Sterling

ANNUAL REPORT, CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Table of contents

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the members of Sterling Bank Plc ("the Bank") their report together with the audited consolidated and separate financial statements for the year ended 31 December 2021.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

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

Legal form

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

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

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

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

The Bank has 160 branches and cash centres as at 31 December 2021.

REPORT OF THE DIRECTORS - Continued

OPERATING RESULTS

Highlights of the Group and the Bank's operating results for the year ended 31 December 2021 are as follows:

In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
Gross earnings	142,316	135,835	139,922	133,413
Profit before income tax	14,474	12,372	14,343	12,240
Income tax expense	(959)	(1,130)	(940)	(1,130)
Profit after income tax	13,515	11,242	13,403	11,110
Profit attributable to equity holders	13,515	11,242	13,403	11,110
Total non-performing loans as % of gross loans	1%	2%	1%	2%
Earnings per share (kobo) – Basic	47k	39k	47k	39k
Earnings per share (kobo) – Diluted	47k	39k	47k	39k

Dividend
In accordance with the provisions of Section 426 of the Companies and Allied Matters Act 2020, the Directors have proposed a dividend of 10k per share (31 December 2020: 5k per share), translating to a pay-out ratio of 22% (31 December 2020: 13%). The proposed dividend will be presented to shareholders for approval at the next Annual General Meeting and paid subsequently subject to withholding tax at an appropriate rate.

REPORT OF THE DIRECTORS - Continued

Directors who served during the year

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

Name	Designation	Date appointed/retired	Interest represented
Mr. Asue Ighodalo	Chairman		Moehi Nigeria Limited
Dr. (Mrs.) Omolara Akanji	Independent Director		
Mr. Michael Ajukwu	Independent Director		
Mr. Olaitan Kajero	Non-Executive Director		STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited
Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investment Limited
Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
Mr. Ankala Prasad (Indian)	Non-Executive Director	Appointed 27/4/2021	State Bank of India
Mr. Paritosh Tripathi (Indian)	Non-Executive Director	Appointed 27/4/2021	State Bank of India
Mrs. Folasade Kilaso	Non-Executive Director		Alfanoma Nigeria Limited Plural Limited Reduvita Limited Quakers Integrated Services Limited Concept Features Limited
Mr. Abubakar Suleiman	Managing Director/CEO		
Mr. Yemi Odubiyi	Executive Director		
Mr. Emmanuel Emefienim	Executive Director		
Mr. Tunde Adeola	Executive Director		
Mr. Raheem Owodeyi	Executive Director		

REPORT OF THE DIRECTORS - Continued

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

Director’s interests in shares
Interest of directors in the issued share capital of the Bank as recorded in the Register of members and/or as notified by them for the purpose of Section 301 of the Companies and Allied Matters Act of Nigeria were as follows:

		31-Dec-21	**31-Dec-21**	**31-Dec-20**	**31-Dec-20**
	Names	Direct	Indirect	Direct	Indirect
1	Mr. Asue Ighodalo	-	62,645,242	-	62,645,242
2	Mr. Ankala Prasad (Indian)**	-	2,549,505,026	-	-
3	Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
4	Dr. (Mrs) Omolara Akanji	-	-	-	-
5	Mr. Michael Ajukwu	-	-	-	-
6	Mr. Olaitan Kajero	-	1,592,555,294	-	1,547,951,251
7	Mrs. Tairat Tijani	-	1,444,057,327	-	1,444,046,801
8	Mrs. Folasade Kilaso	-	1,440,337,670	-	1,440,337,670
9	Mr. Abubakar Suleiman	47,325,727	-	47,325,727	-
10	Mr. Tunde Adeola	27,244,025	-	26,653,041	-
11	Mr. Yemi Odubiyi	26,471,708	-	26,471,708	-
12	Mr. Emmanuel Emefienim	20,527,369	-	20,527,369	-
13	Mr. Paritosh Tripathi (Indian)**	-	-	-	-
14	Mr. Raheem Owodeyi	15,733,951	-	15,005,219	-

** Appointed on 27/4/2021

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

Director’s Remuneration
The Bank ensures that remuneration paid to its Directors comply with the provisions of the codes of corporate governance issued by its regulators.

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

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

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

REPORT OF THE DIRECTORS - Continued

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2021 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,327	36.67%	14,488,737	0.05%
1001 - 5,000	26,014	29.51%	58,707,203	0.20%
5,000 - 10,000	8,847	10.03%	59,850,798	0.21%
10,001 - 20,000	7,026	7.97%	95,116,794	0.33%
20,001 - 50,000	5,104	5.79%	160,129,490	0.56%
50,001 - 100,000	3,245	3.68%	225,426,498	0.78%
100,001 - 200,000	2,361	2.68%	339,313,649	1.18%
200,001 - 500,000	1,794	2.03%	566,803,935	1.97%
500,001 - 10,000,000	1,337	1.52%	2,061,654,715	7.16%
Above 10,000,001	107	0.12%	14,759,723,517	51.27%
Foreign shareholding	4	0.00%	10,449,202,790	36.29%
	88,166	**100.00%**	**28,790,418,126**	**100.00%**

The following shareholders have shareholding of 5% and above as at 31 December 2021:

	31-Dec-21	31-Dec-21	31-Dec-20	31-Dec-20
	Unit holding	% holding	Unit holding	% holding
Silverlake Investments Limited	7,197,604,531	25.00	7,197,604,531	25.00
State Bank of India	2,549,505,026	8.86	2,549,505,026	8.86
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63
Ess-ay Investments Limited	1,444,057,327	5.02	1,444,046,801	5.02

Donations and Charitable Gifts

The Bank donated a total sum of N250million during the year ended 31 December 2021 (2020: N435million) to various charitable organizations in Nigeria, details of which are shown below. No donation was made to any political organization.

Details of Donation	Purpose	Amount (N'm)
Health Related Collaboration/Partnership with State Governments	Corporate Social Responsibility /Sponsorship	56.3
The Learning Centre, Borno Commercialization Project	Corporate Social Responsibility	50.0
Ake Arts and Book Festival	Sponsorship	33.0
COVID-19 Related Summit and Seminar	Corporate Social Responsibility /Sponsorship	22.4
Donation to Sterling One Foundation for Education and Health projects	Corporate Social Responsibility	15.0
Annual Banking and Finance Conference	Sponsorship	15.0
Education Support for Schools, Communities and Individuals	Corporate Social Responsibility /Sponsorship	12.1
Aviation & Cargo Conference 2021	Sponsorship	10.0
Renovation of Buliding & Installation of Vehicle Barrier - Lagos State	Corporate Social Responsibility	5.7
Environmental Makeover - Beach Adoption project	Corporate Social Responsibility	4.8
Naija Climate Now Art Exhibition	Corporate Social Responsibility	3.7
Borehole Project at Dekina LGA, Kogi	Corporate Social Responsibility	2.5
Lagos International Water Conference	Sponsorship	2.5
Ehingbeti Lagos Economic Summit	Sponsorship	2.5
Cancer Awareness Outreach	Corporate Social Responsibility	1.9
Other Donations and Collaborations	Corporate Social Responsibility /Sponsorship	12.6
		250.0

