Sterling

Condensed Unaudited Group Interim Financial Statements

September 2019

Directors' Report
For the period ended 30 September 2019

The Directors present their third quarter report on the affairs of Sterling Bank Plc ("the Bank"), together with the unaudited Group Financial Statements for the period ended 30 September, 2019

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

Legal form

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

Following the consolidation reforms introduced and driven by the Central Bank of Nigeria in 2004, the Bank emerged from the consolidation of NAL Bank Plc, Indo-Nigerian Bank Limited, Magnum Trust Bank Plc, NBM Bank Limited and Trust Bank of Africa Limited. NAL Bank Plc as the surviving bank adopted a new name for the enlarged entity, 'Sterling Bank Plc'.

The enlarged Bank commenced post merger business operations on January 3, 2006 and the Bank's shares are currently quoted on the Nigerian Stock Exchange (NSE).

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

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

Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public liability company limited by shares with authorised capital of N2,000,000 at N1.00 per share. The main objective of setting up the SPV is to raise or borrow money by the issue of bonds or other debt instruments. The SPV is a subsidiary and is consolidated in the financial statements of the Bank. The Bank and its subsidiary is collectively referred to as "the Group".

The Bank has 180 branches including cash centres as at 30 September 2019.

Operating results
Highlights of the Group and Bank's operating results for the period are as follows:

	Group		Bank	
In millions of Naira	September 2019	September 2018	September 2019	September 2018
Gross earnings	113,043	114,584	111,224	114,241
Profit before taxation	7,651	8,503	7,249	8,464
Taxation	(72)	(297)	(72)	(297)
Profit after taxation	7,579	8,206	7,177	8,167
Transfer to statutory reserve	1,137	1,231	1,077	1,225
Transfer to general reserve	6,442	6,975	6,100	6,942
	7,579	8,206	7,177	8,167
Earnings per share (kobo) - Basic	26k	29k	25k	28k
Earnings per share (kobo) - diluted	26k	29k	25k	28k
	September 2019	December 2018	September 2019	December 2018
NPL Ratio	7.42%	8.69%	7.42%	8.69%

Directors who served during the period

The following Directors served during the period under review:

	Name	Designation	Date appointed /resigned	Interest represented
1	Mr. Asue Ighodalo	Chairman		
2	Dr. (Mrs.) Omolara Akanji	Independent Director		
3	Mr. Michael Ajukwu	Independent Director		
4	Mr. Olaitan Kajero	Non-Executive Director		Eba Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
5	Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investment Limited
6	Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
7	Mr. Ramesh Rajapur (Indian)	Non-Executive Director	appointed 24/4/2019	State Bank of India
8	Mrs. Folasade Kilaso	Non-Executive Director		Alfanoma Nigeria Limited Plural Limited Reduvita Limited Quakers Integrated Services Limited Concept Features Limited
9	Mr. Abubakar Suleiman	Managing Director/CEO		
10	Mr. Grama Narasimhan (Indian)	Executive Director		
11	Mr. Yemi Odubiyi	Executive Director		
12	Emmanuel Emefienim	Executive Director		
13	Mr. Tunde Adeola	Executive Director	appointed 24/4/2019	
14	Mr. Raheem Owodeyi	Executive Director	appointed 24/4/2019	

Going Concern

The Directors assess the Group and the Bank's future performance and financial performance on an on-going basis and have no reason to believe that the Group will not be a going concern in the period ahead. For this reason, these financial statements are prepared on a going concern basis.

Directors interests in shares

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

		Number of shares			
	Names	September 2019 Direct	September 2019 Indirect	December 2018 Direct	December 2018 Indirect
1	Mr. Asue Ighodalo	-	62,645,242	-	62,645,242
2	Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
3	Dr. (Mrs) Omolara Akanji	-	-	-	-
4	Mr. Michael Ajukwu	-	-	-	-
5	Mr. Ramesh Rajapur	-	2,549,505,026	-	2,549,505,026
6	Mr. Olaitan Kajero	-	1,549,668,967	-	1,582,687,059
7	Mrs. Tairat Tijani	-	1,144,046,801	-	1,149,566,801
8	Mrs. Folasade Kilaso	-	1,440,337,670	-	1,440,337,670
9	Mr. Abubakar Suleiman	28,108,227	-	28,108,227	-
10	Mr. Grama Narasimhan	-	-	-	-
11	Mr. Yemi Odubiyi	19,342,826	-	19,342,826	-
12	Mr. Emmanuel Emefienim	12,158,681	-	12,158,681	-
13	Mr. Tunde Adeola	21,851,200	-	-	-
14	Mr. Raheem Owodeyi	12,883,961	-	-	-

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 30 September 2019 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,036	37.08%	14,433,796	0.05%
1001 - 5,000	26,121	30.23%	58,983,065	0.20%
5,001 - 10,000	8,849	10.24%	59,664,539	0.21%
10,001 - 20,000	6,971	8.07%	93,953,172	0.33%
20,001 - 50,000	4,857	5.62%	149,979,811	0.52%
50,001 - 100,000	2,584	2.99%	177,513,790	0.62%
100,001 - 200,000	1,892	2.19%	269,771,967	0.94%
200,001 - 500,000	1,631	1.89%	514,684,644	1.79%
500,001 - 10,000,000	1,331	1.54%	1,915,357,845	6.65%
Above 10,000,001	121	0.14%	14,900,679,088	51.76%
Foreign shareholding	5	0.01%	10,635,396,407	36.94%
	86,398	100%	28,790,418,124	100.00%

The following shareholders have shareholdings of 5% and above as at 30 September 2019:

	September 2019 Holding (units)	September 2019 % holding	December 2018 Holding (units)	December 2018 % holding
Silverlake Investment Limited	7,197,604,531	25.00	7,197,604,531	25.00
State Bank of India	2,549,505,026	8.86	2,549,505,026	8.86
Sterling Bank Staff Cooperative Multipurpose Society	1,735,550,547	6.03	1,735,550,547	6.03
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63

Acquisition of own shares

The Bank did not acquire any of its shares during the period ended 30 September, 2019 (31 December, 2018: Nil).

Property, plant and equipment

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

Employment and employees

i **Employment of disabled persons**

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

ii **Health, safety and welfare of employees**

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

iii **Employee training and Development**

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

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

iv **Events after reporting date**

There were no events after the reporting date which could have had a material effect on the state of affairs of the Bank as at 30 September or the profit for the period ended on that date which have not been adequately provided for or disclosed.

BY ORDER OF THE BOARD:

Temitayo Adegoke
Company Secretary
FRC/2018/NBA/00000018142
20 Marina, Lagos, Nigeria.
October 18, 2019

Corporate Governance

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

Board Composition and Committee

Board of Directors

The Board of Directors (the 'Board') is made up of the Non-Executive Chairman, Non-Executive Directors and Executive Directors who oversee the corporate governance of the Bank. The members are as follows:

1	Mr. Asue Ighodalo		Chairman	Chairman
2	Dr. (Mrs.) Omolara Akanji		Member	Independent Director
3	Mr. Michael Ajukwu		Member	Independent Director
4	Mr. Olaitan Kajero		Member	Non-Executive Director
5	Mrs. Tairat Tijani		Member	Non-Executive Director
6	Mr. Michael Jituboh		Member	Non-Executive Director
7	Mr. Ramesh Rajapur	appointed 24/4/2019	Member	Non-Executive Director
8	Mrs. Folasade Kilaso		Member	Non-Executive Director
9	Mr. Abubakar Suleiman		Member	Managing Director/CEO
10	Mr. Grama Narasimhan (Indian)		Member	Executive Director
11	Mr. Yemi Odubiyi		Member	Executive Director
12	Mr. Emmanuel Emefienim		Member	Executive Director
13	Mr. Tunde Adeola	appointed 24/4/2019	Member	Executive Director
14	Mr. Raheem Owodeyi	appointed 24/4/2019	Member	Executive Director

Board Committees

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

Board Credit Committee

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

Terms of reference

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

The members are as follows:

1	Dr. (Mrs) Omolara Akanji		Chairman
2	Mr. Olaitan Kajero		Member
3	Mr. Michael Ajukwu		Member
4	Mr. Abubakar Suleiman		Member
5	Mr. Yemi Odubiyi		Member
6	Mr. Emmanuel Emefienim		Member
7	Mr. Tunde Adeola	appointed 28/5/2019	Member

