Sterling Bank Plc

Condensed Unaudited Group Interim Financial Statements
March 2020

Directors' Report
For the period ended 31 March 2020

The Directors present their first quarter report on the affairs of Sterling Bank Plc ("the Bank"), together with the unaudited Group Financial Statements for the period ended 31 March, 2020

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 172 branches including cash centres as at 31 March 2020.

Operating results

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

	Group		Bank	
In millions of Naira	March 2020	March 2019	March 2020	March 2019
Gross earnings	32,916	35,270	32,300	34,680
Profit before taxation	2,219	3,273	2,191	3,268
Taxation	(154)	(33)	(154)	(33)
Profit after taxation	2,065	3,240	2,037	3,235
Transfer to statutory reserve	306	486	306	485
Transfer to general reserve	1,759	2,754	1,731	2,749
	2,065	3,240	2,037	3,235
Earnings per share (kobo) - Basic	7k	11k	7k	11k
Earnings per share (kobo) - diluted	7k	11k	7k	11k
	March 2020	December 2019	March 2020	December 2019
NPL Ratio	2.00%	2.20%	2.00%	2.20%

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		STB Building Society Limited Eltees Properties Rebounds Integrated Services 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		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		
14	Mr. Raheem Owodeyi	Executive Director		

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	March 2020 Direct	March 2020 Indirect	December 2019 Direct	December 2019 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	-	1,549,668,967
7	Mrs. Tairat Tijani	-	1,144,046,801	-	1,144,046,801
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	-	21,851,200	-
14	Mr. Raheem Owodeyi	12,883,961	-	12,883,961	-

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 March 2020 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,049	37.07%	14,433,796	0.05%
1001 - 5,000	26,086	30.17%	58,983,065	0.20%
5,001 - 10,000	8,839	10.22%	59,664,539	0.21%
10,001 - 20,000	6,963	8.05%	93,953,172	0.33%
20,001 - 50,000	4,850	5.61%	149,979,811	0.52%
50,001 - 100,000	2,650	3.07%	177,513,790	0.62%
100,001 - 200,000	1,934	2.24%	269,771,967	0.94%
200,001 - 500,000	1,601	1.85%	514,684,644	1.79%
500,001 - 10,000,000	1,356	1.57%	1,915,357,845	6.65%
Above 10,000,001	117	0.14%	14,900,679,088	51.76%
Foreign shareholding	5	0.01%	10,635,396,407	36.94%
	86,450	100%	28,790,418,124	100.00%

The following shareholders have shareholdings of 5% and above as at 31 March 2020:

	March 2020 Holding (units)	March 2020 % holding	December 2019 Holding (units)	December 2019 % 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	1,739,406,427	6.04	1,735,550,547	6.03
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63
Ess-ay Investments Limited	1,444,046,801	5.02	-	0.00

Acquisition of own shares

The Bank did not acquire any of its shares during the period ended 31 March, 2020 (31 December, 2019: 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 31

March 2020 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.
April 27, 2020

Corporate Governance

The Bank complies with the relevant provisions of the Nigerian Securities & Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRCN) 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	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	Member	Executive Director
14	Mr. Raheem Owodeyi	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 corporate
- 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	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	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
9	Mr. Raheem Owodeyi	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 31 MARCH 2020

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 three months ended 31 March 2020.

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 31 March 2020

		Group		Bank	
In millions of Naira	Notes	March 2020	March 2019	March 2020	March 2019
Interest income	3	28,397	30,791	27,781	30,201
Interest expense	4	(12,948)	(15,862)	(12,360)	(15,277)
Net interest income		15,449	14,929	15,421	14,924
Net Fees and commission income	5	2,919	3,483	2,919	3,483
Net trading income	6	984	435	984	435
Other operating income	7	616	561	616	561
Operating income		19,968	19,408	19,940	19,403
Credit loss expense on financial assets	8	(1,189)	(843)	(1,189)	(843)
Net operating income after impairment		18,779	18,565	18,751	18,560
Personnel expenses	9	(3,712)	(3,522)	(3,712)	(3,522)
Other operating expenses	10	(4,729)	(4,235)	(4,729)	(4,235)
General and administative expenses	11	(4,625)	(4,659)	(4,625)	(4,659)
Other property, plant and equipment cost	12	(1,472)	(1,451)	(1,472)	(1,451)
Depreciation and amortisation	13	(2,022)	(1,425)	(2,022)	(1,425)
Total expenses		(16,560)	(15,292)	(16,560)	(15,292)
Profit before income tax		2,219	3,273	2,191	3,268
Income tax expense	14(a)	(154)	(33)	(154)	(33)
Profit for the period		2,065	3,240	2,037	3,235
Earnings per share - basic (in kobo)	15	7k	11k	7k	11k
Earnings per share - diluted (in kobo)	15	7k	11k	7k	11k

Statement of Other comprehensive income

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Profit for the period	2,065	3,240	2,037	3,235
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	145	2,386	145	2,386
- Changes in allowance for expected credit losses	-	-	-	-
- Reclassification to profit or loss	(6,559)	4,597	(6,559)	4,597
Net gains/(losses) on financial investments at fair value through other comprehensive income:	(6,414)	6,983	(6,414)	6,983
Total comprehensive income/(loss) for the period, net of tax	(4,349)	10,223	(4,377)	10,218