REPORT OF THE DIRECTORS - Continued

Gender Analysis of Staff

Analysis of staff employed by the Bank during the year ended 31 December 2021

DESCRIPTION	**NUMBER**	**% TO TOTAL STAFF**
Female new hire	187	42.5%
Male new hire	253	57.5%
Total new hire	440	100.0%
Female as at 31 December 2021	999	41.6%
Male as at 31 December 2021	1,405	58.4%
Total staff	2,404	100.0%

Analysis of top management positions by gender as at 31 December 2021:

GRADE	**FEMALE**	**MALE**	**TOTAL**
Senior Management (AGM –GM)	11	31	42
Middle Management (DM – SM)	75	152	227
TOTAL	86	183	269

Analysis of Executive and Non-Executive positions by gender as at 31 December 2021:

GRADE	FEMALE	MALE	TOTAL
Executive Director	-	4	4
Managing Director	-	1	1
Non-Executive Director	3	6	9
TOTAL	3	11	14

Total remuneration of Senior Management (Assistant General Managers, Deputy General Managers, General Managers and Executive Directors) in 2021 amounted to N736 million (2020: N680million).

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2021 (2020: 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.

REPORT OF THE DIRECTORS - Continued

Employment and employees

Employment of disabled persons:

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

Health, safety and welfare of employees:

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

Employee training and development

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

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

Events after the reporting date

Note 35 to the consolidated and separate financial statements discloses no events after the reporting date, that could have a material effect on the consolidated and separate financial position of the Group and the Bank as at 31 December 2021 or their profit for the year then ended.

Auditors

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

BY ORDER OF THE BOARD:

Temitayo Adegoke
Company Secretary
FRC/2018/NBA/00000018142
20 Marina, Lagos, Nigeria
24 February, 2022

SHAREHOLDING STRUCTURE/ FREE FLOAT STATUS
FOR THE YEAR ENDED 31 DECEMBER 2021

	31-December-2021		31-December-2020	
Description	**Unit**	**Percentage**	**Unit**	**Percentage**
Issued Share Capital	28,790,418,126	100%	28,790,418,126	100%
Substantial Shareholdings (5% and above)				
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%
Mike Adenuga	1,620,376,969	5.63%	1,620,376,969	5.63%
Ess-ay Investments Ltd	1,444,057,327	5.02%	1,444,046,801	5.02%
Total Substantial Shareholdings	**12,811,543,853**	**44.51%**	**12,811,533,327**	**44.51%**
Director's Shareholdings (Direct, and Indirect), excluding directors with substantial interests				
Mr. Asue Ighodalo (Indirect)	62,645,242	0.22%	62,645,242	0.22%
Mrs. Folasade Kilaso (Indirect)	-	0.00%	-	0.00%
Mr. Ankala Prasad (Indirect)	-	0.00%	-	0.00%
Mrs. Tairat Tijani (Indirect)	-	0.00%	-	0.00%
Mr. Olaitan Kajero (Indirect)	-	0.00%	-	0.00%
Mr. Tunde Adeola (Direct)	27,244,025	0.09%	26,653,041	0.09%
Mr. Abubakar Suleiman (Direct)	47,325,727	0.16%	47,325,727	0.16%
Mr. Michael Jituboh (Indirect)	-	0.00%	-	0.00%
Dr. (Mrs.) Omolara Akanji	-	0.00%	-	0.00%
Mr. Paritosh Tripathi	-	0.00%	-	0.00%
Mr. Yemi Odubiyi (Direct)	26,471,708	0.09%	26,471,708	0.09%
Mr. Emmanuel Emefienim (Direct)	20,527,369	0.07%	20,527,369	0.07%
Mr. Michael Ajukwu	-	0.00%	-	0.00%
Mr. Raheem Owodeyi (Direct)	15,733,951	0.05%	15,005,219	0.05%
Total Directors Shareholdings	**199,948,022**	**0.68%**	**198,628,306**	**0.68%**
Other Influential Shareholdings				
HAK AIR LIMITED	968,205,643	3.36%	968,205,643	3.36%
HYERS CAPITAL LTD	575,808,362	2.00%	575,808,362	2.00%
PACIFIC CREDIT LIMITED	554,273,018	1.93%	554,273,018	1.93%
ACML NOMINEE 003	513,954,583	1.79%	513,954,583	1.79%
ADEOLA, TAJUDEEN AFOLABI	504,035,555	1.75%	446,824,745	1.55%
FESTUS ALANI FADEYI	480,449,895	1.67%	480,449,895	1.67%
RANKINTON, INVESTMENTS INC	702,093,233	2.44%	477,367,650	1.66%
SKYVIEW CAPITAL LIMITED	328,124,965	1.14%	428,301,886	1.49%
GLOMOBILE LIMITED,	354,458,383	1.23%	354,458,383	1.23%
KOGI UNITED CO. NIG. LTD,	346,835,811	1.20%	346,835,811	1.20%
AX SCML NOMINEES,	339,181,010	1.18%	316,388,117	1.10%
STERLING BANK CO-OPERATIVE MULTIPURPOSE SOCIETY LIMITED	751,750,014	2.61%	879,703,214	3.06%
Total other Influential Shareholdings	**6,419,170,472**	**22.30%**	**6,342,571,307**	**22.04%**
Free Float in Units and Percentage	**9,361,075,495**	**32.51%**	**10,511,027,483**	**36.51%**
Free Float in Value	**N14,135,223,997.45**		**N21,442,496,065.32**	

Declaration:

(A) Sterling Bank Plc with a free float percentage of 32.51% as at 31 December 2021, is compliant with the Exchange's free float requirements for companies listed on the Main Board.

(B) Sterling Bank Plc with a free float percentage of 36.51% as at 31 December 2020, is compliant with the Exchange's free float requirements for companies listed on the Main Board.

CORPORATE GOVERNANCE REPORT

The Bank complies with the relevant provisions of the Securities & Exchange Commission (SEC), the Financial Reporting Council of Nigeria (FRCN) and the Central Bank of Nigeria (CBN) Codes of Corporate Governance.

Board of Directors

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

Attendance at Board meetings for the year ended 31 December 2021 are as follows:

	Director		Attendance	No. of Meetings
1	Mr. Asue Ighodalo	Chairman	5	5
2	Dr. (Mrs.) Omolara Akanji	Independent Director	5	5
3	Mr. Olaitan Kajero	Non-Executive Director	5	5
4	Mrs. Tairat Tijani	Non-Executive Director	5	5
5	Mr. Michael Jituboh	Non-Executive Director	5	5
6	Mr. Ankala Prasad (Indian)**	Non-Executive Director	3	4
7	Mr. Paritosh Tripathi (Indian) **	Non-Executive Director	4	4
8	Mrs. Folasade Kilaso	Non-Executive Director	5	5
9	Mr. Michael Ajukwu	Independent Director	5	5
10	Mr. Abubakar Suleiman	Managing Director / CEO	5	5
11	Mr. Yemi Odubiyi	Executive Director	5	5
12	Mr. Emmanuel Emefienim	Executive Director	5	5
13	Mr. Tunde Adeola	Executive Director	5	5
14	Mr. Raheem Owodeyi	Executive Director	5	5

** Appointed on 27/4/2021

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

Board Credit Committee

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

Terms of reference

- Consider credit proposals for approval on the recommendation of the Management Credit Committee (MCC).
- Recommend to the Board assignment of credit approval authority limits on the recommendation of the MCC.
- Review the Credit Policy Guidelines of the Bank as and when required by the dictates of the market and/or the corporate strategic intent on the recommendation of the MCC.