Board Finance and General Purpose Committee

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

Terms of reference

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

The members are as follows:

1	Mrs. Tairat Tijani		Chairperson
2	Mrs. Folasade Kilaso		Member
3	Mr. Michael Jituboh		Member
4	Mr. Abubakar Suleiman		Member
5	Mr. Yemi Odubiyi		Member
6	Mr. Raheem Owodeyi	appointed 28/5/2019	Member

Board Risk Management Committee

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

Terms of reference

- Review and recommend to the Board the risk management policy including risk appetite, risk limits, tolerance and risk strategy.
- Review and recommend to the Board for approval the Bank's Enterprise-wide Risk Management Policy and other specific risk policies.
- Monitor the Bank's plan and progress in meeting regulatory risk based supervision requirements.
- Monitor implementation and migration to Basel II, III, and IV and other local and international risk management bodies as approved by the regulators.
- Review the organization's risk-reward profiles including credit, market and operational risk-reward profiles and where necessary, recommend strategies for improvement.
- Evaluate the risk profile and risk management plans drafted for major projects, acquisitions, new products and new ventures or services to determine the impact on the risk reward profile.
- Oversight of management's process for the identification of significant risks and the adequacy of prevention, detection and reporting mechanisms.
- Receive reports on, and review the adequacy and effectiveness of the Bank's risk and control processes to support its strategy and objectives.
- Endorse definition of risk and return preferences and target risk portfolio.

Board Risk Management Committee - continued

- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Bank's risk profile.
- Ensure compliance with the Bank's credit policies, applicable laws and statutory requirements prescribed by the regulatory/supervisory authorities.
- Review the effectiveness of the risk management system on an annual basis.
- To perform any other duties assigned by the Board from time to time.

The members are as follows:

1	Mr. Olaitan Kajero	Chairman
2	Dr. (Mrs) Omolara Akanji	Member
3	Mrs. Tairat Tijani	Member
4	Mr. Michael Ajukwu	Member
5	Mr. Abubakar Suleiman	Member
6	Mr. Yemi Odubiyi	Member
7	Mr. Emmanuel Emefienim	Member
8	Mr. Grama Narasimhan	Member

Board Audit Committee

The Committee acts on behalf of the Board of Directors on financial reporting, internal control and audit matters. Decisions and actions of the Committee are presented to the Board for approval/ratification.

Terms of reference

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

Board Audit Committee - Continued

- Review the implementation of External Auditors' recommendations by Management;
- Review the performance of External Auditors;
- Ensure that there is proper coordination of audit efforts between Internal and External Auditors.

- Review the effectiveness of the system for monitoring compliance with laws and regulations;
- Review the findings of any examinations by regulatory agencies, and audit observations;
- Regularly report to the Board of Directors on Committee activities;
- Perform other duties as may be assigned by the Board of Directors;

The members are as follows:

1	Mr. Michael Ajukwu	Chairman
2	Dr. (Mrs) Omolara Akanji	Member
3	Mrs. Tairat Tijani	Member
4	Mr. Michael Jituboh	Member
5	Mrs. Folasade Kilaso	Member
6	Mr. Ramesh Rajapur	Member

Board Governance and Remuneration Committee

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

Terms of reference

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

Board Governance and Remuneration Committee - Continued

- Recommend to the Board compensation payable to Executive Directors and Senior Management employees for any loss of office or termination of appointment.
- Develop, review and recommend the remuneration policy to the Board for approval.
- The Committee may engage a remuneration consultant at the expense of the Bank for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent.
- To perform any other duties assigned by the Board from time to time.

The members are as follows:

1	Mrs. Folasade Kilaso	Chairman
2	Dr. (Mrs.) Omolara Akanji	Member
3	Mr. Olaitan Kajero	Member
4	Mrs. Tairat Tijani	Member
5	Mr. Michael Ajukwu	Member

Statutory Audit Committee

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

Terms of reference

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

Statutory Audit Committee - Continued

- To consider any related party transactions that may arise within the Bank or Group;
- Invoke its authority to investigate any matter within its terms of reference for which purpose the Bank must make available the resources to the internal auditors with which to carry out this function, including access to external advice where necessary;
- Prepare the Committee's report for inclusion in the Bank's Annual Report; and
- Report to the Board regularly at such times as the Committee shall determine necessary.

The members are as follows:

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

Management Committees

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

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

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

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

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

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

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

Succession Planning
Sterling Bank Plc has a Succession Planning Policy which is aligned to the Bank's overall organisational development strategy. In line with the policy, a new Unit was set-up in the Human Capital Management Group to implement, amongst others, a Succession Plan for the Bank.

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

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

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

Whistle Blowing Process

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

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

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

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

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

The Bank has a Whistle Blowing channel via the Bank's website, dedicated telephone hotlines and e-mail address in compliance with Section 6.1.12 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation.

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

Compliance Statement on Securities Trading by Interested Parties

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

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

Complaint Management Policy

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2019

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institution Act, CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of the consolidated financial statements and the seperate financial statements which present fairly, in all material respects, the financial position of the Group and the Bank, and of the financial performance for the period.

The responsibilities include ensuring that:

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

(b) the Group keeps accounting records which disclose with reasonable accuracy the financial position and performance of the Group and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, International Financial Reporting Standards and relevant Circulars issued by the Central Bank of Nigeria;

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

The directors accept responsibility for the consolidated and seperate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, and relevant Circulars issued by the Central Bank of Nigeria.

The directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respect, the financial position and financial performance of the Group and Bank as of and for the nine months ended 30 September 2019.

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

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

Condensed Statement of Profit or Loss
For the period ended 30 September 2019

In millions of Naira	Notes	Group September 2019	Group September 2018	Bank September 2019	Bank September 2018	Group Quarter 3 2019	Group Quarter 3 2018	Bank Quarter 3 2019	Bank Quarter 3 2018
Interest income	3	95,080	93,596	93,261	93,253	32,970	31,007	32,351	30,892
Interest expense	4	(47,550)	(53,762)	(46,133)	(53,458)	(15,853)	(16,720)	(15,268)	(16,612)
Net interest income		47,530	39,834	47,128	39,795	17,117	14,287	17,083	14,280
Fees and commission income	5	14,042	10,789	14,042	10,789	4,291	3,893	4,291	3,893
Net trading income	6	1,933	5,703	1,933	5,703	782	711	782	711
Other operating income	7	1,988	4,496	1,988	4,496	501	1,365	501	1,365
Operating income		65,493	60,822	65,091	60,783	22,691	20,256	22,657	20,249
Credit loss expense on financial assets	8	(3,910)	(3,615)	(3,910)	(3,615)	(1,481)	(1,771)	(1,481)	(1,771)
Net operating income after impairment		61,583	57,207	61,181	57,168	21,210	18,485	21,176	18,478
Personnel expenses	9	(11,238)	(9,802)	(11,238)	(9,802)	(3,932)	(3,393)	(3,932)	(3,393)
Other operating expenses	10	(13,067)	(11,480)	(13,067)	(11,480)	(4,283)	(3,989)	(4,283)	(3,989)
General and administative expenses	11	(19,107)	(17,848)	(19,107)	(17,848)	(7,377)	(5,893)	(7,377)	(5,893)
Other property, plant and equipment cost	12	(5,290)	(5,386)	(5,290)	(5,386)	(2,107)	(1,682)	(2,107)	(1,682)
Depreciation and amortisation	13	(5,230)	(4,188)	(5,230)	(4,188)	(1,861)	(1,388)	(1,861)	(1,388)
Total expenses		(53,932)	(48,704)	(53,932)	(48,704)	(19,560)	(16,345)	(19,560)	(16,345)
Profit before income tax		7,651	8,503	7,249	8,464	1,650	2,140	1,616	2,133
Income tax expense	14(a)	(72)	(297)	(72)	(297)	267	(148)	267	(148)
Profit for the period		7,579	8,206	7,177	8,167	1,917	1,992	1,883	1,985
Earnings per share - basic (in kobo)	15	26k	29k	25k	28k				
Earnings per share - diluted (in kobo)	15	26k	29k	25k	28k				