Condensed Statement of Financial Position
As at 31 March 2020

In millions of Naira	Notes	Group March 2020	Group December 2019	Bank March 2020	Bank December 2019
Assets					
Cash and balances with Central Bank of Nigeria	16	241,934	156,059	241,007	156,059
Due from Banks	17	16,490	69,361	16,490	69,361
Pledged financial assets	18	41,037	11,831	41,037	11,831
Derivative financial assets	19	2,110	-	2,110	-
Loans and advances to Customers	20	627,122	618,732	627,122	618,732
Investment securities:					
- Debt instruments at fair value through profit or loss	21(a)	6,975	8,317	6,975	8,317
- Debt instruments at fair value through other comprehensive income	21(b)	131,159	141,272	131,159	141,272
- Equity instruments at fair value through other comprehensive income	21(c)	5,352	5,470	5,352	5,470
- Debt instruments at amortised cost	21(d)	84,131	101,944	67,484	84,767
Investment in subsidiary	22	-	-	1	1
Other assets	23	35,089	28,581	35,089	28,581
Right-of-use asset	24	8,693	8,896	8,693	8,896
Investment Property	25	4,120	4,141	4,120	4,141
Property, plant and equipment	26	17,611	18,476	17,611	18,476
Intangible assets	27	1,829	1,933	1,829	1,933
Deferred tax assets	14(c)	6,971	6,971	6,971	6,971
		1,230,622	1,181,984	1,213,049	1,164,808
Non-Current asset held for sale	28	701	701	701	701
Total Assets		1,231,323	1,182,685	1,213,750	1,165,509
Liabilities					
Deposits from Banks	29	20,693	-	20,693	-
Deposits from Customers	30	898,576	892,660	898,576	892,660
Current income tax liabilities	14(b)	355	201	355	201
Other borrowed funds	31	78,555	82,702	78,555	82,702
Debt securities issue	32	43,677	42,655	26,362	25,709
Other liabilities	33	73,733	44,677	73,733	44,677
Lease Liability	34	68	65	68	65
Provisions	35	457	167	457	167
Total Liabilities		1,116,114	1,063,127	1,098,800	1,046,181
Equity					
Share capital	36	14,395	14,395	14,395	14,395
Share premium	36	42,759	42,759	42,759	42,759
Retained earnings		8,252	6,187	7,685	5,954
Other components of equity		49,803	56,217	50,111	56,220
Total equity		115,209	119,558	114,950	119,328
Total liabilities and equity		1,231,323	1,182,685	1,213,750	1,165,509

The consolidated and separate financial statements were approved by the Board of Directors on April 27, 2020 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 31 March 2020

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 2020	14,395	42,759	6,559	5,276	21,371	235	1,155	21,622	56,217	6,187	119,558
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	2,065	2,065
Other comprehensive income net of tax		-	(6,414)	-	-	-	-	-	(6,414)	-	(6,414)
Transfer to other reserve	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020	**14,395**	**42,759**	**145**	**5,276**	**21,371**	**235**	**1,155**	**21,622**	**49,803**	**8,252**	**115,209**

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	20,098	43,953	(3,307)	97,800
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	10,602	10,602
Other comprehensive income net of tax		-	11,156	-	-	-	-	-	11,156	-	11,156
Transfer to other reserve	-	-	-	-	(889)	-	473	1,524	1,108	(1,108)	(0)
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2019	**14,395**	**42,759**	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,622**	**56,216**	**6,187**	**119,558**

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 2020	14,395	42,759	6,559	5,276	21,371	235	1,155	21,624	56,220	5,954	119,328
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	2,037	2,037
Other comprehensive income net of tax	-	-	(6,414)	-	-	-	-	-	(6,414)	-	(6,414)
Transfer to other reserve	-	-	-	-	-	-	-	306	306	(306)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2020	**14,395**	**42,759**	**145**	**5,276**	**21,371**	**235**	**1,155**	**21,930**	**50,111**	**7,685**	**114,950**

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
Impact of initial application of IFRS 9 ***			-						-	-	-
Transfer between reserves ***					-				-	-	-
Restated opening balance under IFRS 9	14,395	42,759	(4,597)	5,276	22,260	235	682	20,100	43,955	(3,101)	98,009
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	10,163	10,163
Other comprehensive income net of tax	-	-	11,156	-	-	-	-	-	11,156	-	11,156
Transfer to other reserve	-	-	-	- -	889	-	473	1,524	1,109	(1,109)	0
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	(0)
Balance at 31 December 2019	**14,395**	**42,759**	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,624**	**56,220**	**5,954**	**119,328**