CORPORATE GOVERNANCE REPORT - Continued

Board Credit Committee

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

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

			Attendance	No. of Meetings
1	Dr. (Mrs.) Omolara Akanji	Chairperson	4	4
2	Mr. Olaitan Kajero	Member	4	4
3	Mr. Michael Ajukwu	Member	4	4
4	Mrs. Tairat Tijani**	Member	1	1
5	Mr. Abubakar Suleiman	Member	4	4
6	Mr. Yemi Odubiyi	Member	4	4
7	Mr. Emmanuel Emefienim	Member	4	4
8	Mr.Tunde Adeola	Member	4	4

**Appointed effective 1 September 2021

Board Finance and General Purpose Committee

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

Terms of reference

- Establish the Bank's financial policies in relation to the operational plan, capital budgets, and the reporting of results.
- Monitor the progress and achievement of the Bank's financial targets.
- Review significant corporate financing and liquidity programs and tax plans.

CORPORATE GOVERNANCE REPORT - Continued

Board Finance and General Purpose Committee - continued

- 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 and respective attendance in Committee meetings are as follows:

			Attendance	No. of Meetings
1	Mrs. Tairat Tijani	Chairperson	4	4
2	Mrs. Folasade Kilaso	Member	4	4
3	Mr. Michael Jituboh	Member	4	4
4	Mr. Olaitan Kajero**	Member	1	1
5	Mr. Abubakar Suleiman	Member	4	4
6	Mr. Yemi Odubiyi	Member	4	4
7	Mr Raheem Owodeyi	Member	4	4

**Appointed effective 1 September 2021

CORPORATE GOVERNANCE REPORT - Continued

Board Risk Management Committee

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

Terms of reference

- Review and recommend to the Board the risk management policy including risk appetite, risk limits, tolerance and risk strategy.
- Review and recommend to the Board for approval the Bank's Enterprise-wide Risk Management Policy and other specific risk policies.
- Monitor the Bank's plan and progress in meeting regulatory risk based supervision requirements.
- Monitor implementation and migration to Basel II, III, and IV and other local and international risk management bodies as approved by the regulators.
- Review the organization's risk-reward profiles including credit, market and operational risk-reward profiles and where necessary, recommend strategies for improvement.
- Evaluate the risk profile and risk management plans drafted for major projects, acquisitions, new products and new ventures or services to determine the impact on the risk reward profile.
- Oversight of management's process for the identification of significant risks and the adequacy of prevention, detection and reporting mechanisms.
- Receive reports on, and review the adequacy and effectiveness of the Bank's risk and control processes to support its strategy and objectives.
- Endorse definition of risk and return preferences and target risk portfolio.
- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Bank's risk profile.
- Ensure compliance with the Bank's credit policies, applicable laws and statutory requirements prescribed by the regulatory/supervisory authorities.
- Review the effectiveness of the risk management system on an annual basis.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	5	5
2	Dr. (Mrs.) Omolara Akanji	Member	5	5
3	Mrs. Tairat Tijani**	Member	3	3
4	Mr. Ankala Prasad***	Member	1	2
5	Mr. Michael Ajukwu	Member	5	5
6	Mr. Abubakar Suleiman	Member	5	5
7	Mr. Yemi Odubiyi	Member	5	5
8	Mr. Emmanuel Emefienim	Member	5	5
9	Mr Raheem Owodeyi	Member	5	5

** Exited effective 1 September 2021

*** Appointed effective 1 September 2021

CORPORATE GOVERNANCE REPORT - Continued

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

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

CORPORATE GOVERNANCE REPORT - Continued

Board Audit Committee - continued

- 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 and respective attendance in Committee meetings are as follows:

			Attendance	No. of Meetings
1	Mr. Michael Ajukwu	Chairman	6	6
2	Dr. (Mrs.) Omolara Akanji	Member	6	6
3	Mrs. Tairat Tijani	Member	6	6
4	Mr. Michael Jituboh	Member	5	6
5	Mrs. Folasade Kilaso	Member	6	6
6	Mr. Paritosh Tripathi**	Member	2	3

** Appointed effective 1 September 2021

Board Governance & Remuneration Committee

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

Terms of reference

- Monitoring, reviewing and approving employee relations' issues such as compensation matters/bonus programs and profit sharing schemes;
- Advise the Board on recruitment, promotions and disciplinary issues affecting top management of the Bank from Assistant General Manager grade and above;
- Appraise the Managing Director & Chief Executive and Executive Directors annually for appropriate recommendation to the Board;
- Approve training programmes for Non-Executive Directors;
- The Committee shall review the need for appointments and note the specific experience and abilities needed for each Board Committee, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such appointments to the Board.
- The Committee shall review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees.
- The Committee shall recommend any proposed change(s) to the Board.

CORPORATE GOVERNANCE REPORT - Continued

Board Governance & Remuneration Committee - continued

- Recommend to the Board renewal of appointment of Executive and Non-Executive Directors based on the outcome of review of Directors performance.
- To make recommendations on experience required by Board Committee Members, Committee Appointments and Removal, Reporting and other Committee Operational matters.
- To ensure that the Board evaluation is carried out on an annual basis.
- To review and make recommendations to the Board for approval of the Bank's Organisational structure and any proposed amendments.
- Review and make recommendations on the Bank's succession plan for Directors and other senior management staff from Assistant General Manager grade and above.
- Regular monitoring of compliance with Bank's Code of Ethics and Business Conduct for Directors and Staff.
- The Committee shall determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank for recommendation to the Board.
- Review and submit to the full Board, recommendations concerning Executive Directors Compensation plans, salaries and perquisites ensuring that the compensation packages are competitive.
- Review and submit to the full Board, recommendations concerning Non-Executive Directors remuneration.
- Review and recommend for Board approval stock-based compensation, share option, incentive bonus, severance benefits and perquisites for Executive Directors and employees.
- Ensure that the level of remuneration is sufficient to attract, retain and motivate Executive Directors and all employees of the Bank while ensuring that the Bank is not paying excessive remuneration.
- Recommend to the Board compensation payable to Executive Directors and Senior Management employees for any loss of office or termination of appointment.
- Develop, review and recommend the remuneration policy to the Board for approval.
- The Committee may engage a remuneration consultant at the expense of the Bank for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Mrs. Folasade Kilaso	Chairperson	5	5
2	Dr. (Mrs.) Omolara Akanji	Member	5	5
3	Mr. Olaitan Kajero***	Member	3	3
4	Mrs. Tairat Tijani	Member	5	5
5	Mr. Michael Ajukwu	Member	5	5
6	Mr. Michael Jituboh**	Member	1	2

