STERLING FINANCIAL HOLDINGS COMPANY PLC

ANNUAL REPORT, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2023

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REPORT OF THE DIRECTORS

The Directors have pleasure of presenting to the members of Sterling Financial Holdings Company Plc ("the Holdco") their report together with the audited consolidated and separate financial statements for the year ended 31 December 2023.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

The principal activity of Sterling Financial Holdings Company Plc (the Company) is to carry on business as a non-operating financial holding company investing in companies as may be approved by the Board of Directors and in accordance with Central Bank of Nigeria permissible activities. The Company has 2 (two) subsidiaries – Sterling Bank Ltd, a commercial bank and The Alternative Bank Limited, a non-interest bank.

Legal form

Sterling Financial Holdings Company Plc was incorporated on 13 October 2021 as a private limited liability company and re-registered as a public company on 16 November 2022. The Company's shares were listed on Nigerian Exchange Limited on 6 April 2023. The Central Bank of Nigeria issued the Company its final license on 27 June 2023 and it (the Company) commenced operations on 1 July 2023.

REPORT OF THE DIRECTORS - Continued

OPERATING RESULTS

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

In millions of Naira	Group 2023	Group 2022	*Company 2023	*Company 2022
Gross earnings	221,773	175,140	14,895	-
Profit before income tax	22,693	20,757	13,116	-
Income tax expense	(1,109)	(1,459)	(9)	-
Profit after income tax	21,584	19,298	13,107	-
Profit attributable to equity holders	21,584	19,298	13,107	-
Total non-performing loans as % of gross loans	5%	4%	-	-
Earnings per share (kobo) – Basic	75k	67k	46k	-
Earnings per share (kobo) – Diluted	75k	67k	46k	-

Dividend
The Directors did not propose any dividend for the year 2023.

REPORT OF THE DIRECTORS - Continued

Directors who served during the year

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

Name	Designation	Date appointed/retired	Interest represented
Mr. Adeyemi Adeola	Chairman	Appointed 27/06/2023	Alfanoma Nigeria Limited Plural Limited Reduvita Limited Quakers Integrated Services Limited Concept Features Limited
Ms. Eniye Ambakederemo	Independent Director	Appointed 27/06/2023	
Mr. Adeshola Adekoya	Non-Executive Director	Appointed 27/06/2023	STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited
Ms. Aisha Bashir	Independent Director	Appointed 27/06/2023	
Mr. Abubakar Suleiman	Non-Executive Director	Appointed 27/06/2023	
Mr. Yemi Odubiyi	Group Managing Director	Appointed 27/06/2023	
Mr. Olayinka Oni	Executive Director	Appointed 27/06/2023	

REPORT OF THE DIRECTORS - Continued

Going concern

The Directors assess the future performance and financial position of Sterling Financial Holdings Company Plc (Holdco) and its subsidiaries (the Group) 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 Holdco as recorded in the Register of members and/or as notified by them for the purpose of Section 301 of the Companies and Allied Matters Act 2020 were as follows:

		31-Dec-23	31-Dec-23	31-Dec-22	31-Dec-22
	Names	Direct	Indirect	Direct	Indirect
1	Mr. Adeyemi Adeola	57,600,025	1,443,034,413	-	-
2	Ms. Eniye Ambakederemo	-		-	-
3	Mr. Adeshola Adekoya	-	1,413,979,057	-	-
4	Ms. Aisha Bashir	-		-	-
5	Mr. Abubakar Suleiman	397,188,499		-	-
6	Mr. Yemi Odubiyi	351,417,493		-	-
7	Mr. Olayinka Oni	4,341,618		-	-

Director's interests in contracts

For the purpose of Section 303 of the Companies and Allied Matters Act, 2020, none of the current Directors had direct or indirect interest in contracts or proposed contracts with the Group during the year.

Director's Remuneration

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

In compliance with Section 16.8 of the Nigerian Code of Corporate Governance, the Bank hereby disclose the remuneration paid to its Directors as follows:

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

Beneficial ownership

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

REPORT OF THE DIRECTORS - Continued

Analysis of shareholding

The range analysis of the distribution of the shares of the Holdco as at 31 December 2023 is as follows:

Range of shares			**Number of holders**	**%**	**Number of units**	**%**
1	-	1,000	33,277	37.68%	14,724,826	0.10%
1001	-	5,000	26,029	29.47%	58,700,356	0.20%
5,000	-	10,000	8,853	10.02%	59,941,672	0.20%
10,001	-	20,000	7,056	7.99%	95,690,344	0.30%
20,001	-	50,000	5,086	5.76%	159,573,819	0.60%
50,001	-	100,000	3,068	3.47%	214,228,419	0.70%
100,001	-	200,000	1,962	2.22%	281,830,783	1.00%
200,001	-	500,000	1,603	1.81%	502,262,182	1.70%
500,001	-	10,000,000	1,269	1.44%	2,129,955,212	7.40%
Above 10,000,001			114	0.13%	14,824,307,721	51.50%
Foreign shareholding			4	0.01%	10,449,202,790	36.30%
			88,321	**100.00%**	**28,790,418,124**	**100.00%**

The following shareholders have shareholding of 5% and above as at 31 December 2023:

	31-Dec-23	31-Dec-23	31-Dec-22	31-Dec-22
	Unit holding	% holding	Unit holding	% holding
Silverlake Investments Limited	7,197,604,531	25.00	-	-
State Bank of India	2,549,505,026	8.86	-	-
Dr. Mike Adenuga	1,620,376,969	5.63	-	-
Ess-ay Investments Limited	1,462,919,568	5.08	-	-

REPORT OF THE DIRECTORS - Continued

Donations and Charitable Gifts

The Bank donated a total sum of N351.4million during the year ended 31 December 2023 (2022: N281million) to various charitable organizations in Nigeria, details of which are shown below. No donation was made to any political organization.

Details of Donation	Purpose	Amount (N'm)
Bendel Insurance FC Sponsorship	Sponsorship	75.0
Ake Arts and Book Festival	Sponsorship	40.3
Made By Nigeria X EDF Fusion	Sponsorship	30.0
Mamabase Maternal Health Project	Corporate Social Responsibility	30.0
Film Lab Africa British Council Partnership	Corporate Social Responsibility	20.0
Nigeria Immigration Service	Sponsorship	20.0
Africa Social Impact Summit Support	Corporate Social Responsibility	19.6
Education Support/Collaboration for Schools and Organisations	Corporate Social Responsibility	18.6
Environmental Makeover - Beach Adoption Project	Corporate Social Responsibility	18.0
Kano Trade Fair	Corporate Social Responsibility	10.0
Start 2 Scale Summit	Sponsorship	8.5
Housing and Urban Development Summit	Sponsorship	7.0
Flood Victims Support	Sponsorship	7.0
Women Empowerment and Advocacy against Gender-Based Violence	Corporate Social Responsibility/Sponsorship	6.5
Food Related Projects	Corporate Social Responsibility/Sponsorship	6.5
Collaboration/Partnership on Environmental	Corporate Social Responsibility/Sponsorship	5.9
Sponsorship of Conferences on Youth Development	Sponsorship	5.5
Peace and Unity Convention	Sponsorship	5.0
6th African International Conference on Islamic Finance (AICIF)	Sponsorship	5.0
Kaduna Books and Arts Festival	Sponsorship	2.0
AltBank/Ogoni Agricultural Community Support Program	Corporate Social Responsibility	1.4
Other Donations and Collaborations	Corporate Social Responsibility/Sponsorship	9.8
		351.4

REPORT OF THE DIRECTORS - Continued

Gender Analysis of Staff

Analysis of staff employed by the Group during the year ended 31 December 2023

GROUP

DESCRIPTION	NUMBER	% TO TOTAL STAFF
Female new hire	487	47.5%
Male new hire	539	52.5%
Total new hire	1,026	100.0%
Female as at 31 December 2023	1,355	44.5%
Male as at 31 December 2023	1,687	55.5%
Total staff	3,042	100.0%

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

GRADE	FEMALE	MALE	TOTAL
Senior Management (AGM –GM)	12	38	50
Middle Management (DM – SM)	109	222	331
TOTAL	121	260	381

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

GRADE	FEMALE	MALE	TOTAL
Executive Director	-	4	4
Managing Director	-	3	3
Non-Executive Director	8	13	21
TOTAL	8	20	28

Total remuneration of the Group's Senior Management (Assistant General Managers, Deputy General Managers, General Managers and Executive Directors) in 2023 amounted to N803million (2022: N747million).

Acquisition of own shares

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

Property, plant and equipment

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

REPORT OF THE DIRECTORS - Continued

Employment and employees

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

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

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

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

Events after the reporting date
Note 37 to the consolidated and separate financial statements discloses no events after the reporting date, that could have a material effect on the consolidated and separate financial position of the Group and the Company as at 31 December 2023 or their profit for the year then ended.

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

BY ORDER OF THE BOARD:

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

SHAREHOLDING STRUCTURE/ FREE FLOAT STATUS

	31-December-2023		31-December-2022**	
Description	**Unit**	**Percentage**	**Unit**	**Percentage**
Issued Share Capital	28,790,418,124	100%	28,790,418,124	100%
Substantial Shareholdings (5% and above)				
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%
Mike Adenuga	1,620,376,969	5.63%	1,620,376,969	5.63%
Ess-ay Investments Ltd	1,462,222,345	5.08%	1,444,057,327	5.02%
Total Substantial Shareholdings	**12,829,708,871**	**44.57%**	**12,811,543,853**	**44.50%**
Director's Shareholdings (Direct, and Indirect), excluding directors with substantial interests				
Mr. Adeyemi Adeola (Direct)	57,600,025	0.20%	25,535,555	0.09%
Ms. Eniye Ambakederemo (Direct)	-	0.00%	-	0.00%
Mr. Adeshola Adekoya (Indirect)	-	0.00%	-	0.00%
Ms. Aisha Bashir (Direct)	-	0.00%	-	0.00%
Mr. Abubakar Suleiman (Direct)	397,188,499	1.38%	62,133,276	0.22%
Mr. Yemi Odubiyi (Direct)	351,417,493	1.22%	58,637,787	0.20%
Mr. Olayinka Oni (Direct)	4,341,618	0.02%	4,341,618	0.02%
Total Directors Shareholdings	**810,547,635**	**2.82%**	**150,648,236**	**0.52%**
Other Influential Shareholdings				
Hyers Capital Ltd	575,808,362	2.00%	239,124,965	0.83%
Pacific Credit Limited	554,273,018	1.93%	554,273,965	1.93%
Afriswiss Asset Management Ltd	575,808,362	2.00%	355,999,010	1.24%
Adeola, Tajudeen Afolabi	504,285,555	1.75%	504,035,555	1.75%
Festus Alani Fadeyi	480,449,895	1.67%	480,449,895	1.67%
Rankinton, Investments Inc	477,367,650	1.66%	702,093,233	2.44%
Glomobile Limited	354,458,383	1.23%	316,388,117	1.10%
AX SCML Nominees	300,000,000	1.04%	339,181,010	1.18%
Sterling Bank Co-Operative Multipurpose Society Limited	290,901,008	1.01%	561,156,385	1.95%
Others	968,205,643	3.36%	968,205,643	3.36%
Total other Influential Shareholdings	**5,081,557,876**	**17.65%**	**5,020,907,778**	**17.44%**
Free Float in Units and Percentage	**10,068,603,742**	**34.96%**	**10,807,318,257**	**37.54%**
Free Float in Value	**N44,603,914,577.06**		**N15,130,246,888.40**	

**December 2022 free float shares related to erstwhile Sterling Bank Plc. In line with the Bank's restructuring, the shares of erstwhile Sterling Bank Plc were delisted on the Nigerian Exchange (NGX) on April 6, 2023, and replaced by shares of Sterling Financial Holdings Company Plc.

Declaration:

(A) Sterling Financial Holdings Company Plc with a free float percentage of 34.96% as at 31 December 2023, is compliant with the Exchange's free float requirements for companies listed on the Main Board.

(B) Sterling Bank Plc with a free float percentage of 37.54%as at 31 December 2022, is compliant with the Exchange's free float requirements for companies listed on the Main Board.

CORPORATE GOVERNANCE REPORT

The Company complies with the relevant provisions of the Nigerian Code of Corporate Governance, the Nigerian Securities & Exchange Commission (SEC) Corporate Governance Guidelines and the Central Bank of Nigeria (CBN) Corporate Governance Guidelines for Financial Holding Companies in Nigeria.

Board of Directors

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

Attendance at Board meetings for the year ended 31 December 2023 are as follows:

	Director		Attendance	No. of Meetings
1	Mr. Yemi Adeola	Chairman	3	3
2	Mr. Adeshola Adekoya	Non- Executive Director	3	3
3	Ms. Eniye Ambakederemo	Independent Director	3	3
4	Ms. Aisha Bashir	Independent Director	3	3
5	Mr. Abubakar Suleiman	Non-Executive Director	3	3
6	Mr. Yemi Odubiyi	Group Managing Director	3	3
7	Mr. Olayinka Oni	Executive Director	3	3

Board Committees

The Board carries out its oversight functions through its various committees each of which has a clearly defined terms of reference and a charter which has been approved by the Central Bank of Nigeria. The Board has three (3) standing committees, namely: Board Audit & Risk Managemnt Committee, Board Finance & Investment Committee, and Board Governance, Nomination & Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

Board Finance and Investment Committee

The Committee advises the Board on its oversight responsibilities in relation to strategic planning, financial planning, investment planning, execution and monitoring of finance and investment decisions.

Terms of reference

- Determine the policies and strategies relating to capital management of the Company, and oversee and monitor the implementation of these policies, strategies and financialobjectives with a view to maximizing overall shareholder value.

- Ensure finance and investments decisions are in alignment with corporate objectives and strategy.
- Ensure adequate budget and planning processes exist, and performance is measured against annual budget.
- Recommend dividend and tax policies to the Board for approval.
- Conduct quarterly business reviews with management to assess financial and investment performance.
- Review the adequacy of financial systems, operations and internal controls.
- Approve capital and major operating expenditure and investment limits recommended by management.
- Ensure that reporting on issues related to investment and finance are comprehensive for proper deliberation and decision making.
- Ensure investment strategies, policies and guidelines are in compliance with applicable regulations.
- Consider and approve proposals for significant acquisitions, mergers, takeovers, divestments of operating companies, equity investment and new strategic alliances by the Company or its subsidiaries, subject to the final approval of the Board.
- Formulate guidelines from time to time on cost control and reduction, consistent with maximum efficiency, and make appropriate recommendations to the Board.
- Review and report to the Board on the Company's financial projections, capital and operating budgets, and actual financial results against targets and projections.

CORPORATE GOVERNANCE REPORT - Continued

Board Finance and Investment Committee - Continued

- Review and recommend to the Board all new business initiatives, especially those requiring a significant capital outlay above management limit.
- Determine an optimal investment mix consistent with risk profile agreed by the Board; and
- Carry out such other functions relating to finance and investment strategy as the Board may from time to time

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

			Attendance	No. of Meetings
1	Mr. Shola Adekoya	Chairman	1	1
2	Mr. Abubakar Suleiman	Member	1	1
3	Ms. Aisha Bashir	Member	1	1
4	Mr. Yemi Odubiyi	Member	1	1
5	Mr. Yinka Oni	Member	1	1

Board Audit and Risk Management Committee

The Committee assists the Board in the effective discharge of its responsibilities in the areas of statutory reporting, internal control systems, risk management systems, banking and legal proceedings, and the internal and external audit functions.

Terms of reference

- Oversee the assessment of the qualification, Independence and performance of the Internal Audit Function.
- Review significant findings and recommendations by Internal Audit and Management's responses thereof.
- Review implementation of Internal Audit recommendation by Management.
- Ensure that the operations of the Internal Audit Function is in compliance with acceptable International Standards for Professional Practice of Internal Auditing.
- Oversee the process for identifying risks across the Company and ensure that Management puts in place adequate mechanisms to prevent, detect and report risks.
- Ensure that adequate whistle-blowing procedures are in place.
- Review the proposed audit plan(s) and review the results of internal audits completed since previous committee meeting as well as the focus of the upcoming internal audit projects.
- Review the results of the annual audit report and discuss the annual financial statements with external auditors and Management.
- Review the auditors' management control letter presented by the external auditors and ensure adequacy of Management's response.
- Review with the Chief Financial Officer annually the significant financial reporting issues and practices of the Company, and ensure that appropriate accounting principles are applied including financial controls relating to the "closing of books" process.
- Meet separately, and at least quarterly, with the Chief Financial Officer, the Chief Internal Auditor and relevant Senior Management Staff to discuss the adequacy and effectiveness of accounting and financial controls of the Company.
- Ensure that there are standards, policies and processes in place to identify and measure all material risks and respond appropriately
- Re-evaluate all risk management policies on a periodic basis to accommodate major changes in internal or external factors;and ensure that changes are in line with the Company's risk profile and appetite.
- Review executive management reports, detailing the adequacy and overall effectiveness of the Company's risk and capital management documents-including policies, procedures and processes for the identification, measurement, monitoring and control of risk management;

CORPORATE GOVERNANCE REPORT - Continued

Board Audit and Risk Management Committee - Continued

- Make recommendations to the Board concerning the levels of risk capacity and tolerance, and ensure that they are managed within these parameters; and
- Provide to the Board such assurances as it may reasonably require regarding compliance by the Company.

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

			Attendance	No. of Meetings
1	Ms. Aisha Bashir	Chairperson	1	1
2	Mr. Adeshola Adekoya	Member	1	1
3	Ms. Eniye Ambakederemo	Member	1	1

Board Governance Nomination & Remuneration Committee

The Committee acts on behalf of the Board of Directors on all matters relating to Corporate Governance, remuneration and the appointment and re-election of Directors.

Terms of reference

- Review the size and composition of the Board taking into consideration the appropriate skill mix, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge the Board's duties;
- Make recommendations on the experience and training required for Board Committee membership, operating structure, and other operational matters;
- Establish the criteria and execute the process, upon Board approval, for appointing and re-appointing new and existing Directors respectively, and the removal of non-performing Directors;
- Ensure that every member of the Board receives a formal letter of appointment, setting out their roles, responsibilities, time commitments for Board and Board Committees' meetings;
- Develop and maintain an appropriate corporate governance framework for the Company, and make recommendation to the Board on transparent and sound corporate governance principles;
- Ensure the Board carries out annual performance review of itself and that of its Committees in accordance with applicable laws, regulations, policies and codes. The result of the exercise shall be reviewed by this Committee who shall also ensure the recommendations following the evaluation report are implemented;
- Ensure that there is a proper induction programme and ongoing learning for the Board and Board committee members;
- Provide adequate oversight in reviewing and updating the Board learning programmes to ensure continuous improvement of the Board members' performance;
- Ensure that a proper succession policy and plan exists for Board members and members of its subsidiaries;
- Develop, review and recommend the remuneration policy to the Board for approval;
- Review and recommend to the full Board, compensation for the Chief Executive officer and senior management staff. The committee shall ensure its recommendations are in accordance with the Company's remuneration policy, the provisions of the CBN and SEC Codes of corporate governance and all applicable laws;
- Ensure that salary scales are set within the general Company's business policy;
- Make recommendations to the Board, reinforcing sound corporate governance principles, on the incentive structure of the Company including executive compensation and bonuses;
- Provide input to the annual report of the Company on Directors' compensation, aligning with the provisions of the CBN and SEC Codes;
- Perform other duties related to the Company's compensation structure in accordance with applicable laws, rules, policies and regulation.

CORPORATE GOVERNANCE REPORT - Continued

Board Governance Nomination & Remuneration Committee - Continued

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

			Attendance	No. of Meetings
1	Ms. Eniye Ambakederemo	Chairperson	1	1
2	Mr. Abubakar Suleiman	Member	1	1
3	Ms. Aisha Bashir	Member	1	1

Statutory Audit Committee

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

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors

1. Mr. Adeshola Adekoya
2. Ms. Eniye Ambakederemo

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 Company;
- To authorise the internal auditor to carry out investigations into any activities of the Company 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 Company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor, and performance of the Company'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 Company;
- To ensure the development of a comprehensive internal control framework for the Company, obtain assurance and report annually in the financial report, on the operating effectiveness of the Company's internal control framework;

CORPORATE GOVERNANCE REPORT - Continued

Statutory Audit Committee - continued

- To review such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the Committee shall deem appropriate;
- To oversee management's process for the identification of significant fraud risks across the Company 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 Company;
- 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 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 Company;
- Invoke its authority to investigate any matter within its terms of reference for which purpose the Company 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 Company's Annual Report; and
- Report to the Board regularly at such times as the Committee shall determine necessary.

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

			Attendance	**No. of Meetings**
1	Alhaji Mustapha Jinadu, F.CIoD	Chairman	3	3
2	Mr. Adeshola Adekoya	Member	3	3
3	Mr. Idongesit Udoh	Member	3	3
4	Ms. Christie Vincent	Member	3	3
5	Ms. Enyie Ambakederemo	Member	3	3

CORPORATE GOVERNANCE REPORT - Continued

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

Meetings	**Dates**		
Board	14-Jul-23	10-Aug-23	30-Nov-23
Board Finance & Investment Committee	N/A	25-Oct-23	N/A
Board Audit & Risk Management Committee	N/A	25-Oct-23	N/A
Board Governance, Nomination & Remuneration Committee	N/A	24-Oct-23	N/A
Statutory Audit Committee	26-Jul-23	19-Oct-23	30-Oct-23

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 Company's compliance with the listing rules of the Nigeria Exchange Group, 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

Group Executive Committee (GEC)
The Committee provides leadership to the Group and ensures the implementation of Group strategies and long-term goals approved by the Board.

Succession Planning
The Group has a Succession Planning Policy which is aligned to the Group's overall organisational development strategy. In line with the policy, Group Human Capital & Internal Services Division (GHCIS Division) is saddled with the responsibility to coordinate the implementation of the Group's Succession Policy.

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

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

CORPORATE GOVERNANCE REPORT - Continued

Whistle Blowing Process

The Group 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 Group'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 Group is of utmost importance and every staff of the Group has a responsibility to protect the Group from any persons or act that might jeopardize its reputation. Staff are encouraged to speak up when faced with information that would help protect the Group'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 Group has dedicated whistle-blowing channels which are accessible via the website, dedicated telephone hotlines and e-mail addresses in compliance with the guidelines for whistle-blowing for Bankss and Other Financial Institutions issued by the Central Bank of Nigeria (CBN) .

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

Further disclosures are stated in Note 45 to the consolidated and separate financial statements.

Securities Trading Policy

The Company has put in place a Policy on Trading on the Company's Securities by Directors and other key personnel of the Company. During the period under review, the Directors and other key personnel of the Company complied with the terms of the Policy and the provisions of Section 14 of the Amendment to the Listing Rules of the Nigeria Exchange.

Complaint Management Policy

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

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

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

(a) properly selecting and applying accounting policies;

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

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

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

The financial statements of the Group for the year ended 31 December 2023 were approved by the directors on 22 March, 2024.

Signed on behalf of the Directors by:

Yemi Odubiyi
Group Managing Director
FRC/2013/PRO/DIR/003/00000001279

Adeyemi Adeola
Chairman
FRC/2014/PRO/DIR/003/00000009975

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

(b) We state that management and directors:

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

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

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

(c) We have disclosed:

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

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

(iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Group and the Company for the year ended 31 December 2023 were approved by the directors on 22 March, 2024.

Signed by:

Adebimpe Olambiwonnu, FCA
Chief Finance Officer
FRC/2013/PRO/ICAN/001/00000001253

Yemi Odubiyi
Group Managing Director
FRC/2013/PRO/DIR/003/00000001279

REPORT OF THE STATUTORY AUDIT COMMITTEE
TO THE MEMBERS OF STERLING FINANCIAL HOLDINGS COMPANY PLC

In accordance with the provision of Section 404 (7) of the Companies and Allied Matters Act 2020, the members of the Statutory Audit Committee of Sterling Financial Holdings Company 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 2023 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from Management in the course of their audit and we are satisfied with Management's response to the External Auditor's recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act, 2020 and acknowledge the co-operation of Management and staff in the conduct of these responsibilities.

We are satisfied that the Company 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 Group and found them to be as analysed in the consolidated and separate financial statements. The status of performance of these facilities is disclosed in Note 36(b) to the consolidated and separate financial statements.