Condensed Statements of Cash Flow

For the period ended 31 March 2020

		Group		Bank	
In millions of Naira	Notes	March 2020	March 2019	March 2020	March 2019
Operating activities					
Profit before tax		2,219	3,273	2,191	3,268
Adjustment for non cash items:					
Credit loss expense	8	1,146	808	1,146	808
Impairment loss on other assets	8	43	35	43	35
Depreciation and amortisation	13	2,022	1,425	2,022	1,425
Gain on disposal of property and equipment	7	(3)	(3)	(3)	(3)
Derivatives fair value changes		(77)	-	(77)	-
Net gain on investment securities at fair value through profit or loss		(108)	(15)	(108)	(15)
Net changes in other comprehensive income		(6,559)	4,597	(6,559)	4,597
		(1,317)	**10,120**	**(1,345)**	**10,115**
Changes in operating assets:					
Due from Central Bank of Nigeria		-	-	-	-
Restricted balance with Central bank		(71,500)	(7,261)	(71,500)	(7,261)
Pledged assets		(29,206)	(9,133)	(29,206)	(9,133)
Derivative assets		(2,110)	-	(2,110)	-
Investment securities held for trading		1,342	(973)	1,342	(973)
Loans and advances to customers		(8,974)	2,005	(8,974)	2,005
Other assets		(6,508)	(8,116)	(6,508)	(8,116)
		(118,273)	**(13,358)**	**(118,301)**	**(13,363)**
Changes in operating liabilities:					
Deposit from banks		20,693	9,809	20,693	9,809
Deposits from customers		5,916	22,647	5,916	22,647
Lease Liability		4	-	4	-
Other liabilities		29,056	223	29,056	223
Cash generated from operations		**(62,604)**	**19,321**	**(62,632)**	**19,316**
Vat Paid		(272)	(116)	(272)	(116)
Net cash flows from operating activities		**(62,876)**	**19,205**	**(62,904)**	**19,200**
Investing activities					
Net proceed on fair value through profit or loss		(1,003)	-	(1,003)	-
Proceed from sale of debt instruments at FVOCI		308,478	24,716	308,478	24,716
Purchase of of debt instruments at FVOCI		(310,694)	(8,113)	(310,694)	(8,113)
Redemption of debt investment at FVOCI		29,809	13,046	29,809	13,046
Redemption of debt investment held at amortised cost		899	1,093	-	133
Purchase of property and equipment	26	(750)	(2,654)	(750)	(2,654)
Purchase of intangible assets	27	(82)	(265)	(82)	(265)
Proceeds from the sale of property and equipment		3	11	3	11
Net cash flows from/(used in) investing activities		**26,660**	**27,833**	**25,761**	**26,873**
Financing activities					
Proceeds from borrowing		7	5,407	7	5,407
Repayment of borrowing		(4,155)	(5,550)	(4,155)	(5,550)
Repayment from Debt securities		-	(14,851)	-	(14,851)
Net cash flows from/(used in) financing activities		**(4,147)**	**(14,994)**	**(4,147)**	**(14,994)**
Effect of exchange rate changes on cash and cash equivalents		1,867	(108)	1,867	(108)
Net increase/(decrease) in cash and cash equivalents		(40,363)	32,044	(41,290)	31,078
Cash and cash equivalents at 1 January		103,294	67,774	103,294	67,667
Cash and cash equivalents at 31 March	37	**64,798**	**99,711**	**63,871**	**98,638**
Operational cash flow from Interest					
Interest Received		34,392	33,593	33,776	33,003
Interest Paid		(13,630)	(15,405)	(12,721)	(14,820)

Notes to the Consolidated and Separate Financial Statements
For the period ended 31 March 2020

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) and in the manner required by the Companies and Allied Matters Act of Nigeria, The Financial Reporting Council of Nigeria Act No 6, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

The condensed consolidated and separate financial statements have been prepared on a historical cost basis, except for financial assets 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 31 March 2020 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 no repayment of commercial paper that resulted in an external outflow into the Bank.

(f) Dividends

The Directors did not recommend the payment of any dividend for the Bank's interim results to 31 March 2020.

(g) Changes to accounting policy

The accounting policies adopted are consistent with those of the previous financial period.

(h) Right-of-use assets

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

The right-of-use assets are presented in Note 23 and are subject to impairment in line with the Group's policy as described in Impairment of non-financial assets.

(i) Lease liabilities

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

(j) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value (ATM) assets recognition exemption to leases (i.e., below N2million). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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 31 December 2019 (unless otherwise stated). 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 31 March 2020.

- 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 cashflow characteristics of the financial asset (i.e solely payments of principal and interest- SPPI test). Directors determine the classification of the financial instruments at initial recognition.

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

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

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

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

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 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. All equity financial assets are classified as measured at FVOCI. Where the Group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

- Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

- Impairment of non-financial assets

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

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are carried at historical cost less accumulated depreciation and impairment. The fair value and valuation inputs of the investment property are also disclosed in note 23.2 in accordance with IAS 40.

The investment properties consist of buildings which are depreciated on a straight-line basis over their useful life of 50 years.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are

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

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

(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.

Non-current assets held for sale

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

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

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

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

2.3 New standards and interpretation issued but not yet effective

New standards have been issued but are not yet effective for the period ended 31 March 2020; 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

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.
A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants can replace any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 based on those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's consolidated financial statements.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

The assessment of whether a forecast transaction (or component thereof) is highly probable.

Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss .

The assessment of the economic relationship between the hedged item and the hedging instrument.

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.

For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.Effective for annual periods beginning on or after 1 January 2020. Early application is permitted and must be disclosed.