**Appointed effective 1 September 2021
***Exited effective 1 September 2021

CORPORATE GOVERNANCE REPORT - Continued

Statutory Audit Committee

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

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

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

Non-Executive Directors

4 Mr. Olaitan Kajero
5 Mr. Michael Jituboh**
6 Mrs. Folasade Kilaso

**Exited effecive 23 April 2021

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;

CORPORATE GOVERNANCE REPORT - Continued

Statutory Audit Committee - continued

- To review such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the Committee shall deem appropriate;

- To oversee management's process for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;
- At least on an annual basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent internal control review of the Bank;
- Discuss the annual audited financial statements and half yearly unaudited financial statements with Management and external auditors;
- Discuss policies and strategies with respect to risk assessment and management;
- Meet separately and periodically with Management, internal auditors and external auditors;
- To review and ensure that adequate whistle-blowing procedures are in place;
- To review, with the external auditors, any audit scope limitations or problems encountered and management's responses to same;
- To review the independence of the external auditors and ensure that where non-audit services are provided by the external auditors, there is no conflict of interest;
- To consider any related party transactions that may arise within the Bank or Group;
- Invoke its authority to investigate any matter within its terms of reference for which purpose the Bank must make available the resources to the internal auditors with which to carry out this function, including access to external advice where necessary;
- Prepare the Committee's report for inclusion in the Bank's Annual Report; and
- Report to the Board regularly at such times as the Committee shall determine necessary.

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

			Attendance	No. of Meetings
1	Alhaji Mustapha Jinadu, F.IoD	Chairman	5	5
2	Mr. Olaitan Kajero	Member	5	5
3	Mr. Idongesit Udoh	Member	5	5
4	Ms. Christie Vincent	Member	5	5
5	Mr. Michael Jituboh**	Member	3	3
6	Mrs. Folasade Kilaso	Member	5	5

** Exited effective 23 April 2021

CORPORATE GOVERNANCE REPORT - Continued

Dates for Board and Board Committee meetings held in 2021 financial year:

Meetings	Dates					
Board	23-Feb-21	06-May-21	19-Aug-21	20-Nov-21	08-Dec-21	
Board Credit Committee	09-Feb-21	06-Apr-21	01-Jul-21	20-Oct-21		
Board Finance & General Purpose Committee	04-Feb-21	01-Apr-21	07-Jul-21	25-Oct-21		
Board Audit Committee	16-Feb-21	21-Apr-21	12-Jul-21	13-Sep-21	21-Oct-21	05-Nov-21
Board Risk Management Committee	08-Feb-21	06-Apr-21	02-Jul-21	21-Oct-21	08-Nov-21	
Board Governance & Remuneration Committee	04-Feb-21	01-Apr-21	01-Jul-21	20-Oct-21	06-Dec-21	
Statutory Audit Committee	18-Feb-21	16-Mar-21	22-Apr-21	12-Jul-21	22-Oct-21	

The Company Secretary

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

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

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

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

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

Management Committees

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

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

CORPORATE GOVERNANCE REPORT - Continued

Management Committees - continued

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

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

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

6 **Technology Steering Committee (TSC)**
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, Human Capital Management Group is saddled with the responsibility to coordinate the implementation of the Bank's Succession Policy.

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

Code of Ethics

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

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

CORPORATE GOVERNANCE REPORT - Continued

Whistle Blowing Process

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

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

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

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

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

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

Securities Trading Policy

In compliance with Rule 17.15 (Disclosure of Dealings in Issuers' Shares), Rulebook of the Exchange 2015 (Issuers Rule), the Bank maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Bank's shares. The Policy undergoes periodic reviews by the Board and is updated accordingly. The Bank has made specific inquiries of all its Directors and other insiders and is not aware of any infringement of the Policy during the period.

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 PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THER YEAR ENDED 31 DECEMBER 2021

The Directors of Sterling Bank Plc accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Bank as at 31 December 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act, 2011. In preparing the financial statements, the Directors are responsible for:

(a) properly selecting and applying accounting policies;

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

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

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

The financial statements of the Group for the year ended 31 December 2021 were approved by the directors on 24 February 2022.

Signed on behalf of the Directors by:

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

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

(b) We state that management and directors:

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

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

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

(c) We have disclosed:

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

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

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

The financial statements of the Group and the Bank for the year ended 31 December 2021 were approved by the directors on 24 February, 2022.

Signed by:

Adebimpe Olambiwonnu, FCA	**Abubakar Suleiman**
Group Head, Finance & Performance Management	*Managing Director/CEO*
FRC/2013/ICAN/00000001253	FRC/2013/CIBN/00000001275

REPORT OF THE STATUTORY AUDIT COMMITTEE
FOR THE YEAR ENDED 31 DECEMBER 2021
TO THE MEMBERS OF STERLING BANK PLC

In accordance with the provision of Section 404 (7) of the Companies and Allied Matters Act 2020, the members of the Statutory Audit Committee of Sterling Bank Plc and its subsidiary hereby report as follows:

- We are of the opinion that the accounting and reporting policies of the Group are in accordance with International Financial Reporting Standards and legal requirements and agreed ethical practices.
- We believe that the scope and planning of both the external and internal audits for the year ended 31 December 2021 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from Management in the course of their audit and we are satisfied with Management's response to the External Auditor's recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act, 2020 and acknowledge the co-operation of Management and staff in the conduct of these responsibilities.

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

Alhaji Mustapha Jinadu, F.IoD
Chairman, Statutory Audit Committee **21 February, 2022**
FRC/2013/IODN/00000001516

Members of the Statutory Audit Committee are:

1. Alhaji Mustapha Jinadu, F.IoD	Chairman
2. Mr. Olaitan Kajero	Member
3. Ms. Christie Vincent	Member
4. Mr. Idongesit Udoh	Member
5. Mrs Folasade Kilaso	Member

In attendance:
Temitayo Adegoke — Company Secretary

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STERLING BANK PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion
We have audited the consolidated and separate financial statements of Sterling Bank Plc ("the Bank") and its subsidiary (together "the Group") set out on pages 27 to 189, which comprise the consolidated and separate statements of financial position as at 31 December 2021, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity, consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Bank as at 31 December 2021 and its consolidated and separate financial performance and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, Banks and Other Financial Institutions Act 2020 and the Financial Reporting Council of Nigeria Act No 6, 2011 and the relevant Central bank of Nigeria Guidelines and Circulars.

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

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

Key Audit Matter
Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated and separate financial statements of the current year. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on this matter.

