	-	265,895	-	-	-	10,357	-	276,252
Others	-	-	-	55,305	-	-	-	13	7,468	62,786
Power	-	-	-	16,637	-	-	-	65,365	771	82,773
Real Estate & Construction	-	-	-	55,957	-	-	-	9,134	51	65,141
Transportation	-	-	-	25,487	-	-	-	-	-	25,487
Non-Interest Banking	-	-	-	35,168	-	-	-	-	-	35,168
	117,685	43,542	11,423	621,017	4,110	123,086	117,620	97,396	32,951	1,168,830
Concentration by location:										
Nigeria	117,685	20,575	11,423	621,017	4,110	123,086	117,620	97,396	32,951	1,145,863
America	-	11,881	-	-	-	-	-	-	-	11,881
Europe	-	11,063	-	-	-	-	-	-	-	11,063
Africa	-	21	-	-	-	-	-	-	-	21
Asia	-	2	-	-	-	-	-	-	-	2
	117,685	43,542	11,423	621,017	4,110	123,086	117,620	97,396	32,951	1,168,830

Bank 31 December 2018	Cash and bank balances ₦'million	Due from banks ₦'million	Pledged assets ₦'million	Loans and advances ₦'million	Debt instruments at fair value through profit or loss ₦'million	Debt instruments at amortised cost ₦'million	Debt instruments at fair value through OCI ₦'million	Financial guarantees ₦'million	Letters of credit for customers ₦'million	Total ₦'million
Carrying amount, net of allowance for impairment										
Concentration by sector:										
Corporate	-	-	-	-	-	677	912	50	-	1,639
Agriculture	-	-	-	22,703	-	-	-	-	14	22,717
Capital Market	-	-	-		-	-	-	395	-	395
Communication	-	-	-	16,593	-	-	-	3,913	-	20,506
Consumer	-	-	-	10,491	-	-	-	-	-	10,491
Education	-	-	-	646	-	-	-	-	-	646
Finance and Insurance	-	43,435	-	31,601	-	-	116,708	2,300	78	194,123
Government	117,685	-	11,423	74,453	4,110	105,470	-	2,547	6,477	322,164
Manufacturing	-	-	-	4,076	-	-	-	-	7,539	11,615
Mining & Quarrying	-	-	-	391	-	-	-	-	-	391
Mortgage	-	-	-	5,613	-	-	-	3,322	-	8,936
Oil & Gas	-	-	-	-	-	-	-	-	10,552	10,552
Other Public Utilities	-	-	-	265,895	-	-	-	10,357	-	276,252
Others	-	-	-	55,305	-	-	-	13	7,468	62,786
Power	-	-	-	16,637	-	-	-	65,365	771	82,773
Real Estate & Construction	-	-	-	55,957	-	-	-	9,134	51	65,141
Transportation	-	-	-	25,487	-	-	-	-	-	25,487
Non-Interest Banking	-	-	-	35,168	-	-	-	-	-	35,168
	117,685	43,435	11,423	621,017	4,110	106,147	117,620	97,396	32,951	1,151,784
Concentration by location:										
Nigeria	117,685	20,468	11,423	621,017	4,110	106,147	117,620	97,396	32,951	1,128,817
America	-	11,881	-	-	-	-	-	-	-	11,881
Europe	-	11,063	-	-	-	-	-	-	-	11,063
Africa	-	21	-	-	-	-	-	-	-	21
Asia	-	2	-	-	-	-	-	-	-	2
	117,685	43,435	11,423	621,017	4,110	106,147	117,620	97,396	32,951	1,151,784

37 Financial risk management

Enterprise risk review

Group 31 December 2017	Cash and bank balances ₦'million	Due from banks ₦'million	Pledged assets ₦'million	Loans and advances ₦'million	Investment securities ₦'million
Carrying amount, net of allowance for impairment	122,630	51,066	145,179	598,073	110,989
Concentration by sector:					
Corporate	-	-	-	-	1,447
Agriculture	-	-	-	18,871	-
Communication	-	-	-	17,136	-
Consumer	-	-	-	5,351	-
Education	-	-	-	330	-
Finance and Insurance	-	51,066	53,954	31,895	-
Government	122,630	-	91,225	68,642	109,542
Manufacturing	-	-	-	5,423	-
Mining & Quarrying	-	-	-	613	-
Mortgage	-	-	-	8,057	-
Oil & Gas	-	-	-	243,950	-
Others	-	-	-	60,504	-
Power	-	-	-	22,488	-
Real Estate & Construction	-	-	-	68,557	-
Transportation	-	-	-	20,132	-
Non-Interest Banking	-	-	-	26,126	-
	122,630	51,066	145,179	598,073	110,989
Concentration by location:					
Nigeria	122,630	20,698	145,179	598,073	110,989
America	-	4,733	-	-	-
Europe	-	19,866	-	-	-
Africa	-	5,769	-	-	-
Asia	-	-	-	-	-
	122,630	51,066	145,179	598,073	110,989

37 Financial risk management

Enterprise risk review

Bank 31 December 2017	Cash and bank balances ₦'million	Due from banks ₦'million	Pledged assets ₦'million	Loans and advances ₦'million	Investment securities ₦'million
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	122,630	-	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	-
	122,630	51,066	145,179	598,073	107,585
Concentration by location:					
Nigeria	122,630	20,698	145,179	598,073	107,585
America	-	4,733	-	-	-
Europe	-	19,866	-	-	-
Africa	-	5,769	-	-	-
Asia	-	-	-	-	-
	122,630	51,066	145,179	598,073	107,585

Exposure to credit risk

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

In millions of Naira	2018	2017
Bonds, guarantees and indemnities	97,395	95,078
Letters of credit	32,951	26,102
Others	-	9,926
	130,346	131,106

Maturity profile of contingents and commitments

As at 31 December 2018 *In millions of Naira*	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Bonds, guarantees and indemnities	-	10,638	38,677	44,421	3,658	97,395
Letters of credit	-	32,951	-	-	-	32,951
Total undiscounted financial assets (A)	-	**43,589**	**38,677**	**44,421**	**3,658**	**130,346**

As at 31 December 2017	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
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**

The Standardized Approach has been used in assessing the Bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines. Credit assessments applied to items in the Group's book and trading book are assigned in accordance with the regulatory guidelines

CREDIT QUALITY OF FINANCIAL ASSETS

31 December 2018 Assets *In millions of Naira*	carrying values of: Defaulted exposures	Non defaulted exposures	Allowances/ impairments	Net values
Loans	39,340	601,337	(19,661)	621,017
Debt Securities	-	25,717	-	25,717
Off Balance sheet exposures	-	130,347	-	130,347
Total	**39,340**	**757,402**	**(19,661)**	**777,081**

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	117,685	-	-	-	117,685	117,685
Due from banks	43,435	-	-	-	43,435	43,435
Pledged assets	11,432	-	-	-	11,432	11,423
Loans and advances	108,732	371,409	121,197	39,340	640,678	621,017
Investments securities - FVTPL	4,110	-	-	-	4,110	4,110
Investments securities - FVOCI	117,781	-	-	-	117,781	117,620
Investments securities - AMORTISED	123,212	-	-	-	123,212	123,086
Other assets- Account Receivables	-	10,720	-	-	10,720	9,886
Total	**526,388**	**382,129**	**121,197**	**39,340**	**1,069,054**	**1,048,262**

37 Financial risk management

Enterprise risk review

Exposure to credit risk

CREDIT QUALITY OF FINANCIAL ASSETS

31 December 2017 Assets *In millions of Naira*	carrying values of: Defaulted exposures	Non defaulted exposures	Allowances/ impairments	Net values
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	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
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	65,536	38,467	617,578	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	24,075	-	-	-	24,075	24,075
Other assets- Account Receivables	-	6,438	-	-	6,438	5,163
Total	**537,585**	**412,292**	**65,536**	**38,467**	**1,053,880**	**1,033,100**

Credit Mitigation Techniques

The Group has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reductions in exposures where necessary. Credit control and mitigation policies are also in place. Collateral policies are designed to ensure that the Group's exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

- Acceptable collateral for each credit product
- Required documentation/perfection of collaterals
- Conditions for waiver of collateral requirement and approval of collateral waiver.
- Acceptance of cash and other forms of collateral denominated in foreign currency

31 December 2018

Assets			Exposure unsecured	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
In millions of Naira							
Loans and advances			35,316	605,363	385,599	-	-
Debt Securities			25,717	-	-	-	-
Total			**61,033**	**605,363**	**385,599**	**-**	**-**
of which defaulted			4	39,336	35,404	-	-

37 Financial risk management

Enterprise risk review

Exposure to credit risk

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes	Exposures pre Credit Conversion Factor and Credit Risk Mitigation		Exposures post Credit Conversion Factor and Credit Risk Mitigation		
In millions of Naira	on balance sheet	off- balance sheet	on balance sheet	off- balance sheet	Risk Weighted Assets (RWA)
Sovereigns and their central Banks	338,038	-	338,038	-	-
Non-central government public sector entities	79,895	17,578	46,502	3,056	49,256
Supervised institutions	23,124	865	23,124	-	4,737
Corporates	370,227	95,811	300,896	1,120	302,016
Regulatory retail portfolios	8,031	11	7,972	-	5,979
Secured by residential property	67,147	-	67,115	-	62,328
Secured by commercial real estate	80,946	-	80,928	-	80,928
Past due loans	21,123	-	21,123	-	21,002
Higher-risk categories	4,011	-	4,011	-	6,016
Other assets	84,510	16,081	84,510	3,868	57,985
Total	**1,077,051**	**130,346**	**974,218**	**8,044**	**590,247**

31 December 2017

In millions of Naira	Exposure unsecure	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	392,304	-	-
Debt Securities	5,146	-	-	-	-
Total	7,957	614,766	392,304	-	-
of which defaulted	20	38,098	30,277	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes	Exposures pre CCF and CRM		Exposures post CCF and CRM		
In millions of Naira	on balance sheet	off- balance sheet	on balance sheet	sheet	Assets (RWA)
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	93,677	-	93,677	-	93,677
Past due loans	23,901	-	23,901	-	30,298
Higher-risk categories	2,101	-	2,101	-	3,152
Other assets	51,244	-	51,244	-	35,840
Total	**1,059,712**	**131,105**	**947,315**	**7,733**	**551,925**

Exposure by asset classes and risk weights
31 December 2018

"In millions of Naira Risk weight	"0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Post CCF and Post CRM)
Sovereigns	338,038	-	-	-	-	-	338,038
Non-central government publi sector entities (PSEs)	-	3,433	-	-	46,125	-	49,558
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	22,956	45	-	123	-	23,124
Corporates	-	1,120	-	-	300,896	-	302,016
Regulatory Retail Portfolios	-	-	-	7,972	-	-	7,972
Secured by Mortgages on Residential Properties	-	-	-	19,146	47,968	-	67,114
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	80,928	-	80,928
Past due loans	-	-	1,094	-	19,176	852	21,123
Higher –risk categories	-	-	-	-	-	4,011	4,011
Other assets	20,772	12,414	3,480	-	51,712	-	88,378
Total	**358,810**	**39,923**	**4,619**	**27,118**	**546,929**	**4,863**	**982,262**

Counterparty credit risk exposures by regulatory portfolio and risk weights

31 December 2018

"In millions of Naira Risk weight	“0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Pre CCF and Post CRM)
Sovereigns	338,038	-	-	-	-	-	338,038
Non-central government public sector entities (PSEs)	-	15,656	2,300	-	79,518	-	97,474
Multilateral development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	22,956	910	-	123	-	23,989
Corporates	-	15,097	80,714	-	370,227	-	466,038
Regulatory Retail Portfolios	-	-	11	8,031	-	-	8,042
Secured by Mortgages on Residential Properties	-	-	-	19,178	47,968	-	67,147
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	80,946	-	80,946
Past due loans	-	-	1,094	-	19,176	852	21,123
Higher –risk categories	-	-	-	-	-	4,011	4,011
Other assets	20,772	14,601	13,505	-	51,712	-	100,591
Total	**358,810**	**68,310**	**98,534**	**27,209**	**649,671**	**4,863**	**1,207,397**

37 Financial risk management
Enterprise risk review
Exposure to credit risk

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2017 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total Credit Exposure Amount (Post CCF and Post CRM)
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	-	-	917	-	93,677		94,594
Past due loans	-	-	-	-	9,272	13,712	22,984
	-	-	-	-	-	2,101	2,101
Other assets	15,404	-	-	-	35,840		51,244
Total	**379,490**	**31,339**	**9,487**	**31,009**	**487,910**	**15,813**	**955,048**

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2017 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Total credit exposure amount (Pre CCF and CRM)
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	-	-	-	-	93,677	-	93,677
Past due loans	-	-	917	-	9,272	13,712	23,901
	-	-	-	-	-	2,101	2,101
Other assets	15,404	-	-	-	35,840	-	51,244
Total	**379,490**	**60,173**	**104,036**	**31,069**	**600,236**	**15,813**	**1,190,817**

37 Financial risk management
Enterprise risk review

Impairment assessment (Policy applicable from 1 January 2018)

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments (except for specialised lending facilities where the 90 days past due is rebutted and 180 days past due is used instead). The Group considers treasury and interbank balances defaulted and takes immediate action when the required intra-day payments are not settled by the close of business as outlined in the individual agreements.

As a part of the qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default (debt service default or technical default) or past due event.
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Bank would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- The Bank puts the credit obligation on non-accrual status.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 90 consecutive days. The decision whether to classify an asset as Stage 2 or Stage 1 once cured, depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant reduction in credit risk.

The following probationary period is applied in transferring financial asset back to a lower stage following a significant reduction in credit risk:

- When there is evidence of a significant reduction in credit risk for a financial instrument in stage 2, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.

- When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 2.

- When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 180 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.

The Bank's internal rating and PD estimation process
The Group runs separate models for its key portfolios in which its customers are rated from RR-1 to RR-9 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplementary external information that could affect the borrower's behaviour. These information sources are first used to determine the ratings within the Bank's risk management framework. The internal credit grades are assigned based on these assessments.

PDs are also measured based on the historical default data of the Bank are then adjusted for IFRS 9 ECL calculations by incorporating forward looking information. This is further assessed based on three economic scenarios (Base, Upturn and Downturn) with appropriate probability weights assigned to derive the probability weighted ECLs."

Treasury, trading and interbank relationships
The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group analyses available information such as financial information and other external data to conduct credit assessments and assign internal ratings.

Corporate lending
For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit rating model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond.

- Any macro-economic or geopolitical information, e.g., GDP growth for the specific industry and geographical segments where the client operates.

- Industry or sector information to assess the competitive position of the obligors with regards to market share.

- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

  The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

Retail/MSME lending

Retail lending comprises, asset finance, unsecured personal loans, credit cards and overdrafts. These products, along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool . Key inputs into the models are:

- Consumer/Retail lending products: personal income/salary levels based on records of current accounts, personal indebtedness, demographic information and loan-to-value ratios (mortgages).

- MSMEs:financial , management and industry information. In addititION, historical account performance is evaluated.

The Bank's internal credit rating grades

Internal risk rating grade	External rating equivalent	Remarks
RR -1	AAA TO AA-	Superior
RR -2	A+ TO A-	Strong
RR -3	BBB+ TO BB-	Good
RR -4	BB+ TO BB-	Satisfactory
RR -5	B+ TO B-	High Risk
RR -6	CCC+ TO CCC	Watch List
RR -7	CC+ TO C	Substandard
RR -8	D	Doubtful
RR -9	D	Lost

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12m ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to multiple scenarios.

Loss given default

LGD is the portion of the loan determined to be irrecoverable at the time of loan default. The Group estimates the general Life Time LGD curves based on an Intensity Matrix, which is built on top of the actual migration of exposure in between the Credit Risk States (buckets). The secured portion of the LGD adjusted for collateral values while recovery data is observed for the unsecured portion of the LGD. The models in calculating the LGD considers in its computation a wider set of transaction characteristics (e.g. product type, collateral, recovery cost, time to recovery e.t.c.).

The Group segments its products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further, recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios.

Examples of key inputs involve changes in collateral values, including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime (LT) ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers both qualitative and quantitative factors in assessing whether credit risk has increased significantly on any exposure. Some of these factors include significant increase in PD since initial recognition, expectation of forbearance and restructuring due to financial difficulties.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 19c), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3.0 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Central Bank of Nigeria, Nigeria Bureau of Statistics, BMI Research, Trading Economics etc.) and a team of expert within its Enterprise Risk Management Department verifies the accuracy of inputs to the Group' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2017 and 2018.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average.

The Group and Bank

31 December 2018								
Key drivers	ECL Scenario	Assigned probabilities	2019	2020	2021	2022	2023	Subseqeunt years
		%						
GDP growth rate%	Upside	23%	2.75%	5.06%	5.61%	4.51%	4.95%	4.95%
	Base Case	58%	2.50%	4.60%	5.10%	4.10%	4.50%	4.50%
	Downside	20%	2.25%	4.14%	4.59%	3.69%	4.05%	4.05%
Exchange rate	Upside	23%	338.27	387.43	398.84	399.27	399.69	399.69
	Base Case	58%	375.86	430.47	443.16	443.63	444.10	444.10
	Downside	20%	413.40	473.50	487.50	488.00	488.50	488.50
Inflation rate %	Upside	23%	12.60%	11.70%	7.20%	7.20%	7.20%	7.20%
	Base Case	58%	14.00%	13.00%	8.00%	8.00%	8.00%	8.00%
	Downside	20%	15.40%	14.30%	8.80%	8.80%	8.80%	8.80%

1 January 2018								
Key drivers	ECL Scenario	Assigned probabilities	2019	2020	2021	2022	2023	Subseqeunt years
		%						
GDP growth rate%	Upside	23%	1.87%	4.62%	5.61%	4.51%	4.95%	4.95%
	Base Case	58%	1.70%	4.20%	5.10%	4.10%	4.50%	4.50%
	Downside	20%	1.53%	3.78%	4.59%	3.69%	4.05%	4.05%
Exchange rate	Upside	23%	324.00	330.30	398.84	399.27	399.69	399.69
	Base Case	58%	360.00	367.00	443.16	443.63	444.10	444.10
	Downside	20%	396.00	403.70	487.50	488.00	488.50	488.50
Inflation rate %	Upside	23%	9.72%	11.52%	7.20%	7.20%	7.20%	7.20%
	Base Case	58%	10.80%	12.80%	8.00%	8.00%	8.00%	8.00%
	Downside	20%	11.88%	14.08%	8.80%	8.80%	8.80%	8.80%

37 Financial risk management
Enterprise risk review

At the beginning of each year, the key economic indicators used in ECL models for the Group are always reassessed to reflect the current and accurate data.

The following tavbles outline the impact of multiple scenarios on the allowance:

Group

31 December 2018	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	92	68	4,096	380	0	0
Base (58%)	56	43	10,358	961	0	0
Downside (19%)	22	15	3,537	328	0	0
Total	170	126	17,991	1,670	0	0

1 January 2018	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/Retail lending	Financial guarantee	Letter of credit
In millions						
Upide (23%)	104	94	5,984	670	3	1
Base (58%)	60	55	15,132	1,694	7	2
Downside (19%)	23	22	5,168	578	3	1
Total	187	171	26,283	2,942	13	4

Bank

31 December 2018	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/Retail lending	Financial guarantee	Letter of credit
In millions						
Upide (23%)	92	63	4,096	380	0	0
Base (58%)	56	38	10,358	961	0	0
Downside (19%)	22	11	3,537	328	0	0
Total	170	112	17,991	1,670	0	0

1 January 2018	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/Retail lending	Financial guarantee	Letter of credit
In millions						
Upide (23%)	104	94	5,984	670	3	1
Base (58%)	60	54	15,132	1,694	7	2
Downside (19%)	23	21	5,168	578	3	1
Total	187	169	26,283	2,942	13	4

Overview of modified financial assets

"From a risk management point of view, once an asset is forborne or modified, the Group's credit recovery department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification gain earned by the Bank."

Group	2018
Amortised costs of financial assets modified during the period	33,946
Net modification loss	28
Amortised cost after modification	33,974

Bank	2018
Amortised costs of financial assets modified during the period	33,946
Net modification loss	28
Amortised cost after modification	33,974

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12m ECL measurement during the period:

31 December 2018	Post-modification		Pre-modification	
In millions of Naira	Gross carrying amount	Correponding ECL	Gross carrying amount	Correponding
Facilities that have cured since modification and are now measured using 12 months ECLs (Stage 1)	-	-	-	-
Facilities that reverted to (Stage 2/3) LT ECLs having once cured	-	-	-	-

Age analysis for financial assets that are past due but not impaired:

In millions of Naira	Group 2017	Bank 2017
Past due days		
1 - 30 days	798	798
31 - 60 days	43	43
Above 90 days	15,184	15,184
	16,025	16,025

(e) Liquidity risk

Liquidity risk arises when the Group is unable to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition. The Group aims to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times including periods of financial stress.

The Group is exposed to two types of liquidity risk- "funding liquidity risk" and "trading liquidity risk.

Funding Liquidity Risk relates to the Group's ability to raise the necessary cash to roll over its debt; to meet the cash, margin, and collateral requirements of counterparties; and to satisfy capital withdrawals. Funding liquidity risk is managed through holding cash and cash equivalents, setting credit lines in place, and monitoring buying power. (Buying power refers to the amount a trading counterparty can borrow against assets under stressed market conditions).

Trading Liquidity Risk is the risk that the Group will not be able to execute a transaction at the prevailing market price because there is, temporarily, no appetite for the deal on the other side of the market. If the transaction cannot be postponed, its execution may lead to a substantial loss on the position.

The Group has developed a Liquidity Management Framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed on a monthly basis. These stress tests specify additional liquidity requirements that are to be met by holdings of liquid assets. The Group believes that its liquidity risk policies, which includes maintaining and monitoring its cash and liquid securities portfolio to ensure that they are sufficient to meet current demands, coupled with its ability to call and/or re-price most of its loans on an annual basis, allow and will continue to allow it to meet its liquidity needs. The Group has historically maintained a liquidity ratio above the applicable minimum regulatory requirements of the Central Bank of Nigeria (CBN) and has met and continues to meet the requirements of the CBN's stress tests.

Liquidity Risk Management Governance

Global funding and liquidity risk management entities are centralised in the Asset & Liability Management (ALM) Unit, which analyses and monitors the Group's liquidity risk. The Group aims to continuously maintain excess liquidity and to access diverse funding sources including its deposit base. The overall oversight at Management level is provided by the ALCO while the Board Risk Committee provides governance at the Board level.

The Board approves the liquidity management strategy, policy and contingency funding plan, including establishing liquidity risk tolerance level with a view to ensuring that the Group manages liquidity risk effectively. They delegate responsibilities and define terms of reference in the management of liquidity risk to the Asset & Liability Committee (ALCO) as well as ratify Policy exceptions recommended by the Board Risk Committee.

The ALCO manages and monitors the liquidity position as well as reviews the impact of strategic decisions on the Group's liquidity on an on-going basis. They develop strategies, policies and practices to manage liquidity risk in accordance with the approved risk tolerance level and ensures that the Group maintains sufficient liquidity. The ALCO continuously review information on liquidity developments and report to the Board Risk Committee.

The ALM Unit, in conjunction with the Market & Liquidity risk Management Unit, is responsible for the day-to-day funding and liquidity management of the Group. They also act as the Secretariat to the ALCO.

Liquidity Risk Measurement Techniques

Liquidity positions are measured by calculating the net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management policy

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and Government Bonds for which there is an active

and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the CBN.

The following table reflects the Group's regulatory liquidity ratio for the years indicated.

	As at 31 Dec 2018	As at 31 Dec 2017
At end of year	42.19%	33.20%
Average for the year	36.60%	30.80%
Maximum for the year	43.60%	38.50%
Minimum for the year	30.60%	22.30%

In addition to the above, the Group also applies the following metrics in measuring liquidity risk and ensuring that day-to-day funding requirements are met.

1 Liquidity Coverage Ratio (LCR) - The LCR aims to ensure that the Group has sufficient unencumbered high-quality liquid assets ('HQLA') to withstand a stressed 30-day funding scenario. HQLA consist of cash or assets that can easily be converted into cash at little or no loss of value to cover any net outflow. The minimum requirement is 100%.

On a Business-As-Usual (BAU) basis, the Group's LCR as at 31st December 2018 was 118%. The LCR indicates that the Group has adequate liquidity to support its current level of growth.

Liquidity Risk Management Governance

2 Net Stable Funding Ratio (NSFR) – The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

It measures the amount of available stable funding relative to the required stable funding. This ratio should be equal to at least 100% on an ongoing basis. It is designed to complement the LCR.

The Group's NSFR of 136.30% as at 31 December 2018, was well above the Basel requirement of 100% and internal risk tolerance level.

3 Liquidity Gap: Liquidity Gap describe a discrepancy or mismatch in the supply or demand for cash inflows and outflows. The ALM Team use maturity gap analysis to compare cash inflows and outflows daily and over a series of time-bands. The liquidity gap reports are prepared using the projection worksheets created for different scenarios and stress levels. For each scenario, the assumptions used were approved by the ALCO. For liquidity in the normal or ordinary course of business, the minimum levels of projected liquidity shall be maintained. For liquidity in all other scenarios and stress levels, the ALCO establishes minimum guidance levels.

4 Liquidity Ratios: Liquidity ratios describe the structure and shape of the balance sheet in business-as-usual conditions and allow the ALCO to monitor changes in structural liquidity. The Group establishes various liquidity ratios to indicate the business's ability to meet short-term obligations with liquid assets, identify any mismatches between long-term funding sources and uses and review the ability of the banking business to fund loans through customer deposits.

The ALCO sets the internal liquidity ratios targets aimed at ensuring that the Group meets its liquidity needs under going concern and stressed market conditions.

Please find below key liquidity risk metrics as at 31st December 2018

	As at 31 Dec 2018	As at 31 Dec2017
Liquidity Ratio	42.19%	33.20%
Net Interbank Borrowing/ Total Deposit	0.00%	1.60%
Loan/ Deposit Ratio (Including Borrowings)	70.61%	66.30%
Current and Savings Account/ Total Deposit	59.26%	46.00%

5 Stress Testing: In addition, stress testing and scenario analysis are used to assess the financial and management capabilities of the Group to continue operating effectively under extreme but still viable trading conditions. Liquidity stress test is conducted, at least monthly, reviewing the impact of an accelerated run-off from funding sources and changes in normal business situation.

The ALCO integrates the results of the stress testing process into the Group's strategic planning process (e.g. Management could adjust its asset-liability composition) and the firm's day-to-day risk management practices (e.g. through monitoring sensitive cash flows or reducing concentration limits).

To ensure that liquidity risk is controlled within the Group, limits and triggers are set. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to particular sources of liabilities, asset-liability mismatches and counterparty concentrations.
These limits include liquidity ratio limits (Loan/Deposit, Liquid Assets/Customer Liabilities, Medium Term Funding Ratio, Core Funding Ratio etc.), Maturity Mismatch limits, Cumulative Outflow limit as well as Concentration limits. Furthermore,

diversification of the Group's funding profile in terms of investor types, regions, products and instruments is also an important element of controlling liquidity risk.

Liquidity Contingency Funding Plan

The Group has an approved liquidity Contingency Funding Plan (CFP or the Plan) for managing unanticipated stressful scenarios that could result in a significant erosion of group-specific or general market liquidity. The Plan details the policies procedures and actions for responding to contingent liquidity events as well as incorporates early warning indicators to monitor market conditions.

Such early warning indicators include, among others, decline in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash.

The Contingency Funding plan covers the available sources of contingent funding to supplement cash flow shortages, the lead times to obtain such funding, the roles and responsibilities of those involved in the contingency plans, and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the Contingency Funding Plan

In the period between 31 December 2017 and 31 December 2018, the Group's total deposit base grew on a yearly basis by 11% from N684billion to N760billion. It is instructive to note that 60% of the customer deposits were Demand deposits.

37 Financial risk management - continued
Enterprise risk review - continued

(e) Liquidity Risk

Group

The table below analyses financial assets and liabilities of the Bank into relevant maturity bands based on the remaining period at reporting date to the contractual maturity date. The maturity analysis has been presented based on the behaviour of these financial assets and liabilities. The table includes both principal and interest cash flows.