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 (2019: 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 31 March 2020							
Interest income and NIB income	4,306	4,421	7,588	10,508	958	616	28,397
Interest expenses and NIB expense	(746)	(2,199)	(2,293)	(6,673)	(448)	(588)	(12,948)
Net interest income/NIB margin	3,560	2,221	5,295	3,835	510	28	15,449
Net Fees and commission income	854	338	962	755	11	-	2,919
Depreciation of property & Equipment	(1,654)	(82)	(95)	(106)	(84)	-	(2,022)
Impairment	(379)	(426)	(115)	(262)	(7)	-	(1,189)
Operating expenses	(2,957)	(1,757)	(4,492)	(5,063)	(268)	(0)	(14,538)
Segment Profit (loss)	**136**	**428**	**1,941**	**(539)**	**226**	**27**	**2,219**
For the period ended 31 March 2020							
Assets:							
Capital expenditure							
Property, plant and equipment/Intangible	328	93	106	201	22		750
Intangible segment assets	82	-	-		-		82
Total Assets	**110,349**	**98,935**	**203,326**	**750,109**	**51,029**	**17,574**	**1,231,323**
Total Liabilities	**324,300**	**216,848**	**228,418**	**287,743**	**41,490**	**17,316**	**1,116,114**

In millions of Naira	Retail Banking	Commercial Banking	Institutional Banking	Corporate & Investment Banking	Non-Interest Banking	SPV	Total
For the period ended 31 March 2019							
Interest income and NIB income	3,152	4,787	6,435	14,777	1,051	590	30,791
Interest expenses and NIB expense	(1,240)	(2,475)	(1,888)	(9,220)	(454)	(585)	(15,862)
Net interest income/NIB margin	**1,912**	**2,312**	**4,547**	**5,557**	**596**	**6**	**14,929**
Fees and Commission income	1,207	484	701	969	122		3,483
Depreciation of property & Equipment	(518)	(212)	(223)	(361)	(111)		(1,425)
Impairment	97	(661)	(83)	(196)			(843)
Segment Profit (loss)	**1,347**	**296**	**2,656**	**(1,389)**	**357**	**6**	**3,273**
For the period ended 31 December 2019							
Assets:							
Capital expenditure							
Property, plant and equipment	3,490	993	1,122	2,010	237	-	7,852
Intangible segment assets	371	-	-		-		371
Total Assets	**93,451**	**102,496**	**200,757**	**726,152**	**42,651**	**17,178**	**1,182,685**
Total Liabilities	**201,566**	**214,676**	**259,987**	**336,500**	**33,454**	**16,943**	**1,063,127**

3 Interest income

	Group		Bank	
In millions of Naira	March 2020	March 2019	March 2020	March 2019
Cash and cash equivalent	136	347	136	347
Debt instruments at FVOCI	3,776	2,721	3,776	2,721
Debt instruments at amortised cost	3,241	4,037	2,625	3,447
Loan and advances to customers	21,244	23,686	21,244	23,686
	28,397	30,791	27,781	30,201

4 Interest Expense

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Deposits from banks	290	131	290	131
Deposits from customers	9,237	11,161	9,237	11,161
Other borrowed funds	1,748	1,856	1,748	1,856
Debt securities	1,673	2,714	1,085	2,129
	12,948	15,862	12,360	15,277

5 Net Fees and commission income

Fees and commission income

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Facility management fees	422	374	422	374
Account Maintanance Fee	394	403	394	403
Commissions and similar income	112	272	112	272
E-business commission and fees	1,363	1,522	1,363	1,522
Commission on letter of credit and Off Balance Sheet transactions	399	309	399	309
Other fees and commission (See note below)	1,255	1,824	1,255	1,824
	3,945	4,704	3,945	4,704
Fees and commission expense				
E-business expense	(1,026)	(1,221)	(1,026)	(1,221)
	2,919	3,483	2,919	3,483

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	March 2020	March 2019	March 2020	March 2019
Foreign exchange trading	(74)	(28)	(74)	(28)
Bonds - FVPL	487	30	487	30
Treasury bills - FVPL	571	433	571	433
	984	435	984	435

7 Other operating income

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Rental income	94	44	94	44
Other sundry income	250	218	250	218
Foreign exchange revaluation	-	37	-	37
Gains on disposal of property, plant and equipment	3	3	3	3
Cash recoveries on previously written off accounts	269	259	269	259
	616	561	616	561

8 Credit loss expense on financial assets

In millions of Naira	March 2020	March 2019	March 2020	March 2019
12-months expected credit loss	252	51	252	51
Lifetime expected credit loss	1,084	867	1,084	867
Bad debt written off	387	4	387	4
Allowances no longer required	(577)	(114)	(577)	(114)
	1,146	808	1,146	808
Other financial asset impairment				
Impairment charge on other assets	43	35	43	35
	1,189	843	1,189	843

9 Personnel expenses

	Group		Bank	
In millions of Naira	March 2020	March 2019	March 2020	March 2019
Wages and salaries	3,389	3,224	3,389	3,224
Defined contribution plan	323	298	323	298
	3,712	3,522	3,712	3,522

10 Other operating expenses

In millions of Naira	March 2020	March 2019	March 2020	March 2019
AMCON surcharge (see note (i) below)	1,682	1,489	1,682	1,489
Contract Services	1,625	1,507	1,625	1,507
Insurance	1,178	981	1,178	981
Other Professional Fees	171	258	171	258
Foreign exchange revaluation loss	73	-	73	-
	4,729	4,235	4,729	4,235