Statement of Other comprehensive income

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Profit for the period	7,579	8,206	7,177	8,167	1,917	1,992	1,883	1,985
Items that will be reclassified to profit or loss in subsequent periods:								
- Debt instruments measured at fair value through other comprehensive income: :								
- Net change in fair value during the period	(440)	(1,019)	(440)	(1,019)	(2,565)	(1,571)	(2,565)	(1,571)
- Changes in allowance for expected credit losses	-	(185)	-	(185)	-	(185)	-	(185)
- Reclassification to profit or loss	4,597	2,568	4,597	2,568	-	-	-	-
Net gains/(losses) on financial investments at fair value through other comprehensive income:	4,157	1,364	4,157	1,364	(2,565)	(1,756)	(2,565)	(1,756)
Total comprehensive income for the period, net of tax	11,736	9,570	11,334	9,531	(648)	236	(682)	229

Condensed Statement of Financial Position
As at 30 September 2019

In millions of Naira	Notes	Group September 2019	Group December 2018	Bank September 2019	Bank December 2018
Assets					
Cash and balances with Central Bank of Nigeria	16	164,619	117,685	163,642	117,685
Due from Banks	17	50,810	43,542	50,810	43,435
Pledged financial assets	18	11,856	11,423	11,856	11,423
Loans and advances to Customers	19	635,093	621,017	635,093	621,017
Investment securities:					
- Debt instruments at fair value through profit or loss	20(a)	6,700	4,110	6,700	4,110
- Debt instruments at fair value through other comprehensive income	20(b)	137,994	117,620	137,994	117,620
- Equity instruments at fair value through other comprehensive income	20(c)	4,867	4,011	4,867	4,011
- Debt instruments at amortised cost	20(d)	112,078	123,086	95,548	106,147
Investment in subsidiary	21	-	-	1	1
Other assets	22	44,054	29,446	44,054	29,446
Property, plant and equipment	23	19,432	16,942	19,432	16,942
Intangible assets	24	2,006	1,850	2,006	1,850
Deferred tax assets	14(c)	6,971	6,971	6,971	6,971
		1,196,480	1,097,703	1,178,974	1,080,658
Non-Current asset held for sale	25	4,536	5,218	4,536	5,218
Total Assets		1,201,016	1,102,921	1,183,510	1,085,876
Liabilities					
Deposits from Customers	26	853,551	760,608	853,551	760,608
Current income tax liabilities	14(b)	405	405	405	405
Other borrowed funds	27	128,759	119,526	128,759	119,526
Debt securities issue	28	67,895	86,609	50,582	69,355
Other liabilities	29	40,726	37,678	40,726	37,678
Provisions	30	145	295	145	295
Total Liabilities		1,091,481	1,005,121	1,074,168	987,867
Equity					
Share capital	31	14,395	14,395	14,395	14,395
Share premium	31	42,759	42,759	42,759	42,759
Retained earnings		3,195	(3,307)	2,999	(3,101)
Other components of equity		49,186	43,953	49,189	43,955
Total equity		109,535	97,800	109,342	98,009
Total liabilities and equity		1,201,016	1,102,921	1,183,510	1,085,876

The consolidated and separate financial statements were approved by the Board of Directors on October 18, 2019 and signed on its behalf by:

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

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

Condensed Statement of changes in equity

For the period ended 30 September 2019

Group

In millions of Naira	Share capital	Share premium	Fair value reserves	Share capital reserve	Regulatory risk reserves	SMIEIS reserve	AGSMEIS reserve	Statutory reserves	Total other component of equity	Retained earnings	Total
Balance at 1 January 2019	14,395	42,759	(4,597)	5,276	22,260	235	682	20,098	43,953	(3,307)	97,800
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	7,579	7,579
Other comprehensive income net of tax		-	4,157	-	-	-	-	-	4,157	-	4,157
Transfer to other reserve	-	-	-	-	-	-	-	1,077	1,077	(1,077)	-
Balance at 30 September 2019	**14,395**	**42,759**	**(440)**	**5,276**	**22,260**	**235**	**682**	**21,175**	**49,186**	**3,195**	**109,535**

In millions of Naira	Share capital	Share premium	Fair value reserves	Share capital reserve	Regulatory risk reserves	SMIEIS reserve	AGSMEIS reserve	Other regulatory reserves	Total other component of equity	Retained earnings	Total
Balance at 1 January 2018 ***	14,395	42,759	(2,568)	5,276	15,878	235	-	18,678	37,499	6,991	101,644
Impact of initial application of IFRS 9 ***	-	-	1,224	-	-	-	-	-	1,224	(10,456)	(9,232)
Transfer between reserves ***	-	-	-	-	(9,837)	-	-	-	(9,837)	9,837	-
Restated opening balance under IFRS 9	14,395	42,759	(1,344)	5,276	6,041	235	-	18,678	28,886	6,372	92,412
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	8,205	8,205
Other comprehensive income net of tax		-	1,364	-	-	-	-	-	1,364	-	1,364
Transfer to other reserve	-	-	-	-	1,500	447	-	1,225	3,172	(3,172)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(576)	(576)
Balance at 30 September 2018	**14,395**	**42,759**	**20**	**5,276**	**7,541**	**682**	**-**	**19,903**	**33,422**	**10,829**	**101,406**

*** The amounts shown here for 2018 comaprative has incorporated the restatements made at year end 2018 with respect to IFRS 9 day one adjustments

Bank

In millions of Naira	Share capital	Share premium	Fair value reserves	Share capital reserve	Regulatory risk reserves	SMIEIS reserve	AGSMEIS reserve	Other regulatory reserves	Total other component of equity	Retained earnings	Total
Balance at 1 January 2019	14,395	42,759	(4,597)	5,276	22,260	235	682	20,100	43,955	(3,101)	98,009
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	7,177	7,177
Other comprehensive income net of tax	-	-	4,157	-	-	-	-	-	4,157	-	4,157
Transfer to other reserve	-	-	-	-	-	-	-	1,077	1,077	(1,077)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2019	**14,395**	**42,759**	**(440)**	**5,276**	**22,260**	**235**	**682**	**21,177**	**49,189**	**2,999**	**109,342**

In millions of Naira	Share capital	Share premium	Fair value reserves	Share capital reserve	Regulatory risk reserves	SMIEIS reserve	AGSMEIS reserve	Other regulatory reserves	Total other component of equity	Retained earnings	Total
Balance at 1 January 2018 ***	14,395	42,759	(2,568)	5,276	15,878	235	-	18,680	37,501	6,944	101,599
Impact of initial application of IFRS 9 ***			1,224						1,224	(10,453)	(9,229)
Transfer between reserves ***					(9,837)				(9,837)	9,837	-
Restated opening balance under IFRS 9	14,395	42,759	(1,344)	5,276	6,041	235	-	18,680	28,888	6,328	92,370
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	8,167	8,167
Other comprehensive income net of tax	-	-	1,364	-	-	-	-	-	1,364	-	1,364
Transfer to other reserve	-	-	-	-	1,500	-	447	1,225	3,172	(3,172)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(576)	(576)
Balance at 30 September 2018	**14,395**	**42,759**	**20**	**5,276**	**7,541**	**235**	**447**	**19,905**	**33,424**	**10,747**	**101,326**

*** The amounts shown here for 2018 comparative has incorporated the restatements made at year end 2018 with respect to IFRS 9 day one adjustments