31 December 2018 Financial assets	Note	Carrying amount ₦'million	Gross nominal Inflow/(outflow) ₦'million	Less than 3 months ₦'million	3-6 months ₦'million	6-12 months ₦'million	1 - 5 years ₦'million	More than 5 years ₦'million
Cash and balances with central bank	16	117,685	117,685	24,233				93,452
Due from banks	17	43,542	43,542	43,542	-	-	-	-
Pledged assets	18	11,423	11,665	2,165		5,500		4,000
Loans and advances to customers	19	621,017	743,967	50,318	44,519	124,682	448,337	76,111
Investment securities:								
- Financial assets at fair value through profit or loss	20a	4,110	4,110	1,128	2,982	-	-	-
- Debt instruments at fair value through other comprehensive income	20c	117,620	180,188	18,420	1,650	35,049	56,138	68,932
- Equity instruments at fair value through other comprehensive income	20b	4,011	4,011					4,011
- Debt instruments at amortised cost	20d	123,086	156,547	5,224	9,424	7,828	54,933	79,137
		1,042,494	1,261,715	145,030	58,575	173,059	559,408	325,643
Financial liabilities								
Deposits from Banks	26	-	-	-	-	-	-	-
Deposits from customers	27	760,608	822,317	309,618	43,803	78,832	219,812	170,253
Debt securities issued & other borrowed funds	28&29	206,135	220,120	106,471	29,733	21,414	12,768	49,735
Other liabilities - Customers' deposits for foreign trade	30	12,147	12,147	12,147	-	-	-	-
Creditors & accruals	30	10,966	10,966	10,966	-	-	-	-
		989,856	1,065,551	439,202	73,536	100,246	232,580	219,988
Gap (asset - liabilities)		52,638	196,164	(294,173)	(14,961)	72,814	326,828	105,656
Cumulative liquidity gap				(294,173)	(309,134)	(236,320)	90,508	196,164

Group

31 December 2017 Financial assets	Note	Carrying amount ₦'million1	Gross nominal Inflow/(outflow) ₦'million1	Less than 3 months ₦'million1	3-6 months ₦'million1	6-12 months ₦'million1	1 - 5 years ₦'million1	More than 5 years ₦'million1
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	1,722,208	617,948	51,760	146,546	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	-	-	-	-
		945,342	1,030,637	883,868	23,396	8,265	44,278	70,829
Gap (asset - liabilities)		82,594	691,571	(265,920)	28,364	138,281	441,952	348,896
Cumulative liquidity gap				(265,920)	(237,556)	(99,276)	342,676	691,572

Bank

31 December 2018 Financial assets	Note	Carrying amount ₦'million	Gross nominal Inflow/(outflow) ₦'million	Less than 3 months ₦'million	3-6 months ₦'million	6-12 months ₦'million	1 - 5 years ₦'million	More than 5 years ₦'million
Cash and balances with central bank	16	117,685	117,685	24,233				93,452
Due from banks	17	43,435	43,435	43,435	-	-	-	-
Pledged assets	18	11,423	11,665	2,165		5,500		4,000
Loans and advances to customers	19	621,017	743,967	50,318	44,519	124,682	448,337	76,111
Investment securities:								
- Financial assets at fair value through profit or loss	20a	4,110	4,110	1,128	2,982	-	-	-
- Debt instruments at fair value through other comprehensive income	20c	117,620	180,188	18,420	1,650	35,049	56,138	68,932
- Equity instruments at fair value through other comprehensive income	20b	4,011	4,011					4,011
- Debt instruments at amortised cost	20d	106,147	139,607	5,224	9,424	7,828	54,933	62,197
		1,025,448	1,244,668	144,923	58,575	173,059	559,408	308,704
Financial liabilities								
Deposits from Banks	26		-					
Deposits from customers	27	760,608	822,317	309,618	43,803	78,832	219,812	170,253
Debt securities issued & other borrowed funds	28&29	188,881	202,386	92,136	29,733	21,414	12,768	46,336
Other liabilities - Customers' deposits for foreign trade	30	12,147	12,147	12,147	-	-	-	-
Creditors & accruals	30	10,966	10,966	10,966	-	-	-	-
		972,602	1,047,816	424,867	73,536	100,246	232,580	216,589
Gap (asset - liabilities)		52,846	196,851	(279,945)	(14,961)	72,814	326,828	92,115
Cumulative liquidity gap				(279,945)	(294,906)	(222,092)	104,736	196,851

Bank

31 December 2017 Financial assets	Note	Carrying amount ₦'million	Gross nominal Inflow/(outflow) ₦'million	Less than 3 months ₦'million	3-6 months ₦'million	6-12 months ₦'million	1 - 5 years ₦'million	More than 5 years ₦'million
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	1,722,208	617,948	51,760	146,546	486,231	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	19	222,556	229,407	126,067	-	5,310	33,878	64,151
Other liabilities - Customers' deposits for foreign trade	27&28	15,203	15,203	15,203	-	-	-	-
Creditors & accruals	29	8,345	8,328	8,328	-	-	-	-
		941,986	1,027,263	883,851	23,396	8,265	44,278	67,472
Gap (asset - liabilities)		82,547	694,945	(265,903)	28,364	138,281	441,953	352,253
Cumulative liquidity gap				(265,903)	(237,539)	(99,258)	342,695	694,948

While there is a negative cumulative liquidity gap within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

(f) Market Risk

Market risk is the risk that earnings or capital would be adversely affected by changes in the level, correlation or volatility of market factors. Market factors include interest rates, foreign exchange rates, equity prices, and commodity prices. This risk arises mainly from trading activities as well as through non-traded risk in the banking book.

The Group's objective is to control and manage market risk exposures within the acceptable risk appetite approved by the Board while optimizing returns. The Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

Central to the Group's market risk management is the deployment of appropriate tools and methodologies tailored towards identifying, measuring, monitoring, controlling and reporting the Group's exposure to each market risk factor.

Market Risk Management and Control Framework
The Group has put in place a robust and clearly defined market risk management framework, which essentially provides the Board and Management with guidance on market risk management processes. All teams involved in the management and control of market risk are required to fully comply with the policy statements to ensure the Group is not exposed to market risk beyond the qualitative and quantitative risk tolerances.

ALCO manages market and liquidity risks across the Group and meets monthly to review, approve and make recommendations concerning the risk profile including limits, utilization and strategy. They also recommend, to the Board, amendments to the market risk policy.

A dedicated market risk team, independent of the trading and business units, is responsible for implementing the market risk control framework and assumes day-to-day responsibility for market risk management. A limit framework is set within the context of the approved market risk appetite while daily market risk dashboard and stress testing reports are generated.

Risk limits, which are monitored daily by the Market Risk team include stop loss limits, unhedged open positions, VaR, duration amongst others. Daily positions of the Group's trading and FVTOCI portfolios are marked-to-market to enable the Group have an accurate view of its trading exposures.

(f) Market risk Governance Structure

Market Risk Governance Structure

BOARD OF DIRECTORS

The Board is responsible for the overall governance of the Market Risk management process.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee promotes effective management of Market Risk. The Committee also help to foster the establishment and maintenance of an effective Market Risk culture.

MANAGEMENT RISK COMMITTEE (MRC)

The Management Risk Committee (MRC) is responsible for implementing the Bank's Market Risk management policies and procedures.

ASSET LIABILITY MANAGEMENT COMMITTEE

The overall authority and management of Market Risk in the Group is vested in the Asset and Liability Management Committee (ALCO).

CHIEF RISK OFFICER

The Chief Risk Officer provides direction on the implementation of market risk management framework as well as supervises and monitors on regular basis, the Market Risk profile of the Group.

MARKET & LIQUIDITY RISK MANAGEMENT (MLRM) TEAM

The MLRM Team has primary ownership of the policy and ensure its implementation.
This includes identifying, measuring, monitoring and reporting market risks within the Group while developing policies and guidelines for its effective management.

Market Risk Measurement Techniques

The major measurement techniques used by the Group to monitor and control Market Risk exposures are outlined below.

1 Value at Risk (VaR): Is a technique that produces estimates of the potential change in the market value of a portfolio over a specified time horizon at a given confidence level. In line with the Group's policy, VaR assumes a time horizon of one trading day and a confidence level of 99% for internal risk management purposes bearing in mind present market realities, the Group's level of exposure as well as the composition of its portfolio.

However, the Group equally computes an S-VaR (stressed VaR). The VaR model is based on the historical simulation model, utilising data across a minimum of 252 trading days. VaR is computed on all trading portfolio i.e. fixed income securities and foreign exchange trading position. The model, which is validated, is an important market risk measurement and control tool.

The Group's trading VaR for the financial year is reflected in the table below.

2018 (all figures in N'million)	Interest Rate	Foreign Exchange
VaR as at 31 Dec, 2018	22	39

Back-testing

In order to verify that the results acquired from VaR calculations are consistent and reliable, the model is always back-tested. Back-testing is an integral part of VaR reporting in the Group's risk management processes. Back testing is a procedure where actual profits and losses are compared to projected VaR estimates aimed at ensuring that the model yields accurate risk estimates.

We would expect, on average, to see two or three profits and two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of profits or losses in excess of VaR over this period can therefore be used to measure how well the models are performing.

All exceptions generated from the back-testing process are documented with suitable explanation. Based on the exception classification, necessary action is taken on risk models by the Market & Liquidity Risk Management Team with directive from the ALCO.

2. Stress Testing: Due to volatilities in the operating environment, the Group conducts stress tests to evaluate the potential losses originating from impact of market risk factors under extreme market conditions. The stress testing includes the impact of exceptional changes in market rates and prices on the fair value of the Trading and Available-for-Sale ("AFS") portfolios.

The Group calculates: '

> risk factor stress testing, where stress movements are applied to each risk ;

> historical stress tests where shocks based on historical movements are assumed and applied; and

> ad-hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the ALCO who may respond by modifying the portfolio and taking other strategic steps to reduce the expected impact in the event that these risks crystallizes. The stress test results may also be presented to the Board.

Foreign Exchange Risk

Foreign exchange risk is the risk that fluctuations in the prevailing foreign exchange rates would affect the value of the Group's assets and liabilities as well as off-balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, securities, future cash flows in foreign currencies arising from foreign currency transactions. Exposures to foreign exchange risk are consistently monitored by limit structures for overnight and intraday positions.

The ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily since an effective overview of such risk is a critical element of the Group's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and Management aims to ensure that the risk tolerance is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

The table below summarises the Group's exposure to foreign exchange risk at 31st December 2018.

a. Foreign Currency Concentrations Risk as at 31 December 2018

Group	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank	103,373	4,073	399	6,380		114,225
add un-restricted balance	3,460					3,460
Due from other banks	16,268	24,719	415	2,053	88	43,542
Financial assets to maturity pledged as colleteral	11,315	108				11,423
Loans and advances to customer	432,041	188,976	0	0	-	621,071
Financial assets at fair value through profit and loss	4,110					4,110
Debt instruments at fair value through other comprehensive income	121,631					121,631
Debt instrument at amortised cost	123,087					123,087
Other assets	16,715	12,115	13	0	123	28,966
Total financial assets (A)	832,000	229,991	827	8,432	211	1,071,515
Liabilities						
Due to banks	-	-				-
Due to customers	561,071	194,109	2,892	2,535	0	760,608
Debt issued and other borrowed funds	172,890	33,245				206,135
Other financial liabilities	24,801	9,173	172	2,044	195	36,384
Total financial liabilities (B)	758,762	236,526	3,064	4,580	195	1,003,127
Net financial assets/ (liabilities)	73,238	(6,535)	(2,237)	3,853	16	68,388

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,535)	(2,237)	3,853	(4,920)
Closing Exchange Rate(Naira/Currency)	359	459	411	
10% Currency Appreciation(-)	323	413	370	
10% Currency Depreciation(+)	395	505	452	
Effect of 10% appreciation on Profit	653	224	(385)	492
Effect of 10% depreciation on Profit	(653)	(224)	385	(492)

31 December 2017

Group	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank	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 colleteral	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**

Group	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
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

Foreign Currency Concentrations Risk as at 31 December 2018

Bank	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank	103,373	4,073	399	6,380		114,225
add un-restricted balance	3,460					3,460
Due from other banks	16,161	24,719	415	2,053	88	43,435
Financial assets to maturity pledged as colleteral	11,315	108				11,423
Loans and advances to customer	432,041	188,976	0	0	-	621,017
Financial assets at fair value through profit and loss	4,110					4,110
Debt instruments at fair value through other comprehensive income	121,631					121,631
Debt instrument at amortised cost	106,147					106,147
Other assets	16,715	12,115	13	0	123	28,966
Total financial assets (A)	814,954	229,991	827	8,432	211	1,054,414

Bank	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	561,071	194,109	2,892	2,535	0	760,608
Debt issued and other borrowed funds	155,156	33,245				188,401
Other financial liabilities	24,801	9,173	172	2,044	195	36,384
Total financial liabilities (B)	741,028	236,526	3,064	4,580	195	985,393
Net financial assets/ (liabilities)	73,926	(6,535)	(2,237)	3,853	16	69,021

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	(6,535)	(2,237)	3,853	**(4,920)**
Closing Exchange Rate(Naira/Currency)	359	459	411	-
10% Currency Appreciation(-)	323	413	370	-
10% Currency Depreciation(+)	395	505	452	-
Effect of 10% appreciation on Profit	653	224	(385)	**492**
Effect of 10% depreciation on Profit	(653)	(224)	385	**(492)**

Foreign Currency Concentrations Risk as at 31 December, 2017

Bank	Naira N'million	Dollar N'million	GBP N'million	Euro N'million	Others N'million	Total N'million
Assets						
Cash and balance with Central Bank	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
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	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)	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

37 Financial risk management

f. (i) Interest Rate Risk

Interest rate risk in the banking book is the risk of an adverse impact on earnings or capital due to changes in market interest rates. Changes in interest rates affect earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the assets, liabilities, and off balance-sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

The Group's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the group's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Group. Overall, management of the Group's non-trading interest rate risk positions lies with the ALCO. In addition to various strategies, the ALCO defines the internal transfer pricing framework constructed to ensure that interest rate risk arising from mismatches in the maturity profile of assets and liabilities is managed to achieve a balanced repricing cumulative gap position that is in line with the limits set by the Board. The ALCO also makes judgmental assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or re-pricing dates.

Measurement of Interest Rate Risk in the Banking Book

Generally, the primary source of interest rate risk is the differences in the timing of the repricing of the assets, liabilities and off-balance sheet instruments. Repricing mismatches generally occur from borrowing short term to fund long term assets or borrowing long term to fund long term assets. These activities can expose an institutions earnings and economic value of equity (EVE) to changes in market interest rate.

The measures applied by the Group in monitoring and controlling interest rate risk in the banking book includes:

Net Interest Income (NII) Sensitivity – An integral part of the Group's management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income while applying different rate scenarios (simulation modelling) where other macro-economic metrics are held constant. This monitoring is undertaken at the ALCO level. The Group applies a combination of scenarios and assumptions relevant to our a peculiar businesses in forecasting one-year net interest income sensitivities across a range of interest rate scenarios.

37 Financial risk management

Economic Value of Equity (EVE) - EVE represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario, i.e. the current book value of equity plus the present value of future net interest income in this scenario. This can be used to assess the economic capital required to support interest rate risk in the banking book (IRRBB). An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. Operating entities are required to monitor EVE sensitivity as a percentage of capital resources.