AMCON surcharge

(i) This represents the Bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 31 March 2020. Effective 1 January 2018, the Bank is required to contribute an equivalent of 0.5% (2019 : 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	March 2020	March 2019	March 2020	March 2019
Administrative expenses	1,388	894	1,388	894
Audit fees	62	62	62	62
Office expenses	979	902	979	902
Advertising and business promotion	223	727	223	727
Cash handling and processing expense	335	194	335	194
Branding expenses	27	39	27	39
Communication cost	446	403	446	403
Transport, travel, accomodation	166	170	166	170
Seminar and conferences	220	235	220	235
Rents and rates	108	302	108	302
Security	101	117	101	117
Other general expenses	242	347	242	347
Annual general meeting expenses	60	60	60	60
Stationery and printing	56	46	56	46
Directors other expenses	95	96	95	96
Membership and subscription	77	52	77	52
Fines and penalties	30	2	30	2
Directors fee	10	10	10	10
Newspapers and periodicals	-	1	-	1
	4,625	4,659	4,625	4,659

12 Other property, plant and equipment cost

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Repairs and maintenance of PPE	1,472	1,451	1,472	1,451
	1,472	1,451	1,472	1,451

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	March 2020	March 2019	March 2020	March 2019
Amortisation of intangible assets (see note 27)	185	180	185	180
Depreciation of property, plant and equipment (see note 26)	1,613	1,245	1,613	1,245
Right-of-use asset amortisation (see note 24)	203	-	203	-
Depreciation Investment Property (see note 25)	21	-	21	-
	2,022	1,425	2,022	1,425

14 Income tax expense

	In millions of Naira	March 2020	March 2019	March 2020	March 2019
(a)	Income tax	154	-	154	-
	Information Technology levy	-	33	-	33
	Total income tax expense	154	33	154	33

14 (b) ***Current income tax liabilities***

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

In millions of Naira	Group March 2020	Group December 2019	Bank March 2020	Bank December 2019
Balance, beginning of the year	201	405	201	405
Income tax for the period.	154	-	154	-
Reversal of excess provision	-	(32)	-	(32)
payments during the period	-	(172)	-	(172)
	355	201	355	201

14 (c) **Deferred tax**

31 March 2020

In millions of Naira	Balance as at 1 January 2020	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 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	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 31 March 2020 was based on the profit attributable to ordinary shareholders of N2,037,000,000 and weighted average number of ordinary shares outstanding of 28,790,418,126 calculated as follows:

In thousands of Unit	March 2020	March 2019	March 2020	March 2019
Weighted average number of ordinary shares	28,790	28,790	28,790	28,790

In millions of Naira	March 2020	March 2019	March 2020	March 2019
Profit for the period attributable to equity holders of the Bank	2,065	3,240	2,037	3,235
Basic earning per share	7k	11k	7k	11k
Diluted earning per share	7k	11k	7k	11k

16 **Cash and balances with Central Bank**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Cash and foreign monies	45,640	23,572	44,713	23,572
Unrestricted balances with Central Bank of Nigeria	2,668	10,361	2,668	10,361
Deposits with the Central bank of Nigeria	193,626	122,126	193,626	122,126
	241,934	156,059	241,007	156,059

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	March 2020	December 2019	March 2020	December 2019
Balances held with local banks	11,659	7,407	11,659	7,407
Balances held with banks outside Nigeria	4,628	55,953	4,628	55,953
Money market placements	203	6,001	203	6,001
	16,490	69,361	16,490	69,361

18 **Pledged financial assets**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Securities instruments measured at fair value through other comprehensive income:				
- Treasury Bills (see note (a) below)	22,393	7,484	22,393	7,484
Total Pledged asset at FVOCI	22,393	7,484	22,393	7,484

Securities instruments measured at amortised cost:	Group		Bank	
- Bonds (see note (b) below)	18,528	4,242	18,528	4,242
Other pledged assets (see note (C) below)	116	109	116	109
	18,644	4,351	18,644	4,351
ECL on Pledged asset at amortised cost	-	(4)	-	(4)
Total Pledged asset at amortised cost	18,644	4,347	18,644	4,347
Total pledged assets	41,037	11,831	41,037	11,831

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 and other financial institutions

(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 **Foreign Exchange Derivatives**

In millions of Naira	Notional	Fair Value
31 March 2020	Contract Amount	Assets
Non deliverable forward	36,479	2,110
Derivative asset	36,479	2,110

20 **Loan and Advances to Customers**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Loans to corporate entities and other organizations	596,414	582,940	596,414	582,940
Loans to individuals	44,258	48,758	44,258	48,758
	640,672	631,698	640,672	631,698
Less:				
- ECL Stage 1	(737)	(556)	(737)	(556)
- ECL Stage 2	(6,809)	(6,536)	(6,809)	(6,536)
- ECL Stage 3	(6,004)	(5,874)	(6,004)	(5,874)
	627,122	618,732	627,122	618,732