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Key Audit Matter	
Identification and measurement of impairment of Loans and advances	**How the matter was addressed in the audit**
Loans and advances make up a significant portion of the total assets of the bank. As at 31st December 2021, gross loans and advances were N726billion against which total loan impairment of N14billion was recorded resulting in a net loan balance of N712billion. The value represents 44% of the total assets as at reporting date. As disclosed in notes 2.2.2 (vii) and 19 to the consolidated and separate financial statements, in line with the provisions of IFRS 9, The Bank identifies, and measures loss allowances based on Expected Credit Loss (ECL) model on the following financial instruments: • Loan commitments issued; and • Financial guarantee contracts issued	We evaluated the appropriateness of the Directors' assessment of whether credit risk has increased significantly since initial recognition of loans and advances and adequacy of the related disclosures made.
The Bank applies a three-stage approach to measuring ECL on loans commitment issued which migrate through three stages based on changes in credit quality since initial recognition.	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss.
At each reporting date, the Directors assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset at initial recognition and risk of default at the reporting date. And in determining whether credit risk has increased significantly since initial recognition, the Directors uses internal credit risk grading system, external risk ratings and forecast macroeconomics information like gross domestic product, inflation rate and exchange rate.	Our audit procedures also included challenging the Directors on the reasonableness of the loans and advances and financial guarantee contracts staging categorization based on changes in credit quality and risk of default.We involved our Credit Specialist on the engagement to review and challenge the reasonableness of ECL model logic as well as inputs and assumptions such as internal credit risk grading system, external risk ratings and forecast macroeconomics information like gross domestic product, inflation rate and exchange rate used, by comparing these with industry trends and the Bank's historical performance.
Identification and measurement of impairment of financial instruments is of significance to the audit of the financial statements due to the amount of judgement required by the Directors in determining whether the credit risk has increased significantly since initial recognition of loans and advances and financial guarantee contracts that includes the consideration of current and future macroeconomics information. In view of the aforementioned areas where judgement and significant estimates were made, we have accordingly, for the purposes of our audit, considered identification and measurement of impairment of loans and advances and financial guarantee contracts as a key audit matter.	We assessed the adequacy of the disclosures in the financial statements relating to loans and advances and financial guarantee contracts. The impact of the various stimulus offered by the bank and Central Bank of Nigeria as well as the economic impact of the Covid-19 on customers' accounts have also been assessed based on Directors' judgement. The assumptions and judgement applied by the Directors in assessing the required level of impairment of loans and advances supports the related disclosures in notes 11 and 19 to the annual financial statements.

The consolidated and separate financial statements of the Group and Bank for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 11 March 2020.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sterling Bank Plc Annual Report and Financial Statements", which includes the Directors' Report, Corporate Governance's Report, Audit Committee's Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility for the Financial Statements, Company Secretary's Report, and Other National Disclosures as

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required by the Companies and Allied Matters Act 2020, and the Financial Reporting Council Act, No 6, 2011, which we obtained prior to the date of this auditor's report and Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the audit committee and the directors, we determine the matter that was of most significance in the audit of the financial statements of the current year and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable from such communication.

Report on other legal and regulatory requirements.

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

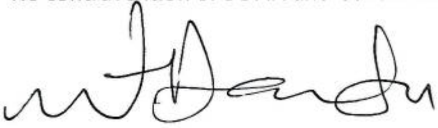
i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

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

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

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 34b.

No contravention of BOFIA and Central Bank of Nigeria circulars/guidelines during the year came to our attention.



For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
31 March, 2022

Engagement partner: Michael Daudu
FRC/2013/ICAN/00000000845

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

In millions of Naira	Note(s)	Group 2021	Group 2020	Bank 2021	Bank 2020
Interest income using effective interest rate	6	110,975	111,452	108,581	109,030
Interest expense using effective interest rate	7	(45,191)	(49,305)	(42,931)	(47,013)
Net interest income		**65,784**	**62,147**	**65,650**	**62,017**
Net fees and commision income	8	19,359	13,087	19,359	13,087
Net trading income	9	5,798	8,654	5,798	8,654
Other operating income	10	6,184	2,642	6,184	2,642
Operating income		**97,125**	**86,530**	**96,991**	**86,400**
Credit loss expense	11	(9,821)	(7,906)	(9,822)	(7,913)
Net operating income after credit loss expense		**87,304**	**78,624**	**87,169**	**78,487**
Personnel expenses	12	(14,917)	(14,841)	(14,917)	(14,841)
Other operating expenses	13.1	(20,676)	(17,939)	(20,674)	(17,935)
General and administrative expenses	13.2	(23,576)	(19,914)	(23,574)	(19,913)
Depreciation and amortisation	13.3	(5,145)	(6,050)	(5,145)	(6,050)
Other property, plant and equipment costs	13.4	(8,516)	(7,508)	(8,516)	(7,508)
Total expenses		**(72,830)**	**(66,252)**	**(72,826)**	**(66,247)**
Profit before income tax expense		**14,474**	**12,372**	**14,343**	**12,240**
Income tax expense	14(a)	(959)	(1,130)	(940)	(1,130)
Profit after income tax		**13,515**	**11,242**	**13,403**	**11,110**
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent period:					
Revaluation gains on equity instruments at fair value through other comprehensive income*		4,801	3,468	4,801	3,468
Total items that will not be reclassified to profit or loss in subsequent period		4,801	3,468	4,801	3,468
Items that will be reclassified to profit or loss in subsequent period:					
Debt instruments at fair value through other comprehensive income*:					
- Net change in fair value during the year		(11,506)	2,420	(11,506)	2,420
- Changes in allowance for expected credit losses		368	(72)	368	(72)
Net (losses)/gains on debt instruments at fair value through other comprehensive income		(11,138)	2,348	(11,138)	2,348
Total items that will be reclassified to profit or loss in subsequent period		**(11,138)**	**2,348**	**(11,138)**	**2,348**
Other comprehensive (loss)/income for the year, net of tax		**(6,337)**	**5,816**	**(6,337)**	**5,816**
Total comprehensive income for the year, net of tax		**7,178**	**17,058**	**7,066**	**16,926**
Profit attributable to:					
Equity holders of the Bank		13,515	11,242	13,403	11,110
Total comprehensive income attributable to:					
Equity holders of the Bank		7,178	17,058	7,066	16,926
Earnings per share - basic (in kobo)	15	47k	39k	47k	39k
Earnings per share - diluted (in kobo)	15	47k	39k	47k	39k

*Income from these instruments is exempted from tax.

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

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In millions of Naira	Note(s)	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
ASSETS					
Cash and balances with Central Bank of Nigeria	16	370,873	303,314	370,873	303,314
Due from banks	17	94,850	21,084	94,842	21,079
Pledged assets	18	10,786	34,860	10,786	34,860
Loans and advances to customers	19	711,900	596,827	711,900	596,827
Investments in securities:					
- Financial assets at fair value through profit or loss	20(a)	10,237	1,454	10,237	1,454
- Debt instruments at fair value through other comprehensive income	20(b)	168,847	135,780	168,847	135,780
- Equity instruments at fair value through other comprehensive income	20(c)	17,956	10,745	17,956	10,745
- Debt instruments at amortised cost	20(d)	102,225	110,229	84,852	93,234
Investment in subsidiary	21	-	-	1	1
Other assets	22	101,405	43,950	101,405	43,704
Property, plant and equipment	23.1	16,939	15,956	16,939	15,956
Right-of-use asset	23.2	8,141	8,319	8,141	8,319
Investment property	23.3	6,918	8,004	6,918	8,004
Intangible assets	24	1,081	1,582	1,081	1,582
Deferred tax assets	14(i)	6,971	6,971	6,971	6,971
TOTAL ASSETS		**1,629,129**	**1,299,075**	**1,611,749**	**1,281,830**
LIABILITIES					
Deposits from Banks	25	15,568	21,289	15,568	21,289
Deposits from customers	26	1,208,753	950,835	1,208,753	950,835
Current income tax payable	14(b)	1,018	551	999	551
Other borrowed funds	27	116,450	86,367	116,450	86,367
Debt securities issued	28	42,327	42,274	25,373	25,323
Other liabilities	29	102,342	61,552	102,410	61,621
Provisions	29.3	1,180	454	1,180	454
TOTAL LIABILITIES		**1,487,638**	**1,163,322**	**1,470,733**	**1,146,440**
EQUITY					
Share capital	30(b)	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
Retained earnings		34,859	25,278	34,384	24,913
Other components of equity	32.1	49,478	53,321	49,478	53,323
Total equity		**141,491**	**135,753**	**141,016**	**135,390**
TOTAL LIABILITIES AND EQUITY		**1,629,129**	**1,299,075**	**1,611,749**	**1,281,830**