The following tables provide information on the extent of the Group's interest rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to interest rate fluctuations.

The amounts are based on interest rate maturities. However, saving and current accounts have a non-defined interest maturity. A quantitative assessment of the interest rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for interest rate risk.

RATE SENSITIVITY OF ASSETS AND LIABILITIES

Group (a) 31 December 2018	Notes		Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Due from banks	17		8,690	-	-	-	-	8,690
Loans and advances to customers	19		43,708	21,008	79,650	341,876	87,537	573,779
Investment securities :								-
- Financial assets at fair value through profit or loss	21a		1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	21b		13,857	28,027	379	46,570	28,787	117,620
- Debt instruments at amortised cost	21c		-	-	2,123	35,033	85,692	122,847
		-	67,382	52,017	82,152	423,479	202,016	827,046
Non-derivative liabilities:								
Deposits from Banks	25		-		-	-	-	-
Deposits from Customers	26		381,439	30,550	75,650	134,467	138,502	760,608
Other borrowed fund & Debt securities issued	27 & 28		-	43,638	17,974	22,081	45,443	129,136
		-	381,439	74,188	93,624	156,548	183,945	889,744
Total interest sensitivity gap		-	**(314,057)**	**(22,170)**	**(11,473)**	**266,930**	**18,071**	**(62,698)**

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of days	Upward 2%	Downward - 2%	Interest rate Gap (Net positions)	Impact of upward movement	Impact of downward movement
Up to 1 month	365	0.02	-0.02	(153,526)	(3,070.52)	3,070.52
from 1 to 3 months	335	0.02	-0.02	(62,891)	(1,154.44)	1,154.44
from 3 to 6 months	275	0.02	-0.02	(15,004)	(226.09)	226.09
from 6 to 12 months	185	0.02	-0.02	(11,516)	(116.74)	116.74
Total				(242,937)	(4,568)	4,568

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(153,525.97)	(123)
from 1 to 3 months	0.32%	(62,891.22)	(201)
from 3 to 6 months	0.72%	(15,004.42)	(108)
from 6 to 12 months	1.43%	(11,516.17)	(165)
1 year to 2 years	2.77%	31,020.50	859
2 year to 3 years	4.49%	101,595.89	4,562
3 year to 4 years	6.14%	12,681.10	779
4 year to 5 years	7.71%	22,757.55	1,755
5 year to 7 years	10.15%	37,664.28	3,823
7 year to 10 years	13.26%	(16,879.05)	(2,238)
10 year to 15 years	17.84%	(7,616.22)	(1,359)
15 year to 20 years	22.43%	(5,073.86)	(1,138)
More than 20 years	26.03%	-	-
Total		(66,788)	6,445

37 Financial risk management - continued

(f) Market Risks - continued

f(I) Interest Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

Group (a) 31 December 2017	Notes	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.		-	41	650	23,383	-	24,075
Total financial assets (A)		**30,368**	**193,878**	**126,715**	**348,580**	**205,765**	**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	Cumulative Gap	Sensitivity on Profit (+2%)	Sensitivity on Profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity (-2%)	Annualized Period
On Demand	+/-200bp	11,025	11,025	19	(19)	-	-	One Month
Less than 3 months	+/-200bp	(321,322)	(310,297)	(1,585)	1,585	129	(129)	Three month
3-12 Months	+/-200bp	98,205	(212,092)	1,964	(1,964)	893	(893)	One 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)	

RATE SENSITIVITY OF ASSETS AND LIABILITIES

Bank 31 December 2018	Notes		Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Non-derivative assets:								
Due from banks	17		8,690		-	-	-	8,690
Loans and advances to customers	19		43,708	21,008	79,650	341,876	87,537	573,779
Investment securities :	21							-
- Financial assets at fair value through profit or loss	21a		1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	21b		13,857	1,508	26,897	46,570	28,787	117,620
- Debt instruments at amortised cost	21c		-	-	2,123	31,308	72,477	105,907
		-	67,382	25,499	108,670	419,754	188,801	810,106
Non-derivative liabilities:								
Deposits from Banks	25		-		-	-	-	-
Deposits from Customers	26		381,439	30,550	75,650	134,467	138,502	760,608
Other borrowed fund & Debt securities issued	27 & 28		-	43,638	17,974	22,095	27,709	111,416
		-	381,439	74,188	93,624	156,562	166,211	872,024
Total interest sensitivity gap		-	**(314,057)**	**(48,689)**	**15,045**	**263,192**	**22,590**	**(61,918)**

Impact of Standardized Interest Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward - 2%	Interest Rate Gap (Net Positions)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	-0.02	(152,632)	(3,052.64)	3,052.64
from 1 to 3 months	335	0.02	-0.02	(63,552)	(1,166.58)	1,166.58
from 3 to 6 months	275	0.02	-0.02	(12,255)	(184.67)	184.67
from 6 to 12 months	185	0.02	-0.02	28,571	289.63	(289.63)
Total				(199,868)	(4,114)	4,114

Impact of Standardized Interest Rate Shock on Equity

Time Band	Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month	0.08%	(152,631.99)	(122)
from 1 to 3 months	0.32%	(63,552.46)	(203)
from 3 to 6 months	0.72%	(12,255.11)	(88)
from 6 to 12 months	1.43%	28,571.37	409
1 year to 2 years	2.77%	31,020.50	859
2 year to 3 years	4.49%	101,595.89	4,562
3 year to 4 years	6.14%	8,956.18	550
4 year to 5 years	7.71%	22,757.55	1,755
5 year to 7 years	10.15%	52,088.86	5,287
7 year to 10 years	13.26%	(20,603.98)	(2,732)
10 year to 15 years	17.84%	(11,341.14)	(2,023)
15 year to 20 years	22.43%	(8,224.82)	(1,845)
More than 20 years	26.03%	-	-
Total		(23,619)	6,407

Rate Sensitivity of Assets and Liabilities

As at 31 December 2017	On demand N'million	Less than 3months N'million	3-12 months N'million	1-5 years N'million	Over 5years N'million	Total N'million
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	222,556
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 AFS	11,025	(462,421)	28,584	(227,878)	36,083	(614,610)

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit (+2%)	Sensitivity on Profit (-2%)	Sensitivity Equityt (+2%)	Sensitivity Equity (-2%)	Annualized Period
On Demand	+/-200bp	11,025	11,025	19	(19)	-	-	One Month
Less than 3 months	+/-200bp	(321,363)	(310,339)	(1,585)	1,585	-	-	Three month
3-12 Months	+/-200bp	97,555	(212,784)	1,951	(1,951)	521	(521)	One 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)	

37 Financial risk management

(g) Operational Risk Management

Operational risk in the Group is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk exists in all activities, processes, products and systems. The Group aims to maintain operational risk within its risk appetite, through a strategy anchored on the sustenance of a strong culture of individual and collective awareness and understanding of operational risk, accountability and transparency on operational risk issues at all levels, deployment of robust operational risk policies, processes and tools, and collaboration across all the business units and support functions in managing operational risk.

Operational Risk Governance Structure

Operational risk is managed in the Group along three lines of defense. The first line consists of the business units who own and are directly responsible for managing the risk. They identify and report operational risks in their activities and communicate these risks to the second line of defense which includes the independent risk management and control functions. This line formulates the risk management policies, processes and tools, and provides support in enhancing and monitoring the effectiveness of controls in the business units and support functions, while the third line of defense, the Internal Audit department, provides independent assurance on the adequacy, appropriateness and effectiveness of the risk management policies and process on an ongoing basis.

The Group maintains a dedicated Operational Risk Management (ORM) function which formulates the operational risk management strategy, policy and framework. The department, through the Chief Risk Officer, has a reporting line to the Executive Management, Management Risk Committee and Board Risk Management Committee, depicting a robust governance structure. The Board approves the Group's ORM policy and risk appetite. The Management Risk Committee reviews operational risk management reports quarterly and defines action plans to minimize material risks to acceptable levels. In addition, the ORM department collaborates with the Conduct and Compliance Division to ensure effective implementation of the ORM framework in the business units and support functions. It also works closely with the business units to manage operational risk based on the outcomes of the monitoring activities of the Conduct and Compliance Division. The ORM department is audited regularly by the Group's internal and external auditors.

Operational Risk Management Framework

The Group has a robust framework for managing operational risk. The framework defines the core governing principles and processes for the effective identification, assessment, mitigation, and monitoring of operational risks in line with regulatory requirements and international best practices. The key processes and tools in the ORM framework include the following:

1 Risk and Control Self-Assessment

The Group's Risk and Control Self-Assessment (RCSA) program provides a structured approach for business owners to identify material risks in their business areas, assess the effectiveness of controls in mitigating the risks and implement actions to proactively address the identified vulnerabilities.

RCSA helps senior management to assess the overall effectiveness of the control environment, improve risk decision making, and optimize controls to meet business objectives. The RCSA is also a rich source of information for developing heat maps that highlight the Group's areas of vulnerability, risk concentration and materiality. The RCSA program was redesigned and enhanced in the third quarter of the year to improve the risk identification and control assessment process, ensure ownership of risks at senior levels within the business, and enhance the monitoring and resolution of issues.

Risk assessments of new and existing products, processes and applications are also conducted to identify material operational risks and ensure adequacy and effectiveness of implemented mitigating controls.

2 Key risk indicators

The Group uses Key Risk Indicators which provide early warning signals of changes in the risk profile to monitor and mitigate key threats to the achievement of strategic goals. Material breaches are reported monthly and quarterly to Management for timely remediation.

3 Operational Risk Event Data Collection

The Group maintains a comprehensive internal loss database aligned with regulatory and Basel standards for collecting, analyzing and reporting operational risk events and losses. The data on the Group's historical loss experience provides meaningful information for assessing the exposure to operational risk, developing risk scenarios, prioritizing risk decisions, and implementing controls to mitigate risks. Strict reporting requirements are in place to ensure that operational risk incidents are escalated to relevant stakeholders for timely decision making.

Adequate risk transfer mechanisms including insurance and outsourcing are in place to minimize the impact of operational risk events on the Group. The lessons learnt from operational risk events and losses are communicated across the Bank and used in improving the control environment."

4 Scenario Analysis

The Operational Risk Management department utilizes scenario analysis of the Group's internal historical losses and material external risk events in modelling tail risk events, determining the potential impact on the organization, and proactively developing action plans to mitigate the risks. "

Business Continuity Management

The Group obtained the Business Continuity Management System (BCMS) certification (ISO 22301) within the year in line with international principles and standards. This certification indicates that a comprehensive Business Continuity Plan and robust recovery processes and systems are in place to build resilience, safeguard the Bank's employees and assets, maintain strategic communications, minimize service disruption and losses, and ensure timely recovery and resumption of operations and technology infrastructure in the event of a disaster. The Bank's dedicated Business Continuity Manager coordinates the activities of the BCMS and ensures the development, implementation and testing of the BCP is in line with international standards and best practices.

The Operational Risk Management framework is supported by other departmental policies and procedures that guide the daily activities of the business units and functions and ensure adequate controls are implemented to mitigate risks. The policies and procedures are regularly reviewed and updated, and the processes redesigned or automated where required, to improve operational efficiency and effectiveness of controls across the bank. Periodic reports on the identified operational risks are circulated to the relevant stake holders for timely remediation of issues, enhancement of controls and to increase awareness of operational risk across the Bank.

Operational Risk Capital Charge

The Bank uses the Basic Indicator Approach for computing the capital charge for operational risk in line with regulatory requirements.

31 December 2018

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
		(N'million)	(N'million)	(N'million)	(N'million)	(N'million)
Basic Indicator Approach (BIA)						
Gross Income	15%	68,264	73,231	82,468	223,963	33,594
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						11,198
Calibrated Risk Weighted Amount (BIA)						139,977

31 December 2017

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 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

(h) Capital management

(a) Regulatory Capital

The Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria. In implementing current capital requirements, the Central Bank of Nigeria requires the Bank to maintain a 10% minimum ratio for total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:
Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as Fair Value Through Other Comprehensive Income.

Various limits are applied to elements of the capital base. The qualifying Tier 2 capital is limited to 33.3% of Tier 1 capital. Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of the following reserves in the computation of total qualifying capital:

- Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines,
- Collective impairment on loans and receivables and other financial assets,
- Other Comprehensive Income (OCI) Reserves will be recognized as part of Tier 2 capital subject to the limits set in paragraph 3.2 of the CBN Guidance, and Notes on the Calculation of Regulatory Capital

(b) Capital Adequacy Ratio

In accordance with Central Bank of Nigeria regulations, a minimum threshold of 10% is to be maintained when computing the ratio qualifying capital to risk weighted assets.

The capital adequacy computation for the year ended 31 December 2018 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/BAS/08/031 and dated 24 June 2015. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Sterling Bank, in line with the directives from the Central Bank of Nigeria (CBN), has adopted the following approaches for its Pillar 1 capital calculations:

- Credit Risk – Standardised Approach
- Market Risk – Standardised Approach
- Operational Risk – Basic indicator approach, which is 15% of the average gross income for the past 3 year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
(Capital Adequacy Ratio

Constituents of Capital Tier 1 capital	Note	Group 2018 N'million	Group 2017 N'million	Bank 2018 N'million	Bank 2017 N'million
Paid- up share capital	30	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
General reserve (Retained earnings)		(3,307)	6,991	(3,101)	6,944
SMEEIS reserve		235	235	235	235
AGSMEIS reserve		682	-	682	-
Statutory reserve		20,098	18,678	20,100	18,680
Other reserves		5,276	5,276	5,276	5,276
Tier 1 Capital Before Regulatory Deduction		80,138	88,334	80,346	88,289
Regulatory Deduction					
Deferred tax asset		(6,971)	(6,971)	(6,971)	(6,971)
Other intangible assets		(1,850)	(2,114)	(1,850)	(2,114)
Total Regulatory Deduction		**(8,821)**	**(9,085)**	**(8,821)**	**(9,085)**
Tier 1 Capital after Regulatory Deduction		71,317	79,249	71,525	79,204
Tier 2 capital: Instruments & Reserves					
Sub- ordinated debt *		28,369	8,505	24,682	5,146
Other Comprehensive Income		(4,597)	(2,568)	(4,597)	(2,568)
Eligible Tier 2 Capital		23,772	5,937	20,085	2,578
Total regulatory capital		**95,089**	**85,186**	**91,610**	**81,782**
Risk-weighted assets		712,274	708,144	712,253	708,114
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		13.35%	12.03%	12.86%	11.55%

*Recognition of capital instrument in Tier 2 capital in its final five years to maturity is amortized on a straight-line basis by 20% per annum.