21 **Investment securities:**

	In millions of Naira	March 2020	December 2019	March 2020	December 2019
(a)	***Investments fair value through profit or loss***				
	- Treasury bills	2,500	8,313	2,500	8,313
	- Promissory notes	4,475	4	4,475	4
		6,975	8,317	6,975	8,317
(b)	**Instruments at fair value through other comprehensive income**				
	Debt instrument at FVOCI				
	- Government bond	22,116	47,995	22,116	47,995
	- Euro bond	3,739	6,904.00	3,739	6,904
	- Corporate bonds	1,845	5,545.00	1,845	5,545
	- Treasury bills	102,549	80,684	102,549	80,684
	- Promissory notes	910	144	910	144
	Total debt instrument at FVOCI	131,159	141,272	131,159	141,272
(c)	***Equity instrument at fair value through other comprehensive income***				
	Equity securities at FVOCI	5,352	5,470	5,352	5,470
	Total equity at FVOCI	5,352	5,470	5,352	5,470
(d)	***Instruments at amortised cost***				
	- Government bonds	81,459	99,341	65,081	82,388
	- Corporate bonds	222	351	222	351
	- Treasury bills	46	238	-	-
	- Promissory note	2,483	2,145	2,246	2,145
		84,210	102,075	67,549	84,884
	Less:				
	- impairment on investments at amortised cost	(79)	(131)	(65)	(117)
		84,131	101,944	67,484	84,767

22 **Investment in Subsidiary**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Investment in Sterling SPV	-	-	1	1
	-	-	1	1

Condensed Statement of Profit or loss for the Period ended 31 March 2020	Group	Bank	
In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Interest income	616	(1,124)	1,740
Interest expense	(588)	1,124	(1,712)
Other income	-	-	-
Operating expenses	(0)	-	(0)
Profit/Loss for the Period	27	-	27.340
Condensed Statement of financial position as at 31 March 2020			
Assets			
Cash and balances with Central Bank	927	-	927
Investment in securities - Bills	46	-	46
Investment in securities - Bonds	16,364	-	16,364
Loans and Receivable (See below (a))	-	26,361	26,361
Promissory note	237		237
	17,574	26,361	43,935
Liabilities and Equity			
Debt securities in issue	17,316	26,361	43,677
Equity	1	-	1
Reserve	230	-	230
Profit for the period	27	-	27
	17,574	26,361	43,935

Condensed Statement of Profit or loss for the Period ended 31 December 2019	Group	Bank	
In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Interest income	11,472	4,358	7,114
Interest expense	(4,358)	(4,358)	-
Other income	-	-	-
Credit loss expense	(14)		(14)
Operating expenses	(6,676)	-	(6,676)
Profit/Loss for the Period	424	-	424
Condensed Statement of financial position as at 31 December 2019			
Assets			
Cash and balances with Central Bank	-	-	-
Investment in securities - Bills	-	-	-
Investment in securities - Bonds	17,177	-	17,177
Loans and Receivable (See below (a))	-	(25,709)	25,709
	17,177	(25,709)	42,886
Liabilities and Equity			
Debt securities in issue	16,943	(25,709)	42,652
Equity	-	(1)	1
Reserve	233	-	233
Profit for the period	-	-	-
	17,176	(25,710)	42,886

(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.

23 Other Assets

Other assets comprise:

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Financial assets				
Accounts receivable (see note (a) below)	30,816	18,622	30,816	18,622
	30,816	18,622	30,816	18,622
Non-financial assets				
Prepayments (see note (b) below)	3,313	9,102	3,313	9,102
Prepaid staff cost	1,309	1,282	1,309	1,282
Stock of cheque books and stationery	577	584	577	584
Gross other asset	36,015	29,591	36,015	29,591
Impairment on other assets	(926)	(1,010)	(926)	(1,010)
	35,089	28,581	35,089	28,581

Movement in impairment on other assets

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Balance, beginning of year	1,010	834	1,010	834
Impairment on other assets (See note 8)	43	-	43	-
Writeback	-	392	-	392
Write-offs	(127)	(216)	(127)	(216)
Balance, end of period	926	1,010	926	1,010

(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

24 Right-of-use asset

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

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Opening Balance	8,896	-	8,896	-
Reclassification from Prepayment	-	9,121	-	9,121
Additions during the period	-	577	-	577
Amortisation during the period	(203)	(802)	(203)	(802)
	8,693	8,896	8,693	8,896

25 Investment property

	In millions of Naira	March 2020	December 2019	March 2020	December 2019
(i)	**Cost**				
	Opening balance	4,176	-	4,176	-
	Reclassification	-	4,176	-	4,176
	Balance end of year	4,176	4,176	4,176	4,176
(ii)	**Accumulated depreciation and impairment**	March 2020	December 2019	March 2020	December 2019
	Opening balance	35	-	35	-
	Depreciation	21	35	21	35
	Balance end of year	56	35	56	35
	Closing balance	4,120	4,141	4,120	4,141

The investment property consist of blocks of Buildings located at Prime Water View Gardens Estate 2, Ikate Lekki, Lagos state. The investment property is driven by the Non-interest banking window of the Bank in line with the Central Bank of Nigeria guidelines.