The consolidated and separate financial statements were approved by the Board of Directors on 24 February, 2022 and signed on its behalf by:

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

Adebimpe Olambiwonnu, FCA
Group Head, Finance & Performance Management
FRC/2013/ICAN/00000001253

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2021

			EQUITY RESERVES								
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
GROUP											
At 1 January 2021	14,395	42,759	12,375	5,276	10,435	235	1,711	23,289	53,321	25,278	135,753
Comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	13,515	13,515
Other comprehensive income for the year, net of tax:											
Net change in fair value of debt instruments at FVOCI	-	-	(11,506)	-	-	-	-	-	(11,506)	-	(11,506)
Net change in fair value of equity instruments at FVOCI	-	-	4,801	-	-	-	-	-	4,801	-	4,801
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	368	-	-	-	-	-	368	-	368
Total comprehensive income	-	-	(6,337)	-	-	-	-	-	(6,337)	13,515	7,178
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 32)	-	-	-	-	-	-	-	-	-	(1,440)	(1,440)
Transfer from regulatory risk reserve (Note 32.1d)	-	-	-	-	(188)	-	-	-	(188)	188	-
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	-	-	670	2,012	2,682	(2,682)	-
As at 31 December 2021	**14,395**	**42,759**	**6,038**	**5,276**	**10,247**	**235**	**2,381**	**25,301**	**49,478**	**34,859**	**141,491**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2020

			EQUITY RESERVES								
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity	Retained earnings	Total
GROUP											
At 1 January 2020	14,395	42,759	6,559	5,276	21,371	235	1,155	21,622	56,218	6,187	119,558
Comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	11,242	11,242
Other comprehensive income for the year, net of tax:	-	-		-	-	-	-	-	-	-	-
Net change in fair value of debt instruments at FVOCI	-	-	2,420	-	-	-	-	-	2,420		2,420
Net change in fair value of equity instruments at FVOCI	-	-	3,468	-	-	-	-	-	3,468		3,468
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	(72)	-	-	-	- -	-	(72)		(72)
Total comprehensive income	-	-	5,816	-	-	-	-	-	5,816	11,242	17,058
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 31)	-	-	-	-	-	-	-	-	-	(864)	(864)
Transfer to regulatory risk reserve (Note 32.1d)					(10,936)				(10,936)	10,936	-
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)			-	-		-	556	1,667	2,223	(2,223)	-
As at 31 December 2020	**14,395**	**42,759**	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,289**	**53,321**	**25,278**	**135,753**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2021

In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
			EQUITY RESERVES								
BANK											
Balance at 1 January 2021	**14,395**	**42,759**	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,291**	**53,323**	**24,913**	**135,390**
Comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	-	-	-	13,403	**13,403**
Comprehensive income for the year:											
Net change in fair value of debt instrument at FVOCI	-	-	(11,506)	-	-	-	-	-	(11,506)	-	**(11,506)**
Net change in fair value of equity instrument at FVOCI	-	-	4,801	-	-	-	-	-	4,801	-	**4,801**
Changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	368	-	-	-	-	-	368	-	**368**
Total comprehensive income	-	-	(6,337)	-	-	-		-	(6,337)	13,403	**7,066**
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 32)	-	-	-	-	-	-	-	-	-	(1,440)	**(1,440)**
Transfer from regulatory risk reserve (Note 32.1d)	-	-	-	-	(188)	-	-	-	(188)	188	-
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	-	-	670	2,010	2,680	(2,680)	-
Balance at 31 December 2021	**14,395**	**42,759**	**6,038**	**5,276**	**10,247**	**235**	**2,381**	**25,301**	**49,478**	**34,384**	**141,016**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY - Continued
FOR THE YEAR ENDED 31 DECEMBER 2020

			EQUITY RESERVES								
In millions of Naira	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
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 year:											
Profit for the year	-	-	-	-	-	-	-	-	-	11,110	11,110
Comprehensive income for the year:											-
Net change in fair value of debt instrument at FVOCI			2,420						2,420		2,420
Net change in fair value of equity instrument at FVOCI			3,468						3,468		3,468
Changes in allowance for expected credit losses of debt instruments at FVOCI			(72)						(72)		(72)
Total comprehensive income	-	-	5,816	-	-	-	-	-	5,816	11,110	16,926
Transactions with equity holders, recorded directly in equity:											
Dividends to equity holders (note 31)	-	-	-	-	-	-	-	-	-	(864)	(864)
Transfer to regulatory risk reserve (Note 32.1d)					(10,936)				(10,936)	10,936	-
Transfer to statutory risk & AGSMEIS reserve (Notes 32.1a & 32.c)	-	-	-	-	-	-	556	1,667	2,223	(2,223)	-
Balance at 31 December 2020	**14,395**	**42,759**	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,291**	**53,323**	**24,913**	**135,390**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