Description of Tier 2 Capital (Sub-ordinated debt)

Particulars	Place	Issue date	Date of maturity	Coupon rate	N'million
Non- convertible debenture stock	Nigeria	25 August 2016	25 August 2023	18.86%	5,171
Non- convertible debenture stock	Nigeria	5 October 2018	5 October 2025	17.55%	20,546

Internal Capital Adequacy Assessment Process (ICAAP).

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the bank to meet regulatory requirements for current and future business needs, including under stress scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's philosophy, processes, and techniques for managing risks across the Bank. Furthermore, it describes the controls management has implemented to reduce the likelihood of occurrence and minimize the impact of risk events on the business and includes information on the Bank's governance structure, and policies that support risk and capital management systems.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
Internal Capital Adequacy Assessment Process (ICAAP).

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets	Capital requirements
1	Credit Rsik		
1.01	Sovereign		
1.02	Public Sector Entities	4,742	480
1.03	State and Local Government	41,459	4,192
1.04	Multilateral Development Bank	-	-
1.05	Supervised Institutions	4,737	479
1.06	Corporate and Other Persons	300,896	30,426
1.07	Regulatory Retail Portfolio	5,979	605
1.08	Secured by Mortgages on Residential Properties	62,328	6,302
1.09	Exposures Secured by Mortgages on Commercial Real Estates	80,928	8,183
1.10	Past Due	21,002	2,124
1.11	Higher Risk Exposures	6,016	608
1.12	Other Balance Sheet Exposures	54,117	5,472
1.13	Off Balance Sheet Exposures	8,044	813
1.14	Regulatory Adjustment	(22,260)	-
2	Market risk		
2.01	Interest Rate Risk	265	21
2.02	Foreign Exchange Risk	4,024	322
3	Operational risk		
3.01	Basic Indicator Approach	139,977	11,198
4	Capital Adequacy Ratio		
4.01	Tier 1 Capital Adequacy Ratio	10.04%	
4.02	Total Capital Adequacy Ratio	12.86%	

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

38 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2018

Group

Maturity analysis of assets and liabilities Assets	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	24,233	-	-	-	93,452	117,685
Due from banks	43,542	-	-	-	-	43,542
Pledged assets	2,120	-	5,386	-	3,917	11,423
Loans and advances to Customers	43,708	21,008	95,397	357,622	103,282	621,017
Investment in securities :						
- Financial assets at fair value through profit or loss	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	13,857	28,027	379	46,570	28,787	117,620
- Equity instruments at fair value through other comprehensive income		-	-	-	4,011	4,011
- Debt instruments at amortised cost	-	-	2,123	35,033	85,931	123,086
Other assets	-	-	-	29,446	-	29,446
Property, plant and equipment	-	-	2,395	8,498	6,049	16,942
Intangible assets	-	-	-	1,850	-	1,850
Deferred tax assets	-	-	-	-	6,971	6,971
Non-current assets held for sale	-	-	5,218	-	-	5,218
Total	128,587	52,017	110,896	479,019	332,401	1,102,921

Group

Liabilities	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Deposits from customers	381,439	30,550	75,650	134,467	138,502	760,608
Debts issued and other borrowed funds	99,706	27,844	20,053	11,957	46,575	206,135
Current income tax liabilities	-	-	-	405	-	405
Other liabilities	-	-	-	37,678	-	37,678
Provisions	-	-	-	295	-	295
Total	**481,145**	**58,394**	**95,703**	**184,802**	**185,077**	**1,005,121**
Net	**(352,558)**	**(6,376)**	**15,193**	**294,217**	**279,024**	**97,800**
31 December 2017						
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	7,792	1,178	110,989
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**	**82,897**	**365,464**	**283,383**	**1,072,201**
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	83,084	225,915
Current income tax liabilities	232	-	-	-	-	232
Other liabilities	-	48,234	-	-	-	48,234
Provisions	-	-	-	295	-	295
Total	534,776	75,486	1,258	273,533	85,505	970,558
Net	**(253,411)**	**(16,392)**	**81,638**	**91,931**	**10,293**	**101,643**

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 2018

Bank

Maturity analysis of assets and liabilities Assets	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	24,233	-		-	93,452	117,685
Due from banks	43,435	-	-	-	-	43,435
Pledged assets	2,120	-	5,386	-	3,917	11,423
Loans and advances to Customers	43,708	21,008	95,397	357,622	103,282	621,017
Investment in securities :						
- Financial assets at fair value through profit or loss	1,128	2,982	-	-	-	4,110
- Debt instruments at fair value through other comprehensive income	13,857	28,027	379	46,570	28,787	117,620
- Equity instruments at fair value through other comprehensive income		-			4,011	4,011
- Debt instruments at amortised cost	-	-	2,123	35,033	68,992	106,147
Investment in subsidiary	-	-	-	-	1	1
Other assets	-	-		29,446	-	29,446
Property, plant and equipment	-	-	2,395	8,498	6,049	16,942
Intangible assets	-	-	-	1,850	-	1,850
Deferred tax assets	-	-	-	-	6,971	6,971
Non-current assets held for sale	-	-	5,218	-	-	5,218
Total	**128,480**	**52,017**	**110,896**	**479,019**	**315,463**	**1,085,876**
Deposits from customers	381,439	30,550	75,650	134,467	138,502	760,608
Debts issued and other borrowed funds	99,706	27,844	20,053	12,437	28,841	188,881
Current income tax liabilities	-	-	-	405	-	405
Other liabilities	-	-	-	37,678	-	37,678
Provisions	-	-	-	295	-	295
Total	**481,145**	**58,394**	**95,703**	**185,282**	**167,343**	**987,867**
Net	**(352,665)**	**(6,376)**	**15,193**	**293,737**	**148,120**	**98,009**

38 Maturity Analysis of Assets and Liabilities - continued

Bank

31 December 2017 Maturity analysis of assets and liabilities	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1 - 5 years N'million	More than 5 years N'million	Total N'million
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	4,429	1,178	107,585
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	281,322	59,094	82,896	362,101	283,384	1,068,798
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	-	48,234	-	-	-	48,234
Provisions	-	-	-	295	-	295
Total	534,776	75,486	1,258	273,533	82,146	967,199
					-	
Net	(253,453)	(16,392)	81,638	88,568	201,238	101,599

39 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.18. 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 2018

Group

Assets measured at fair value	*Notes*	Level 1 N'million	Level 2 N'million	Level 3 N'million	Total N'million
Pledged assets – FVOCI	18.1		7,063		7,063
Debt instrument at FVTPL	20(a)		4,110		4,110
Debt instrument measured at FVOCI	20(c)		117,620		117,620
- Equity instruments at fair value through other comprehensive income			4,011		4,011
Assets for which fair value are disclosed					
Due from banks			-		-
Pledged assets at Amortised cost			2,579		2,579
Loans and advances			794,744		794,744
Debt instrument at Amortised cost			80,912		80,912
Liabilities for which fair values are disclosed:			-		
Deposits from customers			720,414		720,414
Other borrowed funds			106,623		106,623
Debt securities issued			83,223		83,223
- 31 December 2017					
Assets measured at fair value					
Pledged assets available for sale	18.2	-	61,673	-	61,673
Financial assets held for trading	20(a)	-	6,883	-	6,883
Financial assets available for sale	20(c)	-	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		-	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

39 Fair Value of financial instruments - continued

Fair value measurement hierarchy for asset & liabilities as at 31 December 2018

Bank

N'million

Assets measured at fair value	Notes	Level 1 N'million	Level 2 N'million	Level 3 N'million	Total N'million
Pledged assets – FVOCI	18.1		7,063		7,063
Debt instrument at FVTPL	20(a)		4,110		4,110
Debt instrument measured at FVOCI	20(c)		117,620		117,620
- Equity instruments at fair value through other comprehensive income			4,011		4,011
Assets for which fair value are disclosed					
Due from banks					-
Pledged assets at Amortised cost			2,579		2,579
Loans and advances			794,744		794,744
Debt instrument at Amortised cost			67,369		67,369
Liabilities for which fair values are disclosed:					
Deposits from customers			720,414		720,414
Other borrowed funds			106,623		106,623
Debt securities issued			68,795		68,795
- 31 December 2017					
Assets measured at fair value					
Pledged assets available for sale	18.2	-	61,673	-	61,673
Financial assets held for trading	20(a)	-	6,883	-	6,883
Financial assets available for sale	20(c)	-	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

39 Fair Value of financial instruments - continued

Group

Financial assets	Carrying amount 2018 N'million	Carrying amount 2017 N'million	Fair value amount 2018 N'million	Fair value amount 2017 N'million
Cash and balances with Central Bank of Nigeria	117,685	122,630	117,685	122,630
Due from banks	43,542	51,066	43,542	51,066
Pledged assets	11,423	145,179	11,423	145,179
Loans and advances to customers	621,497	598,073	794,744	712,318
Investment in securities:				
- Financial assets at fair value through profit or loss	4,110		4,108	
- Debt instruments at fair value through other comprehensive income	117,620		112,280	
- Equity instruments at fair value through other comprehensive income	4,011		3,765	
- Debt instruments at amortised cost	123,086		80,912	
- Held for trading		6,883		6,883
- Available for sale		80,031		80,029
- Held to maturity		24,075		24,075
Total	1,042,974	1,027,937	1,168,459	1,138,759
Financial liabilities				
Deposits from banks	-	11,048	-	11,048
Deposits from customers	760,608	684,834	720,414	677,260
Other borrowed funds	119,526	212,847	106,623	214,065
Debt securities issued	86,609	13,068	83,223	14,017
Customer deposits for foreign trade	12,147	15,203	12,147	15,203
Creditors and accurals	10,966	7,895	10,966	7,895
Total	989,856	944,895	933,373	939,488

39 Fair Value of financial instruments - continued

Bank

Financial assets	Carrying amount 2018 N'million	Carrying amount 2017 N'million	Fair value amount 2018 N'million	Fair value amount 2017 N'million
Cash and balances with Central Bank of Nigeria	117,685	122,630	117,685	122,630
Due from banks	43,435	51,066	43,435	51,066
Pledged assets	11,423	145,179	11,423	145,179
Loans and advances to customers	621,017	598,073	794,744	712,318
Investment in securities:	-	-		-
- Financial assets at fair value through profit or loss	4,110	-	4,108	-
- Debt instruments at fair value through other comprehensive income	117,620	-	112,280	-
- Equity instruments at fair value through other comprehensive income	4,011	-	3,765	-
- Debt instruments at amortised cost	106,147	-	68,795	-
- Held for trading	-	6,883	-	6,883
- Available for sale	-	80,031	-	80,029
- Held to maturity	-	20,671	-	20,671
Total	1,025,448	1,024,533	1,156,235	1,138,775
Financial liabilities				
Deposits from banks	-	11,048	-	11,048
Deposits from customers	760,608	684,834	720,414	677,260
Other borrowed funds	119,526	212,847	106,623	214,065
Debt securities issued	69,355	9,709	68,795	10,660
Customer deposits for foreign trade	12,147	15,203	12,147	15,203
Creditors and accurals	10,966	8,345	10,966	8,345
Total	972,602	941,986	918,945	936,581

39 Fair Value of financial instruments - continued

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value
The management assessed that cash and balances with Central Bank of Nigeria, creditors & accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity; it is assumed that the carrying amounts approximates their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining FVOCI financial assets are measured using quoted market prices in active markets which are adjusted for using the accrued interest to date.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2018 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 contraventions with certain Central Bank of Nigeria's guidelines and circulars listed below:

Circular/Letters	Nature of contravention	Penalty N'million
Standard & Guideline on ATM Operations in Nigeria Section 3.5 (a)	Delay in resolving Customer complaints	2.00
Prudential Guidelines Section 3.8	Non adherence to minimum information on credit printout	2.00
Guideline on Issuance and treatment of Bankers Acceptance & Commercial Papers of November 2009 Section 22.1	Departure from approved treatment of Bankers Acceptance	2.00
Guide to Charges by banks and Other Financial Institutions (GCBOFIs) Section 11.7 December 22 2017	Excess charge on Status Enquiry	2.00
BOFIA - Section 20 (2) (F)	Construction of Bank's Head Office Annex prior to approval	2.00
BSD/DIR/GEN/LAB/07/015	Granting loan to customer that had non-performing loan with AMCON	2.00
BSD/GAA/CON/STB/01//009	Penalty imposed with respect to Financial Statements publication	2.00
NSE/LRD/LCE3/04/18	Late publication of 2017 Annual Report & Financial Statements	1.30
BSD/BCS/CON/STG/07/083	Breach of daily returns timeline	0.03
		15.33

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 2018 is as set out below

Financial Year	2018	2017	2018 N'million	2017 N'million	2018 N'million	2017 N'million
Pending Complaints B/f	132	571	439	1,734		
Complaints Received	53,887	51,415	4,729	3,718		
Complaints Resolved	54,013	51,854	4,899	5,013	4,899	5,013
Unresolved complaints escalated to CBN for intervention	2	2	130	135		
Unresolved Complaints Pending with The Bank C/f	6	132	269	439		

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 2018 is set out below:

	31 December 2018		31 December 2017	
Product	Volume (million)	Value (million)	Volume (million)	Value (million)
Visa	143	3,230	140	4,085
Verve	29,186	302,626	21,905	156,433

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 2018.

44 Reclassification

During the period, the Group changed the presentation of interest income on financial assets as fair value through profit or loss from 'Interest income' to 'Net trading income' in the statement of profit or loss and other comprehensive income. As such, the comparative amount was also reclassified for consistency. The amount reclassified in the prior period is N6 million. The reclassification is done to comply with IAS 1.82(a) which requires separate presentation of interest income calculated using effective interest method on the face of statement of profit or loss and other comprehensive income.

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) Validation of IFRS 9 ECL Model	13
ii) 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 external auditor.