26 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, 2020	2,131	4,138	3,913	763	11,551	15,842	5,312	43,649
Additions for the period	-	-	7	516	39	21	167	750
Disposals	-	-	(0)	-	(2)	(1)	(19)	(22)
Adjustment	-	(9)	-	-	9	-	-	-
Reclassification	3	(3)	(3)	(183)	13	13	157	(3)
Writeoff	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	2,134	4,126	3,917	1,096	11,611	15,875	5,617	44,375
Balance as at 1 January, 2019	2,128	3,904	3,541	812	10,505	11,403	4,234	36,527
Additions for the period	-	157	360	585	821	4,359	1,570	7,852
Disposals	-	-	-	-	(131)	(10)	(589)	(730)
Reclassification	3	77	12	(634)	356	90	97	0
Writeoff	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	2,131	4,138	3,913	763	11,551	15,842	5,312	43,649
(b) ***Depreciation and impairment losses***								
Balance as at 1 January, 2020	238	507	2,476	-	8,899	10,430	2,624	25,173
Charge for the period	11	21	65	-	290	958	267	1,613
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	(0)	-	(2)	(1)	(19)	(22)
Writeoff	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	249	528	2,541	-	9,187	11,387	2,872	26,764
Balance as at 1 January, 2019	195	426	2,218	-	7,587	6,932	2,228	19,585
Charge for the period	43	81	258	-	1,441	3,508	961	6,292
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(129)	(10)	(565)	(704)
Writeoff	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	238	507	2,476	-	8,899	10,430	2,624	25,173
Carrying amounts								
Balance as at 31 March 2020	1,885	3,598	1,376	1,096	2,423	4,488	2,745	17,611
Balance as at 31 December 2019	1,893	3,631	1,437	763	2,652	5,412	2,688	18,476
Balance as at 1 January, 2019	1,933	3,478	1,323	812	2,918	4,471	2,006	16,942

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N14.6billion (2019: N8.70billion).

27 **Intangible asset**

Purchased Software

In millions of Naira	Group March 2020	Group December 2019	Bank March 2020	Bank December 2019
Cost				
Beginning of year	4,979	4,124	4,979	4,124
Additions	82	371	82	371
Reclassification	-	484	-	484
Balance end of period	5,061	4,979	5,061	4,979
Amortisation and impairment losses				
Beginning of year	3,046	2,274	3,046	2,274
Amortisation for the period	185	772	185	772
Balance end of period	3,231	3,046	3,231	3,046
Carrying amounts	1,829	1,933	1,829	1,933

28 **Non Current Assets Held for Sale**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Non Current Assets Held for Sale	701	701	701	701
	701	701	701	701

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. Assets that no longer meet the definition of non-current assets held for sale are reclassified to other assets.

29 **Deposits from Banks**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Money Market Deposits	20,693	-	20,693	-
	20,693	-	20,693	-

30 **Deposits from customers**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Current accounts	438,308	417,121	438,308	417,121
Savings accounts	139,938	120,968	139,938	120,968
Term deposits	243,652	284,141	243,652	284,141
Pledged deposits	76,678	70,430	76,678	70,430
	898,576	892,660	898,576	892,660

31 **Other borrowed Funds**

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Foreign Funds				
Due to Islamic Corporation Development Bank (See (i) below)	2,850	4,167	2,850	4,167
Due To Africa Agric and Trade Investment Fund (See (ii) below)	4,225	4,256	4,225	4,256
	7,075	8,423	7,075	8,423
Local Funds				
Due to BOI	2,837	2,830	2,837	2,830
Due to CBN-Agric-Fund (See (iii) below)	42,002	43,608	42,002	43,608
Due to Nigeria Mortgage Refinance Company (See (iv) below)	2,287	2,323	2,287	2,323
Due to Excess Crude Account (See (v) below)	13,682	13,733	13,682	13,733
Due to CBN - RSSF Fund (See (vi) below)	6,860	7,353	6,860	7,353
Due to CBN - NESF Fund (See (vii) below)	3,593	4,000	3,593	4,000
Due to CBN - ABP Fund (See (viii) below)	219	432	219	432
	71,480	74,279	71,480	74,279
	78,555	82,702	78,555	82,702

(i) 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%.

(ii) This represents the Naira equivalent of a $15 million credit facility granted to the Bank by Africa Agriculture and Trade Investment Fund payable in 4 years in 9 installments commencing June 2019. Interest is payable quarterly at LIBOR plus a margin. The facility will mature in March 2023 . The effective interest rate of the loan is 6.84% per annum.

(iii) 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 two (2) percent to lend to the customer at 9% inclusive of management and processing fee. Repayment proceeds from CACS projects are repatriated to CBN on quarterly basis, all loans under the agriculture scheme is expected to terminate on 30 September 2025.

CBN policy measures in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 and reduced interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020.

(iv) 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.

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

CBN policy measures in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 and reduced interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020.

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

CBN policy measures in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 and reduced interest rates on this facility from 9 to 5 percent per annum for 1 year effective March 1, 2020.

(vii) 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.

CBN policy measures in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 and reduced interest rates on this facility from 9 to 5 percent per annum for 1 year effective March 1, 2020.

(viii)

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 registered with cooperatives at a single rate of 9% and the amount is dependent on the economics of production of each commodity. It is aimed at creating an ecosystem to link small holder farmers (borrowers) and processors (anchor) in the agricultural value chain to achieve job creation, increase domestic production of agricultural commodities/raw materials, improve farmers income and reduce import duty.

CBN policy measures in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 and reduced interest rates on this facility from 9 to 5 percent per annum for 1 year effective March 1, 2020.

32 Debt securities in issue

	Group		Bank	
In millions of Naira	March 2020	December 2019	March 2020	December 2019
Debt securities - Bond (See (i) below)	-	-	4,939	5,606
Debt securities - Notes (See (ii) below)	-	-	21,422	20,103
16.25% Debt securities carried at amortised cost (See (iii) below)	34,153	34,468	-	-
16.5% Debt securities carried at amortised cost (See (iv) below)	9,524	8,187	-	-
	43,677	42,655	26,362	25,709

(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.