Condensed Statements of Cash Flow

For the period ended 30 September 2019

		Group		Bank	
In millions of Naira	Notes	September 2019	September 2018	September 2019	September 2018
Operating activities					
Profit before tax		7,651	8,503	7,249	8,464
Adjustment for non cash items:					
Credit loss expense	8	3,758	4,161	3,758	4,161
Impairment loss on other assets	8	152	(399)	152	(399)
Net impairment on investment securities	8	-	(147)	-	(147)
Depreciation and amortisation	13	5,230	4,188	5,230	4,188
Gain on disposal of property and equipment	7	(26)	(30)	(26)	(30)
Movement in debt capital		2,808	519	1,840	314
Dividend received	7	(199)	(187)	(199)	(187)
Foreign exchange gain/loss		-	(2,086)	-	(2,086)
Net gain on investment securities at fair value through profit or loss		412	63	412	63
Net changes in other comprehensive income		4,597	(1,364)	4,597	(1,364)
		24,383	**13,221**	**23,013**	**12,978**
Changes in operating assets:					
Due from Central Bank of Nigeria		-	-	-	
Restricted balance with Central bank		(29,706)	(17,502)	(29,706)	(17,502)
Pledged assets		(433)	77,339	(433)	77,339
Investment securities held for trading		(2,590)	-	(2,590)	
Loans and advances to customers		(23,518)	(66,818)	(23,518)	(66,818)
Non-current assets held for sale		682	-	682	
Other assets		(14,608)	(13,687)	(14,608)	(13,687)
		(45,789)	**(7,447)**	**(47,159)**	**(7,691)**
Changes in operating liabilities:					
Deposit from banks		-	(408)	-	(408)
Deposits from customers		92,943	38,445	92,943	38,445
Other liabilities		3,048	(22,757)	3,048	(22,757)
Cash generated from operations		**50,202**	**7,833**	**48,832**	**7,589**
Vat Paid		(604)	-	(604)	-
Income tax paid		-	(143)	-	(143)
Net cash flows from operating activities		**49,599**	**7,690**	**48,228**	**7,446**
Investing activities					
Net proceed on fair value through profit or loss		(1,114)	4,758	(1,114)	4,758
Proceed from sale of debt instruments at FVOCI		414,281	-	414,281	-
Purchase of of debt instruments at FVOCI		(442,221)	(12,655)	(442,221)	(12,655)
Redemption of debt investment at FVOCI		12,670	-	12,670	-
Redemption of debt investment held at amortised cost		9,472	(43,235)	9,437	(43,088)
Purchase of debt investment held at amortised cost		(349)	-	(349)	-
Purchase of property and equipment	23	(7,163)	(3,276)	(7,163)	(3,276)
Purchase of intangible assets	24	(731)	(143)	(731)	(143)
Proceeds from the sale of property and equipment		43	186	43	186
Proceeds from sale of equity instrument at FVOCI		-	-	-	
Purchase of equity instrument at FVOCI		-	-	-	
Dividend received	7	199	187	199	187
Net cash flows from/(used in) investing activities		**(14,913)**	**(54,178)**	**(14,948)**	**(54,031)**
Financing activities					
Proceeds from borrowing		24,731	14,012	24,731	14,012
Repayment of borrowing		(15,498)	(91,704)	(15,498)	(91,704)
Proceed from Debt securities		-	64,217	-	64,217
Repayment from Debt securities		(19,309)	-	(18,773)	-
Dividends paid to equity holders		-	(576)	-	(576)
Net cash flows from/(used in) financing activities		**(10,075)**	**(14,050)**	**(9,540)**	**(14,050)**
Effect of exchange rate changes on cash and cash equivalents		(115)	(2,413)	(115)	(2,413)
Net increase/(decrease) in cash and cash equivalents		24,611	(60,539)	23,741	(60,635)
Cash and cash equivalents at 1 January		67,774	99,712	67,667	99,712
Cash and cash equivalents at 30 September	32	**92,270**	**36,760**	**91,293**	**36,663**
Operational cash flow from Interest					
Interest Received		93,657	68,090	91,838	67,748
Interest Paid		(46,775)	(55,642)	(45,358)	(55,338)

Notes to the Consolidated and Separate Financial Statements
For the period ended 30 September 2019

1 **Corporate information**

Sterling Bank Plc, (formerly known as NAL Bank Plc) domiciled at 20 Marina Lagos was the pioneer merchant bank in Nigeria, established on 25 November 1960 as a private limited liability company, and was converted to a public limited liability company in April 1992.

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

2 **Accounting policies**

2.1 **(a) Basis of preparation and statement of compliance**

The condensed consolidated and separate financial statements of the Bank and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The condensed consolidated and separate financial statements have been prepared on a historical cost basis, except for investments carried at fair value through other comprehensive income, financial assets and liabilities held for trading, all of which have been measured at fair value.

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

(b) Functional and Presentation currency

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

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 30 September 2019. Sterling Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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.

(d) Seasonality of operations

The impact of seasonality or cyclicality on operation is not regarded as significant to the condensed interim financial statement. The operation of the Group are expected to be even within the financial year.

(e) Issuance, repurchase and repayment of debts and equity securities
During the period under review, there were repayment of commercial paper that resulted in an external outflow into the Bank.

(f) Significant events after the end of the reporting period
There were no significant events that occurred after 30 September that would necessitate a disclosure and/or adjustment to the interim results presented herein.

(g) Dividends
The Directors did not recommend the payment of any dividend for the Bank's interim results to 30 September 2019.

(h) Changes to accounting policy

Amendments to the following standard(s) became effective in the annual period starting from 1st January, 2019. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

IFRS 16 – Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

Prior to introduction of IFRS 16, The Group has always carried its operating lease on balance sheet. Notwithstanding, the Group carried out the impact assessment of the amendment on its business. This amendment does not have any financial implications on the Group. The operating lease of the group is fully paid in advance with no future minimum lease payments to be made, leaving the Group with no future liability. The operating lease is currently recognised in the statement of financial position as part of other assets and is being amortised to Income statement over the rental period. The implication is that the current accounting treatment and presentation of the operating leases will not change on application of IFRS 16.

Amendments to IAS 19 - Employee Benefits
This amendment was issued 7 February 2018 and became effective 1 January 2019. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:
• a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
• an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

However, IAS 19 update prescribes that a company has to use updated actuarial *assumptions* for calculating current service cost and the net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The Group has considered the guidiance included within the interpretation and concluded that the amendment does not apply to the Group.

IFRIC 23 – Uncertainty over Income Tax Treatments
IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. This standard was issued by the IASB on 7 June 2017 and became effective 1 January 2019. It clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Group has considered the guidiance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Group.

2.2 **Summary of significant accounting policies**
The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at year ended 31 December 2018 (other than changes mentioned in section 2.1 above). Below are the significant accounting policies.

(a) Financial instruments
The Group applied the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the period ended 30 September, 2019.

- 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, for an item 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.

- 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)
• Those to be measured at fair value through profit or loss (FVTPL)); and
• Those to be measured at amortised cost.

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

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

- Subsequent measurements

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 asset is held within a business model whose objective is to hold 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.

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

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

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

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

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

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. Changes in the fair value of financial assets at fair value through profit or loss are recognised in "Net trading income" in profit or loss.

All other equity financial assets are classified as measured at FVTPL.

- Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

- Reclassifications

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

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

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

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

The Group may only sell insignificant portion of debt instruments measured at amortised cost frequently without triggering a change in business model. If the Group sells significant portions, this will not be more than twice a year subject to cases of unlikely to reoccur events such as:
- Run on the Bank/stressed liquidity scenarios
- Credit risk event i.e. perceived issuer default
- In the event of merger and takeover, the Bank may sell portion of the portfolio if the security holdings violates set limits
- Other one-off events

Significance is defined to me 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.

- Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortised cost'.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the period.

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.

- Impairment of financial assets

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

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

i) Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

ii) Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognised. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii) Stage 3: Lifetime ECL - credit-impaired
Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Group's methodology for specific provisions remains unchanged. For financial assets that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Group uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

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

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using an allowance for credit losses account

The Group considers its historical loss experience and adjusts this for current observable data. In addition, the Group uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss. IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the life time2 or stage 3 of the ECL bucket, the Group would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from life time ECL (Stage 2) to 12- months ECL (Stage 1). In addition to 90 days probationary period above, the Group also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from lifetime ECL (Stage 3) to 12 months ECL (Stage 1).

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

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

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

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

The calculation of the effective interest rate includes transaction costs and fees paid or received that are 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.

(c) 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

(d) Calculation of interest income and expenses

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount 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.

(e) Presentation

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

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

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

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

(f) Non-interest income and non -interest expense
Sharia income

Included in interest income and expense are sharia 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.

(g) Fees and commission income and expense

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of, a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts.

The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(h) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, dividends and foreign exchange differences

(i) 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

(j) Cash and cash equivalents

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

(k) Property, plant and equipment
Recognition and measurement

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

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

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

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

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.