46 Prior period restatement

The Central Bank of Nigeria (CBN), pursuant to Section 9(c) of the AMCON(Amended) Act 2015, informed the Bank of its shortfall in contributions to the Banking Sector Resolution Cost Sinking Fund for the years 2016 and 2017. The shortfalls arose as a result of the erroneous application of the resolution Trust Deed's definition of "Total Assets". The definition of "Total Assets" was amended in 2015 to include off balance sheet items. However, the contribution made by the Bank did not include all the off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN. The full shortfall of N1.29 billion (N793million- 2016 and N501million- 2017), has been adjusted for in these financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

31 December 2017 *In millions of Naira*	Group			Bank		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Other Operating expenses	(14,783)	(501)	(15,284)	(14,783)	(501)	(15,284)
Net income	23,304	-	23,304	23,238	-	23,238
Profit after tax	8,521	(501)	8,020	8,455	(501)	7,954
Total comprehensive income	**17,276**	**(501)**	**16,775**	**17,210**	**(501)**	**16,709**

Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

Earnings per share	31-Dec-17
Basic, profit for the year attributable to ordinary equity holders of the Bank	(1.74k)
Diluted, profit for the year attributable to ordinary equity holders of the Bank	(1.74k)

The change did not have impact on the OCI for the period

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

1 January 2017 *In millions of Naira*	Group			Bank		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
TOTAL ASSETS	834,192	-	834,192	830,805	-	830,805
Other liabilities	40,951	793	41,744	40,950	793	41,743
Others	707,579	-	707,579	704,173	-	704,173
TOTAL LIABILITIES	**748,530**	**793**	**749,323**	**745,123**	**793**	**745,916**
Retained earnings	6,227	(793)	5,434	6,245	(793)	5,452
Others	79,435	-	79,435	79,437	-	79,437
Total equity	85,662	(793)	84,869	85,682	(793)	84,889
TOTAL LIABILITIES AND EQUITY	834,192		834,192	830,805		830,805

31 December 2017 *In millions of Naira*	Group			Bank		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
TOTAL ASSETS	**1,072,201**	**-**	**1,072,201**	**1,068,798**	**-**	**1,068,798**
Other liabilities	46,940	1,294	48,234	46,940	1,294	48,234
Others	922,324		922,324	918,965	-	918,965
TOTAL LIABILITIES	**969,264**	**1,294**	**970,558**	**965,905**	**1,294**	**967,199**
Retained earnings	8,285	(1,294)	6,991	8,238	(1,294)	6,944
Others	94,652	-	94,652	94,655	-	94,655
Total equity	**102,937**	**(1,294)**	**101,643**	**102,893**	**(1,294)**	**101,599**
TOTAL LIABILITIES AND EQUITY	**1,072,201**		**1,072,201**	**1,068,798**		**1,068,798**

The impact on the statement on cash flows for the year ended 31st December, 2017 only relates to the changes in profit before tax and changes in other liabilities. However, there was no impact on the net cash flow from operating activities. The cash flow from the investing and financing activities were not affected.

STATEMENT OF **VALUE ADDED**

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 N'million	%	2017 N'million	%	2018 N'million	%	2017 N'million	%
Gross earnings	152,164		133,490		151,247		133,022	
Interest expense	(69,882)		(60,138)		(68,733)		(59,736)	
	82,282		73,352		82,514		73,286	
Exceptional income								
Net impairment	(5,843)		(12,267)		(5,832)		(12,267)	
Bought-in-materials and services -local	(48,026)		(36,440)		(48,019)		(36,440)	
Value added	28,413	100	24,645	100	28,663	100	24,579	100
Applied to pay:								
Employee as wages, salaries and pensions	13,194	46	11,545	47	13,194	46	11,545	47
Income taxes	271	1	85	0	271	1	85	0
Retained in business:								
Depreciation and amortisation	5,730	20	4,995	20	5,730	20	4,995	20
Profit for the year	9,218	33	8,020	33	9,468	33	7,954	32
	28,413	100	24,645	100	28,663	100	24,579	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.

FIVE-YEAR
FINANCIAL SUMMARY
AS AT 31ST DECEMBER

Bank

OTHER NATIONAL DISCLOSURES	2018	2017 Restated*	2016 Restated*	2015	2014
	N'million	N'million	N'million	N'million	N'million
ASSETS					
Cash and balances with Central Bank of Nigeria	117,685	122,630	107,859	115,924	174,760
Due from other banks	43,435	51,066	31,289	68,799	67,330
Pledged assets	11,423	145,179	86,864	69,338	78,751
Derivative financial assets	-	-	8	-	-
Loans and advances to customers	621,017	598,073	468,250	338,726	371,246
Investment securities:					
- Financial assets at fair value through profit or loss	4,110	6,883	1,653	4,693	1,949
- Debt instruments at fair value through other comprehensive income	117,620	-	-	-	-
- Equity instruments at fair value through other comprehensive income	4,011	-	-	-	-
- Debt instruments at amortised cost	106,147	-	-	-	-
- Available for sale	-	80,031	34,867	119,479	49,039
- Held to maturity	-	20,671	54,724	45,360	45,582
Investment in subsidiary	1	1	1	-	-
Other assets	29,446	18,728	21,676	13,903	14,137
Property and equipment	16,942	16,451	14,604	15,258	13,952
Intangible assets	1,850	2,114	2,037	1,000	821
Deferred tax assets	6,971	6,971	6,971	6,971	6,971
	1,080,658	1,068,798	830,803	799,451	824,538
Non-current assets held for sale	5,218	-	-	-	-
TOTAL ASSETS	1,085,876	1,068,798	830,803	799,451	824,538
LIABILITIES					
Deposits from banks	-	11,048	23,769	-	-
Deposits from customers	760,608	684,834	584,734	590,889	655,944
Derivative financial liabilities	-	-	8	-	-
Current income tax liabilities	405	232	941	780	1,802
Other borrowed funds	119,526	212,847	82,450	60,286	45,371
Debt securities issued	69,355	9,709	11,976	4,564	4,564
Other liabilities	37,678	48,234	40,950	47,367	32,143
Provisions	295	295	295	-	-
TOTAL LIABILITIES	987,867	967,199	745,123	703,886	739,824
NET ASSETS	98,009	101,599	85,681	95,565	84,715
EQUITY					
Share capital	14,395	14,395	14,395	14,395	14,395
Share premium	42,759	42,759	42,759	42,759	42,759
Retained earnings	(3,101)	6,944	6,245	10,042	5,754
Other components of equity	43,956	37,501	22,282	28,369	21,807
Attributable to equity holders of the Bank	98,009	101,599	85,681	95,565	84,715
Other Commitments and Contingencies	130,347	131,106	111,260	166,245	203,843

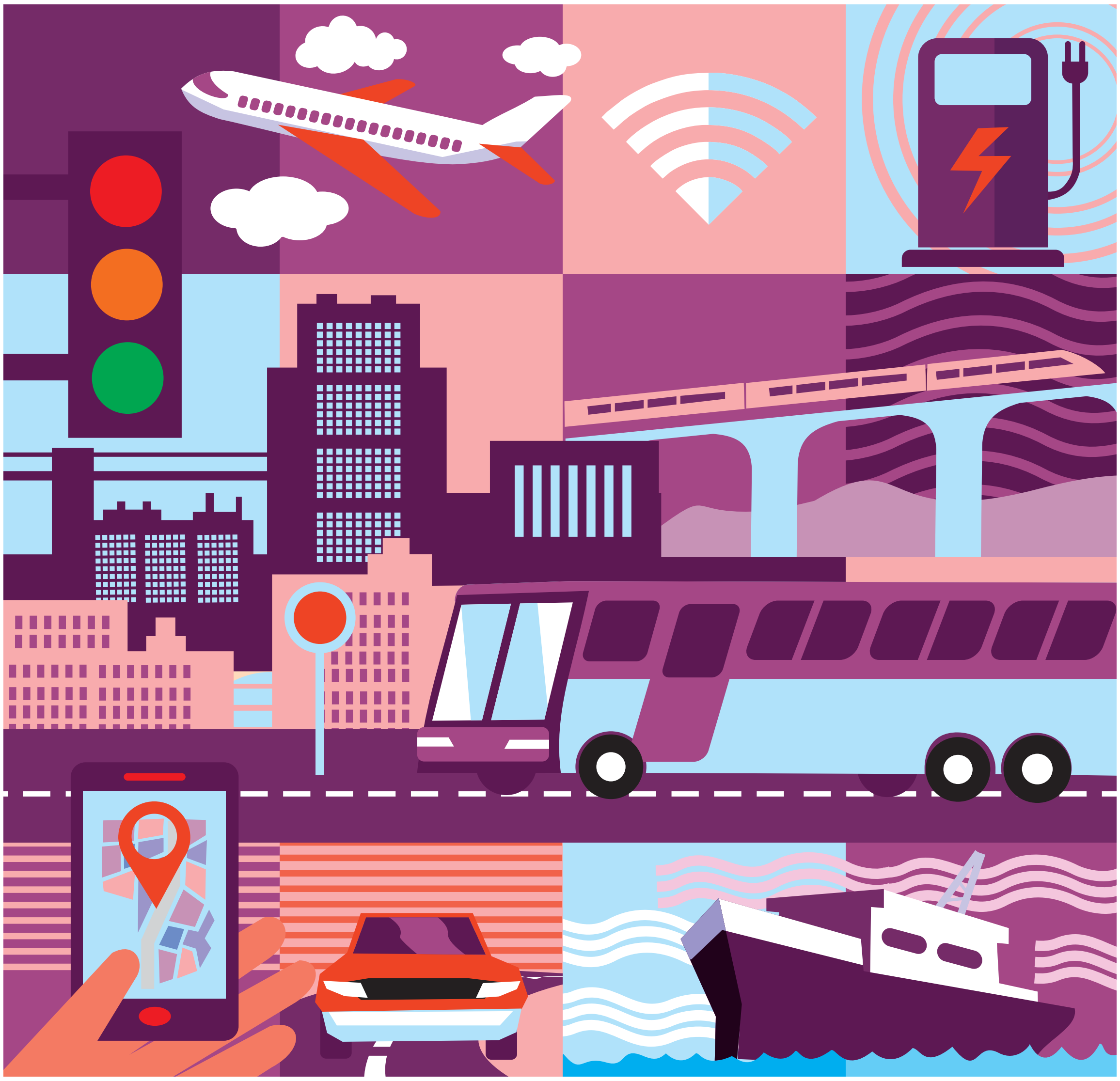
PROFIT OR LOSS ACCOUNT	2018	2017	2016	2015	2014
FOR YEAR ENDED	N'million	N'million	N'million	N'million	N'million
Gross earnings	151,247	133,022	111,238	110,194	103,677
Profit before income tax	9,739	8,039	6,019	11,016	10,748
Income tax (expense)/benefit	(271)	(85)	(837)	(724)	(1,743)
Profit after income tax	9,468	7,954	5,182	10,293	9,005
Earning per share in Kobo (Basic/Diluted)	33k	28k	18k	36k	42k
Dividend per share	0k	2k	-	9k	6k

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 46 to the consolidated and separate financial statements

SHARE CAPITAL **HISTORY**

Date	Authorised Share Capital		Issued & Fully Paid up		Consideration
	Increase ₦	Cumulative ₦	Increase ₦	Cumulative ₦	
1960	-	500,000	-	500,000	Cash
1970	1,000,000	1,500,000	1,000,000	1,500,000	Scrip
1973	1,000,000	2,500,000	-	1,500,000	-
1974	-	2,500,000	625,000	2,125,000	Scrip
1975	-	2,500,000	375,000	2,500,000	Scrip
1979	2,500,000	5,000,000	1,000,000	3,500,000	Scrip
1982	2,500,000	7,500,000	1,400,000	4,900,000	Scrip
1983	-	7,500,000	2,450,000	7,350,000	Cash
1984	3,000,000	10,500,000	3,150,000	10,500,000	Scrip
1985	4,500,000	15,000,000	-	10,500,000	-
1987	5,000,000	20,000,000	5,250,000	15,750,000	Scrip
1989	30,000,000	50,000,000	15,750,000	31,500,000	Scrip
1991	50,000,000	100,000,000	31,500,000	63,000,000	Scrip
1992	-	100,000,000	-	63,000,000	-
1994	-	100,000,000	31,500,000	94,500,000	Scrip
1995	50,000,000	150,000,000	47,250,000	141,750,000	Scrip
1997	450,000,000	600,000,000	-	141,750,000	Scrip
1998	-	600,000,000	212,625,000	354,375,000	Scrip
1999	-	600,000,000	177,188,000	531,563,000	Scrip
2001	400,000,000	1,000,000,000	132,890,125	664,453,125	Scrip
2003	500,000,000	1,500,000,000	132,890,125	797,343,750	Scrip
2003	-	1,500,000,000	34,344,239	831,687,989	Cash
2004	1,000,000,000	2,500,000,000	171,229,880	1,002,917,869	Scrip
2004	-	2,500,000,000	240,375,737	1,243,293,605	Cash
2005	2,000,000,000	4,500,000,000	621,646,803	1,864,940,408	Scrip
2006	5,500,000,000	10,000,000,000	522,045,592	2,386,986,000	Cash
2006	-	10,000,000,000	2,889,437,825	5,276,423,825	Merger
2008	2,000,000,000	12,000,000,000	6,658,513,143	11,934,936,968	Merger Adjustment
2008	-	12,000,000,000	-	6,281,545,772	Reconstruction
2011	-	12,000,000,000	1,570,386,444	7,851,932,216	ETB Merger
2013	-	12,000,000,000	2,944,474,581	10,796,406,797	Rights Issue
2014	4,000,000,000	16,000,000,000	3,598,802,266	14,395,209,063	Private Placement

BASIC **INFORMATION**



*"Our investments in the **Transportation** sector, primarily the mass transit system – harnessing technology to de-risk the system – has paved the way for transparency and efficiency in collections and service delivery, whilst revealing the potentials of the sector to prospective investors. Our goal is to replicate this system nationwide to drive efficiency in mass transit"*