33 Other liabilities

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Financial Liabilities				
Creditors and accruals	26,082	13,117	26,082	13,117
Certified cheques	7,657	3,698	7,657	3,698
Customers' deposits for foreign trade	17,823	14,820	17,823	14,820
Other credit balances	22,171	12,940	22,171	12,940
	73,733	44,575	73,733	44,575
Non Financial Liabities				
Information technology levy	-	102	-	102
	73,733	44,677	73,733	44,677

34 Lease Liability

Movement in Lease Liability is as shown below:

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Opening Balance	65	-	65	-
Lease Liability	-	65	-	65
Interest Unwinding	3	-	3	-
	68	65	68	65

IFRS 16 "Leases" requires a Lessee in a lease contract to recognise the discounted value of the lease liabilty and unwind the interest till the agreed payment date. For the Group, the lease liability relates to liability arising from contractual agreement on lease rentals for branches. Prior to adoption of IFRS 16, lease liability was not recognized on the statement of financial position. As at 31 March 2020, the discounted value of the lease liability amounted to N67,676,927.71

35 Provisions

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Provisions	457	167	457	167
	457	167	457	167

Movement in provisions in other liabilities

In millions of Naira	March 2020	December 2019	March 2020	December 2019
Balance, beginning of year	167	295	167	295
Additions	290	-	290	-
Write-back during the year	-	(128)	-	(128)
	457	167	457	167

The provision amount represents litigation and claims against the Bank as at 31 March 2020. 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.

36 Capital and reserves

(a) *Share capital*

In millions of Naira	March 2020	December 2019	March 2020	December 2019
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	March 2020	December 2019	March 2020	December 2019
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.

37 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	March 2020	December 2019	March 2020	December 2019
Cash and foreign monies (See note 16)	45,640	23,572	44,713	23,572
Unrestricted balances with Central Bank of Nigeria (See note 16)	2,668	10,361	2,668	10,361
Balances held with local banks (See note 17)	11,659	7,407	11,659	7,407
Balances held with banks outside Nigeria (See note 17)	4,628	55,953	4,628	55,953
Money market placements (See note 17)	203	6,001	203	6,001
	64,798	103,294	63,871	103,294

38 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	March 2020	December 2019	March 2020	December 2019
Bonds, guarantees and indemnities	136,895	131,316	136,895	131,316
Letters of credit	69,559	27,705	69,559	27,705
	206,454	159,021	206,454	159,021

39 Events during and after the reporting period

The event that occurred during and after 31 March 2020 that would necessitate a disclosure is presented under note 40.

40 Disclosure on the Impact of COVID-19

The COVID-19 pandemic has led to a significant shutdown of the global economy as governments have enforced a lock down across the globe. It has also led to unprecedented stimulus from national governments, including the Federal Government of Nigeria.

Sterling Bank has been able to respond to the COVID pandemic due to its current structure and the various initiatives put in place before and during the outbreak. These are risk management measures and processes which include regular stress testing and contingency planning. The Bank has activated the Business Continuity Plan which has minimized challenges with regards to the continued operations of the Bank.

Sterling Bank has proactively quantified exposures at risk and taken steps to commence restructuring of some existing corporate loans to align with new and realistic cash flows of obligors, while entertaining payment holidays on exposures to some individuals. Aside from palliative measures by the Central Bank of Nigeria, Sterling Bank has also extended additional initiatives to help borrowing clients during COVID-19 crisis; this includes an extension of existing loans, granting of new loans to resourceful sectors, reduction of restructuring fees by 50% and reduction of fees on new loans by 50%. This is in line with the CBN circular referenced FPR/DIR/GEN/CIR/07/049 of March 16, 2020, granting regulatory forbearance for banks to consider temporary and time limited restructuring of tenor and loan terms for businesses and households impacted by COVID 19. In addition, other regulators, including the Securities and Exchange Commission (SEC) and the Financial Reporting Council of Nigeria (FRC), have issued directives to guide entities on disclosures and valuation of financial and non-financial assets for appropriate financial reporting.

We shall continuously monitor and assess the constantly changing social and economic (micro and macro) impact of the pandemic and remain ready to continue to respond to the emerging risks. We recognize that the actual impact of the pandemic on loan performance is difficult to assess at this time. While we have made an attempt to evaluate an initial impact on the Banks financial assets and financial position, we shall put in considerable effort to assess the impact on a continuous basis, and also update the forward looking information on our expected credit loss (ECL) model as required; including the impact on the Bank's other financial assets. We would however not fail to consider the mitigations that are being put in place and the regulatory support of the CBN.

The operating environment is expected to remain tenuous in light of declining crude oil prices, foreign currency reserves, regulatory restrictions and weak economic growth. Consequently, the Bank will continue to monitor macro-economic headwinds and implement additional risk mitigation strategies to ensure that asset quality is stable, and liquidity and capital buffers are sustained. However, the Group has assessed its ability to continue as a going concern and based on the strong risk management in place, the Directors are confident that the Group's going concern will not be threatened and would be able to continue to operate in the period ahead (post COVID-19 pandemic).