Alhaji Mustapha Jinadu, F.CIoD
Chairman, Statutory Audit Committee **20 March, 2024**
FRC/2013/PRO/IODN/002/00000001516

Members of the Board Audit Committee are:

1	Alhaji Mustapha Jinadu, F.CIoD	Chairman
2	Mr. Adeshola Adekoya	Member
3	Mr. Idongesit Udoh	Member
4	Ms. Christie Vincent	Member
5	Ms. Enyie Ambakederemo	Member

In attendance:
Temitayo Adegoke Company Secretary

Deloitte & Touche
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Nigeria.
Tel: +234 1 2717800
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27 March 2024

The Chairman
Sterling Financial Holding PLC
Sterling Towers,
20 Marina,
Lagos Island

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

Deloitte & Touche has performed an independent review to determine the extent of Sterling Financial Holding PLC ("Sterling Financial Holding") compliance with the provisions of the Nigerian Code of Corporate Governance 2018 (NCCG 2018) and CBN Corporate Governance Guidelines for Financial Holding Companies (CBN CG Guidelines for FHCs) for the year ended 31 December 2023.

The review was performed in compliance with Section 18.2 of the CBN CG Guidelines for FHCs. Our review was premised on desk review of relevant governance documents, policies, and procedures.

The result of our review has shown that the Company generally complies with the provisions of the NCCG and the CBN CG Guidelines for FHCs. It is noteworthy that Sterling Holdco obtained its license to operate as a FHC on 27 June 2023 and the Board held its inaugural Board and Committee meetings in October 2023. Hence, several relevant policies were still being developed, while an assessment of corporate governance practices could not be fully tested because the company was barely six (6) months old by the end of the period under review.

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

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

Yours faithfully,
For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF STERLING FINANCIAL HOLDINGS COMPANY PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of **Sterling Financial Holdings Company Plc** and its subsidiaries (the Group and Company) set out on pages 26 to 184 which comprise the consolidated and separate statements of financial position as at 31 December 2023, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flow for the year then ended, and the notes to the consolidated and separate financial statements including material accounting policy information.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of **Sterling Financial Holdings Company Plc** as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate statement of cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies and Allied Matters Act 2020, Banks and Other Reporting Council of Nigeria (Amendment) Act, 2023, Shariah Governance Requirements issued by Central Bank of Nigeria Financial Regulation Advisory Council of Expert and other relevant standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

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

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

Deloitte.

Key Audit Matter

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

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

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sterling Financial Holdings Company Plc Annual Report and Financial Statements for the year ended 31 December 2023", which includes the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, the Statutory Audit Committee's Report, Board Evaluation Report, the Statement of Corporate Responsibility for Financial Statements, and Other National Disclosures as required by Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria (Amendment) Act 2023 which we obtained prior to the date of this report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020, relevant Central Bank of Nigeria guidelines and circulars, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, Shariah Governance Requirements issued by Central Bank of Nigeria Financial Regulation Advisory Council of Expert and other relevant standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Deloitte.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the Group and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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Report on Other Legal and Regulatory Requirements

In accordance with the fifth Schedule of Companies and Allied Matters Act 2020 we expressly state that:

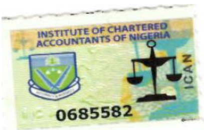
i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Group has kept proper books of account, so far as appears from our examination of those books.

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

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

v) During the year, the Group contravened certain sections of the Banks and Other Financial Institutions (BOFIA) Act CAP B3 LFN 2020 and CBN circular/guidelines. Details of the contravention and the related penalty is as disclosed in note 42 to the financial statements.



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

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

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

In millions of Naira	Note(s)	Group 2023	Group 2022	Company 2023	Company 2022
Interest income using effective interest rate	6	156,102	128,434	183	-
Interest expense using effective interest rate	7	(72,718)	(52,042)	-	-
Net interest income		**83,384**	**76,392**	**183**	**-**
Fees and commision income	8	34,956	28,384	-	-
Fees and commision expense	8	(8,850)	(6,009)	-	-
Net fees and commision income		**26,106**	**22,375**	**-**	**-**
Net trading income	9	20,794	7,692	-	-
Other operating income	10	9,921	10,630	14,712	-
Credit loss expense	11	(12,335)	(9,122)	-	-
Personnel expenses	12	(22,982)	(16,944)	(267)	-
Operating expenses	13.1	(59,474)	(52,502)	(1,461)	-
Depreciation and amortisation	13.2	(4,814)	(4,879)	(22)	-
Other property, plant and equipment costs	13.3	(17,907)	(12,885)	(29)	-
Profit before income tax expense		**22,693**	**20,757**	**13,116**	**-**
Income tax expense	14(a)	(1,109)	(1,459)	(9)	-
Profit after income tax		**21,584**	**19,298**	**13,107**	**-**
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		6,956	5,648	-	-
Total items that will not be reclassified to profit or loss in subsequent period		6,956	5,648	-	-
Items that will be reclassified to profit or loss in subsequent period:					
Debt instruments at fair value through other comprehensive income*:					
- Net change in fair value during the year		4,598	(4,610)	-	-
- Changes in allowance for expected credit losses		787	(18)	-	-
Net (losses)/gains on debt instruments at fair value through other comprehensive income		5,385	(4,628)	-	-
Total items that will be reclassified to profit or loss in subsequent period		**5,385**	**(4,628)**	**-**	**-**
Other comprehensive income/(loss) for the year, net of tax		**12,341**	**1,020**	**-**	**-**
Total comprehensive income for the year, net of tax		**33,925**	**20,318**	**13,107**	**-**
Profit attributable to:					
Equity holders of the Bank		21,584	19,298	13,107	-
Total comprehensive income attributable to:					
Equity holders of the Bank		33,925	20,318	13,107	-
Earnings per share - basic (in kobo)	15	75k	67k	46k	0k
Earnings per share - diluted (in kobo)	15	75k	67k	46k	0k

*Income from these instruments is exempted from tax.

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

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

In millions of Naira	Note(s)	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
ASSETS					
Cash and balances with Central Bank of Nigeria	16	604,599	431,488	-	-
Due from banks	17	234,953	86,459	8,696	-
Pledged assets	18	11,272	23,098	-	-
Derivative financial assets	19	276	807	-	-
Loans and advances to customers	20	895,822	737,735	-	-
Investments in securities:					
- Financial assets at fair value through profit or loss	21(a)	2,112	921	-	-
- Debt instruments at fair value through other comprehensive income	21(b)	316,204	230,636	-	-
- Equity instruments at fair value through other comprehensive income	21(c)	36,906	25,227	-	-
- Debt instruments at amortised cost	21(d)	130,730	106,889	-	-
Investment in subsidiary	22	-	-	151,654	-
Other assets	23	242,110	171,911	411	-
Property, plant and equipment	24.1	31,987	17,913	296	-
Right-of-use asset	24.2	9,103	8,342	-	-
Investment property	24.3	4,790	5,584	-	-
Intangible assets	25	721	950	-	-
Deferred tax assets	14(i)	9,507	7,005	-	-
		2,531,092	1,854,965	161,057	-
Non-current assets held for sale	26	-	3,027	-	-
TOTAL ASSETS		**2,531,092**	**1,857,992**	**161,057**	**-**
LIABILITIES					
Deposits from Banks	27	-	37,178	-	-
Deposits from customers	28	1,842,815	1,327,805	-	-
Current income tax payable	14(b)	1,468	1,607	3	-
Other borrowed funds	29	208,685	133,270	-	-
Debt securities issued	30	33,959	42,388	-	-
Other liabilities	31.1	257,910	160,257	612	-
Provisions	31.2	724	1,489	-	-
Deferred tax liabilities	14(i)	1,927	-	-	-
TOTAL LIABILITIES		**2,347,488**	**1,703,994**	**615**	**-**
EQUITY					
Share capital	32.1(b)	14,395	14,395	14,395	-
Share premium		42,759	42,759	42,759	-
Retained earnings		42,506	44,922	8,788	-
Other components of equity	34	83,944	51,922	94,500	-
Total equity		**183,604**	**153,998**	**160,442**	**-**
TOTAL LIABILITIES AND EQUITY		**2,531,092**	**1,857,992**	**161,057**	**-**

The consolidated and separate financial statements were approved by the Board of Directors on 22 March, 2024 and signed on its behalf by:

Yemi Odubiyi
Group Managing Director
FRC/2013/PRO/DIR/003/00000001279

Adebimpe Olambiwonnu, FCA
Chief Finance Officer
FRC/2013/PRO/ICAN/001/00000001253

Adeyemi Adeola
Chairman
FRC/2014/PRO/DIR/003/00000009975

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

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

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	PPPRA reserve	Total other components of equity	Retained earnings	Total
GROUP												
At 1 January 2023	14,395	42,759	6,695	5,276	10,195	235	3,347	28,200	(2,026)	51,922	44,922	**153,998**
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	21,584	**21,584**
Other comprehensive income for the year, net of tax:												
Net change in fair value of other financial instruments at FVOCI	-	-	4,598	-	-	-	-	-	-	4,598	-	**4,598**
Net change in fair value of equity instruments at FVOCI	-	-	6,956	-	-	-	-	-	-	6,956	-	**6,956**
FVOCI	-	-	787	-	-	-	-	-	-	787	-	**787**
Total comprehensive income	-	-	12,341	-	-	-	-	-	-	12,341	21,584	**33,925**
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(4,319)	**(4,319)**
Unwinding of PPPRA reserve	-	-	-	-	-	-	-	-	2,026	2,026	(2,026)	**-**
Transfer from regulatory risk reserve (Note 34.1d)	-	-	-	-	12,731	-	-	-	-	12,731	(12,731)	**-**
Transfer to statutory risk and AGSMEIS reserves (Notes 34.1a & 34.c)	-	-	-	-	-	-	1,142	3,782	-	4,924	(4,924)	**-**
As at 31 December 2023	**14,395**	**42,759**	**19,036**	**5,276**	**22,926**	**235**	**4,489**	**31,982**	**-**	**83,944**	**42,506**	**183,604**

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

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

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

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

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

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Re-organisation Reserve	Total equity reserves	Retained earnings	Total
COMPANY												
Balance at 1 January 2023	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	13,107	**13,107**
Comprehensive income for the year:												
Net change in fair value of other financial instruments at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	-	-	-	-	-	-
FVOCI	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-		-	-	-	13,107	**13,107**
Transactions with equity holders, recorded directly in equity:												
Shares transferred*	14,395	42,759	-	-	-	-	-	-	94,500	94,500	-	**151,654**
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	(4,319)	**(4,319)**
Balance at 31 December 2023	**14,395**	**42,759**	**-**	**-**	**-**	**-**	**-**	**-**	**94,500**	**94,500**	**8,788**	**160,442**

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

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

			EQUITY RESERVES									
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Re-organisation Reserve	Total equity reserves	Retained earnings	Total
COMPANY												
Balance at 1 January 2022	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income for the year:												-
Net change in fair value of other financial instruments at FVOCI			-							-		-
Net change in fair value of equity instrument at FVOCI			-							-		-
FVOCI			-							-		-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with equity holders, recorded directly in equity:												
Dividends to equity holders (note 33)	-	-	-	-	-	-	-	-	-	-	-	-
Unwinding of PPPRA reserve					-	-	-	-	-	-	-	-
Transfer to regulatory risk reserve (Note 34.1d)					-	-	-	-	-	-	-	-
Transfer to statutory risk & AGSMEIS reserve (Notes 34.1a & 34.c)	-	-	-	-	-	-	-	-	-	-	-	-
					-	-	-	-	-			
Balance at 31 December 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

In millions of Naira	Note(s)	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit after income tax		21,584	19,298	13,107	-
Adjustments for non cash items:					
Credit loss expense	11	12,335	9,122	-	-
Depreciation and amortisation	13.2	4,814	4,879	22	-
Dividend income	10	(476)	(416)	(14,319)	-
Gain on disposal of property, plant and equipment	10	(55)	(197)	-	-
Gain on disposal of investment property		(442)	-	-	-
Unrealised gain on FVTPL instruments		398	(45)	-	-
Increase in provision		(25)	50	-	-
Net interest income		(83,384)	(76,392)	(183)	-
Net foreign exchange loss	9	(6,232)	(166)	-	-
Income tax	14(a)	1,109	1,459	9	-
		(50,374)	(42,408)	(1,364)	-
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		(152,382)	(51,426)	-	-
Investment securities at FVTPL		(1,589)	9,361	-	-
Pledged assets		12,151	(1,644)	-	-
Loans and advances to customers		4,444	(22,910)	-	-
Derivative financial assets		531	(807)	-	-
Other assets		(6,088)	(77,341)	(411)	-
		(193,307)	(187,175)	(1,775)	-
Changes in operating liabilities:					
Deposits from banks		(37,178)	21,610	-	-
Deposits from customers		288,425	97,982	-	-
Other liabilities		(17,766)	57,347	606	-
Cash generated from operations		40,174	(10,236)	(1,169)	-
Interest received		152,844	122,206	183	-
Interest paid on deposits from banks and customers		(40,208)	(34,552)	-	-
Income tax paid	14(b)	(1,518)	(699)	-	-
Net cash flows from operating activities		151,292	76,719	(986)	-
Investing activities					
Purchase of property, plant and equipment	24.1	(17,809)	(4,948)	(318)	-
Purchase of intangible assets	25	(135)	(278)	-	-
Purchase of investment property	24.3	-	(560)	-	-
Proceeds from sale of investment property		1,173	1,846	-	-
Right-of-use-asset		(1,656)	(613)	-	-
Proceeds from sale of property, plant and equipment		175	400	-	-
Purchase of debt instruments at FVOCI		(1,255,659)	(1,018,044)	-	-
Proceeds from sale/redemption of debt instruments at FVOCI		1,211,121	962,554	-	-
Purchase of debt instruments at amortised cost		(69,097)	(34,144)	-	-
Redemption of debt instruments at amortised cost		44,029	14,978	-	-
Purchase of equity instrument at FVOCI		-	(1,623)	-	-
Dividends received	10	476	416	14,319	-
Net cash flows used in investing activities		(87,382)	(80,016)	14,001	-
Financing activities:					
Proceeds from other borrowed funds	29	61,615	35,182	-	-
Repayments of other borrowed funds	29	(48,926)	(18,362)	-	-
Repayment of debt & securities issued	30	(7,965)	-	-	-
Interest paid on other borrowed funds & debt issued		(29,329)	(18,047)	-	-
Dividends paid	33.1	(4,319)	(2,879)	(4,319)	-
Net cash flows used in financing activities		(28,924)	(4,106)	(4,319)	-
Net increase/(decrease) in cash and cash equivalents		34,986	(7,403)	8,696	-
Effect of exchange rate changes on cash and cash equivalents		134,237	8,201	-	-
Cash and cash equivalents at 1 January		222,652	221,854	-	-
Cash and cash equivalents at 31 December	38	391,875	222,652	8,696	-

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

STATEMENT OF PRUDENTIAL ADJUSTMENTS

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

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

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

Group ***In millions of Naira***	**Note(s)**	**As at** **31 Dec 2023**	**As at** **31 Dec 2022**
Transfer to Regulatory Risk Reserve			
Prudential provision		61,548	37,342
Total Prudential provision		**61,548**	**37,342**
IFRS provision			
Impairment allowance on loans to corporate entities	20.1	18,922	11,176
Impairment allowance on loans to individuals	20.2	11,722	9,272
Allowances for impairment for other assets	23	5,697	4,507
Impairment allowance on debt instruments at amortised cost	21(d)	240	172
Impairment allowance on pledged assets at amortised cost	18.2	16	17
Impairment allowance on pledged assets at FVOCI	18.3.1	-	3
Impairment allowance on debt instruments at FVOCI	21(e)	1,301	511
Provisions for litigation, letters of credits and guarantees	31.2	724	1,489
		38,622	**27,147**
Difference in impairment provision balances		22,926	10,195
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		10,195	10,247
Transfer (from) / to Regulatory Risk Reserve		12,731	(52)
		22,926	10,195

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1 Corporate information

Sterling Financial Holdings Company Plc ("the Company") is a company incorporated in Nigeria with registered office at 20 Marina Lagos. These separate and consolidated financial statements, for the year ended 31 December 2023, are prepared for the Company and the Group (Holding Company and its subsidiaries, separately referred to as "Group entities") respectively.

The Group operating entities are 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 Financial Holdings Company Plc and its subsidiaries for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 22 March, 2024.

2 Accounting Policies

2.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act 2020, The Financial Reporting Council of Nigeria (Amendment) Act 2023, the Companys and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

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

The Group adopted the provision of International Accounting Standard (IAS) 27:13 in accounting for its re-organisation/restructuring. The investment in subsidiaries in the books of the Company are measured at net asset value (NAV) of the subsidiaries at the date of restructuring (see details in note 47).

Although Sterling Financial Holdings Company Plc commenced operations in July 2023, the accounting information has been prepared as if the Group had always been in existence in its current form, and prior period comparatives are presented accordingly.

(a) Functional and Presentation currency

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

(b) Presentation of financial statements

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) for financial instruments is presented in Note 39 to the consolidated and separate financial statements.

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

2.1 Basis of preparation and statement of compliance - continued

(c) Basis of Consolidation

The consolidated and separate financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023.Sterling Financial Holdings Company consolidates a subsidiary when it controls the entity. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that 51% or more of voting rights results in control. However, under individual circumstances, the Company 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 Company 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 Company can direct those activities;
- Contractual arrangements such as call rights, put rights and liquidation rights;
- Whether the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

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

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

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

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

2.2 Summary of material accounting policies

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

2.2.1 Taxes

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

(i) Current tax

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

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

(ii) Deferred tax

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

2.2 Summary of material accounting policies - Continued

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

2.2.1 Taxes

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

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

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

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

2.2.2 Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification of financial instruments

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

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

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

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

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(iii) Subsequent measurement

Financial assets -

(i) Debt instruments

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

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

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

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

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

The Group’s financial assets at amortised cost include cash and balances with Central Bank of Nigeria, due from Companys, loans and advances to customers, and other debt instruments at amortised cost

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

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

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

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

The Group’s financial assets at fair value through other comprehensive income include equity instruments at FVOCI, treasury bills, promissory notes, government bonds, and corporate bonds.

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(iii) Subsequent measurement - continued

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

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

(ii) *Equity instruments*

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

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

(iv) Business model assessment

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

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

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

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

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

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

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

2.2 Summary of material accounting policies - continued

2.2.2 Financial instruments - continued

(iv) Business model assessment - continued

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

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

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

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

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

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

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

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

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

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

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 Companys or customers, debt securities in issue for which the fair value option is not applied, convertible bonds and subordinated debts.

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

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

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial

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 Company/stressed liquidity scenarios
- Credit risk event i.e. perceived issuer default
- In the event of merger and takeover, the Company 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.

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(vi) Modifications of financial assets and financial liabilities

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

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

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

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

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

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

Scenarios where modification will not lead to derecognition of existing financial assets are:
• Change in interest rate arising from a change in MPR which is a benchmark rate that drives borrowing rates in Nigeria

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.

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

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

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

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

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

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

(ii) Financial liabilities

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

(vii) Impairment of financial assets

See also Note 39 on Credit risk disclosure

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

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

No impairment loss is recognised on equity investments. The Group measures loss allowances at an amount equal to 12-month ECL for the following:

• Risk free and gilt edged debt investment securities that are determined to have low credit risk at the reporting date; and

• Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Otherwise, ECL is measured over the lifetime of instruments with significantly increased credit risk.

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

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

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

1. Measurement of Expected Credit loss (ECL)
ECLs are a probability-weighted estimate of credit losses. They are measured as follows:
a. Financial assets that are not credit-impaired at the reporting date: ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive);
b. Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired financial assets) : ECL represents the difference between the gross carrying amount and and the amortized costs of the asset;
c. Undrawn loan commitments: ECL is the present value of the difference between the contractual cash flows that are due to Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
d. Financial guarantee contracts: This is the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower or issuer;
• A breach of contract such as a default or past due event;
• For economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Group would not otherwise consider;
• It is becoming probable that the borrower will enter Companyruptcy 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 not reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days overdue are considered impaired except for specialised loans in which the Group has rebutted the 90 days past due presumptions. The specialised loans include:
1. Project financing: >180 days past due backstop
2. Object financing (producing real estate and commercial real estate financing): > 180 days past due backstop;
3. Commodity finance:> 180 days past due backstop
4. Income producing real estate: >180 days past due backstop

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

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

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

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

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

4. Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):
• continued contact with the customer is impossible;
• recovery cost is expected to be higher than the outstanding debt;
• amount obtained from realisation of credit collateral security leaves a balance of the debt; or
• it is reasonably determined that no further recovery on the facility is possible.

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

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.

2.2 Summary of material accounting policies

2.2.2 Financial instruments - continued

(viii) Embedded derivatives

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

(ix) Offsetting financial instruments -

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

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

(x) Derivative financial instruments:

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

(xi) De-recognition of financial instruments -

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

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

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

(xii) Financial guarantees and loan commitments

The date that the entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements. Financial guarantees issued are initially measured at fair value and the fair value is amortised over the life of the guarantee. Subsequently, the financial guarantees are measured at the higher of this amortised amount and the amount of expected loss allowance (See Note 35(b)). The Group also recognises loss allowance for its loan commitments (See Note 35(b)). The expected loss allowance for the Loan commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

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

2.2 Summary of material accounting policies

(xiii) Inventories

Inventories include assets of finished goods held by the Group for sale in the ordinary course of business. They are stated at the lower of cost and net realisable value and include other costs incurred in bringing the inventories to their present location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

2.2.3 Revenue recognition

Interest income and expense

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

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

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

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

a. Amortised cost and gross carrying amount

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

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

b. Calculation of interest income and expenses

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

2.2 Summary of material accounting policies

2.2.3 Revenue recognition- continued

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

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

c. Presentation

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

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

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in Net trading income on financial instruments.

d. Non-interest income and non -interest expense

Sharia compliant income

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

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

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

e. Fees and commission income and expense

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

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

f. Net trading income

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

2.2 Summary of material accounting policies

2.2.3 Revenue recognition- continued

g. Dividend income

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

2.2.4 Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with central Company, balances held with local Companys, balances with foreign Companys and money

2.2.5 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

2.2 Summary of material accounting policies

2.2.5 Property, plant and equipment - continued

(iii) Depreciation

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

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

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

Leasehold buildings	50 years
Leasehold improvements	10 years
Furniture, fittings & equipment	5 years
Computer equipment	5 years
Motor vehicles	4 years
Farm equipment and machines (tractors and harvesters)	10 years
Farm equipment and machines (plough, harrow and sprayers)	5 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

(iv) De-recognition

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

2.2.6 Non-current assets held for sale

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

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

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

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

2.2.7 Intangible assets

Software

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

2.2 Summary of material accounting policies

2.2.7 Intangible assets - continued

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

2.2.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Leases are accounted for in accordance with IFRS 16.

(i) Group as a lessee

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

(a) Right-of-use assets

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

The right-of-use assets are presented in Note 23.2 and are subject to impairment in line with the Group's policy as described in Note 2.2.9 Impairment of non-financial assets.

2.2 Summary of material accounting policies

2.2.8 Leases - continued

(b) Lease liabilities

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

(ii) Group as a lessor

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

2.2.9 Impairment of non-financial assets

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

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

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

2.2 Summary of material accounting policies

2.2.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are carried at historical cost less accumulated depreciation and impairment. The fair value and valuation inputs of the investment property are also disclosed in note 24.3 in accordance with IAS 40.

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

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

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

2.2.11 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

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

(ii) Termination benefits

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

(iii) Short-term benefits

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

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

2.2 Summary of material accounting policies

2.2.12 Contingencies

(i) Contingent asset

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

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

(ii) Contingent liability

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

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

(iii) Provisions

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

2.2.13 Share capital

(i) Share issue costs

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

(ii) Share premium

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

(iii) Dividend on ordinary shares

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

2.2 Summary of material accounting policies

2.2.14 Equity reserves

(i) Fair value reserve

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

(ii) Share capital reserve

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

(iii) Regulatory risk reserve

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

(iv) SMEEIS reserve

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

(v) Statutory reserve

This represents regulatory appropriation to statutory reserves of 30% of profit after tax if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share

(vi) AGSMEIS reserve

The Companyer'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 Companys 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

2.2.15 Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.2 Summary of material accounting policies - continued

2.2.16 Segment reporting

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

2.2.17 Foreign currency translation

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

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

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

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

2.2.18 Pledged financial assets

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

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

2.2 Summary of material accounting policies - continued

2.2.19 Fair value definition and measurement

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

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

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 Summary of material accounting policies - continued

2.2.20 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 Company except if the second party acts in negligence, error or violates the agreement. Mudaraba financing is reported at the outstanding financing balance less allowance for incurred losses.