In millions of Naira	Note(s)	GROUP 2021	GROUP 2020	BANK 2021	BANK 2020
Profit after income tax		13,515	11,242	13,403	11,110
Adjustments for non cash items:					
Credit loss expense	11	9,821	7,910	9,822	7,910
Depreciation and amortisation	13.3	5,145	6,050	5,145	6,050
Dividend income	10	(323)	(258)	(323)	(258)
Gain on disposal of property, plant and equipment	10	(396)	(64)	(396)	(64)
Increase in provision		16	9	16	9
Net interest income		(65,784)	(62,012)	(65,650)	(62,017)
Net foreign exchange loss	9	7,506	3,062	7,506	3,062
Income tax	14(a)	959	1,130	940	1,130
		(29,541)	(32,931)	(29,537)	(33,068)
Changes in operating assets:					
Deposits with the Central Bank of Nigeria		(15,078)	(106,665)	(15,078)	(106,665)
Investment securities at FVTPL		(8,783)	6,863	(8,783)	6,863
Pledged assets		24,074	(23,026)	24,074	(23,026)
Loans and advances to customers		(121,789)	15,404	(121,789)	15,404
Non-current assets held for sale		-	701	-	701
Other assets		(73,066)	(23,688)	(73,312)	(23,442)
		(224,183)	(163,342)	(224,425)	(163,233)
Changes in operating liabilities:					
Deposits from banks		(5,721)	21,289	(5,721)	21,289
Deposits from customers		257,918	58,175	257,918	58,175
Other liabilities		40,609	16,687	40,605	16,756
Cash generated from operations		68,623	(67,191)	68,377	(67,013)
Interest received		110,913	109,030	108,581	109,030
Interest paid on deposits from banks and customers		(31,619)	(36,954)	(31,619)	(36,954)
Income tax paid	14(b)	(312)	(657)	(312)	(657)
Net cash flows from operating activities		147,605	4,228	145,027	4,406
Investing activities					
Purchase of property, plant and equipment	23.1	(4,701)	(2,020)	(4,701)	(2,020)
Purchase of intangible assets	24	(188)	(400)	(188)	(400)
Purchase of investment property	23.3	(667)	(3,957)	(667)	(3,957)
Proceeds from sale of investment property		1,651	-	1,651	-
Right-of-use-asset	23.2	(573)	(263)	(573)	(263)
Proceeds from sale of property, plant and equipment		495	238	495	238
Purchase of debt instruments at FVOCI		(705,215)	(60,178)	(705,215)	(60,178)
Proceeds from sale/redemption of debt instruments at FVOCI		660,642	69,066	660,642	69,066
Purchase of debt instruments at amortised cost		(2,381)	(8,885)	(2,066)	(9,068)
Redemption of debt instruments at amortised cost		10,451	712	10,451	712
Purchase of equity intrument at FVOCI		(2,410)	(2,855)	(2,410)	(2,855)
Dividends received	10	323	258	323	258
Net cash flows used in investing activities		(42,573)	(8,284)	(42,258)	(8,467)
Financing activities:					
Proceeds from other borrowed funds	27	39,844	11,526	39,844	11,526
Repayments of other borrowed funds	27	(9,761)	(8,118)	(9,761)	(8,118)
Interest paid on other borrowed funds & debt issued		(14,007)	(10,339)	(11,747)	(10,339)
Dividends paid	31	(1,440)	(864)	(1,440)	(864)
Net cash flows used in financing activities		14,636	(7,795)	16,896	(7,795)
Net increase/(decrease) in cash and cash equivalents		119,668	(11,851)	119,665	(11,856)
Effect of exchange rate changes on cash and cash equivalents		6,579	4,164	6,579	4,164
Cash and cash equivalents at 1 January		95,607	103,294	95,602	103,294
Cash and cash equivalents at 31 December	36	221,854	95,607	221,846	95,602

STATEMENT OF PRUDENTIAL ADJUSTMENTS

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

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

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

In millions of Naira	Note(s)	As at 31 Dec 2021	As at 31 Dec 2020
Transfer to Regulatory Risk Reserve			
Prudential provision		29,858	29,396
Total Prudential provision		**29,858**	**29,396**
IFRS provision			
Impairment allowance on loans to corporate entities	19.1	10,794	14,111
Impairment allowance on loans to individuals	19.2	3,386	2,421
Allowances for impairment for other assets	22	3,713	1,801
Impairment allowance on debt instruments at amortised cost	20(d)	6	10
Impairment allowance on pledged assets at amortised cost	18.2	-	1
Impairment allowance on pledged assets at FVOCI	18.3.1	-	4
Impairment allowance on debt instruments at FVOCI	20(e)	532	159
Provisions for litigation, letters of credits and guarantees	29.3	1,180	454
		19,611	**18,961**
Difference in impairment provision balances		10,247	10,435
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		10,435	21,371
Transfer (from) / to Regulatory Risk Reserve		(188)	(10,936)
		10,247	10,435

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

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

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

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

The consolidated and separate financial statements of Sterling Bank Plc and its subsidiary for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2022.

2. Accounting Policies

2.1 Basis of preparation and statement of compliance

The consolidated and separate financial statements of the Bank and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act 2020, The Financial Reporting Council of Nigeria Act No 6, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

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

(a) Functional and Presentation currency

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

(b) Presentation of financial statements

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

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

(c) Basis of Consolidation

The consolidated and separate financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2021. Sterling Bank consolidates a subsidiary when it controls the entity. 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 51% or more of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

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

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

2.1 Basis of preparation and statement of compliance - continued

(c) Basis of Consolidation - continued

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.

2.2 Summary of significant accounting policies

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

2.2.1 Taxes

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

(i) Current tax

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

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

2.2 Summary of significant accounting policies

(ii) Deferred tax

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

• the initial recognition of goodwill; and

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

2.2.1 Taxes

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

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

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

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

2.2.2 Financial instruments

(i) Recognition and initial measurement

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(ii) Classification of financial instruments

The Group classified its financial assets under IFRS 9, into the following measurement categories:
• Those to be measured at fair value through other comprehensive income (FVOCI) (either with or without recycling). Included in this classification are debt instruments at FVOCI and equity instruments at FVOCI;
• Those to be measured at fair value through profit or loss (FVTPL)); and
• Those to be measured at amortised cost. Included in this classification are debt instruments at amortised cost, loans and advances e.t.c

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.

(iii) Subsequent measurement

Financial assets -

(i) Debt instruments

The subsequent measurement of financial assets depend on its initial classification:
Amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
• The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is determined using the effective interest method and reported in profit or loss as 'Interest income'.

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

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

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:
• the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI) and accumulated in a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. Interest income from these financial assets is determined using the effective interest method and recognised in profit or loss as 'Interest income'.
The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost.

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

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

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(iii) Subsequent measurement - continued

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

Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. All equity financial assets are classified as measured at FVOCI. Where the 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.

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

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

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

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

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

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

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

2.2 Summary of significant accounting policies - continued

2.2.2 Financial instruments - continued

(iv) Business model assessment - continued

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
• Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

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

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

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

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

Gains and losses arising from changes in fair value of financial liabilities classified as fair value through profit or loss are included in the profit or loss and are reported as 'Net trading income on financial instruments classified as as fair value through profit or loss'. Interest expenses on financial liabilities held for trading are included in 'Net trading income on financial instruments classified as as fair value through profit or loss'.
The group does not have any financial liabilities at fair value through profit or loss.

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

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(v) Reclassifications

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

The following are not considered to be changes in the business model:
• A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
• A temporary disappearance of a particular market for financial assets
• A transfer of financial 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 mean 5% of the portfolio value and subject to the policy on frequency above.

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

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

(vi) Modifications of financial assets and financial liabilities

(i) Financial assets

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

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

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

Qualitative criteria

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

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

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

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

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

Quantitative criteria

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

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

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

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

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

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

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

(ii) Financial liabilities

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(vii) Impairment of financial assets

See also Note 37.1 on Credit risk disclosure

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
• Financial assets that are debt instruments;
• Financial guarantee contracts issued; and
• Loan commitments issued.