Depreciation

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

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

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

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

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

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

De-recognition

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

2.3 Standards issued but not yet effective

New standards have been issued but are not yet effective for the period ended 30 September 2019; thus, it has not been applied in preparing these financial statements. The Group intends to adopt the standards below when they become effective:

IFRS 17 — Insurance Contracts

The International Accounting Standards Board (IASB or Board) issued IFRS 17 Insurance Contract on 18 May 2017. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard will be effective for annual periods beginning on or after 1 January 2021. It is not expected that this amendment would be relevant to the Group. the future; and • an expense when the entity consumes the economic benefit arising from the service provided by

Amendments to IAS 1 and IAS 8 regarding the definition of materiality

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. This is to ensure consistency across all IFRS. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity"

The amendments stress especially five (5) ways material information can be obscured. These include:

a. If the language regarding a material item, transaction or other event is vague or unclear;

b. If information regarding a material item, transaction or other event is scattered in different places in the financial statements;

c. If dissimilar items, transactions or other events are inappropriately aggregated;

d. If similar items, transactions or other events are inappropriately disaggregated; and

e. If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. However, the Group has taken into consideration the new definition in the preparation of its annual account.

IFRS 3 — Business Combinations

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. An acquisition or merger). In October 2018, after the post implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centers majorly on the definition of a Business. They include:

• That to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs:
• Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by
• Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
• Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and
• Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and

The effective date is on or after 1st January 2020. This amendment does not have any impact on the Group.

2.4 Segment Information

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

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

b. Reportable segment

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

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

- Corporate banking provides banking solutions to multinational companies and other financial institutions.
- Retail and Commercial banking provides banking solutions to individuals, small businesses, partnerships and commercial entities among others.
- Non-Interest banking provides solutions that are consistent with Islamic laws and guided by Islamic economics
- Sterling SPV business objective is to raise or borrow money by the issue of bonds or other debt instruments

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

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

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

Segment Information continued

In millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-Interest Banking	SPV	Total
For the period ended 30 September 2019							
Interest income and NIB income	9,136	13,577	20,205	47,016	3,327	1,819	95,080
Interest expenses and NIB expense	(1,105)	(7,907)	(7,222)	(28,531)	(1,368)	(1,417)	(47,550)
Net interest income/NIB margin	8,030	5,670	12,984	18,486	1,959	402	47,530
Fees and Commission income	3,120	1,258	5,824	3,671	169		14,042
Depreciation of property & Equipment	(3,947)	(318)	(335)	(541)	(89)		(5,230)
Impairment	(618)	(2,470)	(340)	(393)	(89)		(3,910)
Segment Profit (loss)	**2,738**	**(624)**	**6,947**	**(2,973)**	**1,161**	**402**	**7,651**
For the period ended 30 September 2019							
Assets:							
Capital expenditure							
Property, plant and equipment/Intangible	6,069	46	594	455	-		7,163
Intangible segment assets	731	-	-		-		731
Total Assets	**94,339**	**109,556**	**190,680**	**748,276**	**40,641**	**17,523**	**1,201,016**
Total Liabilities	**224,550**	**220,668**	**259,584**	**337,881**	**31,485**	**17,312**	**1,091,481**

In millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-Interest Banking	SPV	Total
For the period ended 30 September 2018							
Interest income and NIB income	5,244	13,908	18,647	52,719	2,736	342	93,596
Interest expenses and NIB expense	(7,346)	(6,920)	(6,861)	(31,119)	(1,211)	(304)	(53,762)
Net interest income/NIB margin	**(2,102)**	**6,988**	**11,786**	**21,599**	**1,525**	**38**	**39,834**
Fees and Commission income	3,292	1,243	4021	2,120	114	-	10,789
Depreciation of property & Equipment	(2,802)	(449)	(242)	(613)	(83)		(4,188)
Impairment	(196)	(1,268)	(386)	(1,634)	(132)	-	(3,615)
Segment Profit (loss)	**2,529**	**564**	**5,347**	**(1,015)**	**1,038**	**38**	**8,502**
For the period ended 31 December 2018							
Assets:							
Capital expenditure							
Property, plant and equipment	5,275	20	264	201	28	-	5,789
Intangible segment assets	404	-	-		-		404
Total Assets	**84,701**	**126,892**	**169,774**	**653,908**	**50,584**	**17,061**	**1,102,921**
Total Liabilities	**294,127**	**192,764**	**215,556**	**239,450**	**45,971**	**17,252**	**1,005,121**

3 Interest income

	Group		Bank		Group		Bank	
In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Cash and cash equivalent	774	778	774	778	179	143	179	143
Debt instruments at FVOCI	8,185	13,214	8,185	13,214	3,444	3,913	3,444	3,913
Debt instruments at amortised cost	12,801	8,938	10,982	8,595	4,110	2,983	3,491	2,868
Loan and advances to customers	73,320	70,666	73,320	70,666	25,238	23,968	25,237	23,968
	95,080	93,596	93,261	93,253	32,970	31,007	32,351	30,892

4 Interest Expense

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Deposits from banks	572	1,228	572	1,228	224	483	224	483
Deposits from customers	33,625	39,011	33,625	39,011	10,964	12,033	10,964	12,033
Other borrowed funds	5,535	7,049	5,535	7,049	2,035	1,445	2,035	1,445
Debt securities	7,818	6,474	6,401	6,170	2,630	2,759	2,045	2,651
	47,550	53,762	46,133	53,458	15,853	16,720	15,268	16,612

5 Fees and commission income

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Facility management fees	921	1,135	921	1,135	303	408	303	408
Account Maintanance Fee	1,251	1,408	1,251	1,408	446	469	446	469
Commissions and similar income	1,032	987	1,032	987	322	235	322	235
E-business commission and fees	5,109	3,442	5,109	3,442	1,751	1,382	1,751	1,382
Commission on letter of credit and Off Balance Sheet transactions	876	656	876	656	289	219	289	219
Other fees and commission (See note below)	4,853	3,161	4,853	3,161	1,180	1,180	1,180	1,180
	14,042	10,789	14,042	10,789	4,291	3,893	4,291	3,893

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

6 Net trading income

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Foreign exchange trading	364	4,472	364	4,472	80	483	80	483
Bonds - FVPL	184	402	184	402	93	84	93	84
Treasury bills - FVPL	1,385	829	1,385	829	609	144	609	144
	1,933	5,703	1,933	5,703	782	711	782	711

7 Other operating income

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Rental income	129	99	129	99	42	46	42	46
Other sundry income	676	813	676	813	142	331	142	331
Foreign exchange revaluation	-	2,087	-	2,087	-	673	-	673
Dividends on equity securities	199	187	199	187	-	34	-	34
Gains on disposal of property, plant and equipment	26	30	26	30	6	13	6	13
Cash recoveries on previously written off	958	1,280	958	1,280	311	268	311	268
	1,988	4,496	1,988	4,496	501	1,365	501	1,365

8 Credit loss expense on financial assets

					Group		Bank	
In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Impairment allowance on loans to individuals	1,049	221	1,049	221	909	7	909	7
Impairment allowance on loans to corporate entities	8,497	5,888	8,497	5,888	5,871	1,657	5,871	1,657
12-months expected credit loss	-	-	-	-	-	-	-	-
Lifetime expected credit loss	-	-	-	-	-	-	-	-
Bad debt written off	109	301	109	301	1	190	1	190
Allowances no longer required	(5,897)	(2,260)	(5,897)	(2,260)	(5,361)	(214)	(5,361)	(214)
Net loss on modfication of financial asset	-	11	-	11	-	(5)	-	(5)
	3,758	4,161	3,758	4,161	1,420	1,635	1,420	1,635
Other financial asset impairment								
Impairment on investment securities	-	(147)	-	(147)	-	5	-	5
Impairment charge on other assets	152	(399)	152	(399)	61	131	61	131
	3,910	3,615	3,910	3,615	1,481	1,771	1,481	1,771

9 Personnel expenses

	Group		Bank					
In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Wages and salaries	10,253	8,866	10,253	8,866	3,586	3,097	3,586	3,097
Defined contribution plan	985	936	985	936	346	296	346	296
	11,238	9,802	11,238	9,802	3,932	3,393	3,932	3,393

10 Other operating expenses

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
AMCON surcharge (see note (i) below)	4,553	4,500	4,553	4,500	1,512	1,500	1,512	1,500
Contract Services	4,666	3,974	4,666	3,974	1,613	1,456	1,613	1,456
Insurance	2,996	2,602	2,996	2,602	1,016	883	1,016	883
Other Professional Fees	768	404	768	404	209	150	209	150
Foreign exchange revaluation loss	84	-	84	-	(67)	-	(67)	-
	13,067	11,480	13,067	11,480	4,283	3,989	4,283	3,989

AMCON surcharge

(i) This represents the Bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 30 September 2019. Effective 1 January 2018, the Bank is required to contribute an equivalent of 0.5% (2018 : 0.5% of its total assets and off-financial position assets) of its total assets and off-financial position assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines.