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

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

Deposit Liabilities

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

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

2.3 Changes in accounting policies and disclosures

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

(i) IFRS 17 Insurance Contracts

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

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

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

2.3 Changes in accounting policies and disclosures - continued

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

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

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

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

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

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

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.
• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.
retained earnings (or other component of equity, as appropriate) at that date.

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

(iv) Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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

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 acbanking 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

See Note 24 for further disclosure on property, plant and equipment.

(ii) Amortisation and carrying value of intangible assets

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of intangible assets will have an impact on the carrying value of these items. See Note 25 for further information disclosure on intangible assets.

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

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

(iv) Determination of collateral value

Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterparty. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily.To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers,housing price indices, audited financial statements, and other independent sources. See Note 39 for further disclosure on collateral value.

3 Significant accounting judgements, estimates and assumptions - continued

3.1 Estimates and Assumptions- continued

(v) Business model assessment

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

Allowances for credit losses

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

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

Impairment of financial assets

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

(vi) Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy Note 2.2.19. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3 Significant accounting judgements, estimates and assumptions - continued

3.1 Estimates and Assumptions- continued

(vii) Deferred tax assets

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

(viii) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates for simillar transactions) and is required to make certain entity-specific adjustments or to reflect the terms and conditions of the lease.

3.2 Judgments

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

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

(i) Going Concern

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

(ii) Deferred tax asset

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

3 Significant accounting judgements, estimates and assumptions - continued

3.2 Judgments - continued

(iii) Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

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

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

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective

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

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

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

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

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

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

Amendments to IAS 7 & IFRS 7 – Supplier Finance Arrangements

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

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

5 Segment Information

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

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

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

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

- Corporate banking provides banking solutions to multinational companies and other financial institutions;
- Commercial banking provides banking solutions to medium-sized enterprises and commercial entities.
- Retail banking provides banking solutions to individuals, small businesses and partnerships
- The Special Purpose Vehicle is used to raise funds through the issuance 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.

5 Segment Information - continued

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2023 (2022: none).

31 December 2023 *In millions of Naira*	**Retail Banking**	**Commercial Banking**	**Institutional Banking**	**Corporate & Investment Banking**	**SPV**	**Total**
Interest and non - interest banking income	53,863	40,351	29,207	30,476	2,205	156,102
Interest and non - interest banking expense	(18,458)	(18,131)	(11,784)	(22,177)	(2,168)	(72,718)
Net interest and Non - interest margin	**35,405**	**22,220**	**17,423**	**8,299**	**37**	**83,384**
Net fees and commission income	3,121	1,692	825	20,468	-	26,106
Credit loss expense	(9,194)	(559)	(493)	(2,085)	(4)	(12,335)
Depreciation and Amortization	(2,391)	(804)	(690)	(929)	-	(4,814)
Operating Expenses	(36,434)	(20,892)	(19,796)	(23,236)	(5)	(100,363)
Segment profit/(loss)	**3,631**	**7,155**	**1,571**	**10,308**	**28**	**22,693**
Assets as at 31 December 2023						
Capital expenditure: Additions during the year						
Property, plant and equipment	17,356	281	96	76	-	17,809
Other intangible assets	135	-	-	-	-	135
Total Assets	**649,809**	**558,521**	**475,557**	**833,165**	**14,040**	**2,531,092**
Total Liabilities	**778,622**	**509,372**	**456,149**	**589,713**	**13,632**	**2,347,488**

5 Segment Information - continued

31 December 2022 *In millions of Naira*	**Retail Banking**	**Commercial Banking**	**Institutional Banking**	**Corporate & Investment Banking**	**Non-interest Banking**	**SPV**	**Total**
Interest and non - interest banking income	35,217	22,553	30,971	30,085	7,300	2,308	128,434
Interest and non - interest banking expense	(11,317)	(12,766)	(9,034)	(14,330)	(2,318)	(2,277)	(52,042)
Net interest and Non - interest margin	23,900	9,787	21,937	15,755	4,982	31	76,392
Net fees and commission income	8,158	2,890	3,582	7,700	45	-	22,375
Credit loss expense	(5,665)	(61)	(2,128)	(429)	(801)	(38)	(9,122)
Depreciation and Amortization	(3,140)	(332)	(356)	(518)	(533)	-	(4,879)
Operating Expenses	(18,367)	(12,316)	(28,091)	(20,832)	(2,720)	(5)	(82,331)
Segment profit/(loss)	**9,906**	**3,512**	**(2,961)**	**7,624**	**2,688**	**(12)**	**20,757**
Assets as at 31 December 2022							
Capital expenditure: Additions during the year							
Property, plant and equipment	3,982	-	-	12	954	-	4,948
Other intangible assets	278	-	-	-	-	-	278
Total Assets	**373,401**	**350,761**	**435,422**	**558,009**	**123,029**	**17,370**	**1,857,992**
Total Liabilities	**561,247**	**365,449**	**321,755**	**337,310**	**101,309**	**16,924**	**1,703,994**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
6	**Interest income using effective interest rate**				
	Loans and advances to customers	122,257	100,441	-	-
	Investment securities	30,950	27,105	-	-
	Cash and cash equivalents	2,895	888	183	-
		156,102	**128,434**	**183**	**-**

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

b. The Company's interest income on cash and cash equivalents represents N183 million interest income earned on its fixed deposit investment.

c.	*In millions of Naira*	Group 2023	Group 2022	Company 2023	Company 2022
	Interest from investment securities were derived from:				
	Debt instruments at amortised cost	12,699	15,669	-	-
	Debt instruments at fair value through other comprehensive income	18,251	11,436	-	-
		30,950	**27,105**	**-**	**-**
7	**Interest expense using effective interest rate**				
	Deposits from customers	40,159	33,275	-	-
	Debt securities issued	10,146	6,726	-	-
	Other borrowed funds	19,865	10,498	-	-
	Deposits from banks	2,540	1,536	-	-
	Interest on lease liability	8	7	-	-
		72,718	**52,042**	**-**	**-**

8 **Net fees and commission income**

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

In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
E-business commission and fees	8,118	7,157	-	-
Account maintenance fees	4,878	4,113	-	-
Commissions and similar income	6,662	4,011	-	-
Facility management fees	3,760	3,370	-	-
Other fees (Note 8.1)	4,307	5,306	-	-
Total revenue from contracts with customers	27,725	23,957	-	-
Other non-contract fee income:				
Commission on letter of credit transactions	7,231	4,427	-	-
Total fees and commission income	**34,956**	**28,384**	**-**	**-**
Total fees and commission expense				
Fees and commission expense	(8,850)	(6,009)	-	-
Net fees and commision income	**26,106**	**22,375**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

8.1 Other fees include mostly advisory fees, facility agent fees among others.

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 2023	Group 2022	Company 2023	Company 2022
9	**Net trading income**				
	Bonds	1,727	854	-	-
	Treasury bills	5,312	2,962	-	-
	Foreign exchange trading	7,523	3,710	-	-
	Foreign exchange revaluation gain	6,232	166	-	-
		20,794	**7,692**	**-**	**-**

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 presented as foreign exchange revaluation loss.

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
10	**Other operating income/revenue**				
	Cash recoveries on previously written off accounts	947	2,874	-	-
	Dividend income from FVOCI equity investments	476	416	-	-
	Dividend income from subsidiaries (note 10.1)	-	-	14,319	-
	Rental income	318	330	-	-
	Gains on disposal of property, plant and equipment	55	197	-	-
	Other sundry income (note 10.2)	8,125	6,813	393	-
		9,921	**10,630**	**14,712**	**-**

10.1 The Company's dividend from subsidiaries is comprised of:

- N4.32 billion relates to 2022FY dividend received from subsidiary (Sterling Bank Limited) for onward distribution to the shareholders of the Company. The dividend has been fully paid to shareholders of the Company in 2023.

- N10 billion special distribution from Sterling Bank Limited in line with the scheme of arrangement.

10.2 - The Group's other sundry income includes income on financial advisory (N1.6 billion), mudaraba commodity income (N1.9billion), sukuk sales Income (N1.0billion), gain on disposal of investment property (N441million) among others.

- The Company's other sundry income represents N393 million shared services income.

11 **Credit loss expense**

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

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
11a	**Credit loss expense (see note 11 b. below for breakdown)**				
	Loans and advances impairment:				
	Impairment on loans to corporate entities	12,279	6,914	-	-
	Impairment on loans to individuals	7,656	7,399	-	-
	Write-offs	368	1,302	-	-
	Reversal of allowances no longer required - corporate entities	(7,206)	(8,532)	-	-
	Reversal of allowances no longer required - individuals	(2,490)	-	-	-
		10,607	**7,083**	**-**	**-**
	Impairment charge/(reversal) on other assets (note 23ii)	1,610	1,577	-	-
	Impairment charge/(reversal) on investment securities (notes 18.3.1, 18.3.2, 21e and 21f)	858	203	-	-
	Impairment charge/(reversal) on letters of credit and guarantees	(740)	259	-	-
		1,728	**2,039**	**-**	**-**
		12,335	**9,122**	**-**	**-**

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11b Credit loss expense

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

Group *In millions of Naira*	**Stage 1**	**Stage 2**	**Stage 3**	**2023 Total**
Loans and advances to customers	(2,742)	(561)	13,910	10,607
Debt instruments measured at FVOCI	787	-	-	787
Debt instruments measured at amortised cost	71	-	-	71
Other assets	320	-	1,290	1,610
Financial guarantees	(534)	-	-	(534)
Letters of credit	(206)	-	-	(206)
Total credit loss expense	**(2,304)**	**(561)**	**15,200**	**12,335**

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
12	**Personnel expenses**				
	Wages and salaries	20,750	15,401	255	-
	Defined contribution plan	2,232	1,543	12	-
		22,982	**16,944**	**267**	**-**
13.1	**Operating expenses**				
	Contract services	9,014	9,043	-	-
	AMCON surcharge (see (a) below)	10,469	9,171	-	-
	Insurance	7,034	5,789	8	-
	Banking Resolution Fund (see note (b) below)	-	1,637	-	-
	Other professional fees (see (c) below)	2,062	1,247	424	-
	Administrative expenses	8,571	9,021	691	-
	Office expenses	7,501	5,524	36	-
	Communication cost	2,447	2,142	18	-
	Rents and rates	593	325	-	-
	Advertising and business promotion	2,385	1,397	4	-
	Other general expenses (see (d) below)	976	707	32	-
	Branding expenses	863	715	-	-
	Seminar and conferences	1,670	1,202	-	-
	Security	486	430	-	-
	Cash handling and cash processing expenses	1,510	1,385	-	-
	Transport, travel, accomodation	1,178	615	28	-
	Directors other expenses	569	458	20	-
	Annual general meeting expenses	340	240	98	-
	Stationery and printing	387	272	-	-
	Audit fees	326	190	23	-
	Membership and subscription	842	720	-	-
	Directors fee	222	54	79	-
	Fines and penalties	29	218	-	-
		59,474	**52,502**	**1,461**	**-**

(a) AMCON sinking fund contribution

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

(b) Banking Resolution Fund

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
13.2	**Depreciation and amortisation**				
	Depreciation of property, plant and equipment (see note 24.1)	3,532	3,655	22	-
	Depreciation of right-of-use asset amortisation (see note 24.2)	772	651	-	-
	Depreciation investment property (see note 24.3)	63	73	-	-
	Amortisation of intangible assets (see note 25)	447	500	-	-
		4,814	4,879	22	-

	In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
13.3	**Other property, plant and equipment (PPE) costs**				
	Repairs and maintenance of PPE	17,907	12,885	29	-
14	**Income tax**				
(a)	**Current income tax expense:**				
	Income tax (note 14d(i))	1,129	863	3	-
	Education tax (note 14d(ii))	216	351	-	-
	Capital Gains Tax (note 14e)	-	1	-	-
		1,345	1,215	3	-
	Information Technology levy (note 14f)	244	208	5	-
	Nigeria Police Trust Fund levy (note 14g)	1	1	1	-
	National Agency for Science and Engineering Infrastructure levy (note 14h)	60	52	-	-
		1,650	1,476	9	-
	Deferred tax expense:				
	Origination of temporary differences (note 14i & 14j)	(575)	(34)	-	-
	Prior period under provision	34	17	-	-
	Total income tax expense	**1,109**	**1,459**	**9**	**-**

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
(b)	**Current income tax payable**				
	The movement on this account during the year was as follows:				
	At 1 January	1,607	1,074	-	-
	Estimated charge for the year (see (14a) above)	1,345	1,215	3	-
	Prior period under/(excess) provision	34	17	-	-
	Payments during the year	(1,518)	(699)	-	-
	At 31 December	**1,468**	**1,607**	**3**	**-**

In millions of Naira	Group	2023	Group	2022	Company	2023	Company	2022
14 Income tax - continued								
(c) Reconciliation of total tax charge								
	%		%		%		%	
Profit before income tax expense	100%	22,693	100%	20,757	100%	13,116	-	-
Income payable @ statutory tax rate of 30%	30%	6,808	30%	6,227	30%	3,935	-	-
Tax effect of:								
Non-deductible expenses	21%	4,672	26%	5,318	1%	84	-	-
Tax- exempt Income	(65%)	(14,747)	(35%)	(7,327)	(33%)	(4,296)	-	-
Education tax	1%	216	2%	351	0%	-	-	-
Capital Gains Tax	0%	-	0%	1	0%	-	-	-
Nigeria Police Trust Fund	0%	1	0%	1	0%	1	-	-
National Agency for Science and Engineering Infrastructure Act Levy	0%	60	0%	52	0%	-	-	-
Information Technology Levy (NITDA)	1%	244	1%	208	0%	5	-	-
Prior preriod under/(excess) provision	0%	34	0%	17	0%	-	-	-
Current year tax loss utilized	(12%)	2,694	(21%)	(4,315)	2%	279	-	-
Prior year unrecognised tax loss	0%	-	0%	64	0%	-	-	-
Minimum tax	5%	1,127	4%	862	0%	1	-	-
Effective tax rate/ Income tax expense	8%	1,109	7%	1,459	0%	9	-	-

d(i) The Companies Income Tax Act (CITA) in Nigeria requires companies having more than N100 Million Naira turnover to pay income tax at the rate of 30% of their taxable profits. Where the company does not have a taxable profit or where the income tax on the taxable profit is lower than the prescribed minimum tax, the minimum tax shall apply. Minimum tax in Nigeria is assessed at the rate of 0.5% of the turnover. Due to unutilized tax losses and unclaimed capital allowance, the Company has no taxable profit for the year ended 31 December 2023, as a result, was assessed to minimum tax for the year under review. The minimum tax charge for the year was N2,880,000

d(ii) The basis of the Education Tax is 3% of assessable profit and the company has no education tax for 2023fy due to no assessable profit (2022: Nil). Education Tax is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.

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

(f) The National Information Technology Development Agency Act (NITDA) 2007 stipulates that specified companies contribute 1% of their profit before tax to the National Information Technology Development Agency. The applicable levvy for bank holding company is subject to adjustment of profit before tax in ariving at the levy. Hence, the NITD levy due for the year is N5,291,698

(g) Section 4 of the Nigeria Police Trust Fund (Establishment) Act 2019 stipulates that companies operating in Nigeria shall contribute 0.005% of their profit before tax to the Nigeria Police Trust Fund.

(h) National Agency for Science and Engineering Infrastructure Act (Cap N3 LFN 2004) stipulates that commercial companies and firms with income or turnover of N100million and above are required to contribute 0.25% of their profit before tax (the Levy), into the Fund. The Company is not covered by the provisions of the NASENI Act

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14 Income tax

(i) Deferred tax assets and liabilities are attributable to the following:

31 December 2023	**Group**		**Company**	
In millions of Naira	**Asset**	**Liabilities**	**Asset**	**Liabilities**
Property, plant and equipment and software	-	1,581	-	-
Unutilised tax credit (capital allowance)	9,144	-	-	-
Tax loss	363	-	-	-
Provisions	-	346	-	-
	9,507	**1,927**	**-**	**-**

31 December 2022	**Group**		**Company**	
In millions of Naira	**Asset**	**Liabilities**	**Asset**	**Liabilities**
Property, Plant and Equipment and software	(1,097)	-	-	-
Unutilised tax credit (capital allowance)	5,390	-	-	-
Tax loss	2,353	-	-	-
Provisions	359	-	-	-
	7,005	-	-	-

15 Earnings per share (basic and diluted)

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

		Group 2023	**Group 2022**	**Company 2023**	**Company 2022**
a	Issued ordinary shares as at 31 December Unit ('millions)	28,790	28,790	28,790	28,790
	Weighted average number of ordinary shares	28,790	28,790	28,790	28,790
b	Profit for the year attributable to equity holders of the Bank (in million Naira)	21,584	19,298	13,107	-
	Basic earnings per share (in kobo)	75k	67k	46k	0k
	Diluted earnings per share (in kobo)	75k	67k	46k	0k

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	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
16	**Cash and balances with Central Bank of Nigeria**				
	Cash and foreign monies	32,002	30,409	-	-
	Unrestricted balances with Central Bank of Nigeria	124,920	105,784	-	-
	Deposits with the Central Bank of Nigeria	447,677	295,295	-	-
		604,599	**431,488**	**-**	**-**

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

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
17	**Due from banks**				
	Balances held with banks outside Nigeria	233,411	85,929	-	-
	Money market placements	502	242	-	-
	Balances held with local banks	1,040	288	8,696	-
		234,953	**86,459**	**8,696**	**-**

Included in balances with banks outside Nigeria is the Naira equivalent of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (see Note 31.1).

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

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

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

a) Pledged for interbank transactions.

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

c) Pledged as security for loan facility from Bank of Industry.

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

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18.3 **Pledged assets measured at FVOCI**

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

The table below shows the fair value of the Group's pledged assets instruments measured at FVOCI by credit risk, based on the Group's internal credit rating system and year-end stage classification. Details of the Group's internal grading system are explained in Note 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group				**2023**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

Group				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2023	13,281			13,281
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(13,281)	-	-	(13,281)
Change in fair value	-	-	-	-
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 2023	-	-	-	-

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

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

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

Group				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2022	10,427	-	-	10,427
New assets originated or purchased	13,288	-	-	13,288
Assets derecognised or matured (excluding write-offs)	(10,427)	-	-	(10,427)
Change in fair value	(7)	-	-	(7)
At 31 December 2022	**13,281**	**-**	**-**	**13,281**

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

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

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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 Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 39:

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

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

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

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

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

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

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

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	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
20	**Loans and advances to customers**				
	Loans to corporate entities and other organizations	822,459	652,165	-	-
	Loans to individuals	104,007	106,018	-	-
		926,466	758,183	-	-
	Less:				
	Impairment allowance on loans to corporate entities	(18,922)	(11,176)	-	-
	Impairment allowance on loans to individuals	(11,722)	(9,272)	-	-
		895,822	**737,735**	**-**	**-**

20.1 Loans and advances to corporate customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2

Group		**31 December 2023**			
In millions of Naira		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
External rating grade					
RR1-RR2		64,373	-	-	64,373
RR3-RR4		451,117	-	-	451,117
RR5-RR6		32,573	254,640	-	287,213
RR7		-	-	16,301	16,301
RR8		-	-	214	214
RR9		-	-	3,241	3,241
Total	-	548,063	254,640	19,756	822,459

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

20.1 Loans and advances to corporate customers - continued

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

Group	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	503,708	132,196	16,261	652,165
New assets originated or purchased	299,549	132,463	10,195	442,207
Assets derecognised or repaid (excluding write offs)	(308,096)	(61,160)	(11,564)	(380,820)
Transfers to Stage 1	587	(587)	-	-
Transfers to Stage 2	(4,930)	4,930	-	-
Transfers to Stage 3	(5,864)	(728)	6,592	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	(120)	-	(120)
Amounts written off	(5)	(1)	(1,728)	(1,734)
Foreign exchange adjustments	63,114	47,647	-	110,761
At 31 December	548,063	254,640	19,756	822,459

The analysis of changes in gross carrying amount is inclusive of movement in accrued interest (interest paid and interest accrued).

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

Group	31 December 2023			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	3,484	5,580	2,112	11,176
New assets originated or purchased	954	1,286	7,270	9,510
Assets derecognised or repaid (excluding write offs)	(3,266)	(3,004)	(936)	(7,206)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(19)	19	-	-
Transfers to Stage 3	(45)	(133)	178	-
Impact on year end ECL of exposures transferred between stages during the period	-	1,359	1,410	2,769
Amounts written off	(5)	(1)	(1,666)	(1,672)
Foreign exchange adjustments	-	4,345	-	4,345
At 31 December 2023	1,103	9,451	8,368	18,922

20.1 Loans and advances to corporate customers - continued

Group	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	6,400	3,852	542	10,794
New assets originated or purchased	(677)	18	463	(196)
Assets derecognised or repaid (excluding write offs)	(178)	(35)	(97)	(310)
Transfers to Stage 1	90	(90)	-	-
Transfers to Stage 2	(1,384)	1,385	(1)	-
Transfers to Stage 3	(960)	(775)	1,735	-
Impact on year end ECL of exposures transferred between stages during the period		928	(530)	398
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	193	297	-	490
At 31 December 2022	3,484	5,580	2,112	11,176

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

20.2 Loans to Individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group’s internal grading system are explained in Note 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	2,960	-	-	2,960
RR3-RR4	59,452	-	-	59,452
RR5-RR6	3,520	10,862	-	14,382
RR7	-	-	12,179	12,179
RR8	-	-	7,975	7,975
RR9	-	-	7,059	7,059
Total	65,932	10,862	27,213	104,007

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

20.2 Loans to Individuals - continued

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

Group	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	76,138	16,685	13,195	106,018
New assets originated or purchased	59,527	4,172	5,244	68,943
Assets derecognised or repaid (excluding write offs)	(59,146)	(8,089)	(744)	(67,979)
Transfers to Stage 1	416	(341)	(75)	-
Transfers to Stage 2	(5,058)	5,068	(10)	-
Transfers to Stage 3	(5,779)	(6,461)	12,240	-
Amounts written off	(244)	(172)	(2,637)	(3,053)
Foreign exchange adjustments	78	-	-	78
At 31 December	65,932	10,862	27,213	104,007

The analysis of changes in gross carrying amount is inclusive of movement in accrued interest (interest paid and interest accrued).