SENIOR **MANAGEMENT**

S/N	Staff Name	Function	Current Grade
1	SULEIMAN ABUBAKAR	MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER	Group Managing Director
2	NARASIMHAN GRAMA SRINATH	ED - RETAIL AND CONSUMER BANKING	Executive Director
3	ODUBIYI YEMI	ED - CORPORATE AND INVESTMENT BANKING	Executive Director
4	EMEFIENIM EMMANUEL EFE	ED - INSTITUTIONAL BANKING	Executive Director
5	ADEOLA TUNDE	DIVISIONAL HEAD - COMMERCIAL BANKING	General Manager
6	OWODEYI RAHEEM BANKOLE	CHIEF OPERATING OFFICER	General Manager
7	BAKARE MOJISOLA	DIVISIONAL HEAD, CORPORATE CLIENT COVERAGE AND SALES	General Manager
8	ADEGUN ADEGBOYEGA ADELANI	GROUP HEAD, INVESTMENT BANKING	General Manager
9	ONI OLAYINKA ABIODUN	CHIEF INFORMATION OFFICER	General Manager
10	ORIMOLOYE IFEDAYO	CHIEF RISK OFFICER	General Manager
11	FASINRO MORONFOLU OLASENI	CHIEF CLIENT ENGAGEMENT OFFICER	General Manager
12	LEWA JUSTINA AKPOABUGO	COMPANY SECRETARY AND CHIEF LEGAL OFFICER	Deputy General Manager
13	PAUL-TAIWO ADEOYE	GROUP HEAD, FMCG, MANUFACTURING AND POWER	Deputy General Manager
14	ADEROJU ABIODUN	GROUP HEAD, CREDIT COLLECTIONS & RECOVERY	Deputy General Manager
15	OBE ENIOLA	BUSINESS EXECUTIVE - RETAIL, IKEJA AND BEYOND	Deputy General Manager
16	OLAMBIWONNU ADEBIMPE	GROUP HEAD, FINANCE AND PERFORMANCE MANAGEMENT	Deputy General Manager
17	ABOYEJI RASAQ	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, SOUTH WEST 1	Deputy General Manager
18	ATILOLA SHINA, BASHIRU	GROUP HEAD, STRATEGY & INNOVATION	Deputy General Manager
19	AWOSANYA IRENE OLUBUKOLA	GROUP HEAD, AGRIC FINANCE AND SOLID MINERALS	Deputy General Manager
20	DALLEY TEMITOPE MOSUNMOLA	CHIEF HUMAN RESOURCES OFFICER	Deputy General Manager
21	OSHEKU CYRIL	GROUP HEAD, INTERNAL AUDIT	Deputy General Manager
22	LEWIS OLUFUNMILAYO	BUSINESS EXECUTIVE, - COMMERCIAL, LAGOS-VICTORIA	Deputy General Manager
23	ABOKI UMMA YUSUF	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, NORTH CENTRAL	Deputy General Manager
24	EBHOHIMHEN EHIANETA MONDRITZ	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, ABUJA	Deputy General Manager
25	NWAOBA BONAVENTURE KELECHI	GROUP HEAD, TRANSACTION BANKING AND CORPORATE SOLUTIONS	Deputy General Manager
26	ADEYEMI ADEMOLA	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, SOUTH WEST 2	Deputy General Manager
27	IMAJI OJONIMI FRIDAY	SPECIAL PROJECTS	Assistant General Manager
28	AIYEGBUSI OLUFEMI BAMIDELE	HEAD, LITIGATIONS	Assistant General Manager
29	FAMOGBIELE OLUWABUNMI ADERONKE	BUSINESS EXECUTIVE - COMMERCIAL BANKING, LAGOS IKEJA	Assistant General Manager
30	ODUTOLA ABIODUN ADEBOLA	INVESTMENT BANKING MANAGER	Assistant General Manager
31	AKINTOLA AYODEJI OLUSOJI	BUSINESS EXECUTIVE - RETAIL BANKING, LAGOS EKO	Assistant General Manager
32	EZEH EBERE ELIZABETH	BUSINESS EXECUTIVE - RETAIL BANKING, SOUTH EAST 2	Assistant General Manager
33	ALIU LATEEF	GROUP HEAD, CHANNEL OPERATIONS	Assistant General Manager
34	OJO ABIOLA OLUGBENGA	BUSINESS EXECUTIVE - COMMERCIAL BANKING, LAGOS ISLAND	Assistant General Manager
35	ALAIYA DARE YUNUS	HEAD, DOCUMENTATION & SECURITIES	Assistant General Manager
36	AKINWANDE FOLUKE GRACE	HEAD, FINANCIAL/REGULATORY REPORTING	Assistant General Manager
37	OYINLOYE OLUREMI	BUSINESS EXECUTIVE - RETAIL BANKING , LAGOS VICTORIA	Assistant General Manager
38	ABURE MONDAY	'BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, MID WEST	Assistant General Manager
39	OLALUSI OLANREWAJU	HEAD, CORPORATE & STRUCTURED FINANCE	Assistant General Manager
40	YINUSA OLAWALE	GROUP HEAD, CENTRAL PROCESSING CENTRE	Assistant General Manager
41	ADEFOPE MOSES ADEWALE	BUSINESS EXECUTIVE - COMMERCIAL BANKING, LAGOS APAPA	Assistant General Manager
42	OSHODI BASHEER ADEBOLA	GROUP HEAD, NON-INTEREST BANKING	Assistant General Manager
43	ALI MOHAMMED AMTAI	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, NORTH EAST	Assistant General Manager
44	MOHAMMED GARBA	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, NORTH	Assistant General Manager
45	NIRAN-OLADUNNI MOJIBOLA ABIMBOLA	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, LAGOS	Assistant General Manager
46	OBUKOFE CHARLES	BUSINESS EXECUTIVE - INSTITUTIONAL BANKING, ASABA/ SOUTH EAST	Assistant General Manager
47	KAITA ABUBAKAR ABDULMALIK	RELATIONSHIP MANAGER - INSTITUTIONAL BANKING, NORTH CENTRAL	Assistant General Manager
48	OGUNSANYA OLUMUYIWA ADEMOLA	GROUP HEAD, EMERGING CORPORATES	Assistant General Manager

BRANCH **NETWORK**

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT PHONE NUMBER(S)
			Abuja	
1	Mamman Kontagora Close - Area 3	Abuja	450, Mamman Kontagora Close Area 3 Garki	08075292668
2	Sterling Boulevard - Cbd	Abuja	Plot 1083 Muhammad Buhari Way, CBD, Abuja	08075292676
3	Wuye Service Centre	Abuja	Plot 1135, Gidado Idris Street, Eternal Oil Filling Station, Finance Junction Wuye Abuja	08075292680
4	Ladoke Akintola - Garki 2	Abuja	Blk T 16 Samuel Akintola Boulevard,Garki 2	08075292683
5	Seda Close - Area 8	Abuja	17, Sheda Close Area 8 Garki	08075292687
6	National Assembly (Nass)	Abuja	Sb 67 National Assembly Complex	08075292693
7	Ademola Adetokunbo - Wuse 2	Abuja	5, Ademola Adetokunbo Street Wuse	08075292698
8	Kashim Ibrahim - Wuse 2	Abuja	Plot 603, Kashim Ibrahim Way, Wuse 2, Abuja Fct	08075292885
9	Conoil - Kado	Abuja	Conoil Premises, Kado, Abuja	08075292887
10	Conoil - Utako	Abuja	Conoil Station, Utako, Abuja.	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	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 Str Lagos	08166277642 / 08060656870 / 08023441589
17	John Street	Lagos	37B, John Street, Oke Arin	08058058712 / 08050402784
18	Idumagbo	Lagos	106, Iga-Iduganran Street	07084065201 / 08064341594
19	Sura	Lagos	Blk 11 Suit3 Sura Shopping Complex	08033707567 / 08059422302 / 08060791346
20	Issa Williams	Lagos	4, Issa Williams Street, Oke Arin, Lagos State	08038107791 / 08065207581
21	Sangrouse (Lafiaji)	Lagos	33, Hawley Street, Lafiaji, Lagos	08026068908 / 07038079632
			Lagos - Victoria	
22	30 Adetokunbo Ademola	Lagos	30, Adetokunbo Ademola Street V/Island	08028153943, 08055999039
23	228A Awolowo Road - Ikoyi	Lagos	228,Awolowo Rd 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 Str V/I Lagos	08179104237 / 08025369878
26	Ikota Shopping Complex - Ajah	Lagos	Shop 14/15 Blk F Ikota Shopping Complex Ajah	08075292254
27	114 Awolowo Road - Iky	Lagos	114, Awolowo Road, Ikoyi, Lagos	08075292810
28	62 Adetokunbo Ademola	Lagos	62 Adetokunbo Ademola Str (By Ajose Adeogun Roundabout), V/I, Lagos	08034013776, 08033577549
29	Adeola Odeku	Lagos	Plot 300 Adeola Odeku Street, Victoria Island Lagos	08075292819;08037825022;08072868892
30	Langbasa Service Centre	Lagos	26, Langbasa Road, Ajah, Lagos	08075290106
31	Awoyaya Service Centre	Lagos	Awoyaya Beside Gommek Petrol Station, Awoyaya, Ajah Lagos	08113944148
			Apapa & Beyond	
32	Wharf Road	Lagos	13/15 Wharf Rd Apapa	08075292193
33	Tincan	Lagos	10,Tincan Island Port Rd, Apapa Lagos	08075292195
34	LASU	Lagos	LASU Ojo Lagos	08075292350
35	Kirikiri Road	Lagos	250, Kirikiri Rd Apapa Lagos	08075292215
36	26B Creek Road	Lagos	26B Creek Rd Apapa Lagos	08075292223
37	Commercial Road	Lagos	17, Commercial Rd Apapa Lagos	08075292238
38	Ibru Jetty - Apapa	Lagos	31, Ikudaisi Str Apapa Oshodi Exp Way Lagos	08075292246
39	Festac	Lagos	21 Road, Festac, Lagos.	08151491801
40	Trade Fair	Lagos	8C, Executive Plaza, Bba, Trade Fair. Lagos	08075292829
41	Alaba	Lagos	5, Alaba International Market Road, Alaba Lagos	08075292845
42	Alaba Service Centre	Lagos	50/51, Alaba International Market Road, Alaba, Lagos.	08075292844
43	Mobil Road - Ajegunle	Lagos	66, Mobil Road, Ajegunle, Lagos	08075292986
44	Coker	Lagos	29,Badagry Express Way Coker Orile Lagos	08075292322
			Ikeja & Beyond	
45	Aromire	Lagos	9, Aromire Avenue Ikeja Lagos	08028411644 , 08077629299
46	Ilupeju	Lagos	Akintola Williams Delloite Building 235 Ikorodu Rd Lagos	08075292330,08023000000
47	Adebola House	Lagos	38, Opebi Road Lagos	08033894405, 08023000000
48	Awolowo Way - Ikj	Lagos	104, Awolowo Way Ikeja Lagos	08054248382;08023247844
49	68 Opebi	Lagos	68, Opebi Str Ikeja Lagos	08033009718,08035000000
50	Allen	Lagos	53 Allen Ave. Ikeja Lagos	08032453924, 08033814121
51	Conoil Station - Ikeja Gra	Lagos	Conoil Station, Opp. General Hospital (Lasuth), Gra Ikeja, Lagos	08056564799, 08033938398
52	Fadeyi	Lagos	96, Ikorodu Road, Fadeyi, Lagos.	08023404896, 08037013650
53	Ogudu	Lagos	28,Ogudu Road, Ojota, Lagos.	08169832522,08038338614
54	Oworonsoki Service Centre	Lagos	10 Adams Street, Oworonsoki, Lagos	8076093038
55	Iju Road - Ifako	Lagos	102, Iju Rd, Ifako Lagos	08075292334
56	Idimu	Lagos	294, Idimu Rd Isheri Lagos.	08075292338
57	Iyana-Ipaja	Lagos	109, Lagos Abeokuta Exp Way Iyana Ipaja Lagos	08075292342
58	Shasha Road - Dopemu	Lagos	32, Shasha Rd, Akowonjo Lagos	08075292360
59	Ikotun	Lagos	18 Idimu-Ikotun Road, College B/Stop, Ikotun, Lagos.	09053821422
60	Ogba	Lagos	38 Ijaiye Rd,Ogba Lagos	08075292830
61	Abule Egba	Lagos	585 Lagos-Abeokuta Expressway, Abule-Egba	08070894094

			Yaba & Beyond	
62	Ojuwoye Service Centre	Lagos	9, Dada Iyalode Str Ojuwoye Mushin Lagos	CUG:08075292306
63	Adeniran Ogunsanya - Surulere	Lagos	74, Adeniran Ogunsanya Surulere Lagos	CUG:08075292313 & 4
64	Willoughby- Ebute-Metta	Lagos	28, Willoughby Street Ebute Metta, Lagos	CUG:08075292326
65	Iddo	Lagos	Railway Terminus Ebute Metta, Lagos	CUG:08075292190
66	Ogunlana Drive- Surulere	Lagos	141, Ogunlana Drive Surulere Lagos	CUG:08075292382
67	Herbert Macaulay- Yaba	Lagos	260/262 Herbert Marcaulay Way Yaba, Lagos	CUG:08075292386 & 08075292303
68	Mushin	Lagos	122 Agege Motor Road, Mushin, Lagos	CUG:08075292303
69	Airport Road - Ikj	Lagos	Airport Road, Ikeja, Lagos.	08075292841
70	Daleko	Lagos	Plot 8,Blk E Daleko Market Isolo Express Way, Lagos	CUG:08075292310 & 08075292837
71	Matori	Lagos	26, Fatai Atere Way, Matori Ind. Est.Lagos	CUG:08075292368 & 08075292439
72	Matori Service Centre	Lagos	1/5 Jimade Close, Matori Market. Lagos	CUG:'08075292368
73	Ire-Akari - Isolo	Lagos	68, Ire-Akari Estate, Isolo, Lagos	CUG:08075292982
74	Okota Road	Lagos	101 Okota Road Isolo, Lagos	CUG:08075292835
75	Itire	Lagos	Itire Rd By Iyana-Itire Bus Stop Off Apapa-Oshodi, Lagos	CUG:08113944137,07055771742
76	Oshodi	Lagos	Oyetayo Street ,Oshodi Local Govt, Oshodi, Lagos	08075292389
			North Central	
77	Ali Akilu - Kaduna	Kaduna	9, Ali Akilu Rd Kaduna	08038166018/08036743897
78	Kachia Road - Kaduna	Kaduna	236, Kachia Rd Kaduna	07032808982/08060149944
79	Minna	Niger	Federal Mortgage Bank Building, Bosso Road, Minna	08021176827/08086038881
80	Independence Way	Kaduna	Indepedence Road, Beside Food Planet Kaduna.	07061124172/08037038904
81	Kaduna Refinery	Kaduna	Km 16, Kachia Road, Krpc Staff Co-Operative Commercial Plaza, Kaduna Refinery, Kaduna.	08066747923/08032975626
82	Makurdi	Benue	7, New Bridge Street, Makurdi, Benue State	08030974877/07055333570
83	Lokoja	Kogi	64 Ibrahim Babangida Way, Lokoja	08036059064/07039802689
84	Zaria	kaduna	No 1, River Road, Sabon-Gari, Kaduna	08036808194/08034697144
85	Kagoro	Kaduna	Along Kagoro Road, Kaduna	08036831828/08189797042
			North East	
86	Maiduguri	Borno	39 Kashim Ibrahim Way Maiduguri	08139643932,08032368003
87	Bauchi	Bauchi	Yakubun Bauchi Rd Beside Cbn Bauchi	08037709604,07035517183
88	Terminus House - Jos	Plateau	Terminus House, 1, Ahmadu Bello Way, Jos, Plateau State	08077697510,07038131451
89	Jingiri Rd - Jos	Plateau	13, Jingiri Road, Opp. Leventis Motors Jos.	08060042653,08035556744
90	Jimeta	Adamawa	28,Atiku Abubakar Way, Beside Sabru House, Jimeta Yola	07055371034,07034279332
91	Gombe	Gombe	New Market Road, Gombe, Gombe State	07030821960,08058056959
			North West	
92	Sani Abacha Way - Kano	Kano	12 Sani Abacha Way, Kano	08075292893, 08058056968
93	Mm Way - Kano	Kano	110, Murtala Mohammed Way Kano	08075292749, 08054519042
94	Zaria Road	Kano	No 42, Zaria Road By Zoo Road Roundabout (Maitanguran House) Kano State	09053821372, 08054928336
95	Dutse	Jigawa	Kiyawa Rd Opp Oando Filling Station Dutse, Jigawa	08075292752, 08036285445
96	Kwari Market - Kano	Kano	20, Unity Road (Kwari Market) Kano	08075292756, 08069582707
97	Niger Street - Kano	Kano	2B,Niger Street, (Gidan Goldie) Kano	08075292760, 08035858329
98	Kofar Ruwa - Kano	Kano	Aminu Dantata Estate, Kofar Ruwa, Kano	08075292765, 08058199056
99	Bayero University - Kano	Kano	Buk New Campus Kano	08075292767, 08167777777
100	Sokoto	Sokoto	14 Kano Road Sokoto	08075292775, 08055259987
101	Katsina	Katsina	3, Ibb Way Katsina	08075292779, 08023617881
102	Kebbi	Kebbi	31Sultan Abubakar Road Road. Gra, Kebbi State	08151491875, 07068722586
103	Gusau - Zamfara	Zamfara	Zaria Road, Gusau, Zamfara	08075292782, 08033353134
			South East 1	
104	Douglas Rd - Owerri	Imo	71, Douglas Rd,Owerri, Imo State	08033926762/08075292598
105	Naze	Imo	Naze Timber Market Owerri	08034649331/08070991908
106	Eziukwu Rd - Aba	Abia	Plot 3, Eziukwu Rd, Aba	08032129224
107	Ariaria	Abia	A-Line, Ariaria International Market, Ariaria, Abia State	08036751646
108	Azikiwe Rd - Aba	Abia	127 Nnamdi Azikwe Road, Aba, Abia State	08058058668, 07064402838
109	Eziukwu Market Service Centre	Abia	New Market Road, Eziukwu Cemetery Market, Aba.	08034367694
110	Library Avenue - Umuahia	Abia	2, Library Avenue, Opposite Michela Okpara Auditorium, Umuahia	08055065534
111	Oron Rd - Uyo	Akwa Ibom	52,Oron Road, Uyo	08075292630
112	Uuth	Akwa Ibom	University Of Uyo Teaching Hospital (Uuth)	8039474248
113	Abak Rd - Uyo	Akwa Ibom	Plot 16, Block 1, Abak Road Est. Uyo, Akwa-Ibom State	08077926238
114	Clement Ebri - Calabar	Cross river	1,Clement Ebri Drive,State Housing Estate,Calabar	08037427745
115	Whetheral Road	Imo	Plot 24, Ikenegbu Layout, Wetheral Road, Owerri	08033125793
116	Calabar Ftz	Cross river	Calabar Free Trade Zone	08057422155
			South East 2	
117	New Market Rd - Onitsha	Anambra	24, New Market Rd,Onitsha	08033854955
118	Market Rd - Enugu	Enugu	2A, Market Rd, Enugu	08034594132
119	Portharcourt Road Onitsha	Anambra	34,Port-Harcourt Rd,Fegge, Onitsha	07069552179
120	Zik Avenue- Awka	Anambra	140, Zik Avenue, Awka	08058056451
121	Okpara Avenue - Enugu	Enugu	Plot 23 (48), Okpara Avenue, Enugu	08055072744
122	Uga Bridge Head Onitsha Branch	Anambra	45 Uga Street, Fegge Bridgehead Onitsha	08033531366
123	Nottidge - Onitsha	Anambra	23 Nottidge Street, Onitsha	08034911733