11 General and administative expenses

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Administrative expenses	3,122	4,024	3,122	4,024	1,734	1,016	1,734	1,016
Audit fees	87	184	87	184	63	62	63	62
Office expenses	2,989	2,560	2,989	2,560	1,025	946	1,025	946
Advertising and business promotion	2,543	2,044	2,543	2,044	915	595	915	595
E-business expense	3,379	2,325	3,379	2,325	1,174	852	1,174	852
Cash handling and processing expense	803	926	803	926	329	41	329	41
Branding expenses	162	253	162	253	88	60	88	60
Communication cost	1,367	1,087	1,367	1,087	482	388	482	388
Transport, travel, accomodation	538	328	538	328	189	126	189	126
Seminar and conferences	784	939	784	939	262	618	262	618
Rents and rates	152	501	152	501	34	181	34	181
Right-of-use asset amortisation	751	707	751	707	245	236	245	236
Security	354	343	354	343	118	115	118	115
Other general expenses	1,247	794	1,247	794	404	354	404	354
Annual general meeting expenses	180	115	180	115	60	60	60	60
Stationery and printing	155	195	155	195	76	54	76	54
Directors other expenses	293	276	293	276	102	96	102	96
Membership and subscription	164	194	164	194	60	73	60	73
Fines and penalties	4	20	4	20	6	9	6	9
Directors fee	31	31	31	31	10	10	10	10
Newspapers and periodicals	2	2	2	2	1	1	1	1
	19,107	17,848	19,107	17,848	7,377	5,893	7,377	5,893

12 Other property, plant and equipment cost

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Repairs and maintenance of PPE	5,290	5,386	5,290	5,386	2,107	1,682	2,107	1,682
	5,290	5,386	5,290	5,386	2,107	1,682	2,107	1,682

This represents the cost the Bank incurred on assets expensed in line with the bank's capitalisation policy, cost incurred on repair, maintenance and other running cost on property, plant and equipment.

13 Depreciation and amortisation

In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
Amortisation of intangible assets (see note 24)	575	496	575	496	201	166	201	166
Depreciation of property, plant and equipment (see note 23)	4,655	3,692	4,655	3,692	1,660	1,222	1,660	1,222
	5,230	4,188	5,230	4,188	1,861	1,388	1,861	1,388

14 Income tax expense

	In millions of Naira	September 2019	September 2018	September 2019	September 2018	Quarter 3 2019	Quarter 3 2018	Quarter 3 2019	Quarter 3 2018
(a)	Income tax	-	212	-	212	(283)	126	(283)	126
	Information Technology levy	72	85	72	85	16	22	16	22
	Total income tax expense	72	297	72	297	(267)	148	(267)	148

14 (b) *Current income tax liabilities*

The movement on this account during the period was as follows:

In millions of Naira	Group September 2019	Group December 2018	Bank September 2019	Bank December 2018
Balance, beginning of the year	405	232	405	232
Income tax for the period.	-	173	-	173
	405	405	405	405

14 (c) Deferred tax

30 September 2019

In millions of Naira	Balance as at 1 January 2019	Recognised in profit or loss	Recognised deferred tax liability/(asset)
Accelerated depreciation of property, plant and equipment	742		742
Unutilised tax credit (capital allowance)	(3,408)		(3,408)
Tax losses	(4,300)		(4,300)
Provisions	(5)		(5)
	(6,971)	-	(6,971)

31 December 2018

In millions of Naira	Balance as at 1 January 2018	Recognised in profit or loss	Recognised deferred tax liability/(asset)
Accelerated depreciation of property, plant and equipment	2,742	(2,000)	742
Unutilised tax credit (capital allowance)	(4,609)	1,201	(3,408)
Tax losses	(5,141)	841	(4,300)
Provisions	37	(42)	(5)
	(6,971)	-	(6,971)

15 Earning per share (basic and diluted)

The calculation of basic earnings per share as at 30 September was based on the profit attributable to ordinary shareholders of N7,579,000,000 and weighted average number of ordinary shares outstanding of 28,790,418,126 calculated as follows:

In thousands of Unit	September 2019	September 2018	September 2019	September 2018
Weighted average number of ordinary shares	28,790	28,790	28,790	28,790

In millions of Naira	September 2019	September 2018	September 2019	September 2018
Profit for the period attributable to equity holders of the Bank	7,579	8,206	7,177	8,167
Basic earning per share	26k	29k	25k	28k
Diluted earning per share	26k	29k	25k	28k

16 Cash and balances with Central Bank

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Cash and foreign monies	24,322	20,772	23,345	20,772
Unrestricted balances with Central Bank of Nigeria	17,138	3,460	17,138	3,460
Deposits with the Central bank of Nigeria	123,159	93,453	123,159	93,453
	164,619	117,685	163,642	117,685

Deposits with the Central Bank of Nigeria represent mandatory reserve deposits and are not available for use in the bank's day-to-day operations.

17 Due from banks

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Balances held with local banks	10,598	11,898	10,598	11,791
Balances held with banks outside Nigeria	35,020	22,954	35,020	22,954
Money market placements	5,192	8,690	5,192	8,690
	50,810	43,542	50,810	43,435

18 Pledged financial assets

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Securities instruments measured at fair value through other comprehensive income:				
- Treasury Bills (see note (a) below)	7,446	7,063	7,446	7,063
Total Pledged ass at FVOCI	7,446	7,063	7,446	7,063

Securities instruments measured at amortised cost:	Group		Bank	
- Bonds (see note (b) below)	4,331	4,255	4,331	4,255
Other pledged assets (see note (C) below)	109	108	109	108
	4,440	4,363	4,440	4,363
ECL on Pledged asset at amortised cost	(30)	(3)	(30)	(3)
Total Pledged ass at amortised cost	4,410	4,360	4,410	4,360
Total pledged assets	11,856	11,423	11,856	11,423

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

(a) Pledged for clearing activities, as collection bank for government taxes and Interswitch electronic card transactions.
(b) Pledged as security to Bank of Industry
(c) Included in other pledged assets are cash collateral for letters of credit and visa card transactions. The deposit are not part of the fund used by the bank for day to day activities.

19 Loan and Advances to Customers

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Loans to corporate entities and other organizations	619,166	621,257	619,166	621,257
Loans to individuals	37,566	19,421	37,566	19,421
	656,732	640,678	656,732	640,678
Less:				
Impairment allowance - loans to corporate entities	(19,956)	(17,991)	(19,956)	(17,991)
Impairment allowance - loans to individuals	(1,683)	(1,670)	(1,683)	(1,670)
	635,093	621,017	635,093	621,017

20 Investment securities:

	In millions of Naira	September 2019	December 2018	September 2019	December 2018
(a)	***Investments fair value through profit or loss***				
	- Bonds	269	-	269	-
	- Treasury bills	6,431	4,110	6,431	4,110
		6,700	4,110	6,700	4,110
(b)	**Instruments at fair value through other comprehensive income**				
	Debt instrument at FVOCI				
	- Government bond	68,726	82,879	68,726	82,879
	- Euro bond	16,461	-	16,461	-
	- Corporate bonds	3,723	912.00	3,723	912.00
	- Treasury bills	49,084	33,829	49,084	33,829
	Total debt instrument at FVOCI	137,994	117,620	137,994	117,620
(c)	***Equity instrument at fair value through other comprehensive income***				
	Equity securities at FVOCI	4,867	4,011	4,867	4,011
	Total equity at FVOCI	4,867	4,011	4,867	4,011
(d)	***Instruments at amortised cost***				
	- Government bonds	111,731	122,502	95,389	105,581
	- Corporate bonds	388	678	388	678.00
	- Treasury bills	203	32	14	-
		112,321	123,212	95,791	106,259
	Less:				
	- impairment on investments at amortised cost	(243)	(126)	(243)	(112)
		112,078	123,086	95,548	106,147