Group	31 December 2022			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	80,280	16,057	3,180	99,517
New assets originated or purchased	42,865	5,272	4,409	52,546
Assets derecognised or repaid (excluding write offs)	(26,863)	(14,288)	(4,904)	(46,055)
Transfers to Stage 1	1,771	(1,733)	(38)	-
Transfers to Stage 2	(14,285)	14,545	(260)	-
Transfers to Stage 3	(7,637)	(3,168)	10,805	-
Foreign exchange adjustments	7	-	3	10
At 31 December	76,138	16,685	13,195	106,018

Group	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	737	796	7,739	9,272
New assets originated or purchased	1,967	87	-	2,054
Assets derecognised or repaid (excluding write offs)	(1,997)	(261)	(232)	(2,490)
Transfers to Stage 1	2	(1)	(1)	-
Transfers to Stage 2	(61)	62	(1)	-
Transfers to Stage 3	(73)	(292)	365	-
Impact on year end ECL of exposures transferred between stages during the period	3	202	5,395	5,600
Amounts written off	(244)	(172)	(2,331)	(2,747)
Foreign exchange adjustments	33	-	-	33
At 31 December	367	421	10,934	11,722

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

20.2 Loans to Individuals - continued

Group	**31 December 2022**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2022	957	591	1,838	3,386
New assets originated or purchased	427	278	2,607	3,312
Assets derecognised or repaid (excluding write offs)	(304)	(242)	(149)	(695)
Transfers to Stage 1	20	(20)	-	-
Transfers to Stage 2	(693)	705	(12)	-
Transfers to Stage 3	(4,462)	(1,884)	6,346	-
Impact on year end ECL of exposures transferred between stages during the period	4,792	1,368	(2,894)	3,266
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	3	3
At 31 December	737	796	7,739	9,272

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

	In millions of Naira	**Group 31 Dec 2023**	**Group 31 Dec 2022**	**Company 31 Dec 2023**	**Company 31 Dec 2022**
20.3	**Classification of loans and advances by rating**				
	Rating				
	RR1-RR2	67,333	102,311	-	-
	RR3-RR4	510,569	395,469	-	-
	RR5-RR6	301,595	230,947	-	-
	RR7	28,480	22,776	-	-
	RR8	8,189	141	-	-
	RR9	10,300	6,539	-	-
		926,466	758,183	-	-
20.4	**Classification of loans and advances by security**				
	Cash	210,362	169,356	-	-
	Real estate	115,686	80,207	-	-
	Stocks/shares	37,417	20,760	-	-
	Debentures	191,436	129,962	-	-
	Other securities	323,384	357,401	-	-
	Unsecured	48,181	497	-	-
		926,466	758,183	-	-

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

20 Loans and advances to customers - continued

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
20.5	**Classification of loans and advances by sector**				
	Agriculture	105,129	81,264	-	-
	Communication	22,409	21,580	-	-
	Consumer	93,199	99,250	-	-
	Education	9,350	4,840	-	-
	Finance and insurance	22,135	18,958	-	-
	Government	73,161	89,760	-	-
	Manufacturing	46,911	22,641	-	-
	Mining & quarrying	64	1,001	-	-
	Mortgage	2,271	2,154	-	-
	Oil and gas	292,035	164,313	-	-
	Others	117,377	85,344	-	-
	Power	30,513	30,801	-	-
	Real estate & construction	18,317	66,676	-	-
	Transportation	59,345	40,039	-	-
	Non-interest banking	34,250	29,562	-	-
		926,466	**758,183**	**-**	**-**
21	**Investment in securities:**				
(a)	***Financial instruments held at fair value through profit or loss (FVTPL)***				
	Treasury bills	912	61	-	-
	Euro bonds	165	-	-	-
	Bonds	946	860	-	-
	Promissory notes	89	-	-	-
	Total financial assets measured at FVTPL	**2,112**	**921**	**-**	**-**
(b)	***Debt instruments at fair value through other comprehensive income***				
	Treasury bills	107,577	69,919	-	-
	Government bonds	118,464	88,073	-	-
	Euro bonds	67,003	20,192	-	-
	Corporate bonds	22,945	16,042	-	-
	Promissory notes	215	36,410	-	-
	Total debt instruments measured at FVOCI	**316,204**	**230,636**	**-**	**-**
(c)	***Equity instruments at fair value through other comprehensive income***				
	Africa Export/Import Bank	2,353	980	-	-
	Nigeria Interbank Settlement System Plc	15,483	11,294	-	-
	Africa Finance Corporation	6,354	3,256	-	-
	Unified Payment System	657	552	-	-
	Investment in AGSMEIS	3,855	2,889	-	-
	Nigeria Mortgage Refinancing Corporation	412	393	-	-
	Lotus Capital Halal	412	397	-	-
	SCM Capital Halal	3,753	2,881	-	-
	Zola Elect Nig Litd.	-	553	-	-
	Health Tracka Ltd.	329	231	-	-
	SIV Limited	804	100	-	-
	Binkabi Ltd	1	10	-	-
	E-Purse System Ltd	1	1	-	-
	Alt School	274	-	-	-
	Tremendoc Ltd	2,218	1,690	-	-
	Total equity instruments at FVOCI	**36,906**	**25,227**	**-**	**-**
(d)	***Debt instruments at amortised cost***				
	Government bonds	103,252	79,660	-	-
	Treasury Bills	2,844	21,863	-	-
	Promissory notes	24,916	5,577	-	-
		131,012	107,100	-	-
	Less: Allowance for Impairment losses	(282)	(211)	-	-
	Total debt instruments measured at amortised cost	**130,730**	**106,889**	**-**	**-**

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

The table below shows the fair value of the Group's debt instruments measured at FVOCI by credit risk, based on the Group's internal credit rating system and year-end stage classification. Details of the Group's internal grading system are explained in Note 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	316,204	-	-	316,204
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**316,204**	**-**	**-**	**316,204**

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

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

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2023	230,636	-	-	230,636
New assets originated or purchased*	1,256,960	-	-	1,256,960
Assets derecognised or matured (excluding write-offs)	(1,211,121)	-	-	(1,211,121)
Change in fair value	4,598	-	-	4,598
Foreign exchange adjustments	35,131	-	-	35,131
At 31 December 2023	**316,204**	**-**	**-**	**316,204**

*The analysis of changes in fair value is inclusive of movement in interest of N16.95 billion that has already been received in cash and accrued interest of N18.25 billion.

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

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

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

Group	**31 December 2023**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	**511**	**-**	**-**	**511**
New assets purchased	**849**	**-**	**-**	**849**
Assets derecognised or matured (excluding write offs)	**(59)**	**-**	**-**	**(59)**
At 31 December 2023	**1,301**	**-**	**-**	**1,301**

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

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

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are explained in Note 39 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

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

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

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

Group	31 December 2023			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	107,100	-	-	107,100
New assets originated or purchased*	67,941	-	-	67,941
Assets derecognised or matured (excluding write-offs)	(44,029)	-	-	(44,029)
At 31 December 2023	**131,012**	**-**	**-**	**131,012**

* The analysis of changes in gross carrying amount is inclusive of movement in interest of N13.85 billion that has already been received in cash and accrued interest income of N12.7 billion.

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 **Investment in Subsidiary**

	Ownership/Percecntage interest	**Company**	**Company**
		31 Dec 2023	**31 Dec 2022**
Name of company		**N'million**	**N'million**
Sterling Bank Limited	100 percent	141,654	-
The Alternative Bank Limited	100 percent	10,000	-
		151,654	-

Condensed Statement of profit or loss for the Year ended 31 December 2023	**Sterling Financial Holdings Group**	**Elimination Entries**	**The Alternative Bank**	**Sterling Bank Ltd Group**	**Sterling Financial Holdings Company**
In millions of Naira					
Interest income	156,102	(183)	5,538	150,563	183
Interest expense	(72,718)	183	(2,378)	(70,523)	-
Net interest income	83,384	-	3,160	80,040	183
Net fees and commision income	26,106	-	1,459	24,646	-
Net trading income	20,794	-	1,663	19,130	-
Other operating income	9,921	(14,712)	1,237	8,684	14,712
Operating income	140,205	(14,712)	7,519	132,500	14,895
Credit loss expense	(12,335)	-	(170)	(12,166)	-
Operating expenses	(105,177)	393	(4,694)	(99,097)	(1,779)
Profit for the year before tax	22,693	(14,319)	2,655	21,237	13,116
Income tax expense	(1,109)	-	(261)	(839)	(9)
	21,584	(14,319)	2,394	20,398	13,107
Condensed statement of financial position					
As at 31 December 2023					
Assets:					
Cash and balances with Central Bank of Nigeria	604,599	-	12,033	592,566	-
Due from banks	234,953	(55,275)	46,578	234,954	8,696
Pledged assets	11,272	-	-	11,272	-
Derivative financial assets	276	-	-	276	-
Loans and advances to customers	895,822	-	33,122	862,699	-
Investments in securities:		-	-	-	
- Financial assets at fair value through profit or loss	2,112	-	-	2,112	-
- Debt instruments at fair value through other comprehensive income	316,204	-	31,780	284,423	-
- Equity instruments at fair value through other comprehensive income	36,906	-	7,792	29,114	-
- Debt instruments at amortised cost	130,730	-	-	130,730	-
Investment in subsidiary	-	(151,654)	-	-	151,654
Other assets	242,110	(405)	9,295	232,809	411
Property, plant and equipment	31,987	-	8,707	22,984	296
Right of use asset	9,103	-	-	9,103	-
Investment property	4,790	-	4,789	-	-
Intangible assets	721	-	151	570	-
Deferred tax assets	9,507	-	(177)	7,757	-
TOTAL ASSETS	**2,531,092**	**(207,334)**	**154,070**	**2,421,369**	**161,057**
LIABILITIES & EQUITY					
Deposits from banks	-	-	-	-	-
Deposits from customers	1,842,815	(12,700)	108,006	1,747,510	-
Current income tax payable	1,468	-	51	1,414	3
Other borrowed funds	208,685	-	25,619	183,067	-
Debt securities issued	33,959	-	-	33,959	-
Other liabilities	257,910	(42,980)	5,932	294,346	612
Provisions	724	-	6	718	-
Share capital	14,395	(24,395)	10,000	14,395	14,395
Share premium	42,759	(42,759)	-	42,759	42,759
Retained earnings	42,506	10,000	1,487	22,226	8,788
Other components of equity	83,944	(94,500)	2,968	80,975	94,500
TOTAL LIABILITIES AND EQUITY	**2,529,165**	**(207,334)**	**154,069**	**2,421,369**	**161,057**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 Investment in Subsidiary - Continued

Condensed statement of cash flows **Year ended 31 December 2023**	**Sterling Financial Holdings Group**	**Elimination Entries**	**The Alternative Bank**	**Sterling Bank Ltd Group**	**Sterling Financial Holdings Company**
In millions of Naira					
Net cash flows from/(used in)operating activities	151,292	(86,032)	101,227	137,083	(986)
Net cash flows (used in)/from in investing activities	(87,382)	61,411	(87,589)	(75,205)	14,001
Net cash flows used in financing activities	(28,924)	(32,077)	46,396	(38,924)	(4,319)
Net increase in cash and cash equivalents	34,986	(56,698)	60,034	22,954	8,696
Exchange rate movements on cash and cash equivalents	134,237	-	-	134,237	-
Cash and cash equivalents, beginning of the year	222,652	-	-	222,652	-
Cash and cash equivalents, end of the year	391,875	(56,698)	60,034	379,843	8,696

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
23	**Other assets**				
	Financial assets				
	Accounts receivable (see note (i))	227,639	154,414	411	-
		227,639	154,414	411	-
	Non-financial assets				
	Prepayments and other debit balances	5,566	6,372	-	-
	Prepaid staff cost	1,412	1,209	-	-
	Commodity mudaraba stocks	10,547	13,996	-	-
	Musharaka Stock	1,404	-	-	-
	Stock of cheque books and administrative stationeries	1,239	427	-	-
	Gross other assets	247,807	176,418	411	-
	Allowance for impairment on other assets (see note (ii) below)	(5,697)	(4,507)	-	-
		242,110	**171,911**	**411**	**-**

i. Included in accounts receivable are:

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

b. Forex deliverables due from CBN for the Group's customers, among others.

c. The Company's N411 million account receivable represents amount due from Sterling Bank Limited and The Alternative Bank in respect of shared services.

ii.

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
Movement of allowance for impairment on other assets				
Balance, beginning of year	4,507	3,713	-	-
Charge on other assets (note 11)	1,610	1,577	-	-
Write offs	(420)	(783)	-	-
Balance, end of year	5,697	4,507	-	-

24.1 **Property, plant and equipment**

Group

The movement during the year was as follows:

	31 December 2023 *In millions of Naira*	**Leasehold Land**	**Leasehold Building**	**Leasehold Improvement**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Capital work-in-progress**	**Total**
(a)	**Cost**								
	As at 1 January 2023	1,990	4,235	4,320	10,745	14,481	5,855	4,571	46,197
	Additions	-	256	408	3,463	562	1,531	11,589	17,809
	Reclassifications	-	68	340	210	292	16	(1,009)	(83)
	Disposals	-	-	-	(103)	(3)	(1,017)	-	(1,123)
	Written off	-	(22)	(1,688)	(4,868)	(6,497)	(782)	-	(13,857)
	As at 31 December 2023	1,990	4,537	3,380	9,447	8,835	5,603	15,151	48,943
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2023	242	753	2,944	8,095	11,870	4,380	-	28,284
	Charge for the year	-	87	298	1,003	1,375	769	-	3,532
	Written off	-	(7)	(1,684)	(4,865)	(6,494)	(782)	-	(13,832)
	Disposals	-	-	-	(103)	(2)	(923)	-	(1,028)
	As at 31 December 2023	242	833	1,558	4,130	6,749	3,444	-	16,956
	Net book value								
	As at 31 December 2023	**1,748**	**3,704**	**1,822**	**5,317**	**2,086**	**2,159**	**15,151**	**31,987**
	As at 31 December 2022	**1,748**	**3,482**	**1,376**	**2,650**	**2,611**	**1,475**	**4,571**	**17,913**

i) The gross carrying amount of fully depreciated property, plant and equipment owned by the Group is N6.0billion (2022: N19.4billion).
ii) No item of property,plant and equipment was pledged as security.

24.1 **Property, plant and equipment**

Company

The movement during the year was as follows:

	31 December 2023 *In millions of Naira*	**Leasehold Land**	**Leasehold Building**	**Leasehold Improvement**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Capital work-in-progress**	**Total**
(a)	**Cost**								
	As at 1 January 2023	-	-	-	-	-	-	-	-
	Additions	-	-	-	-	1	317	-	318
	Reclassifications	-	-	-	-	-	-	-	-
	Disposals	-	-	-	-	-	-	-	-
	Transfer to the Alternative Bank	-	-	-	-	-	-	-	-
	Written off	-	-	-	-	-	-	-	-
	As at 31 December 2023	-	-	-	-	1	317	-	318
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2023	-	-	-	-	-	-	-	-
	Charge for the year	-	-	-	-	-	22	-	22
	Transfer to the Alternative Bank	-	-	-	-	-	-	-	-
	Written off	-	-	-	-	-	-	-	-
	Disposals	-	-	-	-	-	-	-	-
	As at 31 December 2023	-	-	-	-	-	22	-	22
	Net book value								
	As at 31 December 2023	**-**	**-**	**-**	**-**	**1**	**295**	**-**	**296**
	As at 31 December 2022	-	-	-	-	-	-	-	-

24.1 **Property, plant and equipment**

Group

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
24.3	**Investment property**				
(a)	**Cost**				
	At 1 January	5,822	7,095	-	-
	Additions	-	560	-	-
	Disposal	(735)	(1,833)	-	-
	At 31 December	5,087	5,822	-	-
(b)	**Accumulated depreciation and impairment**				
	At 1 January	238	177	-	-
	Depreciation	63	73	-	-
	Disposal	(4)	(12)	-	-
	At 31 December	297	238	-	-
	Net Book Value	**4,790**	**5,584**	**-**	**-**

Fair value of investment property	Level 1	Level 2	Level 3
	-	-	**7,153**

The fair value of the Group's investment property at 31 December 2023 was determined by independent, appropriately qualified external valuers - Austin Otegbulu PhD. (FRC/2013/NIESV/00000001582) of A.C Otegbulu & Partners (FRC/2020/00000013592) and Oladapo Olaiya (FRC/2013/NIESV/00000004238) of Dapo Olaiya Consulting (FRC/2013/0000000000569). The Group maintains a valuation policy of three years (3yr) in its investment properties assets in line with the policy of the bank. The last valuation date was 31 December 2021. The valuations conform to the Estate surveyors and valuers registration board of Nigeria Standards. Fees paid to valuers are based on fixed price contracts.

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

The investment property is driven by the Non-interest banking subsidiary of the Group in line with the provisions of IAS 40 and the Central Bank of Nigeria guidelines.

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
Rental income from investment property	159	159	-	-
Direct operating expenses	(63)	(73)	-	-
	96	86	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
25	**Intangible assets**				
(a)	**Cost**				
	At 1 January	5,853	5,484	-	-
	Additions	135	278	-	-
	Reclassification	83	91	-	-
	Write off	(618)	-	-	-
	Balance end of year	5,453	5,853	-	-
(b)	**Accumulated amortisation and impairment**				
	Beginning of year	4,903	4,403	-	-
	Amortisation for the year	447	500	-	-
	Write off	(618)	-	-	-
	Balance end of year	4,732	4,903	-	-
	Net book value				
	Balance as at 31 December	**721**	**950**	**-**	**-**

Items reclassified were from work-in-progress. Capital expenditures that did not meet the capitalisation criteria of intangible assets were recorded in work-in-progress until they are available for use.

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
27	**Deposits from banks**				
	Money market takings	-	12,039	-	-
	Due to local banks	-	25,139	-	-
		-	37,178	-	-
28	**Deposits from customers**				
	Current accounts	1,042,459	696,187	-	-
	Savings accounts	337,247	243,069	-	-
	Term deposits	383,641	319,732	-	-
	Pledged deposits	79,468	68,817	-	-
		1,842,815	**1,327,805**	**-**	**-**

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

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
29	**Other borrowed funds**				
	Due to CBN-Agric-Fund (see (29(i))	28,654	31,590	-	-
	Due to Africa Agric and Trade Investment Fund (see (29(iia))	-	773	-	-
	Due to Africa Agric and Trade Investment Fund (see (29(iib))	14,230	-	-	-
	Due to CBN-State ECA secured loans (see (29 (iii))	12,162	12,677	-	-
	Due to Blue Orchard (see (29(iv))	18,585	11,961	-	-
	Due to ECOWAS Bank for Investment and Development (see (29(v))	38,350	22,454	-	-
	Due to Islamic Corporation (see (29(vi))	25,315	10,239	-	-
	Due To Nigeria Mortgage Refinance Company (see (29(vii))	1,441	1,710	-	-
	Due to CBN - ABP (see (29(viii))	29,463	25,897	-	-
	Due to Master Card Foundation (MCF) (see (29(ix))	20,825	10,089	-	-
	Due to CBN - RSSF Fund (see (29 (x))	2,250	3,205	-	-
	Due to CBN - NESF Fund (see(29 (xi))	1,455	2,370	-	-
	Due to BOI (see (29 (xii))	706	305	-	-
	Due to Development Bank of Nigeria (see (29 (xiii))	15,249	-	-	-
		208,685	**133,270**	**-**	**-**
	Movement on other borrowed funds:				
	At 1 January	133,270	133,270	-	-
	Additions during the year	61,615	35,182	-	-
	Repayments during the year	(48,926)	(18,362)	-	-
	Accrued interest	19,865	10,498	-	-
	Interest paid	(18,719)	(28,201)	-	-
	Foreign exchange difference	61,580	883	-	-
	At 31 December	**208,685**	**133,270**	**-**	**-**

29 **Other borrowed funds - continued**

29(i) **Due to CBN-Agric Fund**

Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established a Commercial Agricultural Credit Scheme, (CACS) to promote commercial agricultural enterprise in Nigeria. The Group's subsidiary - Sterling Bank Ltd obtained the loan on behalf of the customer at 2% to lend to the customer at 9% inclusive of management and processing fee. Repayment proceeds from CACS projects are repatriated to CBN on quarterly basis, all loans under the agriculture scheme is expected to terminate on September 30, 2025.

29(iia) **Africa Agriculture and Trade Investment Fund**

This represents the outstanding balance on the $15 million credit facility granted to the Group's subsidiary (Sterling Bank Ltd) by Africa Agriculture and Trade Investment Fund payable in 4 years in 9 installments commencing June 2019. Interest is payable quarterly at LIBOR plus a margin. The facility was fully repaid in March 2023. The effective interest rate of the loan was 6.84% per annum.

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

29(iii) **Due to CBN-State ECA secured loans**

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

29(iv) **Due to Blue Orchard**

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

29(v) **Due to ECOWAS Bank for Investment and Development**

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

29(vi) **Due to Islamic Corporation**

This represents Naira equivalent of $25 million amortising Murabaha financing facilities granted in June 2021 by Islamic Corporation for the development of the private sector expiring in June 2026. The facility is at a margin of 6.21%.

29(vii) **Due to Nigeria Mortgage Refinance Company Plc.**

This represents a loan agreement between the banking subsidiaries and Nigeria Mortgage Refinance Company Plc (NMRC) for NMRC to refinance from time to time Mortgage Loans originated by Sterling Bank with full recourse to the Bank on the terms and conditions stated in the agreement. The agreement covers three facilities obtained in 2016 and 2018 at an interest rate of 15.5% & 14.5% per annum to mature on 7 May 2028, 7 August 2031 and 7 August 2034 respectively.

29 **Other borrowed funds - continued**

29(viii) **Due to Central Bank of Nigeria - Anchor Borrower's Programme (ABP)**

Anchor Borrowers Programme (ABP) is an initiative of the Central Bank of Nigeria and was launched by President Muhammadu Buhari in November 2015 in Kebbi State. CBN earmarked N40billion out of N220billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) to be given to farmers in cooperative at a single rate of 9%, and the amount is dependent on the economics of production of each commodity. It is aimed at creating an ecosystem to link small holder farmers (borrowers) and processors (anchor) in the agricultural value chain to achieve job creation, increase domestic production of agricultural commodities/raw materials, improve farmers income and reduce import duty.

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

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

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

29(x) **Due to CBN - Real Sector Support Facility (RSSF) Fund**

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

29(xi) **Due to CBN - Non-Oil Support Export Stimulation Facility (NESF) Fund**

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

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

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

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

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

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	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
30	**Debt securities issued**				
	16.5% Debt securities carried at amortised cost (See (i) below)	-	8,502	-	-
	16.25% Debt securities carried at amortised cost (See (ii) below)	33,959	33,886	-	-
		33,959	**42,388**	**-**	**-**
	Movements in debt securities issued				
	At 1 January	42,388	42,327	-	-
	Repayment	(7,965)	-	-	-
	Accrued interest	6,116	6,726	-	-
	Interest paid	(6,580)	(6,665)	-	-
		33,959	**42,388**	**-**	**-**

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

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

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
31.1	**Other liabilities**				
	Other credit balances (see 31.1.1)	54,763	37,451	587	-
	Customers' deposits for foreign trade	135,060	97,205	-	-
	Deposit for additional tier 1 capital (see 31.1.2)	47,590	-	-	-
	Lease liability (see 31.1.3)	134	295	-	-
	Certified cheques	1,731	1,437	-	-
	Creditors and accruals	18,295	23,547	19	-
	Information technology levy	271	228	5	-
	Police trust fund levy	1	1	1	-
	National Agency for Science and Engineering Infrastructure levy	65	93	-	-
	Total Other Liabilities	**257,910**	**160,257**	**612**	**-**

31.1.1 Other credit balances includes mostly bond proceed collection of N29.9 billion, CBN I&E forward allocation N6.4 billion and long outstanding draft N2.1 billion. It also includes upfront fees on financial guarantee contract such as Advance Payment Guarantee and Bid bond, etc. The upfront fees are amortised using the maturity date of the contracts.

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

31.1.3

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

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

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

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

	In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
31.2	**Provisions**				
	Provisions for litigations and claims*	186	211	-	-
	Provision for guarantees and letters of credit	538	1,278	-	-
		724	**1,489**	**-**	**-**
	At 1 January	1,489	1,180	-	-
	Additions	-	309	-	-
	Reversal of provision	(765)	-	-	-
	At 31 December	**724**	**1,489**	**-**	**-**

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(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 Company. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Company.

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

In millions of units	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
28.79 billion (2022: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	-
Movement in nominal share capital in units				
At 31 December	28,790	28,790	28,790	-

33.1 Dividends

The Directors did not propose any dividend for 2023 financial year.

In 2023, the Directors of erstwhile Sterling Bank Plc declared and paid dividends of N4.32 billion (15k per share) in respect of 2022 results.

34 Other components of equity

a. Statutory reserve

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

b. Share capital reserve

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

c. AGSMEIS reserve

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

d. Regulatory risk reserve

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

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

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

e SMEEIS reserve

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

f PPPRA reserve

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

g Re-organisation Reserve

This represents the difference between the carrying value of shares of erstwhile Sterling Bank Plc (N151.5biliion) as at date of re-organization and the cost of shares (share capital and share premium) exchanged (N57.13 billion).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 Commitments and Contingencies

a. Litigations and claims

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

35 (b) Contingent liabilities and commitments

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

Nature of instruments:

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

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

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

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
Bonds, guarantees and indemnities	168,437	116,156	-	-
Letters of credit	180,777	113,786	-	-
Performance bonds	56,428	23,278	-	-
	405,642	253,220	-	-

Above balances represent contingent liabilities for which the customers have not defaulted. As stated in note 2.2.12, any portion that is due for which the Group has become liable are recognised in Other Liabilities (Note 31).