Mid West				
124	Akpakpava	Edo	38, Akpakpava Street, Benin City	8056150081
125	Asaba 1	Delta	180, Nnebisi Rd,Asaba, Delta State	8034250048
126	Odibo	Delta	Effurun Sapele Rd Opp Urhobo College, Odibo Housing Estate, Delta State	8076329021
127	Asaba 2	Delta	290 Nnebisi Road, Asaba, Delta State	8057032795
128	Adesuwa Road	Edo	5, Adesuwa Street, Benin City, Edo State	8055965756
129	Mission Road	Edo	58, Mission Road Benin, Edo State	8023972898
130	Sapele Road	Edo	56/58 Sapele Road, Benin, Edo State	8054860550
131	Ikpoba Hill	Edo	40B, Ohovbe Qtrs., Ikpoba Hill, Benin City, Edo State	8072479479
132	Okada	Edo	Igbinedion University, Okada, Edo State	8057099131
133	Warri	Delta	75, Warri/Sapele Road, Warri Delta State	8058412878
134	Effurun	Delta	71, Effurun-Sapele Road, Effurun, Delta State	8050901050
135	Enerhen Junction	Delta	5, Effurun-Sapele Road, Delta State	8057036985
South South				
136	13 Trans Amadi	Rivers	Plot 13,Transamadi, Ind Layout P/Harcourt	08033124787
137	59 Trans Amadi	Rivers	Plot 59 Trans Amadi Industrial Layout P/H	08037277928
138	Mbiama Rd - Yenagoa	Bayelsa	268,Mbiama/Yenagoa Rd,Yenagoa	08055213126
139	Olu Obasanjo - Ph	Rivers	4,Olu Obasanjo Rd, P/Harcourt	08033200052
140	Woji Rd - Ph	Rivers	142,Woji Rd, Gra 2, P/Harcourt	08033134874
141	Upth	Rivers	Upth Permanent Site,P/H (Saturday Banking)	08037102165
142	115 Trans Amadi	Rivers	Plot 115, Trans Amadi Industrial Layout, P/H	08033428348
143	204 Aba Road	Rivers	204 Kalagbor Street, Rumuola, Port-Harcourt	08072749590
144	87 Rumuola	Rivers	87, Rumuola Road, Rumuokara Port-Harcourt	08057032799
145	Ogbunabali - Ph	Rivers	2A, Aguma Street, Port-Harcourt, Rivers State	8075292882
146	Aggrey Rd - Ph	Rivers	14, Aggrey Road, Port Harcourt	08023359295
147	Melford Okilo Road - Yenagoa	Bayelsa	252 Melford Okilo Road, Amarata, Yenagoa, Bayelsa State	08056148538
148	Port-Harcourt Refinery	Rivers	Refinery, Elelewon, Port Harcourt	08066020904
149	Onne	Rivers	New Oppe Ekara, Along Wharf Road, Onne, Port-Harcourt	08032537317
150	Rumuibekwe	Rivers	Plot 6 And 7, (420, Aba Road, Rumuibekwe Port Harcourt	8058020591
151	Yenagoa 3	Bayelsa	Sani Abacha Way, Yenagoa, Bayelsa State	08079734688
Ikorodu & Beyond				
152	Ikorodu	Lagos	43, Lagos-Ikorodu Road Lagos	08083185566,08037259127
153	Ketu	Lagos	548, Ikorodu Road, Ketu, Lagos	08136904647,08023238114
154	Owode Onirin Service Centre	Lagos	Owode Onirin Iron Market, Lagos State.	8055067133
155	Abeokuta	Ogun	Abeokuta Sport Club Road, Opic Roundabout, Oke-Ilewo, Abeokuta (B/W Big Treat & Sweet Sensation)	08075292852,07056812125,08023018899
156	Ijebu-Ode	Ogun	39 Ibadan Road, Ijebu-Ode, Ogun State	08075292856,07055013207,08073764515
157	Shagamu	Ogun	Along Akarigbo Road, Shagamu	08070990610,08131128704,08034438591
158	Ota	Ogun	64, Idiroko Rd Ota, Ogun State	08075292393
159	Magboro	Ogun	Former Fielding Arena, Beside Peace Estate Gate At Ewenla Bus Stop, Magboro Ogun State	08055548674,08055068373
160	Mosinmi Service Centre	Ogun	Nnpc Depot, Mosinmi Along Shagamu Road, Ogun State	08075292383, 08030423769
161	Akute	Ogun	No 22, Ogunlowo Street, Ajuwon. Akute- Alagbole.	08035633001,08029165880
162	Ijoko	OGUN	Km 4, Ijoko Road, Cele Bus-stop, Ijoko, Sango-otta, Ogun State	08090742020
163	Ogijo	Ogun	1 Bishop Close, Ogijo, Lagos-Shagamu, Ogun State	08053528605,08057000000
164	Igbogbo	Lagos	27, Obafemi Awolowo Way, Igbogbo, Lagos State.	09053865782; 0905386578
South West 1				
165	Iwo Road - Ibadan	Oyo	49A, Iwo Road Ibadan, Oyo State	08075292850,08074483633,08025369905
166	Dugbe	Oyo	3, Obafemi Awolowo Way Dugbe, Oyo State	08075292469,08050957509,08055932480
167	Apata - Ibadan	Oyo	529, Old Abeokuta Rd, Apata Gangan-Ibadan	08075292854,08052442010,08057704667
168	Ring Road	Oyo	97 Lagos Road Challenge Ibadan	08075292848, 08070927241,08072783048
169	Secretariat - Ibadan	Oyo	Oyo State Govt. 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 Rd, 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 Rd, Ore	0803444484,08035036313
175	Akure	Ondo	142, Oba Oyemekun Rd Akure, Ondo State	08062147623,08060629248
176	Mm Way, Ilorin	Kwara	11, Muritala Mohammed Way, Ilorin	07064708156,08032124399
177	Ibrahim Taiwo - Ilorin	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, Osun State.	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@pacegregistrars.com
www.pacegregistrars.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@pacegregistrars.com
www.pacegregistrars.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 compete 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 thatsubsequently 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, 25th April, 2019 at 10:00am and at every adjournment thereof.

As Witness under my hand this ______________ day of ____________________ 2019

Signed ____________________________________

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve the Audited Financial Statements		
2.	To elect/re-elect Directors		
a.	To elect Mr. Michael Ajukwu as an Independent Director		
b.	To elect Mrs. Folasade Kilasho as a Non-Executive Director		
c.	To re-elect Mr. Michael Jituboh as a Non-Executive Director		
d.	To re-elect Mrs. Tairat Tijani as a Non-Executive Director		
e.	To re-elect Dr. (Mrs.) Omolara Akanji as an Independent Director		
3.	To approve the remuneration of the Directors		
4.	To authorize the Directors to fix the remuneration of the Auditors		
5.	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 25th day of April, 2019 at Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos at 10:00AM

This admission card must be produced by the Shareholder to obtain entrance to the Annual General Meeting.

Name of Shareholder

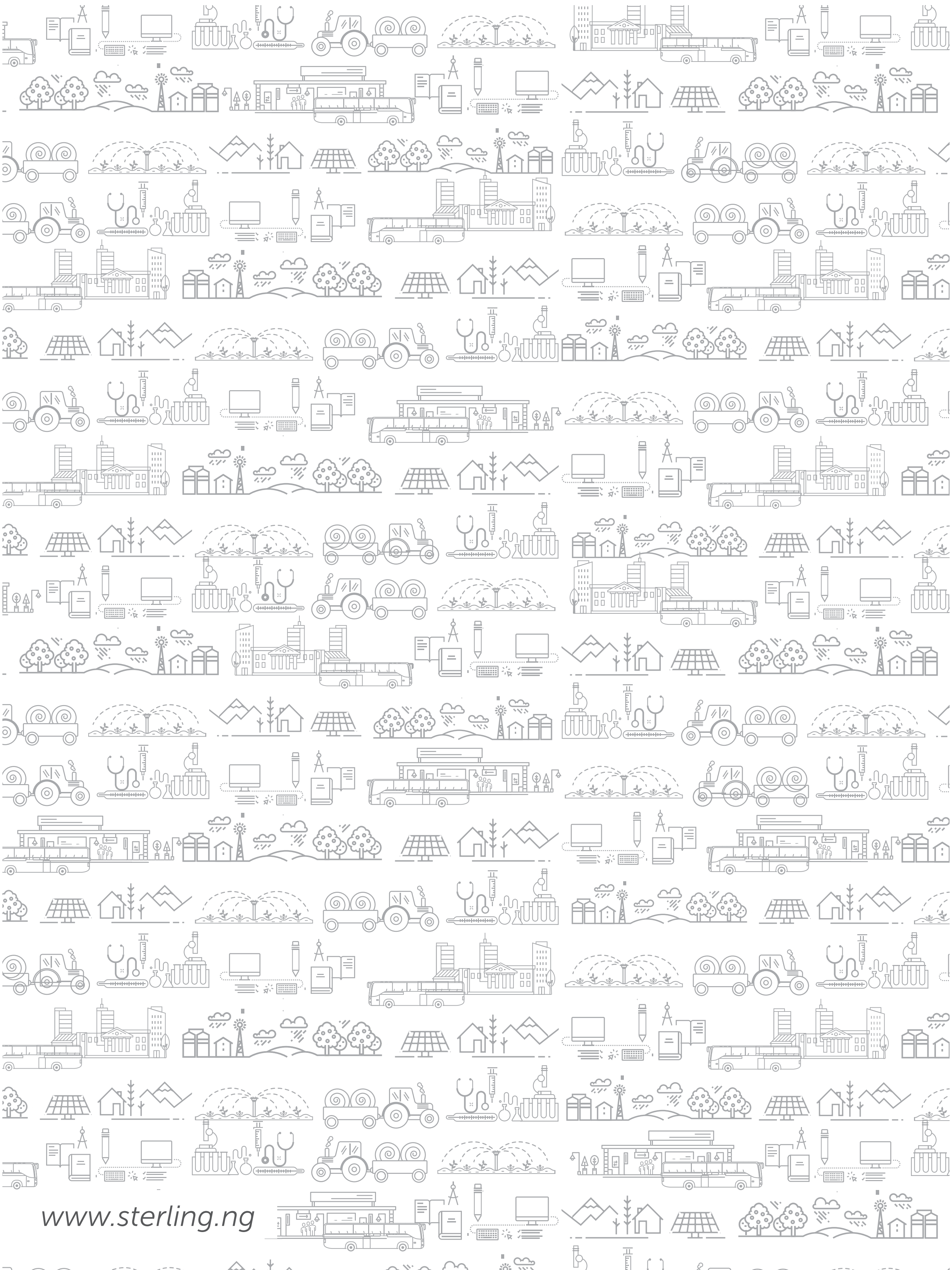
Name of Shareholder

Signature

Address of Shareholder

Sterling Bank Plc.
(Rc No 2392)

Head Office:
20, Marina, Lagos.
(01) 2702300-8, 0807 529 0736-9,
0807 529 2063
customercare@sterling.ng
sterling.ng



www.sterling.ng