21 Investment in Subsidiary

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Investment in Sterling SPV	-	-	1	1
	-	-	1	1

Condensed Statement of Profit or loss for the Period ended 30 September 2019	Group	Bank	
In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Interest income	1,819	(3,597)	5,415
Interest expense	(1,417)	3,597	(5,014)
Other income	-	-	-
Operating expenses	-	-	-
Profit/Loss for the Period	402	-	402
Condensed Statement of financial position as at 30 September 2019			
Assets			
Cash and balances with Central Bank	977	-	977
Investment in securities - Bills	189	-	189
Investment in securities - Bonds	16,358	-	16,358
Loans and Receivable (See below (a))	-	26,358	26,358
	17,523	26,358	43,882
Liabilities and Equity			
Debt securities in issue	17,312	26,358	43,671
Equity	1	-	1
Reserve	(191)	-	(191)
profit for the period	402	-	402
	17,523	26,358	43,882

Condensed Statement of Profit or loss for the Period ended 30 September 2018	Group	Bank	
In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Interest income	343	(687)	1,030
Interest expense	(304)	687	(991)
Other income	-	-	-
Operating expenses	-	-	-
Profit/Loss for the Period	38	-	38
Condensed Statement of financial position as at 31 December 2018			
Assets			
Cash and balances with Central Bank	107	-	107
Investment in securities - Bills	-	-	-
Investment in securities - Bonds	16,939	-	16,939
Loans and Receivable (See below (a))	-	(25,717)	25,717
	17,047	(25,717)	42,764
Liabilities and Equity			
Debt securities in issue	17,253	(25,717)	42,970
Equity	1	-	1
Reserve	(206)	-	(206)
profit for the period	-	-	-
	17,047	(25,717)	42,764

(a) This represents investment made by Sterling SPV in Sterling notes (Debenture). This consists of 7 year 18.86% and 17.55% surbodinated unsecured non-convertible debenture stock with interest payable semi-annually and due to mature in 2023 and 2025 respectively.

22 Other Assets

Other assets comprise:

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Financial assets				
Accounts receivable (see note (a) below)	13,145	10,720	13,145	10,720
	13,145	10,720	13,145	10,720
Non-financial assets				
Prepayments (see note (b) below)	12,814	17,643	12,814	17,643
Right-of-use asset (see note (c) below)	8,995	-	8,995	-
Other debit balances	7,865	-	7,865	-
Prepaid staff cost	1,329	1,401	1,329	1,401
Stock of cheque books and stationery	663	516	663	516
Gross other asset	44,811	30,280	44,811	30,280
Impairment on other assets	(757)	(834)	(757)	(834)
	44,054	29,446	44,054	29,446

Movement in impairment on other assets

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Balance, beginning of year	834	1,275	834	1,275
Impairment on other assets (See note 8)	152	-	152	-
Writeback	-	(217)	-	(217)
Write-offs	(229)	(224)	(229)	(224)
Balance, end of period	757	834	757	834

(a) Included in account receivable are forex deliverables due from Central Bank of Nigeria for the Bank's customers

(b) Included in prepayments are mostly staff related benefits among others

(C) Movement in Right-of-use asset is as shown below:

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Opening Balance	-	-	-	-
Reclassification from Prepayment	9,290	-	9,290	-
IFRS 16 Adjustment	-	-	-	-
Additions during the period	456	-	456	-
Amortisation during the period	(751)	-	(751)	-
Short term leases recognised on a straight line basis as expense	-	-	-	-
	8,995	-	8,995	-

IFRS 16 "Leases" became effective on January 1, 2019. The new standard required a Lessee in a lease contract to recognise Right-of-use-assets for all types of leases and this must be amortised through P&L. For the Group, the right-of-use assets relates to lease rentals on branches. Lease rentals was reported as part of Prepayments in Other Assets before the introduction of the new standard. As at Dec 2018, unamortised lease rentals amounting to N9,289,606.95 was included in Prepayments for the Group.

(d) The Other debit balance relates to interest foreclosed on Petroleum Products Pricing Regulatory Agency (PPPRA) accounts subsequent to regulatory intervention.

23 Property, plant and equipment

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

Group and Bank

In millions of Naira	Leasehold Land	Leasehold Building	Leasehold Improvement	Capital work-in-progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
(a) ***Cost***								
Balance as at 1 January, 2019	2,129	3,904	3,541	812	10,506	11,402	4,233	36,527
Additions for the period	-	157	251	785	621	4,067	1,283	7,163
Disposals	-	-	-	-	(115)	(10)	(314)	(439)
Adjustment	-	-	-	-	-	-	-	-
Reclassification	3	77	12	(512)	234	90	97	0
Writeoff	-	-	-	-	-	-	-	-
Balance as at 30 September 2019	2,132	4,137	3,804	1,085	11,245	15,549	5,300	43,251
Balance as at 1 January, 2018	1,966	3,690	3,299	684	9,839	8,818	3,407	31,703
Additions for the period	181	144	234	520	544	2,547	1,619	5,789
Disposals	(19)	(5)	(7)	-	(104)	(4)	(792)	(931)
Reclassification	-	75	15	(358)	226	42	-	0
Writeoff	-	-	-	(34)	-	-	-	(34)
Balance as at 31 December 2018	2,129	3,904	3,541	812	10,506	11,402	4,233	36,527
(b) ***Depreciation and impairment losses***								
Balance as at 1 January, 2019	195	426	2,218	-	7,587	6,932	2,228	19,585
Charge for the period	32	60	193	-	1,124	2,556	690	4,655
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(112)	(10)	(299)	(421)
Writeoff	-	-	-	-	-	-	-	-
Balance as at 30 September 2019	227	486	2,411	-	8,599	9,477	2,619	23,819
Balance as at 1 January, 2018	154	351	1,955	-	6,085	4,612	2,095	15,252
Charge for the period	41	76	263	-	1,603	2,323	756	5,062
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	(1)	-	-	(101)	(3)	(623)	(728)
Writeoff	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	195	426	2,218	-	7,587	6,932	2,228	19,585
Carrying amounts								
Balance as at 30 September 2019	1,905	3,652	1,393	1,085	2,646	6,072	2,681	19,432
Balance as at 31 December 2018	1,934	3,478	1,323	812	2,919	4,471	2,006	16,942
Balance as at 1 January, 2018	1,812	3,339	1,344	684	3,754	4,206	1,311	16,451

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N12.44billion (2018: N7.80billion).

24 Intangible asset

Purchased Software

In millions of Naira	Group September 2019	Group December 2018	Bank September 2019	Bank December 2018
Cost				
Beginning of year	4,124	3,720	4,124	3,720
Additions	731	404	731	404
Balance end of period	4,854	4,124	4,854	4,124
Amortisation and impairment losses				
Beginning of year	2,274	1,606	2,274	1,606
Amortisation for the period	575	668	575	668
Balance end of period	2,849	2,274	2,849	2,274
Carrying amounts	2,006	1,850	2,006	1,850

25 Non Current Assets Held for Sale

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Non Current Assets Held for Sale	4,536	5,218	4,536	5,218
	4,536	5,218	4,536	5,218

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

26 Deposits from customers

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Current accounts	395,091	361,212	395,091	361,212
Savings accounts	104,841	89,546	104,841	89,546
Term deposits	275,927	234,437	275,927	234,437
Pledged deposits	77,692	75,413	77,692	75,413
	853,551	760,608	853,551	760,608

27 Other borrowed Funds

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Foreign Funds				
Due to African Export/Import Bank (See (i) below)	8,577	15,263	8,577	15,263
Due to Absa Bank (See (ii) below)	18,302	17,975	18,302	17,975
Due to Islamic Corporation Development Bank (See (iii) below)	4,081	6,831	4,081	6,831
Due To Africa Agric and Trade Investment Fund (See (iv) below)	4,822	-	4,822	-
	35,781	40,069	35,781	40,069
Local Funds				
Due to CBN-Agric-Fund (See (v) below)	45,011	49,800	45,011	49,800
Due to Nigeria Mortgage Refnance Company (See (vi) below)	2,366	2,472	2,366	2,472
Due to Excess Crude Account (See (vii) below)	33,701	14,119	33,701	14,119
Due to CBN - RSSF Fund (See (viii) below)	7,467	7,605	7,467	7,605
Due to CBN - NESF Fund (See (ix) below)	4,000	5,025	4,000	5,025
Due to CBN - ABP Fund (See (x) below)	432	436	432	436
	92,978	79,457	92,978	79,457
	128,759	119,526	128,759	119,526

(i) This represents the outstanding Naira equivalent of $50 million medium term amortizing loan granted by African Export- Import Bank for a period of five (5) years. The facility attracts a fixed margin of 7.25% per annum. Interest payable under the agreement is calculated based on the actual number of days elapsed in a year. The Bank will paid a one - off facility fee charge of 0.5% flat at disbursement.