Impairment losses on guarantees and other commitments

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

(i) **Financial guarantees**

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

31 December 2023 Group

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	168,437	-	-	168,437
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
RR7	-	-	-	-
Total	**168,437**	**-**	**-**	**168,437**

35 (b) Contingent liabilities and commitments - continued

Financial guarantees - continued

31 December 2022 Group

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

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

In millions of Naira Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding exposure as at 1 January 2023	116,156	-	-	116,156
New exposures	109,904	-	-	109,904
Exposure derecognised or matured/lapsed (excluding write offs)	(58,445)	-	-	(58,445)
Foreign exchange adjustments	822	-	-	822
At 31 December 2023	**168,437**	**-**	**-**	**168,437**

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

In millions of Naira Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2023	1,071	-	-	1,071
New exposures	30	-	-	30
Exposure derecognised or matured (excluding write offs)	(564)	-	-	(564)
At 31 December 2023	**537**	-	-	**537**

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 (b) Contingent liabilities and commitments - continued

(ii) **Letters of credit**

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

In millions of Naira Group	Stage 1	Stage 2	Stage 3	*2023* Total
Internal rating grade				
RR1-RR2	180,777	-	-	180,777
RR3-RR4	-	-	-	-
Total	**180,777**	**-**	**-**	**180,777**

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

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

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2023	113,786	-	-	113,786
New exposures	86,103	-	-	86,103
Exposure derecognised or matured/lapsed (excluding write offs)	(151,245)	-	-	(151,245)
Foreign exchange adjustments	132,133			132,133
At 31 December 2023	**180,777**	**-**	**-**	**180,777**

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

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	119	-	-	119
New exposures	1	-	-	1
Exposure derecognised or matured (excluding write offs)	(119)	-	-	(119)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**1**	**-**	**-**	**1**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(ii) **Letters of credit - continued**

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	36	-	-	36
New exposures	109	-	-	109
Exposure derecognised or matured (excluding write offs)	(26)	-	-	(26)
At 31 December 2022	**119**	-	-	**119**

36 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 2023	Group 2022	Company 2023	Company 2022
(i)	**Transactions with the related parties**				
				-	
	Loans and advances				
a.	Secured loans and advances (see 36b)	587	648	-	-
b.	Contingent liabilities (see 36b)	1,370	1,612	-	-
c.	Transactions and balances with Subsidiary Sterling Bank Limited				
	Other assets (Account receivable)	-	-	359	-
	Due from banks	-	-	8,696	-
	Other liabilities (Account payable)	-	-	13	-
	Interest income	-	-	183	-
	Dividend income from subsidiaries	-	-	14,319	-
	Other sundry income	-	-	343	-
d.	Transactions and balances with Subsidiary The Alternative Bank Limited				
	Other assets (Account receivable)	-	-	52	-
	Other sundry income	-	-	50	-

(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 2023	Group 2022	Company 2023	Company 2022
Secured loans and advances	374	309	-	-
Deposit liabilities (related parties and key management personnel)	27,756	16,549	-	-

36 Related party transactions - continued

(iii) **Compensation of key management personnel**:

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

In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
Short-term benefits (wages and salaries)	154	124	77	-
Post-employment benefits (pension contributions)	14	12	7	-
Termination benefits	189	82	-	-
	357	218	84	-

(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 Group.

In millions of Naira	Group 2023	Group 2022	Company 2023	Company 2022
Directors' remuneration				
Fees as directors	308	139	79	-
Other emoluments	145	102	15	-
	453	**241**	**94**	**-**

(v) **Terms and conditions of transactions with related parties**

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are secured. For the year ended 31 December 2023, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2022: Nil).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

36b Insider Related Credits

Insider Related Credits are disclosed below in accordance to Central Bank of Nigeria Circular BSD/1/2004

The Group granted various credit facilities meeting the definition of insider-related credits at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of N587 million (2021: N648 million) relating to the Directors and some employees were outstanding on these facilities at the end of the period/year.

31 December 2023

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Globalmix Capital Ltd.	Related to a Director	Asue Ighodalo	27-May-22	25-Feb-24	520	540	Performing	Secured Against Real Estate	Term Loan
Do Ii Designs Limited	Related to a Director	Asue Ighodalo	30-Mar-22	30-Mar-25	17	9	Performing	Cash	Term Loan
Do Ii Designs Limited	Related to a Director	Asue Ighodalo	13-Jan-22	13-Jan-25	17	4	Performing	Cash	Term Loan
Hauwa Mustapha Otaru	Wife to Staff	Mustapha Otaru	18-Apr-23	18-Apr-25	1	1	Performing	Otherwise Secured	Term Loan
Commercial Staff Loan	Employees	Employees	NA	NA	87	33	Performing	Lien on entitlements/indemnity	Other Loans
TOTAL					**642**	**587**			

Letter of credit and bond guarantees.

31 December 2023

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Touchdown Travels Ltd	Related to a Director	Tunde Adeola	06-Nov-23	06-Nov-24	1,000	1,000	Performing	Personal Guarantee	Bank Guarantee
Rite Foods Limited	Related to a Director	Tairat Tijani	08-Mar-23	07-Mar-24	300	300	Performing	Personal Guarantee	Bank Guarantee
Rite Foods Limited	Related to a Director	Tairat Tijani	03-Nov-23	02-Nov-24	65	65	Performing	Personal Guarantee	Bank Guarantee
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	5	5	Performing	Personal Guarantee	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**1,370**	**1,370**			

36b Insider Related Credits - Continued

31 December 2022

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Globalmix Capital Ltd.	Related to a Director	Asue Ighodalo	27-May-22	27-Nov-23	520	580	Performing	Secured Against Real Estate	Term Loan
DO II Designs Limited	Related to a Director	Asue Ighodalo	13-Jan-22	30-Mar-25	34	21	Performing	Cash	Term Loan
Commercial Staff Loan	Employees	Employees	NA	NA	103	47	Performing	Lien on entitlements/indemnity	Other Loans
	TOTAL				**657**	**648**			

Letter of credit and guarantees

31 December 2022

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
DO II Designs Limited	Related to a Director	Asue Ighodalo	29-Jun-22	31-Mar-23	68	68	Performing	Personal Guarantee	Bank Guarantee
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	5	5	Performing	Personal Guarantee	Bank Guarantee
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	07-Aug-20	04-Feb-23	296	296	Performing	Cash / Personal Guarantee	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	09-Mar-20	02-Jan-23	728	728	Performing	Cash	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	17-Jun-22	17-Jun-23	65	65	Performing	Cash	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**1,612**	**1,612**			

37 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Group and the Company as at 31 December 2023 and profit or loss and other comprehensive income attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

In millions of Naira	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
38 Cash and cash equivalents				
Cash and foreign monies (Note 16)	32,002	30,409	-	-
Unrestricted balances with Central Bank of Nigeria (Note 16)	124,920	105,784	-	-
Balances held with local banks (Note 17)	1,040	288	8,696	-
Balances held with banks outside Nigeria (Note 17)	233,411	85,929	-	-
Money market placements (Note 17)	502	242	-	-
	391,875	222,652	8,696	-

39 Financial RIsk Management

(a) Introduction and overview

Risks are inherent in the lending, trading and all other intermediation activities of the Group. In managing these risks, the Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Group has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Group is exposed to various risks including Credit Risk, Liquidity Risk, Market Risk and Operational Risk in the trading book and banking book. The Group has put in place approved policies, procedures and guidelines for identifying, measuring, managing and controling these risks.

Risk management framework

The Group's risk management framework consists of the governance structure, policies, strategy, processes and techniques for the management of risks faced by the Group. The risk governance structure is modelled according to the three lines of defense. The Board and its committees oversee the risk management framework and approve the corresponding risk management policies and strategies. Senior management provides oversight across the Group to ensure that all material risks are properly identified, measured, mitigated and monitored in order to minimize the impact of adverse events. The Group Chief Risk Officer (GCRO) coordinates the process of monitoring and reporting identified risks. The Risk Management division is complemented by Finance and Performance Management function, Compliance and Strategy function and the Internal Control function in the management of strategic, regulatory compliance and reputational risks. Internal Audit function provides assurance to Management and Board that instituted controls are effective in mitigating identified and emerging risks.

To achieve its risk management objectives, the Group has a risk management framework that comprises the following elements:

- Risk management objectives and philosophy
- Governance structure
- Roles and responsibilities for managing risks
- Risk management process

Three Lines of Defense

The philosophy of three lines defense have been adopted in the Group for proactive and efficient identification and management of risks inherent in the Group's activities, processes, system, products and external events as follows:

First line of defence – Strategic Business Functions

This consists of business units and line functions with primary responsibilities for risk management. The first line of defense includes business owners who execute transactions in the Group with the following risk management responsibilities;

- Identify emerging risks at the transaction/business unit level and conduct material risk assessments, at least annually;
- Imbibe risk culture in order to align risk management with business objectives; and
- Implement controls to reduce the likelihood and impact of risks.

39 Financial risk management - continued

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

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 Audit and Risk Management Committee (BARMC) 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 Committees (BCCs) acts on behalf of the Board of Directors on all credit matters. It considers and approves lending exposures, treasury investments exposures, as well as other credit exposures that exceed the mandated approval limit of the Management.

The Management Risk Committee (MRC) is responsible for planning and management of the Group's overall risk profile; including the determination of the Group's risk philosophy, appetite, limits and policies.

The Management Credit Committee (MCC) is vested with the responsibility of credit policy articulation and credit approval that falls within the mandated approval limit. It reviews and recommends credit policy direction

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 function monitors compliance with risk principles, polices and limits across the Group. Exceptions are reported on a daily basis to the management and appropriate action are taken to address the threats.

The Internal Audit function, 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 and Risk Committee.

39 Financial risk management - continued

(c) Risk measurement and reporting systems

Quantitative and qualitative assessment of credit risks is carried out through a rigorous internal ratings system. The Group also carries out scenario analysis as stated in the Group's credit policy guide and stress testing to identify potential exposures under stressed market situations.

Monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limit reflects both the quantitative and qualitative risk appetite of the Group. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the Group's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Board Audit and Risk Committee is 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

39 Financial risk management - continued

The methodology described below is used in updating the Group's risk appetite framework.

(f) Concentration Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid concentration risk, credit concentration limits are set and monitored along industries and sectors, geography, collaterals and products. The ultimate objective of managing credit portfolio concentration risk is to ensure proper diversification of the risk assets portfolio. Concentration limits are also in place to manage Investment Portfolio and customer deposit concentration in the management of liquidity risk.

(g) Credit Risk Management

The Group's credit risk management activities are based on certain fundamental principles.
The effectiveness of risk management process throughout the Group is based on a formal governance structure with systemic reporting processes within a well-defined control environment.

The Group's risk policy allows its personnel take initiatives and responsibility towards proactive identification of risks in products and services delivered to the market.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still make sufficient profit.

Credit risks are examined for all credit-related transactions including investments and trading transactions. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and

(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.

39 Financial risk management - continued

(i) Organization Structure

Sterling Bank is a national bank having divested its subsidiaries and affiliates following receipt of its new national commercial banking license in 2011 financial year. Sterling Bank has restructured its business activities along business lines with primary focus on the following market segments:

- Corporate and Investment Banking
- Commercial Banking
- Institutional Banking
- Retail and Consumer Banking
- Non Interest Banking - The Alternative Bank Ltd
- Sterling Investment Management Plc

Corporate and Investment Banking – The Corporate and Investment Banking Group provides services to corporate entities with annual turnover greater than N5 billion. The target market covers the following sectors: oil and gas, public sector, manufacturing, power and utilities, telecommunications and financial institutions.

Commercial Banking –. The Commercial Banking Group provides services to businesses with turnover above N600 million and below N5 Billion.

Institutional Banking - The Institutional Banking business covers government related institutions which include Federal Government ministries, departments, agencies; states and local governments.

The Retail Banking – Retail Banking Group serves individuals consisting of mass market, affluent, youths and high net worth. The Retail Banking Group customer segmentation consist of:

· High net-worth individuals who earn N30 million (thirty million naira) and above annually or have net investable assets of $150,000 (one hundred and fifty thousand US dollars) and above

· Mass affluent professionals who earn between N6 million (six million naira) and N30million (thirty million naira) annually

· Mass market professionals who earn less than N6 million (six million naira) annually
· Youth below 25 years of age

The Bank's product include: savings accounts, current accounts, fixed deposit accounts, e-banking, local and international funds transfer, trade finance, project finance, mortgage finance, bankers' acceptances and commercial paper.

39 Financial risk management - continued

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

Non-Interest Banking: The Aternative Bank Ltd, a subsidiary of Sterling Financial Holdings Company, provides solutions that are consistent with Islamic laws and guided by Islamic economics. Non-Interest Banking is an alternative form of financial intermediation that is based on Islamic commercial jurisprudence. However, it is not exclusively for people of particular faith or religion, it is a financial product or service that is universally accessible by people of diverse religious or ethical beliefs across the globe.

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

(j) Methodology for Risk Rating

The Group has a credit rating and scoring system developed for rating exposures. They were developed in line with international best practice. Exposures are created by Corporate, Commercial and Retail business segments. The credit risk rating system assigns scores using various risk parameters based on the information provided by the borrower.

The rating is derived by adding the scores from all the risk parameters and the outcome of the rating is important for approval / rejection of the loan request.

Retail Loans:

Retail loans are governed by standard credit product programs and categorized as Consumer & MSME loans. Consumer loans are availed to individuals while MSME loans are granted to unstructured businesses. Unstructured businesses are small and medium scale businesses that rarely keep proper accounting records. Retail and SME scorecards are used for assessing Consumer and MSME loans respectively.

Commercial and Corporate Loans:

Commercial and Corporate Customers are rated using risk rating models. Depending on the underlying business transaction, Specialized Lending Models are also used for assessing specialized loans to Corporate and Commercial Customers. The rating methodology is based on both quantitative and qualitative factors. Quantitative factors are mainly the financial ratios, account conduct among others. Qualitative factors are based on the following risk categories: a. Business Risk b. Industry Risk c. Management Risk

39 Financial risk management - continued

(j) Methodology for Risk Rating - continued

Credit Scoring System:

The risk rating methodology is based on the following fundamental analyses (financial analysis and non-financial analysis):

Structured Businesses
The factors to be considered are:
Quantitative factors are basically the financial ratios which include:

a. Leverage ratios
b. Liquidity ratios
c. Profitability ratios
d. Interest Coverage ratios
e. Activity ratio

Qualitative factors. These include:

a. Industry
i. Size of the business
ii. Industry growth
iii. Market Competition
iv. Entry/Exit barriers

b. Management:
i. Experience of the management team
ii. Succession Planning
iii. Organizational structure

c. Security:
i. Collateral type
ii. Collateral coverage
iii. Guarantee i.e. the worth of Personal Guarantee/Corporate Guarantee pledged as support.

d. Relationship with the Bank:
i. Account turnover (efficiency ratio)
ii. Account conduct
iii. Compliance with covenants/conditions
iv. Personal deposits with the bank.

Unstructured Businesses:
These are customers that rarely keep proper accounting records, hence the maximum limit that can be availed to them is restricted to N20m.

The factors to be considered are:
Quantitative factors. These

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
Management:

i. Experience/Technical competence with evidence
ii. Succession Planning

0 Financial risk management - continued

(j) Methodology for Risk Rating - continued

i. Industry
ii. Industry growth
iii. Share of the market
iv. Regulations: Whether the industry is regulated or not
v. Entry/Exit

In general, the following are considered in assessing facility request

(i) Character

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Group lends directly or who manage the enterprises to which the Group lends. Character is the single most important factor in the credit decision.

(ii) Capacity

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment.

(iii) Capital

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

(iv) Cash Collaterised Facilities

Cash collaterised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected. For cash collaterised facilities, the key issue is safety margin. Local cash deposits shall provide 110% coverage for the Bank’s exposure. Foreign currency deposits pledged shall provide minimum 120% coverage for the Bank’s exposure.

(v) Pricing

The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the Group. The average score computed often determines the minimum level of interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Asset and Liability Management Department and other rates are either above or below it. The average score computed often determine the minimum level of interest chargeable. This interest rate determined would be a guide.

39 Financial risk management - continued

(vi) Collateral/Security

Collateral, often referred to as credit risk mitigant, gives additional assurance to recovering loans granted to customers. The pledged collateral is documented and continuously reviewed as to its value and marketability.

Collaterals/securities are reviewed and scored based on the following parameters:

- Whether secured or not secured
- If secured, what type of security
- Perfectible legal mortgage
- Equitable mortgage
- Chattel mortgages
- Location of security/collateral
- Loan to value ratio of collateral offered
- Marketability of security/collateral
- Whether collateral is a specialised asset or general purpose - type asset.
- Depreciating or appreciating value over time.

Enterprise risk review

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Risks are an inevitable consequence of being in business.

The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Enterprise Risk Management Group (ERM) within the policies approved by the Board of Directors. The ERM group identifies, evaluates and manages respective aspects of financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as liquidity risk, foreign exchange risk, interest rate risk, credit risk, market risk and operational risk. In addition, the Audit Division is responsible for the independent review of risk management and the control environment. The most important types of risk are Credit risk, Liquidity risk, Market risk and Operational risk. Market risk includes currency risk, interest rate and other price risk.

39.1 Credit risk

Credit exposures arise principally in lending activities carried out through loans and advances, debt securities and other instruments in the Group's risk asset portfolio. Credit risk is also inherent in off-balance sheet financial instruments.

The Group manages credit risks, which has been defined as the potential for a counterparty to default on financial obligations leading to financial losses. Credit risk is the principal source of risk to the Group arising from loans and advances extended to customers under the corporate, commercial, and retail business lines.

There is also credit risk in off-balance sheet financial instruments. Credit risk is managed by the Enterprise Risk Management Group (ERM). They report to the MD/Chief Executive Officer who in turn reports to the Board of

Main Characteristics and Elements of Credit Risk Management;

39 Financial risk management - continued

(a) Credit Portfolio Planning

In line with the Group's planning cycle, credit portfolio plans are developed and approved at the overall Group and individual business unit level.

Credit portfolio planning entails definition and agreement of target risk asset threshold for different sectors, definition of target markets and criteria for risk acceptance at the corporate level and across each credit creating business unit in the Group.

(b) Exposure Development and Creation

Exposure Development and creation incorporates the procedures for preliminary screening of facility requests, detailed credit risk analysis and risk rating, risk triggered review and approval of facilities, and controlled credit availment of approved facilities, processes and guidelines for developing credit opportunities and creating quality risk assets in line with the Group's risk management policies.

(c) Exposure Management

To minimize the risk and occurrence of loss as a result of decline in quality and non-performance of risk assets, clear guidelines for management of the risk asset portfolio and individual risk exposures are defined. Exposure management entails collateral management, facility performance monitoring,quality reviews, risk asset classification and reporting.

(d) Delinquency Management/Loan Workout

In the undesired event of decline in risk asset quality, prompt identification and management of delinquent loans significantly reduces credit risk losses in the Group. The delinquency management/loan workout module of the integrated risk management framework outlines the approach for identification and management of declining credit quality. This also covers loan workout where all activities are geared towards resuscitating non-performing loans, and the first stage in the process of recognizing possible credit loss.

(e) Credit Recovery

Deliberate actions are taken proactively to minimize the Group's loss on non-performing loans. Directions are provided in the Credit Policy guide for winding down the Group's exposure, waivers, write-offs, etc. In the event of recovery, process for recognizing income and previously written-off amounts is also defined.

The Group's Risk Management Objectives and Policies

The Group's risk management objectives and policies for credit risk include the following:

1. To ensure optimal earnings through high quality risk portfolio.
2. Clear articulation of criteria for decision making.
3. Description of specific activities and tasks with respect to the creation and management of risk assets.
4. Description of specific activities and tasks in respect of the creation and management of risk assets.
4. Definition of non-performing loans as those with interest and principal repayment outstanding for 90 days or
5. Other criteria are also defined for determining impaired loans. These include:

- Borrower's business recording consistent losses which might impair the cash flow, and loan repayment.
- Borrower's networth being grossly eroded due to some macroeconomic events.
- Lack of commuication from the borrower.
- Security offered has deteriorated in value and full payment cannot be guaranteed from normal operating sources.
- Where the Group consents to loan restructuring, resulting in diminished financial obligation.
- Demonstrated material forgiveness of debt or postponement of scheduled payment.

39 Financial risk management - continued

Categorization of collaterals to determine the acceptable security for the mitigation of impairment impact on the Income Statement.

(f) Risk Management Architecture
Risks are managed such that the risk profile and the Bank's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(ii) Credit risk measurement
Before a sound and prudent credit decision can be made, the credit risk of the borrower or counterparty must be accurately assessed. Each application is analyzed and assigned one of 9 (nine) grades using a credit rating system developed by the Group for all exposures to credit risk. Each grade corresponds to a borrower's or counterparty's probability of default.

The Group's credit risk management activities are based on certain fundamental principles.

The effectiveness of risk management process throughout the Group is based on simple formal governance structures with regular reporting processes within a well-defined control environment.

The Group's risk policy allows its personnel take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

(iii) Credit granting process
Credit granting decisions are based on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Group's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management teams and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction

(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.

39 Financial risk management - continued

The Group's rating scale, which is shown below, reflects the range of scores defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their credit risk changes.

The risk rating scale and the external rating equivalent is detailed below:

Risk Rating	External Rating Equivalent	Score Range	Remarks
RR -1	AAA TO AA-	90-100	Superior
RR -2	A+ TO A-	80-89.99	Strong
RR -3	BBB+ TO BB-	70-79.99	Good
RR -4	BB+ TO BB-	50-69.99	Satisfactory
RR -5	B+ TO B-	40-49.99	High risk
RR -6	CCC+ TO CCC	30-39.99	Watch list
RR -7	CC+ TO C	20-29.99	Substandard
RR -8	D	10-19.99	Doubtful
RR -9	D	<10	Lost

(b) **Debt Securities and Other Bills**

For debt securities and other bills, external rating such as Agusto rating or their equivalents are used by Treasury Department primarily to manage their liquidity risk exposures.

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

The Group manages concentration risks to counterparties, groups, sectors and countries. The level of credit risk undertaken is controlled by setting limits on exposures to individuals, groups, geographical and sectoral segments and facilitate continuous monitoring of adherence to set limits. The limits set are reviewed periodically and approved by the Board of Directors.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and sectoral segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by industry sector and by geography are reviewed and approved quarterly by the Board of Directors.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

39 Financial risk management - continued

Enterprise risk review - continued

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

The Group also sets internal credit approval limits for various levels in the credit process and is shown in the table

Authority level	Approval limit (Naira)
Full Board	Above 1,500,000,000
Board, Credit Committee	1,500,000,000
Management Credit Committee	750,000,000
Managing Director	500,000,000
Executive Director	150,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances demand. Some other specific control and mitigation measures are outlined below:

(a) **Collateral Acceptability**

The guiding principles behind collateral acceptability are adequacy and marketability. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

i. Mortgages over residential properties;
ii. Charges over business assets such as premises, inventory and accounts receivable;
iii. Charges over financial instruments such as debt securities and equities.

Long-term finance and lending to corporate entities as well as individuals are generally secured. However, in order to minimize losses, the Group will seek additional collateral from the counterparty when there are indicators of devaluation in existing collateral value.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

(b) Master Netting Arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if default occurs, all amounts with the counterparty are settled on net basis.

39 Financial risk management - continued

Group ***In millions of Naira***	**31 Dec 2023**	**31 Dec 2022**
Financial assets:		
Loans and advances	210,362	169,356
Financial liabilities:		
Collaterised deposits	159,444	131,714

These amounts are currently not presented net on the statement of financial position due to the performing status of the facilities; If the items were to be netted, the following net asset will be presented on the statement of financial position:

In millions of Naira	**31 Dec 2023**	**31 Dec 2022**
Net financial assets/ liabilities:		
Loans and advances	50,918	37,642

(c) Credit-related Commitments

The primary purpose of these instruments is to create other avenues for lending. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore, carry less risk than a direct loan.

(d) Credit Concentration

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Breakdown of Exposures by Geographic Areas

Group
31 December 2021

S/N	**Region**	**31 Dec 2023**	**31 Dec 2022**
	In millions of Naira		
1	Abuja	58,096	46,123
2	Lagos	618,414	444,525
3	North Central	39,928	37,055
4	North East	7,528	6,599
5	North West	37,276	26,044
6	South East	14,839	13,168
7	South South	62,455	109,821
8	South West	87,930	74,848
	Grand Total	**926,466**	**758,183**

39 Financial risk management - continued

Enterprise risk review - continued

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

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

Group

Type of collateral or credit enhancement

31 December 2023

	Fair value of collateral and credit enhancements held								
	Maximum exposure to credit risk	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collateral value**	**Net exposure**	**Associated ECLs**
In millions of Naira									
Financial assets									
Cash and balances with Central Bank of Nigeria	-	-	-	-	-	-	-	-	-
Due from banks	234,953	-	-	-	-	-	-	234,953	-
Pledged assets	11,288	-	-	-	-	-	-	11,288	(16)
Loans and advances to customers							-	-	
- Corporate loans	822,459	191,075	86,614	160,995	1,742,510	4,438	2,185,632	-	(18,922)
- Individual/retail loans	104,007	2,610	10,385	17,899	548	51,541	82,983	21,024	(11,722)
Debt instruments at amortised cost	131,012	-	-	-	-	-	-	131,012	(282)
Total financial assets at amortised cost	**1,303,719**	**193,685**	**96,999**	**178,894**	**1,743,058**	**55,979**	**2,268,615**	**398,277**	**(30,942)**
Derivative financial assets	276							276	-
Debt instruments at fair value through profit or loss	2,112	-	-	-	-	-	-	2,112	-
Total financial instruments at fair value through profit or loss	**2,388**	**-**	**-**	**-**	**-**	**-**	**-**	**2,388**	**-**
Debt instruments at fair value through other comprehensive income	316,204	-	-	-	-	-	-	316,204	-
Total debt instruments at fair value through other comprehensive income	**316,204**	**-**	**-**	**-**	**-**	**-**	**-**	**316,204**	**-**
Financial guarantees	168,437	-	-	-	-	-	-	168,437	(537)
Letters of credit for customers	180,777	-	-	-	-	-	-	180,777	(1)
	1,971,525	**193,685**	**96,999**	**178,894**	**1,743,058**	**55,979**	**2,268,615**	**1,066,083**	**(31,480)**

39 Financial risk management - continued

Enterprise risk review - continued

Company

Type of collateral or credit enhancement

31 December 2023

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	-	-	-	-	-	-	-	-	-
Due from banks	8,696	-	-	-	-	-	-	8,696	-
Pledged assets	-	-	-	-	-	-	-	-	-
Loans and advances to customers									
- Corporate loans	-	-	-	-	-	-	-	-	-
- Individual/retail loans	-	-	-	-	-	-	-	-	-
Debt instruments at amortised cost	-	-	-	-	-	-	-	-	-
Total financial assets at amortised cost	**8,696**	**-**	**-**	**-**	**-**	**-**	**-**	**8,696**	**-**
Derivative financial assets	-							-	-
Debt instruments at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Total financial instruments at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total debt instruments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial guarantees	-	-	-	-	-	-	-	-	-
Letters of credit for customers	-	-	-	-	-	-	-	-	-
	8,696	**-**	**-**	**-**	**-**	**-**	**-**	**8,696**	**-**

39 Financial risk management - continued

Enterprise risk review - continued

Group

Type of collateral or credit enhancement

31 December 2022

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

39 Financial risk management - continued

Enterprise risk review - continued

Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2022, is set out below:

Group **31 December 2023** **In millions of Naira**	**Cash and bank balances**	**Due from banks**	**Pledged assets**	**Derivative financial assets**	**Loans and advances**	**Debt instruments at fair value through profit or loss**	**Debt instruments at amortised cost**	**Debt instruments at fair value through OCI**	**Financial guarantees**	**Letters of credit for customers**	**Total**
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	103,719	-	-	-	1,000	190	104,909
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	22,387	-	-	-	196	-	22,583
Consumer	-	-	-	-	83,616	-	-	-	3	-	83,619
Education	-	-	-	-	9,233	-	-	-	-	-	9,233
Finance and Insurance	32,002	234,953	628	276	14,618	-	-	-	500	-	282,977
Government	572,597	-	10,644	-	73,102	2,112	130,730	316,204	12,687	12,724	1,130,800
Manufacturing	-	-	-	-	46,681	-	-	-	6,054	79,983	132,718
Mining & Quarrying	-	-	-	-	64	-	-	-	-	-	64
Mortgage	-	-	-	-	2,249	-	-	-	-	-	2,249
Oil & Gas	-	-	-	-	285,277	-	-	-	48,178	72,792	406,247
Others		-	-	-	116,095	-	-	-	18,920	9,879	144,894
Power	-	-	-	-	30,479	-	-	-	859	4,778	36,116
Real Estate & Construction	-	-	-	-	17,869	-	-	-	62,648	22	80,539
Transportation	-	-	-	-	55,951	-	-	-	14,786	-	70,737
Non-Interest Banking	-	-	-	-	34,482	-	-	-	2,069	408	36,959
	604,599	**234,953**	**11,272**	**276**	**895,822**	**2,112**	**130,730**	**316,204**	**167,900**	**180,776**	**2,544,644**
Concentration by location:											
Nigeria	604,599	1,040	11,272	276	895,822	2,112	130,730	316,204	167,900	180,776	2,310,731
America	-	120,890	-	-	-	-	-	-	-	-	120,890
Europe	-	112,934	-	-	-	-	-	-	-	-	112,934
Africa	-	89	-	-	-	-	-	-	-	-	89
Asia	-	-	-	-	-	-	-	-	-	-	-
	604,599	**234,953**	**11,272**	**276**	**895,822**	**2,112**	**130,730**	**316,204**	**167,900**	**180,776**	**2,544,644**

39 Financial risk management - continued

Enterprise risk review - continued

Company **31 December 2023** **In millions of Naira**	**Cash and bank balances**	**Due from banks**	**Pledged assets**	**Derivative financial assets**	**Loans and advances**	**Debt instruments at fair value through profit or loss**	**Debt instruments at amortised cost**	**Debt instruments at fair value through OCI**	**Financial guarantees**	**Letters of credit for customers**	**Total**
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance	-	8,696	-	-	-	-	-	-	-	-	8,696
Government	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	-
Mining & Quarrying	-	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-	-
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-	-	-	-
Real Estate & Construction	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Non-Interest Banking	-	-	-	-	-	-	-	-	-	-	-
	-	**8,696**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,696**
Concentration by location:											
Nigeria	-	8,696	-	-	-	-	-	-	-	-	8,696
America	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-	-	-
	-	**8,696**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,696**

39 Financial risk management - continued

Enterprise risk review - continued

Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2021, is set out below:

Group

31 December 2022

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

39 Financial risk management - continued

Enterprise risk review - continued

Company

31 December 2022

In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Derivative financial assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Capital Market	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-
Finance and Insurance	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-	-
Oil & Gas	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
Power	-	-	-	-	-	-	-	-	-	-	-
Real Estate & Construction	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-
Non-Interest Banking	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Concentration by location:											
Nigeria	-	-	-	-	-	-	-	-	-	-	-
America	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-
Asia	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Commitments and Guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

GROUP *In millions of Naira*	**31 Dec 2023**	**31 Dec 2022**
Bonds, guarantees and indemnities	168,437	116,156
Letters of credit	180,777	113,786
	349,214	**229,942**

Maturity profile of contingents and commitments

As at 31 December 2023 *In millions of Naira*	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Bonds, guarantees and indemnities	-	20,422	55,330	38,139	54,546	168,437
Letters of credit	-	177,929	2,848	-	-	180,777
Total undiscounted financial assets (A)	**-**	**198,351**	**58,178**	**38,139**	**54,546**	**349,214**

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

39 Financial Risk Management - continued

Enterprise Risk Review - continued

Exposure to Credit Risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

The Standardized Approach has been used in assessing the Bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines. Credit assessments applied to items in the Group's book and trading book are assigned in accordance with the regulatory guidelines

31 December 2023				
Assets	**carrying values of:**			
In millions of Naira	**Defaulted exposures**	**Non defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans and advances to customers	46,969	879,497	(30,644)	895,822
Debt securities	-	-	-	-
Off balance sheet exposures	-	349,214	(538)	348,676
Total	46,969	1,228,711	(31,182)	1,244,498

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	604,599	-	-	-	604,599	604,599
Due from banks	234,953	-	-	-	234,953	234,953
Pledged assets	11,272	-	-	-	11,272	11,272
Derivative financial assets	276	-	-	-	276	276
Loans and advances to customers	67,333	510,569	301,595	46,969	926,466	895,822
Financial assets at fair value through profit or loss	2,112	-	-	-	2,112	2,112
Investments securities - FVOCI	316,204	-	-	-	316,204	316,204
Investments securities - amortised cost	131,012	-	-	-	131,012	130,730
Other assets	-	227,639	-	-	227,639	227,639
Total	1,367,761	738,208	301,595	46,969	2,454,533	2,423,607

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

The Standardized Approach has been used in assessing the Group's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines.

31 December 2022 **Assets** *In millions of Naira*	**carrying values of:** **Defaulted exposures**	**Non defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans	29,456	728,727	(20,448)	737,735
Debt Securities	-	25,431	-	25,431
Off Balance sheet exposures	-	229,942	(1,278)	228,664
Total	29,456	984,100	(21,726)	991,830

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

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Mitigation Techniques

The Group has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reductions in exposures where necessary. Credit control and mitigation policies are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

- Acceptable collateral for each credit product.
- Required documentation/perfection of collaterals
- Conditions for waiver of collateral requirement and approval of collateral waiver.
- Acceptance of cash and other forms of collateral denominated in foreign currency.

31 December 2023

Assets			Exposure unsecured	Total Exposures	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
In millions of Naira							
Loans and advances to customers			48,181	878,285	830,104	-	-
Debt Securities			-	-		-	-
Total			48,181	878,285	830,104	-	-
of which defaulted			-	**46,969**	-	-	-

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes			**Exposures pre Credit Conversion Factor and Credit Risk Mitigation**		**Exposures post Credit Conversion Factor and Credit Risk Mitigation**		
In millions of Naira			**on balance sheet**	**off- balance sheet**	**on balance sheet**	**off- balance sheet**	**Risk Weighted Assets (RWA)**
Sovereigns and their central banks			1,071,013	-	1,071,013	-	-
Non-central government public sector entities			91,673	-	41,090	6,695	47,744
Supervised institutions			331,801	21,165	331,104	-	67,654
Corporates			601,895	291,274	502,757	98,002	540,240
Regulatory retail portfolios			95,033	59,230	93,471	29,607	70,107
Secured by residential property			10,496	-	9,914	-	8,977
Secured by commercial real estate			97,545	-	90,865	-	90,865
Past due loans			27,668	-	27,668	-	30,343
Higher –risk categories			36,906	-	36,906	-	55,360
Other assets			198,895	33,973	198,895	14,284	149,196
Total			**2,562,925**	**405,642**	**2,403,683**	**148,588**	**1,060,486**

31 December 2022

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

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Risk Exposure and Credit Risk Mitigation (CRM)

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

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2023 In millions of Naira Risk weight	0%	20%	50%	75%	100%	150%	Exposure Amount (Post CCF and Post CRM)
Sovereigns	1,071,013	-	-	-	-	-	**1,071,013**
Non-central government public sector entities (PSEs)	-	2,644	4,103	-	41,038	-	**47,785**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised Institutions	-	329,155	251	-	1,696	-	**331,102**
Corporates	-	31,757	66,246	-	502,757	-	**600,760**
Regulatory Retail Portfolios	-	5	29,602	93,471	-	-	**123,078**
Secured by Mortgages on Residential Properties	-	-	-	3,747	6,167	-	**9,914**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	90,865	-	**90,865**
Past due loans	-	-	9	-	22,298	5,360	**27,667**
Higher –risk categories	-	-	-	-	-	36,906	**36,906**
Other assets	63,748	1,802	12,482	-	135,147	-	**213,179**
Total	**1,134,761**	**365,363**	**112,693**	**97,218**	**799,968**	**42,266**	**2,552,269**

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2023
In millions of Naira

Risk weight	0%	20%	50%	75%	100%	150%	Total credit exposure amount (Pre CCF and CRM)
Sovereigns	1,071,013	-	-	-	-	-	**1,071,013**
Non-central government public sector entities (PSEs)	-	13,011	8,206	-	91,621	-	**112,838**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised institutions	-	329,853	251	-	1,696	-	**331,800**
Corporates	-	158,783	132,491	-	601,895	-	**893,169**
Regulatory retail portfolios	-	26	59,204	95,033	-	-	**154,263**
Secured by Mortgages on Residential Properties	-	-	-	3,929	6,567	-	**10,496**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	97,545	-	**97,545**
Past due loans	-	-	9	-	22,298	5,360	**27,667**
Higher –risk categories	-	-	-	-	-	36,906	**36,906**
Other assets	63,748	9,009	24,964	-	135,147	-	**232,868**
Total	**1,134,761**	**510,682**	**225,125**	**98,962**	**956,769**	**42,266**	**2,968,565**

39 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

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

39 Financial risk management - continued
Enterprise risk review - continued

Exposure to credit risk - continued

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

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

39 Financial Risk Management - continued

Exposure to Credit Risk - continued

Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments (except for specialised lending facilities where the 90 days past due is rebutted and 180 days past due is used instead). The Group considers treasury and interbank balances defaulted and takes immediate action when the required intra-day payments are not settled by the close of business as outlined in the individual agreements.

As a part of the qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default (debt service default or technical default) or past due event.
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the Bank would not otherwise consider.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- The Bank puts the credit obligation on non-accrued status.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at lease 90 consecutive days. The decision whether to classify an asset as Stage 2 or Stage 1 once cured, depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant reduction in credit risk.
The following probationary period is applied in transferring financial asset back to a lower stage following a significant reduction in credit risk:

• When there is evidence of a significant reduction in credit risk for a financial instrument in stage 2, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.
• When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 90 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 2.
• When there is evidence that a financial asset in stage 3 (other than originated or purchased credit impaired financial asset) is no longer credit impaired and also that there is a significant reduction in credit risk for a financial instrument in stage 3, a probationary period of 180 days will be applied to confirm if the risk of default on such financial instrument has decreased sufficiently before upgrading such exposure to stage 1.

The Bank's internal rating and Probability of Default (PD) estimation process

The Group runs separate models for its key portfolios in which its customers are rated from RR-1 to RR-9 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower,utilise supplementary external information that could affect the borrower's behaviour. These information sources are first used to determine the ratings within the Bank's risk management framework. The internal credit grades are assigned based on these assessments.

PDs is an estimate of the likelihood of default over a given time horizon which is based on the historical default data of the Bank which are then adjusted for IFRS 9 ECL calculations by incorporating forward looking information. This is further assessed based on three economic scenarios (Base, Upturn and Downturn) with appropriate probabity weights assigned to derive the probaility weighted ECLs.

Treasury, trading and interbank relationships

The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group analyses available information such as financial information and other external data to conduct credit assessments and assign internal

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 addittion, historical account performance is evaluated.

39 Financial Risk Management - continued

The Bank’s internal credit rating grades

Internal risk rating grade	External rating equivalent	Remarks
RR -1	**AAA TO AA-**	Superior
RR -2	**A+ TO A-**	Strong
RR -3	**BBB+ TO BB-**	Good
RR -4	**BB+ TO BB-**	Satisfactory
RR -5	**B+ TO B-**	High Risk
RR -6	**CCC+ TO CCC**	Watch List
RR -7	**CC+ TO C**	Substandard
RR -8	**D**	Doubtful
RR -9	**D**	Lost

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12m ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time,

Loss given default

LGD is the portion of the loan determined to be irrecoverable at the time of loan default. the Group estimates the general Life Time LGD curves based on an Intensity Matrix, which is built on top of the actual migration of exposure in between the Credit Risk States (buckets). The secured portion of the LGD adjusted for collateral values while recovery data is observed for the unsecured portion of the LGD. The models in calculating the LGD considers in its computation a wider set of transaction characteristics (e.g. product type, collateral, recovery cost, time to recovery e.t.c.).

The Group segments its products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

39 Financial Risk Management - continued

Significant increase in credit risk
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime (LT) ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers both qualitative and quantitative factors in assessing whether credit risk has increased significantly on any exposure. Some of these factors include significant increase in PD since initial recognition, expectation of forbearance and restructuring due to financial difficulties.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3.0 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Central Bank of Nigeria, Nigeria Bureau of Statistics, BMI Research, Trading Economics etc.) and a team of expert within its Enterprise Risk Management Department verifies the accuracy of inputs to the Group' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2021 and 2022.

39 Financial Risk Management - continued

Group

31 December 2023

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

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

31 December 2022

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

At the beginning of each year, the key economic indicators used in ECL models for the Group are always reassessed to reflect current and accurate data.

39 Financial Risk Management - continued

The following tables outline the impact of multiple scenarios on the allowance:

Group

31 December 2023	**Debt instruments at FVOCI**	**Debt instruments at amortised cost**	**Corporate lending**	**Individual/ Retail lending**	**Financial guarantee**	**Letter of credit**
In millions						
Upside (12%)	218	50	3,164	1,960	90	0
Base (65%)	788	181	11,467	7,104	325	1
Downside (23%)	295	67	4,291	2,658	122	0
Total	1,301	298	18,922	11,722	537	1

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

Overview of modified financial assets

From a risk management point of view, once an asset is forborne or modified, the Group's credit recovery department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification gain earned by the Bank.

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

39 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk

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

1 Market/Trading Liquidity Risk is the risk of inability to conduct transaction at current market price because of the size of the transaction. This type of liquidity risk comes to play when certain assets cannot be liquidated at short notice due to market illiquidity.

2 Funding Liquidity Risk relates to the inability to raise the necessary cash to roll over its debt; to meet the cash, margin, and collateral requirements of counterparties; and to satisfy capital withdrawals. Funding liquidity risk is managed through holding cash and cash equivalents, setting credit lines in place, and monitoring buying power. (Buying power refers to the amount a trading counterparty can borrow against assets under stressed market conditions).

The Asset & Liability Committees (ALCO) are responsible for managing the liquidity of the Group. The Asset and Liability Management (ALM) function manages the day-to-day liquidity requirements across the Group. The Market & Liquidity Risk function actively manages and monitors liquidity through the framework of limits, behavioural patterns of non-maturing assets and liabilities, among others. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, also when there is unexpected delay in repayment of loans (term liquidity risk) or unexpectedly high payment outflow (withdrawal/call risk).

In line with the Liquidity Risk Management Framework, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short–term bank placements and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Presented below is the process used in managing liquidity:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;

Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

Monitoring balance sheets liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting function and market and Liqudity Risk function).

39 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques

Liquidity positions are measured by calculating the net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management policy.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and Government Bonds for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the CBN.

The following table reflects the Group's regulatory liquidity ratio for the years indicated.

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

In addition to the above, the Group also applies the following metrics in measuring liquidity risk and ensuring that day-to-day funding requirements are met.

1 **Liquidity Coverage Ratio (LCR)** - The LCR aims to ensure that the Group has sufficient unencumbered high-quality liquid assets ('HQLA') to withstand a stressed 30-day funding scenario. HQLA consist of cash or assets that can easily be converted into cash at little or no loss of value to cover any net outflow. The minimum requirement is 100%.

On a Business-As-Usual (BAU) basis, the Group's LCR as at 31 December 2023 was 192.37%. The LCR indicates that the Group has adequate liquidity to support its current level of growth.

2 Net Stable Funding Ratio (NSFR) – The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

It measures the amount of available stable funding relative to the required stable funding. This ratio should be equal to at least 100% on an ongoing basis. It is designed to complement the LCR.

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

39 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

3 **Liquidity Gap**: Liquidity Gap describe a discrepancy or mismatch in the supply or demand for cash inflows and outflows. The ALM Team use maturity gap analysis to compare cash inflows and outflows daily and over a series of time-bands. The liquidity gap reports are prepared using the projection worksheets created for different scenarios and stress levels. For each scenario, the assumptions used were approved by the ALCO. For liquidity in the normal or ordinary course of business, the minimum levels of projected liquidity shall be maintained. For liquidity in all other scenarios and stress levels, the ALCO establishes minimum guidance levels.

4 **Liquidity Ratios:** Liquidity ratios describe the structure and shape of the balance sheet in business-as-usual conditions and allow the ALCO to monitor changes in structural liquidity. The Group establishes various liquidity ratios to indicate the business's ability to meet short-term obligations with liquid assets, identify any mismatches between long-term funding sources and uses and review the ability of the banking business to fund loans through customer deposits.

The ALCO sets the internal liquidity ratios targets aimed at ensuring that the Group meets its liquidity needs under going concern and stressed market conditions.

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

	As at 31 December 2023	As at 31 December 2022
Liquidity Ratio	32.41%	37.22%
Net Interbank Borrowing / Total Deposit	0.00%	0.89%
Loan/ Deposit Ratio	56.25%	54.10%
Current and Savings Account/Total Deposit	74.87%	70.74%

5 **Stress Testing:** In addition, stress testing and scenario analysis are used to assess the financial and management capabilities of the Group to continue operating effectively under extreme but still viable trading conditions. A liquidity stress test is conducted, at least monthly, reviewing the impact of an accelerated run-off from funding sources and changes in normal business situation.

The ALCO integrates the results of the stress testing process into the Group's strategic planning process (e.g. Management could adjust its asset-liability composition) and the firm's day-to-day risk management practices (e.g. through monitoring sensitive cash flows or reducing concentration limits).

To ensure that liquidity risk is controlled within the Group, limits and triggers are set. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to particular sources of liabilities, asset-liability mismatches and counterparty concentrations.

These limits include liquidity ratio limits (Loan/Deposit, Liquid Assets/Customer Liabilities, Medium Term Funding Ratio, Core Funding Ratio etc.), Maturity Mismatch limits, Cumulative Outflow limit as well as Concentration limits. Furthermore, diversification of the Group's funding profile in terms of investor types, regions, products and instruments is also an important element of controlling liquidity risk.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

Liquidity Contingency Funding Plan

The Group has an approved liquidity Contingency Funding Plan (CFP or the Plan) for managing unanticipated stressful scenarios that could result in a significant erosion of group-specific or general market liquidity. The Plan details the policies, procedures and actions for responding to contingent liquidity events as well as incorporates early warning indicators to monitor market conditions.

Such early warning indicators include, among others, decline in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash.

The Contingency Funding plan covers the available sources of contingent funding to supplement cash flow shortages, the lead times to obtain such funding, the roles and responsibilities of those involved in the contingency plans, and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the Contingency Funding Plan.

In the period between 31 December 2022 and 31 December 2023, the Group's total deposit base grew on a yearly basis by 39% from N1.328billion to N1,842billion. It is instructive to note that 57% of the customer deposits were Demand deposits.

39 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk

Group

The table below shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

31 December 2023 *In millions of Naira*	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Financial assets								
Cash and balances with Central Bank of Nigeria	16	604,599	604,599	156,922	-	-	-	447,677
Due from banks	17	234,953	234,953	234,953	-	-	-	-
Pledged assets	18	11,272	11,598	-	5,600	5,778	-	220
Derivative financial assets	19	276	276	276	-	-	-	-
Loans and advances to customers	20	895,822	930,014	338,057	141,593	109,978	232,086	108,300
Investment securities:								
- Financial assets at fair value through profit or loss	21(a)	2,112	2,198	136	144	693	535	690
- Debt instruments at fair value through other comprehensive income	21(b)	316,204	330,168	52,488	30,338	47,031	78,428	121,883
- Equity instruments at fair value through other comprehensive income	21(c)	36,906	36,906	-	-	-	-	36,906
- Debt instruments at amortised cost	21(d)	130,730	136,513	39,987	8,253	30,336	40,503	17,434
Other assets	23	242,110	249,381	70,087	44,214	70,216	20,318	44,546
		2,474,984	**2,536,606**	**892,906**	**230,142**	**264,032**	**371,870**	**777,656**
Financial liabilities								
Deposits from Banks	27	-	-	-	-	-	-	-
Deposits from customers	28	1,842,815	1,852,349	609,838	128,778	399,472	272,986	441,275
Debt securities issued & other borrowed funds	29&30	242,644	290,636	2,349	10,003	13,486	156,329	108,469
Other liabilities	31	257,910	257,922	30,184	41,635	66,613	30,892	88,598
		2,343,369	**2,400,907**	**642,371**	**180,416**	**479,571**	**460,207**	**638,342**
Gap (asset - liabilities)		**131,615**	**135,699**	**250,535**	**49,726**	**(215,539)**	**(88,337)**	**139,314**
Cumulative liquidity gap				**250,535**	**300,261**	**84,722**	**(3,615)**	**135,699**

39 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Group

31 December 2022 *In millions of Naira* Financial assets	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Cash and balances with Central Bank of Nigeria	16	431,488	431,488	136,193	-	-	-	295,295
Due from banks	17	86,459	86,459	86,459	-	-	-	-
Pledged assets	18	23,098	23,098	23,098	-	-	-	-
Derivative financial assets	19	807	807	807	-	-	-	-
Loans and advances to customers	20	737,735	758,183	148,506	160,353	115,430	144,253	189,641
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	21(a)	921	921	1	16	45	-	859
- Debt instruments at fair value through other comprehensive income	21(b)	230,636	299,935	89,753	20,069	10,489	66,218	113,406
- Equity instruments at fair value through other comprehensive income	21(c)	25,227	25,227	-	-	-	-	25,227
- Debt instruments at amortised cost	21(d)	106,889	128,723	19,550	12,015	10,000	51,814	35,344
Other assets	23	171,911	171,911	-	-	-	171,911	-
		1,815,171	**1,926,752**	**504,367**	**192,453**	**135,964**	**434,196**	**659,772**
Financial liabilities								
Deposits from Banks	27	37,178	37,178	37,178	-	-	-	-
Deposits from customers	28	1,327,805	1,383,736	607,592	97,875	204,892	172,210	301,167
Debt securities issued & other borrowed funds	29&30	175,658	224,082	794	-	9,438	160,130	53,720
Other liabilities	31	160,257	160,270	224	341	-	159,705	-
		1,700,898	**1,805,266**	**645,788**	**98,216**	**214,330**	**492,045**	**354,887**
Gap (asset - liabilities)		**114,273**	**121,486**	**(141,421)**	**94,237**	**(78,366)**	**(57,849)**	**304,885**
Cumulative liquidity gap				**(141,421)**	**(47,184)**	**(125,550)**	**(183,399)**	**121,486**

39 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Company

31 December 2023	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
In millions of Naira								
Financial assets								
Cash and balances with Central Bank of Nigeria	16	-	-	-	-	-	-	-
Due from banks	17	8,696	8,696	8,696	-	-	-	-
Pledged assets	18	-	-	-	-	-	-	-
Derivative financial assets	19	-	-	-	-	-	-	-
Loans and advances to customers	20	-	-	-	-	-	-	-
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	21(a)	-	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	21(b)	-	-	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	21(c)	-	-	-	-	-	-	-
- Debt instruments at amortised cost	21(d)	-	-	-	-	-	-	-
Other assets		411	411	411	-	-	-	-
		9,107	**9,107**	**9,107**	**-**	**-**	**-**	**-**
Financial liabilities								
Deposits from Banks	27	-	-	-	-	-	-	-
Deposits from customers	28	-	-	-	-	-	-	-
Debt securities issued & other borrowed funds	29&30	-	-	-	-	-	-	-
Other liabilities	31	612	612	612	-	-	-	-
		612	**612**	**612**	**-**	**-**	**-**	**-**
Gap (asset - liabilities)		**8,495**	**8,495**	**8,495**	**-**	**-**	**-**	**-**
Cumulative liquidity gap				**8,495**	**8,495**	**8,495**	**8,495**	**8,495**

39 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Company

31 December 2022	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
In millions of Naira								
Financial assets								
Cash and balances with Central Bank of Nigeria	16	-	-	-	-	-	-	-
Due from banks	17	-	-	-	-	-	-	-
Pledged assets	18	-	-	-	-	-	-	-
Derivative financial assets	19	-	-	-	-	-	-	-
Loans and advances to customers	20	-	-	-	-	-	-	-
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	21(a)	-	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	21(b)	-	-	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	21(c)	-	-	-	-	-	-	-
- Debt instruments at amortised cost	21(d)	-	-	-	-	-	-	-
Other assets	23	-	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities								
Deposits from Banks	27	-	-	-	-	-	-	-
Deposits from customers	28	-	-	-	-	-	-	-
Debt securities issued & other borrowed funds	29&30	-	-	-	-	-	-	-
Other liabilities	31	-	-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**	**-**
Gap (asset - liabilities)		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cumulative liquidity gap				**-**	**-**	**-**	**-**	**-**

While there is a negative cumulative liquidity gap within one year, it does not reflect the actual liquidity position of the Group as most of the term deposits from customers maturing within one year are historically being rolled over.