(ii) This represents a US$50million trade finance facility obtained from Absa Bank for a period of one year. The facility attracts an interest rate of 3months' Libor plus margin of 1.5%. Interest is payable quarterly while the principal is payable at maturity.

(iii) This represents Naira equivalent of $15 million amortising Murabaha financing facilities granted by Islamic Corporation for the development of the private sector for a period of two years. The facility attracts a margin of 6.25%.

(iv) This represents the Naira equivalent of a $15 million short term credit facility from Africa Agric and Trade Investment Fund for a period of four (4) years The rate of interest on the loan is 7%. Interest on the loan is payable quarterly while the prinicipal is payable at maturity.

(v) Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established a Commercial Agricultural Credit Scheme, (CACS) to promote commercial agricultural enterprise in Nigeria. The Bank obtained the loan on behalf of the customer at zero (0) percent to lend to the customer at 7% - 9% inclusive of management and processing fee. Repayment proceeds from CACS projects shall be repatriated to CBN on quarterly basis, all loans under the agriculture scheme is expected to terminate on 30 September 2025.

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

(vii) This is a facility granted as a result of the decision made during the June 2015 National Economic Council (NEC) meeting for deposit money banks to extend concessionary loans to state governments using the balance in the Excess Crude Account (ECA) as collateral. Osun, Kwara and Kogi State Government indicated their willingness to work with Sterling Bank Plc on the transaction. The Osun State Goverment applied for a N10billion while Kwara and Kogi State Government applied for N5billion and N20billion respectively. The facility was approved at the June 2015 National Economic Council meeting. The purpose of the loan is for operational, developmental and infrastructure projects in the states. CBN is granting the loan to the states at 9% annually for 20 years.

(viii) 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%.

(ix) Non-Oil Support Export Stimulation Facility (NESF) is designed to redress the declining export credit and reposition the sector to increase its contribution to revenue generation and economic development. Its designed to be accessed by exporters at a single digit of 9% and maximum obligor limit of N5bn. It aimed at improving export financing and additional opportunities for exporters to upscale and expand their businesses in improving their competitiveness. The general aim is to diversify the revenue base of the country from mono economy i.e oil.

(x) Anchor Borrowers Programme (ABP) is an initiative of the Central Bank of Nigeria and was launched by President Muhammadu Buhari on November, 2015 in Kebbi State. CBN earmarked N40bn out of N220bn Micro Small and Medium Enterprises Development Fund (MSMEDF) to be given to farmers in cooperative at a single rate of 9% and the amount is dependent on the economics of production of each commodity. It aimed at creating an ecosystem to link small holder farmers (borrowers) and processors (anchor) in the agricultural value chain to achieve job creation, increase domestic production of agric commodities/raw materials, improve farmers income and reduce import duty.

28 Debt securities in issue

	Group		Bank	
In millions of Naira	September 2019	December 2018	September 2019	December 2018
Debt securities - Bond (See (i) below)	-	-	4,939	5,171
Debt securities - Notes (See (ii) below)	-	-	21,419	20,546
16.25% Debt securities carried at amortised cost (See (iii) below)	34,134	34,468	-	-
16.5% Debt securities carried at amortised cost (See (iv) below)	9,538	8,503	-	-
Debt securities - Commercial Paper (See (v) below)	24,223	43,638	24,223	43,638
	67,895	86,609	50,582	69,355

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

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

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

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

(v) This represents tranche 8 N24.5billion 180-day Commercial Papers issued on 30 April 2019 with implied yields of 14.5% respectively. The Commercial papers are quoted and traded on the FMDQ OTC Exchange.

29 Other liabilities

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Financial Liabilities				
Creditors and accruals	11,762	12,260	11,762	12,260
Certified cheques	5,367	3,065	5,367	3,065
Defined contribution obligations	-	0	-	0
Customers' deposits for foreign trade	14,403	12,147	14,403	12,147
Other credit balances	9,122	10,108	9,122	10,108
	40,653	37,580	40,653	37,580
Non Financial Liabities				
Information technology levy	72	98	72	98
	40,726	37,678	40,726	37,678

30 Provisions

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Provisions	145	295	145	295
	145	295	145	295

Movement in provisions in other liabilities

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Balance, beginning of year	295	295	295	295
Impact of adopting IFRS 9		17		17
Write-back during the year	(150)	(17)	(150)	(17)
	145	295	145	295

The provision amount represents litigation and claims against the Bank as at 30 September 2019. These claim arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that this provision is adequate for liability that have crystalised from these claims. There is no expected reimbursement in respect of this provision.

31 Capital and reserves

(a) *Share capital*

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Authorised:				
32,000,000,000 Ordinary shares of 50k each	16,000	16,000	16,000	16,000
Issued and fully-paid:				
each	14,395	14,395	14,395	14,395

(b) Share premium

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Share premium	42,759	42,759	42,759	42,759

(c) Statutory reserves

The other regulatory reserves includes movements in the statutory reserves. Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(i) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value on investments carried at fair value through other comprehensive income until the investment is derecognised or impaired.

(ii) Regulatory risk reserve

The Central Bank of Nigeria stipulates that provisions for loans recognised in the profit or loss account be determined based on the requirements of IFRS. The IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in retained earnings should be treated as follows:

(i) Prudential impairment allowance is greater than IFRS impairment allowance: transfer the difference from the retained earnings to a non-distributable regulatory risk reserve.

(ii) Prudential impairment allowance is less than IFRS impairment allowance: 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 recognised.

(iii) Other reserves

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium-scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005. The Bank 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.

The AGSMEIS reserve is maintained to comply with the requirement of Central Bank of Nigeria which requires banks to set aside 5% of their Profit After Tax for investment in Agri-Business/Small and Medium Enterprises. This Investment Scheme aimed at supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. The fund is domiciled with the Central Bank of Nigeria.

(d) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

32 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents include cash and foreign monies, unrestricted balances with Central Bank of Nigeria, balances held with local Banks, balances held with bank outside Nigeria and money market placements.

	Group		Bank	
In millions of Naira	September 2019	December 2018	September 2019	December 2018
Cash and foreign monies (See note 16)	24,322	20,772	23,345	20,772
Unrestricted balances with Central Bank of Nigeria (See note 16)	17,138	3,460	17,138	3,460
Balances held with local banks (See note 17)	10,598	11,898	10,598	11,791
Balances held with banks outside Nigeria (See note 17)	35,020	22,954	35,020	22,954
Money market placements (See note 17)	5,192	8,690	5,192	8,690
	92,270	67,774	91,293	67,667

33 Contingent Liabilities and commitments

In the normal course of business, the Bank 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.

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. These consist of Financial guarantees and letters of credits. These obligations are not recognised on the statement of financial position because the risk has not crystallised.

Letters of credit and guarantees commit the Bank to make payment 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 table summarises the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

In millions of Naira	September 2019	December 2018	September 2019	December 2018
Bonds, guarantees and indemnities	118,099	97,396	118,099	97,396
Letters of credit	29,174	32,951	29,174	32,951
	147,273	130,347	147,273	130,347

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