39 Financial risk management - continued

(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.

39 Financial risk management - continued

(f) Market Risk

Market Risk Governance Structure

Board of Directors	• The Board is responsible for the overall governance of Market Risk management process.
Board Risk Management Committee	• The Board Risk Management Committee promotes effective management of Market Risk. The Committee also help to foster the establishment and maintenance of an effective Market Risk culture.
4 Management Risk Committee (MRC)	• The Management Risk Committee (MRC) is responsible for implementing the Bank's Market Risk management policies and procedures.
Asset and Liability Management Committee	• The overall authority and management of Market Risk in the Group is vested in the Asset and Liability Management Committee (ALCO).
Chief Risk Officer	• The Chief Risk Officer provides direction on the implementation of market risk management framework as well as supervises and monitors on regular basis, the Market Risk profile of the Group.
Market and Liquidity Risk Management (MLRM) Team	• The MLRM Team has primary ownership of the policy and ensure its implementation. • This include identifying, measuring, monitoring and reporting market risks within the Group while developing policies and guidelines for its effective management.

39 Financial risk management - continued

Market Risk Measurement Techniques

The major measurement techniques used by the Group to monitor and control Market Risk exposures are outlined

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.

The Group's trading VaR for the financial year is reflected in the table below.

2023 (all figures in N’million)	Interest Rate	Foreign Exchange
VaR as at 31 Dec 2023	30.62	64.56

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 Fair Value though P or L (FVPL) and Fair Value through Other Comprehensive Income (FVOCI) portfolios. The Group calculates:

> risk factor stress testing, where stress movements are applied to each risk ;
> historical stress tests where shocks based on historical movements are assumed and applied; and
> ad-hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the ALCO who may respond by modifying the portfolio and taking other strategic steps to reduce the expected impact in the event that these risks crystallizes. The stress test results may also be presented to the Board.

39 Financial Risk Management - continued

Enterprise Risk Review - continued

f(i) Interest Rate Risk

Interest rate risk in the banking book is the risk of an adverse impact on earnings or capital due to changes in market interest rates. Changes in interest rates affect earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the assets, liabilities, and off-balance-sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

The Group's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the group's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Group.

Overall, management of the Group's non-trading interest rate risk positions lies with the ALCO. In addition to various strategies, the ALCO defines the internal transfer pricing framework constructed to ensure that interest rate risk arising from mismatches in the maturity profile of assets and liabilities is managed to achieve a balanced repricing cumulative gap position that is in line with the limits set by the Board. The ALCO also makes judgmental assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or re-pricing dates.

Measurement of Interest Rate Risk in the Banking Book
Generally, the primary source of interest rate risk is the differences in the timing of the repricing of the assets, liabilities and off-balance sheet instruments. Repricing mismatches generally occur from borrowing short term to fund long term assets or borrowing long term to fund long term assets. These activities can expose an institutions earnings and economic value of equity (EVE) to changes in market interest rate.

The measures applied by the Group in monitoring and controlling interest rate risk in the banking book includes:
Net Interest Income (NII) Sensitivity – An integral part of the Group's management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income while applying different rate scenarios (simulation modelling) where other macro-economic metrics are held constant. This monitoring is undertaken at the ALCO level. The Group applies a combination of scenarios and assumptions relevant to our peculiar businesses in forecasting one-year net interest income sensitivities across a range of interest rate scenarios.

Economic Value of Equity (EVE) - EVE represents the present value of the future banking book cash flows that could be
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.

39 Financial Risk Management - continued

(f) Market risks - continued

f(i) Interest Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

(a)

Group In millions of Naira 31 December 2023	*Notes*	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Non-derivative assets:							
Due from banks	17	234,953	-	-	-	-	234,953
Loans and advances to customers	20	348,101	139,856	97,229	214,206	96,430	895,822
Investment securities :							
- Financial assets at fair value through profit or loss	21(a)	137	141	635	567	632	2,112
- Debt instruments at fair value through other comprehensive income	21(b)	81,385	27,060	31,695	65,347	110,717	316,204
- Debt instruments at amortised cost	21(d)	45,090	8,431	28,698	29,499	19,012	130,730
		709,666	175,488	158,257	309,619	226,791	1,579,821
Non-derivative liabilities:							
Deposits from Banks	27	-	-	-	-	-	-
Deposits from customers	28	283,543	64,239	191,505	100,412	160,657	800,356
Other borrowed funds & Debt securities issued	29&30	-	-	-	181,155	61,489	242,644
		283,543	64,239	191,505	281,567	222,146	1,043,000
Total interest sensitivity gap		426,123	111,249	(33,248)	28,052	4,645	536,821

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)	49,669	993	(993)
from 1 to 3 months		335	0.02	(0.02)	351,393	7,028	(7,028)
from 3 to 6 months		275	0.02	(0.02)	116,878	2,338	(2,338)
from 6 to 12 months		185	0.02	(0.02)	(31,483)	(630)	630
Total					486,457	9,729	(9,729)

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Position)	Impact on Equity
Up to 1 month		0.08%	49,669	40
from 1 to 3 months		0.31%	351,393	1,082
from 3 to 6 months		0.68%	116,878	800
from 6 to 12 months		1.31%	(31,483)	(413)
1 years to 2 years		2.46%	(109,202)	(2,689)
2 years to 3 years		3.80%	52,251	1,988
3 years to 4 years		5.05%	29,535	1,492
4 years to 5 years		6.41%	43,948	2,818
5 years to 7 years		8.27%	(19,926)	(1,648)
7 years to 10 years		9.06%	54,031	4,895
10 years to 15 years		11.70%	14,242	1,666
15 years to 20 years		11.73%	1,362	160
More than 20 years		12.72%	(11,105)	(1,412)
Total			541,593	8,779

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

	Group	***Notes***	**Less than** 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
	In millions of Naira							
(a)	**31 December 2022**							
	Financial assets							
	Due from banks	17	86,459	-	-	-	-	86,459
	Loans and advances to customers	20	144,500	156,028	112,317	140,363	184,527	737,735
	Investment securities:							
	- Financial assets at fair value through profit or loss	21(a)	1	16	45	406	453	921
	- Debt instruments at fair value through other comprehensive income	21(b)	93,390	20,583	9,911	53,485	53,267	230,636
	- Debt instruments at amortised cost	21(d)	20,083	12,207	9,814	46,576	18,209	106,889
			344,433	188,834	132,087	240,830	256,456	1,162,640
	Financial Liabilities							
	Non-derivative liabilities:							
	Deposits from Banks	27	37,178	-	-	-	-	37,178
	Deposits from Customers	28	597,418	95,329	199,315	164,434	271,309	1,327,805
	Other borrowed funds & Debt securities issued	29&30	773	-	8,502	129,542	36,841	175,658
			635,369	95,329	207,817	293,976	308,150	1,540,641
	Total interest sensitivity gap		(290,936)	93,505	(75,730)	(53,146)	(51,694)	(378,001)

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)	(238,178)	(4,764)	4,764
from 1 to 3 months		335	0.02	(0.02)	(52,756)	(1,055)	1,055
from 3 to 6 months		275	0.02	(0.02)	93,505	1,870	(1,870)
from 6 to 12 months		185	0.02	(0.02)	(75,730)	(1,515)	1,515
Total					(273,159)	(5,463)	5,463

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

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%	(238,178)	(188)
from 1 to 3 months	0.31%	(52,756)	(164)
from 3 to 6 months	0.68%	93,505	640
from 6 to 12 months	1.34%	(75,730)	(1,013)
1 years to 2 years	2.51%	6,106	153
2 years to 3 years	3.86%	(37,487)	(1,446)
3 years to 4 years	5.22%	(3,714)	(194)
4 years to 5 years	7.10%	(18,118)	(1,286)
5 years to 7 years	9.07%	25,087	2,275
7 years to 10 years	10.75%	(54,729)	(5,882)
10 years to 15 years	13.66%	19,444	2,656
15 years to 20 years	16.93%	(11,604)	(1,965)
More than 20 years	21.71%	(29,893)	(6,489)
Total		(378,067)	(12,903)

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Company *In millions of Naira* **31 December 2023**	*Notes*	**RATE SENSITIVITY OF ASSETS AND LIABILITIES** **Less than 3 months ₦'million**	**3-6 months ₦'million**	**6-12 months ₦'million**	**1 - 5 years ₦'million**	**More than 5 years ₦'million**	**Total ₦'million**
Non-derivative assets:							
Due from banks	17	8,696	-	-	-	-	8,696
Loans and advances to customers	20	-	-	-	-	-	-
Investment securities:							
- Financial assets at fair value through profit or loss	21(a)	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	21(b)	-	-	-	-	-	-
- Debt instruments at amortised cost	21(d)	-	-	-	-	-	-
		8,696	-	-	-	-	8,696
Non-derivative liabilities:							
Deposits from Banks	27	-	-	-	-	-	-
Deposits from Customers	28	-	-	-	-	-	-
Other borrowed funds & Debt securities issued	29&30	-	-	-	-	-	-
		-	-	-	-	-	-
Total interest sensitivity gap		8,696	-	-	-	-	8,696

Impact of Standardized Interest Rate Shock on Earnings

Time Band		**No. of Days**	**Upward 2%**	**Downward -2%**	**Interest Rate Gap (Net Position)**	**Impact of upward movement**	**Impact of Downward movement**
Up to 1 month		365	0.02	(0.02)	8,696	174	(174)
from 1 to 3 months		335	0.02	(0.02)	-	-	-
from 3 to 6 months		275	0.02	(0.02)	-	-	-
from 6 to 12 months		185	0.02	(0.02)	-	-	-
Total					8,696	174	(174)

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

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%	8,696	7
from 1 to 3 months		0.31%	-	-
from 3 to 6 months		0.68%	-	-
from 6 to 12 months		1.31%	-	-
1 year to 2 years		2.46%	-	-
2 years to 3 years		3.80%	-	-
3 years to 4 years		5.05%	-	-
4 years to 5 years		6.41%	-	-
5 years to 7 years		8.27%	-	-
7 years to 10 years		9.06%	-	-
10 years to 15 years		11.70%	-	-
15 years to 20 years		11.73%	-	-
More than 20 years		12.72%	-	-
Total			8,696	7

39 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued
Company

RATE SENSITIVITY OF ASSETS AND LIABILITIES

As at 31 December 2022 In millions of Naira		Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Non-derivative assets:							
Due from banks	17	-	-	-	-	-	-
Loans and advances to customers	20	-	-	-	-	-	-
Investment securities:							
- Financial assets at fair value through profit or loss	21(a)	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	21(b)	-	-	-	-	-	-
- Debt instruments at amortised cost	21(d)	-	-	-	-	-	-
		-	-	-	-	-	-
Non-derivative liabilities:							
Deposits from Banks	27	-	-	-	-	-	-
Deposits from customers	28	-	-	-	-	-	-
Other borrowed fund & Debt securities issued	29&30	-	-	-	-	-	-
		-	-	-	-	-	-
Total interest sensitivity gap		-	-	-	-	-	-

39 Financial Risk Management - continued

f(i) Interest Rate Risk - continued

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	-	-	-
from 1 to 3 months		335	0.02	-0.02	-	-	-
from 3 to 6 months		275	0.02	-0.02	-	-	-
from 6 to 12 months		185	0.02	-0.02	-	-	-
Total					-	-	-

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Position)	Impact on Equity
Up to 1 month		0.00%	-	-
from 1 to 3 months		0.00%	-	-
from 3 to 6 months		0.00%	-	-
from 6 to 12 months		0.00%	-	-
1 year to 2 years		0.00%	-	-
2 years to 3 years		0.00%	-	-
3 years to 4 years		0.00%	-	-
4 years to 5 years		0.00%	-	-
5 years to 7 years		0.00%	-	-
7 years to 10 years		0.00%	-	-
10 years to 15 years		0.00%	-	-
15 years to 20 years		0.00%	-	-
More than 20 years		0.00%	-	-
Total			-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial Risk Management - continued

f(ii) Foreign Currency Risk

Foreign exchange risk is the risk that fluctuations in the prevailing foreign exchange rates would affect the value of the Group's assets and liabilities as well as off-balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, securities, future cash flows in foreign currencies arising from foreign currency transactions. Exposures to foreign exchange risk are consistently monitored by limit structures for overnight and intraday positions.

The ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily since an effective overview of such risk is a critical element of the Group's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and Management aims to ensure that the risk tolerance is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

The table below summarises the Group's exposure to foreign exchange risk at 31st December 2023.

(a) Foreign Currency Concentrations risk as at 31 December 2023

Group						
In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	452,723	24,871	1,140	945	-	479,679
add un-restricted balance	124,920	-	-	-	-	124,920
Due from other banks	1,015	182,729	7,991	42,300	918	234,953
Financial assets pledged as collateral	11,272	-	-	-	-	11,272
Derivative financial assets	-	276	-	-	-	276
Loans and advances to customer	565,610	327,518	1	2,693	-	895,822
Financial assets at fair value through profit or loss	2,112	-	-	-	-	2,112
- Debt instruments at fair value through other comprehensive income	240,069	72,416	-	3,719	-	316,204
Debt instruments at amortised cost	130,730	-	-	-	-	130,730
Other assets	118,252	123,886	(25)	(11)	8	242,110
Total financial assets (A)	1,646,703	731,696	9,107	49,646	926	2,438,078
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	1,357,534	429,192	8,242	47,847	-	1,842,815
Debts issued and other borrowed funds	149,260	93,384	-	-	-	242,644
Other financial liabilities	40,180	215,205	566	1,055	904	257,910
Total financial liabilities (B)	1,546,974	737,781	8,808	48,902	904	2,343,369
Net financial assets/ (liabilities)	99,729	(6,085)	299	744	22	94,709

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(6,085)	299	744	(5,042)
Closing Exchange Rate (Naira/Currency)	952	1,211	1,052	
10% Currency Appreciation (-)	857	1,090	946	
10% Currency Depreciation (+)	1,047	1,332	1,157	
Effect of 10% appreciation on Profit	609	(30)	(74)	504
Effect of 10% depreciation on Profit	(609)	30	74	(504)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

f(ii) Foreign currency risk - continued

Group

31 December 2022

In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	309,625	15,713	182	184	-	325,704
add un-restricted balance	105,784	-	-	-	-	105,784
Due from other banks	253	66,179	4,246	15,597	184	86,459
Financial assets to maturity pledged as colleteral	22,794	304	-	-	-	23,098
Derivative financial assets	-	807	-	-	-	807
Loans and advances to customers	570,108	167,507	1	119	-	737,735
Financial assets measured at fair value through profit or loss	921	-	-	-	-	921
Financial assets at fair value through other comprehensive income	210,444	19,114	-	1,078	-	230,636
Financial investment at amortized cost	106,889	-	-	-	-	106,889
Other assets	84,472	87,366	(5)	-	78	171,911
Total financial assets (A)	1,411,290	356,990	4,424	16,978	262	1,789,944
Liabilities						
Due to banks	37,178	-	-	-	-	37,178
Due to customers	999,162	301,162	4,333	22,985	163	1,327,805
Debt issued and other borrowed funds	130,382	45,276	-	-	-	175,658
Other financial liabilities	124,434	34,955	147	549	172	160,257
Total financial liabilities (B)	1,291,156	381,393	4,480	23,534	335	1,700,898
Net financial assets/ (liabilities)	120,134	(24,403)	(56)	(6,556)	(73)	89,046

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar	GBP	Euro	Total
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(24,403)	(56)	(6,556)	(31,015)
Closing Exchange Rate(Naira/Currency)	461	555	492	
1% Currency Appreciation(-)	415	500	443	
1% Currency Depreciation(+)	507	611	542	
Effect of 1% appreciation on Profit	2,440	6	656	3,102
Effect of 1% depreciation on Profit	(2,440)	(6)	(656)	(3,102)

39 Financial risk management - continued

f(ii) Foreign currency risk

(a) Foreign Currency Concentrations Risk as at 31 December 2023

Company

31 December 2023						
In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Cash and balance with Central Bank of Nigeria	-	-	-	-	-	-
add un-restricted balance	-	-	-	-	-	-
Due from other banks	8,696	-	-	-	-	8,696
Financial assets to maturity pledged as colleteral	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	-	-	-	-	-	-
Debt instrument at amortised cost	-	-	-	-	-	-
Other assets	411	-	-	-	-	411
Total financial assets (A)	9,107	-	-	-	-	9,107
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	-	-	-	-	-	-
Debt issued and other borrowed funds	-	-	-	-	-	-
Other financial liabilities	612	-	-	-	-	612
Total financial liabilities (B)	612	-	-	-	-	612
Net financial assets/ (liabilities)	**8,495**	-	-	-	-	**8,495**

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N’000	N’000	N’000	N’000
Net On Balance Sheet Position	-	-	-	-
Closing Exchange Rate (Naira/Currency)	952	1,211	1,052	
10% Currency Appreciation (-)	857	1,090	946	
10% Currency Depreciation (+)	1,047	1,332	1,157	
Effect of 10% appreciation on Profit	-	-	-	-
Effect of 10% depreciation on Profit	-	-	-	-

39 Financial Risk Management - continued

f(ii) Foreign currency risk

In millions of Naira 31 December 2022	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	-	-	-	-	-	-
add un-restricted balance	-	-	-	-	-	-
Due from other banks	-	-	-	-	-	-
Financial assets to maturity pledged as colleteral	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive inco	-	-	-	-	-	-
Debt instrument at amortised cost	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total financial assets (A)	-	-	-	-	-	-
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	-	-	-	-	-	-
Debt issued and other borrowed funds	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Total financial liabilities (B)	-	-	-	-	-	-
Net financial assets/ (liabilities)	-	-	-	-	-	-

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar	GBP	Euro	Total
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	-	-	-	-
Closing Exchange Rate (Naira/Currency)	-	-	-	-
1% Currency Appreciation (-)	-	-	-	-
1% Currency Depreciation (+)	-	-	-	-
Effect of 1% appreciation on Profit	-	-	-	-
Effect of 1% depreciation on Profit	-	-	-	-

39 Financial risk management - continued

(g) Operational Risk Management

Operational risk in the Group is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks.

Operational risk exists in all activities, processes, products and systems. The Group aims to maintain operational risk within its risk appetite through a strategy anchored on the sustenance of a strong risk culture of individual and collective awareness and understanding of operational risk, accountability and transparency on operational risk issues at all levels, deployment of robust operational risk policies, processes and tools, and collaboration across all the business units and support functions in managing operational risk.

Operational Risk Governance Structure
Operational risk is managed in the Group along three lines of defense. The first line consists of the business units who own and are directly responsible for managing the risk. They identify and report operational risks in their activities and communicate these risks to the second line of defense which includes the independent risk management and control functions. This line formulates the risk management policies, processes and tools, and provides support in enhancing and monitoring the effectiveness of controls in the business units and support functions, while the third line of defense, the Internal Audit department, provides independent assurance on the adequacy, appropriateness and effectiveness of the risk management policies and process on an ongoing basis.

The Group maintains a dedicated Operational Risk Management (ORM) function which formulates the operational risk management strategy, policy and framework. The department, through the Chief Risk Officer, has a reporting line to the Executive Management, Management Risk Committee and Board Risk Management Committee, depicting a robust governance structure. The Board approves the Group's ORM policy and appetite. The Management Risk Committee reviews operational risk management reports quarterly and defines action plans to minimize material risks to acceptable levels. In addition, the ORM department collaborates with the Conduct and Compliance Division to ensure effective implementation of the ORM framework in the business units and support functions. It also works closely with the business units to manage operational risk based on the outcomes of the monitoring activities of the Conduct and Compliance Division. The ORM department is audited regularly by the Group's internal and external auditors.

Operational Risk Management Framework
The Group has a robust framework for managing operational risk. The framework defines the core governing principles and processes for the effective identification, assessment, mitigation, and monitoring of operational risks in line with regulatory requirements and international best practices. The key processes and tools in the ORM framework include the following:

1 **Risk and Control Self-Assessment**
The Group's Risk and Control Self-Assessment (RCSA) program provides a structured approach for business owners to identify material risks in their business areas, assess the effectiveness of controls in mitigating the risks and implement actions to proactively address the identified vulnerabilities. RCSA helps senior management to assess the overall effectiveness of the control environment, improve risk decision making, and optimize controls to meet business objectives.
The RCSA is also a rich source of information for developing heat maps that highlight the Group's areas of vulnerability, risk concentration and materiality.

The RCSA program was redesigned and enhanced in the third quarter of the year to improve the risk identification and control assessment process, ensure ownership of risks at senior levels within the business, and enhance the monitoring and resolution of issues.

Risk assessments of new and existing products, processes and applications are also conducted to identify material operational risks and ensure adequacy and effectiveness of implemented mitigating controls.

39 Financial risk management - continued

2 **Key risk indicators**
The Group uses Key Risk Indicators which provide early warning signals of changes in the risk profile to monitor and mitigate key threats to the achievement of strategic goals. Material breaches are reported monthly and quarterly to Management for timely remediation.

3 **Operational Risk Event Data Collection**
The Group maintains a comprehensive internal loss database aligned with regulatory and Basel standards for collecting, analyzing and reporting operational risk events and losses. The data on the Group's historical loss experience provides meaningful information for assessing the exposure to operational risk, developing risk scenarios, prioritizing risk decisions, and implementing controls to mitigate risks. Strict reporting requirements are in place to ensure that operational risk incidents are escalated to relevant stakeholders for timely decision making. Adequate risk transfer mechanisms including insurance and outsourcing are in place to minimize the impact of operational risk events on the Group. The lessons learnt from operational risk events and losses are communicated across the Bank and used in improving the control environment.

4 **Scenario Analysis**
The Operational Risk Management department utilizes scenario analysis of the Group's internal historical losses and material external risk events in modelling tail risk events, determining the potential impact on the organization, and proactively developing action plans to mitigate the risks.

Business Continuity Management
The Group obtained the Business Continuity Management System (BCMS) certification (ISO 22301) within the year in line with international principles and standards. This certification indicates that a comprehensive Business Continuity Plan and robust recovery processes and systems are in place to build resilience, safeguard the Bank's employees and assets, maintain strategic communications, minimize service disruption and losses, and ensure timely recovery and resumption of operations and technology infrastructure in the event of a disaster. The Bank's dedicated Business Continuity Manager coordinates the activities of the BCMS and ensures the development, implementation and testing of the BCP is in line with international standards and best practices.

The Operational Risk Management framework is supported by other departmental policies and procedures that guide the daily activities of the business units and functions and ensure adequate controls are implemented to mitigate risks. The policies and procedures are regularly reviewed and updated, and the processes redesigned or automated where required, to improve operational efficiency and the effectiveness of controls across the Bank.

Periodic reports on the identified operational risks are circulated to the relevant stakeholders for timely remediation of issues, enhancement of controls and to increase awareness of operational risk across the Bank.

39 Financial risk management - continued

(g) Operational Risk Management - continued

Operational Risk Capital Charge

The Group uses the Basic Indicator Approach for computing the capital charge for operational risk in line with regulatory

31 December 2023

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
In millions of Naira						
Basic Indicator Approach (BIA)						
Gross Income	15%	98,754	116,892	139,132	354,778	53,217
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						17,739
Calibrated Risk Weighted Amount (BIA)						221,736

31 December 2022

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
In millions of Naira						
Basic Indicator Approach (BIA)						
Gross Income	15%	86,336	98,620	116,861	301,817	45,273
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						15,091
Calibrated Risk Weighted Amount (BIA)						188,636

(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 Group'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.

39 Financial risk management - continued

(h) Capital management - continued

(a) Regulatory capital - continued

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 2023 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.

The Group, 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.

39 Financial risk management - continued

(h) Capital management - continued

(b) Capital Adequacy Ratio - continued

Constituents of Capital		Group 2023	Group 2022
In millions of Naira			
Tier 1 capital	***Note***		
Paid- up share capital	32.1	14,395	14,395
Share premium		42,759	42,759
General reserve (Retained earnings)		42,506	44,922
SMEEIS reserve		235	235
AGSMEIS reserve		4,489	3,347
Statutory reserve		31,982	28,200
Other reserves		5,276	3,250
Tier 1 Capital Before Regulatory Deduction		141,642	137,108
Regulatory Deduction			
Deferred tax assets		(9,507)	(7,005)
Other intangible assets		(721)	(950)
Total Regulatory Deduction		(10,228)	(7,955)
Tier 1 Capital after Regulatory Deduction		131,414	129,153
Tier 2 capital: Instruments & Reserves			
Sub- ordinated debt *		8,112	13,198
Other comprehensive income		19,036	6,695
Eligible Tier 2 Capital		27,148	19,893
Total regulatory capital		158,562	149,046
Risk-weighted assets		1,267,282	1,013,589
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		12.51%	14.70%

*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	5 October 2018	5 October 2025	16.25%	33,959

Internal Capital Adequacy Assessment Process (ICAAP)

The Group 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 Group's banking subsidiaries 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 Banks' business and sets out the Banks' philosophy, processes, and techniques for managing risks across the Banks. 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 Banks' governance structure, and policies that support risk and capital management systems.

39 Financial risk management - continued

(h) Capital management - continued

(b) Capital Adequacy Ratio - continued

Internal Capital Adequacy Assessment Process (ICAAP)

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets	Capital requirements
	In millions of Naira		
1	Credit Risk		
1.01	Sovereign	-	-
1.02	Public Sector Entities	-	-
1.03	State and Local Government	41,049	4,194
1.04	Multilateral Development Bank	-	-
1.05	Supervised Institutions	67,654	6,912
1.06	Corporate and Other Persons	502,757	51,367
1.07	Regulatory Retail Portfolio	70,103	7,162
1.08	Secured by Mortgages on Residential Properties	8,977	917
1.09	Exposures Secured by Mortgages on Commercial Real Estates	90,865	9,284
1.10	Past Due	30,343	3,100
1.11	Higher Risk Exposures	55,360	5,656
1.12	Other Balance Sheet Exposures	135,147	13,808
1.13	Off Balance Sheet Exposures	58,232	5,950
1.14	Regulatory Adjustment	(22,926)	-
2	Market risk		
2.01	Interest Rate Risk	1,336	107
2.02	Foreign Exchange Risk	6,015	481
3	Operational risk	221,736	17,739
3.01	Basic Indicator Approach		
4	Capital Adequacy Ratio		
4.01	Tier 1 Capital Adequacy Ratio	10.37%	
4.02	Total Capital Adequacy Ratio	12.51%	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Financial risk management - continued

(h) Capital management - continued

(iii) **Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

40 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 2023.

- Group

Maturity analysis of assets and liabilities **31 December 2023** Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	156,922	-	-	-	447,677	604,599
Due from banks	234,953	-	-	-	-	234,953
Pledged assets	1	5,442	5,599	-	230	11,272
Derivative financial assets	276	-	-	-	-	276
Loans and advances to customers	348,101	139,856	97,229	214,206	96,430	895,822
Investment in securities:	-	-	-	-	-	
- Financial assets at fair value through profit or loss	137	141	635	567	632	2,112
- Debt instruments at fair value through other comprehensive income	81,385	27,060	31,695	65,347	110,717	316,204
- Equity instruments at fair value through other comprehensive income	-	-	-	-	36,906	36,906
- Debt instruments at amortised cost	45,090	8,431	28,698	29,499	19,012	130,730
Other assets	78,436	43,706	69,927	12,510	37,531	242,110
Total	945,025	224,636	233,783	322,129	749,135	2,474,708

- Group

In millions of Naira Liabilities	**Less than3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Deposits from bank	-	-	-	-	-	-
Deposits from customers	615,259	122,709	397,244	272,155	435,448	1,842,815
Debts issued and other borrowed funds	22,438	-	-	158,717	61,489	242,644
Other liabilities	26,111	41,634	66,613	30,888	92,664	257,910
Total	663,808	164,343	463,857	461,760	589,601	2,343,369
Net	281,217	60,293	(230,074)	(139,631)	159,534	131,339

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

40 Maturity Analysis of Assets and Liabilities - continued

In millions of Naira	Less than3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
31 December 2022						
Cash and balances with Central Bank of Nigeria	136,193	-	-	-	295,295	431,488
Due from banks	86,459	-	-	-	-	86,459
Pledged assets	23,098	-	-	-	-	23,098
Derivative financial assets	807	-	-	-	-	807
Loans and advances to customers	144,500	156,028	112,317	140,363	184,527	737,735
Investment in securities:	-	-	-	-	-	
- Financial assets at fair value through profit or loss	1	16	45	406	453	921
- Debt instruments at fair value through other comprehensive income	93,390	20,583	9,911	53,485	53,267	230,636
- Equity instruments at fair value through other comprehensive income	-	-	-	-	25,227	25,227
- Debt instruments at amortised cost	20,084	12,207	9,814	46,576	18,208	106,889
Other assets	-	-	-	171,911	-	171,911
Total	503,725	188,834	132,087	412,741	576,977	1,814,364
Deposits from bank	37,178	-	-	-	-	37,178
Deposits from customers	597,418	95,329	199,315	164,434	271,309	1,327,805
Debts issued and other borrowed funds	706	-	8,502	129,609	36,841	175,658
Other liabilities	-	-	-	160,257	-	160,257
Total	635,302	95,329	207,817	454,300	308,150	1,700,898
Net	(131,577)	93,505	(75,730)	(41,559)	268,827	113,466

40 Maturity Analysis of Assets and Liabilities - continued

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 2023.

- Company

31 December 2023 **Maturity analysis of assets and liabilities** **In millions of Naira** Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	-	-	-	-	-	-
Due from banks	8,696	-	-	-	-	8,696
Pledged assets	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment in securities :	-	-	-	-	-	
- Financial assets at fair value through profit or loss	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	-	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-
- Debt instruments at amortised cost	-	-	-	-	-	-
Other assets	411	-	-	-	-	411
Total	9,107	-	-	-	-	9,107
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-
Debts issued and other borrowed funds	-	-	-	-	-	-
Other liabilities	612	-	-	-	-	612
Total	612	-	-	-	-	612
Net	8,495	-	-	-	-	8,495

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

40 Maturity Analysis of Assets and Liabilities - continued

Bank

31 December 2022 **In millions of Naira** **Maturity analysis of assets and liabilities**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-
Pledged assets	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investment in securities :	-	-	-	-	-	-
- Financial assets at fair value through profit or loss	-	-	-	-	-	-
- Debt instruments at fair value through other comprehensive income	-	-	-	-	-	-
- Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-
- Debt instruments at amortised cost	-	-	-	-	-	-
Investment in subsidiary	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	-	-	-	-	-
Debts issued and other borrowed funds	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-
					-	
Net	-	-	-	-	-	-

41 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.19. The Group measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

Fair value measurement hierarchy for assets & liabilities as at 31 December 2023:

- GROUP

In millions of Naira	Note	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Pledged assets – FVOCI	18.1	-	-	-	-
Debt instruments at FVTPL	21(a)	2,112	-	-	2,112
Debt instruments measured at FVOCI	21(b)	316,204	-	-	316,204
Equity instruments at fair value through other comprehensive income	21(c)	-	-	36,906	36,906
Assets for which fair value are disclosed					
Due from banks		-	234,953	-	234,953
Pledged assets at Amortised cost		10,644	628	-	11,272
Loans and advances to customers		-		748,131	748,131
Debt instruments at amortised cost		-	125,768	-	125,768
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	-	-
Deposits from customers		-	-	1,688,285	1,688,285
Other borrowed funds		-	-	181,722	181,722
Debt securities issued		-	26,878		26,878
- 31 December 2022					
Pledged assets – FVOCI	18.1	13,281	-	-	13,281
Debt instruments at FVTPL	21(a)	921	-	-	921
Debt instruments measured at FVOCI	21(b)	230,636	-	-	230,636
Equity instruments at fair value through other comprehensive income	21(c)	-	393	24,834	25,227
Assets for which fair value are disclosed			-		
Due from banks		-	86,459	-	86,459
Pledged assets at Amortised cost		9,513	304	-	9,817
Loans and advances to customers		-		557,364	557,364
Debt instruments at amortised cost		-	70,874	-	70,874
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	37,178	37,178
Deposits from customers		-	-	1,264,441	1,264,441
Other borrowed funds		-	-	113,795	113,795
Debt securities issued		-	30,839		30,839

41 Fair Value of financial instruments- continued

Fair value measurement hierarchy for assets & liabilities as at 31 December 2023

- COMPANY

In millions of Naira		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value					
Pledged assets – FVOCI	18.1	-	-	-	-
Debt instruments at FVTPL	21(a)	-	-	-	-
Debt instruments measured at FVOCI	21(b)	-	-	-	-
Equity instruments at fair value through other comprehensive income	21(c)	-	-	-	-
Assets for which fair value are disclosed					
Due from banks		-	8,696	-	8,696
Pledged assets at amortised cost		-	-	-	-
Loans and advances to customers		-	-	-	-
Debt instruments at amortised cost		-	-	-	-
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	-	-
Deposits from customers		-	-	-	-
Other borrowed funds		-	-	-	-
Debt securities issued		-	-	-	-
- 31 December 2022					
Assets measured at fair value					
Pledged assets – FVOCI	18.1	-	-	-	-
Debt instrument at FVTPL	21(a)	-	-	-	-
Debt instrument measured at FVOCI	21(b)	-	-	-	-
- Equity instruments at fair value through other comprehensive income	21(c)	-	-	-	-
Assets for which fair value are disclosed					
Due from banks		-	-	-	-
Pledged assets at Amortised cost		-	-	-	-
Loans and advances		-	-	-	-
Debt instrument at Amortised cost		-	-	-	-
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	-	-
Deposits from customers		-	-	-	-
Other borrowed funds		-	-	-	-
Debt securities issued		-	-	-	-

41 Fair Value of financial instruments - continued

Group

	Carrying amount		Fair value amount	
In millions of Naira	**2023**	**2022**	**2023**	**2022**
Financial assets				
Cash and balances with Central Bank of Nigeria	604,599	370,873	604,599	370,873
Due from banks	234,953	94,850	234,953	94,850
Pledged assets	11,272	10,786	11,272	10,786
Derivative financial assets	276	-	276	-
Loans and advances to customers	895,822	711,900	748,131	527,690
Investment in securities:				
- Financial assets at fair value through profit or loss	2,112	10,237	2,112	10,237
- Debt instruments at fair value through other comprehensive income	316,204	168,847	316,204	168,847
- Equity instruments at fair value through other comprehensive income	36,906	17,956	36,906	17,956
- Debt instruments at amortised cost	130,730	102,225	125,768	70,874
Total	2,232,874	1,487,674	2,080,221	1,272,113
Financial liabilities				
Deposits from banks	-	15,568	-	15,568
Deposits from customers	1,842,815	1,208,753	1,688,285	1,162,285
Other borrowed funds	208,685	116,450	181,722	93,042
Debt securities issued	33,959	42,327	26,878	40,385
Customer deposits for foreign trade	135,060	57,263	135,060	57,263
Creditors and accruals	18,295	31,549	18,295	31,549
Total	2,238,814	1,471,910	2,050,240	1,400,092

Company

	Carrying amount		Fair value amount	
In millions of Naira	**2023**	**2022**	**2023**	**2022**
Financial assets				
Cash and balances with Central Bank of Nigeria	-	-	-	-
Due from banks	8,696	-	8,696	-
Pledged assets	-	-	-	-
Derivative financial assets	-	-	-	-
Loans and advances to customers	-	-	-	-
Investment in securities:				
- Financial assets at fair value through profit or loss	-	-	-	-
- Debt instruments at fair value through other comprehensive income	-	-	-	-
- Equity instruments at fair value through other comprehensive income	-	-	-	-
- Debt instruments at amortised cost	-	-	-	-
Total	8,696	-	8,696	-
Financial liabilities				
Deposits from banks	-	-	-	-
Deposits from customers	-	-	-	-
Other borrowed funds	-	-	-	-
Debt securities issued	-	-	-	-
Customer deposits for foreign trade	-	-	-	-
Creditors and accruals	19	-	19	-
Total	19	-	19	-

41 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 2022 was assessed to be insignificant.

For loans and advances, a discounted cash flow model is used based on various fair value of the loan portfolio by discounting the future cash flows on these loans using interest rates on loans and remaining days to maturity of each of the cash flows.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2023 N'million	Fair value as at 31 December 2022 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (31 December 2023)	Range of estimates for unobservable inputs (31 December 2022)	Relationship of unobservable inputs to fair value
Unquoted Equity	29,114	25,227	P/BV and EV/EBITDA	P/BV multiples	0.72x - 2.34x	0.79x - 1.22x	Significant increases in P/BV, would result in higher fair values. Significant reduction would result in lower fair values
				EV/EBITDA multiples	16.27x - 38.73x	12.00x - 28.95x	Significant increases in EV/EBITDA, would result in higher fair values. Significant reduction would result in lower fair values

Level 3 fair value measurements - Effect of unobservable inputs on fair value measurement

The table below sets out information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Key Assumption	Effect on Other Comprehensive Income			
	Dec. 2023		Dec. 2022	
	5% Increase	5% Decrease	5% Increase	5% Decrease
	N'million	N'million	N'million	N'million
P/BV and EV/EBITDA multiples	**1,263**	**(1,263)**	**824**	**(824)**

42 Compliance with banking regulations

Included in fines and penalties are contraventions with certain Central Bank of Nigeria's guidelines and circulars listed below:

Group

Circular/Letters	Nature of contravention	2023 Penalty N'million
In millions of Naira		
BSD/MEG/CON/MDL/001/106	AML/CFT/CPF Risk Based Examination (May 1, 2022 - April 30, 2023)	24.75
BSD/MEG/CON/MDL/001/118	2021 and 2022 Cybersecurity Self Assessment Report	4.00
		28.75

43(a) Customer Complaints

In line with Circular No: FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2023 is as set out below:

Group

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
Financial year	2023	2022	2023	2022	2023	2022
			In millions of Naira		In millions of Naira	
Pending complaints b/f	7,995	2,126	3,777	1,349	N/A	N/A
Complaints received	648,251	378,380	101,869	15,141	297	85
Complaints resolved/Cancelled tickets	651,105	372,511	101,315	2,274	297	85
Unresolved complaints escalated to CBN for intervention	0	3	0	10,439	N/A	N/A
Unresolved complaints pending with the bank c/f	5,141	7,992	4,331	3,777	N/A	N/A

43(b) Report to the CBN on Fraud and Forgeries

In line with Section 5.1.2 (L) of the CBN Code of Corporate Governance, the breakdown of fraud and forgeries for the year is presented below:

Group

	2023	**2022**
Number of fraud incidents	18	51
Amount involved (N'000)	1,315,712	5,237,159
Amount involved ($'000)	0	0
Actual/Expected Loss (N'000)	647,754	718,116
Actual/Expected Loss ($'000)	0	0

44 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 2023 is set out below:

Group

	31 December 2023		31 December 2022	
Product	Volume	Value ₦'million	Volume	Value ₦'million
Visa	468	2,696	1,451	1,807
Mastercard	64,002	206,149	74,182	215,206
Verve	391,340	1,443,470	423,405	1,284,536

45 Whistle Blowing

The Group complied with the provisions of CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2023.

46 Non-Audit Services

During the year, the Group's auditor, Deloitte & Touche, provided the following permissible non-audit services to the

Description of the service	*In millions of Naira*	**2023**
i) Independent Assessment of the Risk Management Function		5.0
ii) Independent review of Corporate Governance		4.5

In the Group's opinion, the provision of these services did not impair the independence and objectivity of the external auditor as adequate safeguard was put in place.

47 Corporate Restructuring

(a) In accordance with the Bank’s plan to diversify its earnings and spin off its Non-Interest banking business into a standalone bank, erstwhile Sterling Bank PLC (the Bank) modified its operating model and restructured into a Holding Company structure, Sterling Financial Holdings Company Plc (the Holdco).

The restructuring was implemented via a scheme of arrangement between the Bank and its shareholders in line with the Guidelines for Licensing and Regulation of Financial Holding Companies in Nigeria, 2014.

At a court-ordered meeting held on the 19th of September 2022, the Bank’s shareholders approved all the resolutions required to effect the scheme. The Bank also received the final approval of the Securities and Exchange Commission (SEC) to effect the scheme on the 20th of October 2022.

The Bank applied to the Corporate Affairs Commission (CAC) in September 2022 and re-registered the Holdco as a public company.

The court order sanctioning the scheme was obtained on the 19th of December 2022; after which, an application for the registration of the 28,790,418,124 ordinary shares of the Holdco was made to the SEC with approval received on the 20th of March 2023.

Subsequent to this, Sterling Bank Plc’s shares were delisted from the NGX, and transferred to the Holdco; resulting in the listing of the Holdco as a public company on the NGX. In furtherance of the restructure and final licence requirements, the Bank was re-registered as a private company with the Holdco as its shareholder.

The approval of the final licenses for both the Holdco and The Alternative bank Ltd, the standalone Non-Interest Bank were received on the 27th June 2023 and 26th June 2023 respectively from the Central Bank of Nigeria.
The Holdco and the AltBank commenced operations on the 1st of July 2023 following a carve out and transfer of the Non-Interest banking business from the Bank to the Holdco, making it the second subsidiary of the Holdco.

The Holdco structure will enable the Group strengthen its earnings and long-term competitiveness, increase funding sources, diversify into other permissible business areas, fostering growth and increasing shareholder value.

(b) Reorganisation of capital

In line with the Group’s reorganization scheme of arrangement, each scheme Shareholder transferred their shares from hitherto Sterling Bank Plc (now Sterling Bank Limited) to Sterling Financial Holdings Company Plc. (the Company) in consideration for the allotted shares in the Company to each Scheme Shareholder. According to IAS 27:13, the carrying amount of the shares exchanged (consideration) in the books of the Company is to be measured at Net Asset Value of Sterling Bank Plc at date of transfer (i.e., the cut-off date). The net assets as of that date was N151.5 billion.

In accounting for this transfer in its books, the Company recognized N94.6 billion Re-organization Reserve representing the difference between the carrying value (N151.5b) as at carve out date and the cost of shares (share capital and share premium) exchanged (N57.13 billion).

OTHER NATIONAL DISCLOSURES

STATEMENTS OF VALUE ADDED

	Group				Company			
	2023		**2022**		**2023**		**2022**	
In millions of Naira		%		%		%		%
Gross earnings	221,773		175,140		14,895		-	
Interest expense	(72,718)		(52,042)		-		-	
	149,055		123,098		14,895		-	
Net impairment	(12,335)		(9,122)		-		-	
Bought-in-materials and services -local	(86,231)		(71,396)		(1,490)		-	
Value added	50,489	100	42,580	100	13,405	100	-	-
Applied to pay:								
Employee as wages, salaries and pensions	22,982	45	16,944	40	267	2	-	-
Income taxes	1,109	2	1,459	4	9	0	-	-
Retained in business:								
Depreciation and amortisation	4,814	10	4,879	11	22	0	-	-
Profit for the year	21,584	43	19,298	45	13,107	98	-	-
	50,489	100	42,580	100	13,405	100	-	-

Value added is the wealth created by the efforts of the Group and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - GROUP

	31 DECEMBER				
	2023	**2022**	**2021**	**2020**	**2019**
In millions of Naira			**Restated***	**Restated***	
ASSETS					
Cash and balances with Central Bank of Nigeria	604,599	431,488	370,873	303,314	156,059
Due from other banks	234,953	86,459	94,850	21,084	69,361
Pledged assets	11,272	23,098	10,786	34,860	11,831
Derivative financial assets	276	807	-	-	-
Loans and advances to customers	895,822	737,735	711,900	596,827	618,732
Investment securities:		-	-	-	-
- Financial assets at fair value through profit or loss	2,112	921	10,237	1,454	8,317
- Debt instruments at fair value through other comprehensive income	316,204	230,636	168,847	135,780	141,272
- Equity instruments at fair value through other comprehensive income	36,906	25,227	17,956	10,745	5,470
- Debt instruments at amortised cost	130,730	106,889	102,225	110,229	101,944
- Available for sale	-	-	-	-	-
- Held to maturity	-	-	-	-	-
Other assets	242,110	171,911	96,554	37,874	28,581
Property, plant and equipment	31,987	17,913	16,939	15,956	18,476
Right-of-use asset	9,103	8,342	8,141	8,319	8,896
Investment property	4,790	5,584	6,918	8,004	4,141
Intangible assets	721	950	1,081	1,582	1,933
Deferred tax assets	9,507	7,005	6,971	6,971	6,971
	2,531,092	1,854,965	1,624,278	1,292,999	1,181,984
Non-current assets held for sale	-	3,027	-	-	701
TOTAL ASSETS	**2,531,092**	**1,857,992**	**1,624,278**	**1,292,999**	**1,182,685**
LIABILITIES					
Deposits from banks	-	37,178	15,568	21,289	-
Deposits from customers	1,842,815	1,327,805	1,208,753	950,835	892,660
Current income tax liabilities	1,468	1,607	1,074	551	201
Other borrowed funds	208,685	133,270	116,450	86,367	82,702
Debt securities issued	33,959	42,388	42,327	42,274	42,655
Other liabilities	257,910	160,257	102,367	61,552	44,742
Provisions	724	1,489	1,180	454	167
Deferred tax liabilities	1,927	-	-	-	-
TOTAL LIABILITIES	2,347,488	1,703,994	1,487,719	1,163,322	1,063,127
NET ASSETS	**183,604**	**153,998**	**136,559**	**129,677**	**119,558**
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	42,506	44,922	34,341	25,278	6,187
Other components of equity	83,944	51,922	45,064	47,245	56,217
Attributable to equity holders of the Bank	**183,604**	**153,998**	**136,559**	**129,677**	**119,558**
Other Commitments and Contingencies	405,642	253,220	222,430	175,287	159,021

PROFIT OR LOSS ACCOUNT	**2023**	**2022**	**2021**	**2020**	**2019**
In millions of Naira			**Restated***		
Gross earnings	221,773	175,140	150,153	135,835	150,195
Profit before income tax expense	22,693	20,757	16,062	12,372	10,672
Income tax expense	(1,109)	(1,459)	(1,040)	(1,130)	(70)
Profit after income tax	21,584	19,298	15,022	11,242	10,602
Earning per share in Kobo (Basic/Diluted)	75k	67k	52k	39k	37k