No impairment loss is recognised on equity investments. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
• Risk free and gilt edged debt investment securities that are determined to have low credit risk at the reporting date; and
• Other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

2. Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows on the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
• Significant financial difficulty of the borrower or issuer;
• A breach of contract such as a default or past due event;
• For economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the Group would not otherwise consider;
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
• The disappearance of an active market for a security because of financial difficulties.
• The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has not reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days overdue are considered impaired except for specialised loans in which the Group has rebutted the 90 days past due presumptions. The specialised loans include:
1. Project financing: >180 days past due backstop
2. Object financing (producing real estate and commercial real estate financing): > 180 days past due backstop;
3. Commodity finance:> 180 days past due backstop
4. Income producing real estate: >180 days past due backstop

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

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

4. Write-off
After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):
• continued contact with the customer is impossible;
• recovery cost is expected to be higher than the outstanding debt;
• amount obtained from realisation of credit collateral security leaves a balance of the debt; or
• it is reasonably determined that no further recovery on the facility is possible.
All credit facility write-offs require endorsement at the board level, as defined by the Group. Credit write-off approval is documented in writing and properly initialed by the Credit collection and recoveries.

2.2 Summary of significant accounting policies
2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

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

(viii) Embedded derivatives

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

(ix) Offsetting financial instruments -

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

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

(x) Derivative financial instruments:

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

(xi) De-recognition of financial instruments -

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

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

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

2.2 Summary of significant accounting policies

2.2.2 Financial instruments - continued

(xii) Financial guarantees and loan commitments

The date that the entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of applying the impairment requirements. Financial guarantees issued are initially measured at fair value and the fair value is amortised over the life of the guarantee. Subsequently, the financial guarantees are measured at the higher of this amortised amount and the amount of expected loss allowance (See Note 33(b)). The Group also recognises loss allowance for its loan commitments (See Note 33(b)). The expected loss allowance for the Loan commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

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

2.2.3 Revenue recognition

Interest income and expense

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

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

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

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

a. Amortised cost and gross carrying amount

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

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

b. Calculation of interest income and expenses

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

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

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

2.2 Summary of significant accounting policies

2.2.3 Revenue recognition- continued

c. Presentation

Interest income and expense presented in the profit or loss includes:
• interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
• interest on debt instruments measured at FVOCI calculated on an effective interest basis;

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

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

d. Non-interest income and non -interest expense
Sharia compliant income

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

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

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

e. Fees and commission income and expense

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

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

f. Net trading income

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

g. Dividend income

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

2.2 Summary of significant accounting policies

2.2.4 Cash and cash equivalents

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

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

2.2.5 Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

2.2 Summary of significant accounting policies

2.2.5 Property, plant and equipment - continued

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

Leasehold buildings	50 years
Leasehold improvements	10 years
Furniture, fittings & equipment	5 years
Computer equipment	5 years
Motor vehicles	4 years

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

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

(iv) De-recognition

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

2.2.6 Non-current assets held for sale

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

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

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

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

2.2.7 Intangible assets

Software

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

2.2 Summary of significant accounting policies

2.2.7 Intangible assets - continued

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

2.2.8 Leases

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

(i) Group as a lessee

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

(a) Right-of-use assets

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

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

(b) Lease liabilities

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

(ii) Group as a lessor

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

2.2 Summary of significant accounting policies

2.2.9 Impairment of non-financial assets

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

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

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

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

2.2.10 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are carried at historical cost less accumulated depreciation and impairment. The fair value and valuation inputs of the investment property are also disclosed in note 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 derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

2.2 Summary of significant accounting policies

2.2.11 Employee benefits

(i) Defined contribution plans

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

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

(ii) Termination benefits

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

(iii) Short-term benefits

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

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

2.2.12 Contingencies

(i) Contingent asset

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

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

(ii) Contingent liability

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

2.2 Summary of significant accounting policies

2.2.12 Contingencies -continued

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

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

(iii) Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events;

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

2.2.13 Share capital

(i) Share issue costs

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

(ii) Share premium

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

(iii) Dividend on ordinary shares

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

2.2.14 Equity reserves

(i) Fair value reserve

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

(ii) Share capital reserve

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

(iii) Regulatory risk reserve

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

(iv) SMEEIS reserve

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

(v) Statutory reserve

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

(vi) AGSMEIS reserve

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

2.2.15 Earnings per share

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

2.2.16 Segment reporting

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

2.2.17 Foreign currency translation

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

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

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

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

2.2.18 Pledged financial assets

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

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

2.2.19 Fair value definition and measurement

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

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

2.2 Summary of significant accounting policies - continued

2.2.19 Fair value definition and measurement - continued

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

2.2.20 Non interest banking

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

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

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

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

Deposit Liabilities

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

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

2.3 Changes in accounting policies and disclosures

The following amendments and interpretations became effective in the annual period starting from 1 January, 2021. The new reporting requirements as a result of the amendments and interpretations have been considered and their impact or otherwise are presented below:

(i) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform - Phase 2

In August 2020, the Board issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform-Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendment had no impact on the Group financial statements as the Group's existing contract indexed to an IBOR will mature before the cessation of the IBOR rate.

(ii) Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The Group had no such Covid -19 related rent concessions as such there is no impact on the Group financial statements.

3. Significant accounting judgements, estimates and assumptions

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

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

3.1 Estimates and Assumptions

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

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

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

See Note 23 for further disclosure on property, plant and equipment.

(ii) Amortisation and carrying value of intangible assets

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

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

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

(iv) Determination of collateral value

Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterparty. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily.To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers,housing price indices, audited financial statements, and other independent sources. See Note 37 for further disclosure on collateral value.

(v) Business model assessment

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

3. Significant accounting judgements, estimates and assumptions

3.1 Estimates and Assumptions- continued

Allowances for credit losses

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

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

Impairment of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the
The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

(vi) Fair value of financial instruments

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

(vii) Deferred tax assets

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

(viii) Estimating the incremental borrowing rate

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

3. Significant accounting judgements, estimates and assumptions

3.2 Judgments

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

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

(i) Going Concern

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

(ii) Deferred tax asset

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

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

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

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

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 on classification of Liabilities as Current or Non-current. It provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the balance sheet date.

The amendment only affect the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendment clarifies that:

- classification of liabilities as current or non-current should be based on rights that are in existence at the end of the balance sheet date,
- classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and is to be applied retrospectively. Earlier application is permitted.

The Group does not anticipate early adoption of the standard and the amendment is not expected to have any material impact on the Group.

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective - continued

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be+B148within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments will have no significant impact on the Group's consolidated financial statements, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is not expected to have significant impact on the consolidated financial statements of the Group, and it is effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments are not expected to have significant impact on the consolidated financial statements of the Group, and it's effective annual reporting periods beginning on or after 1 January 2022.

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

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

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

• A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective - continued

Amendments to IAS 12 - Deferred Tax - continued

• The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

These amendments are not expected to have significant impact on the consolidated financial statements of the Group, and it's effective annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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

The amendments are effective for annual periods beginning on or after 1 January 2023.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13

Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

5 Segment Information

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

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

(b) *Reportable segment*

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

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

- Corporate banking provides banking solutions to 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; and
- The Special Purpose Vehicle was used to borrow funds throught the issue of debt securities.

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

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

5 Segment Information - continued

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2021 (2020: none).
The activity of the segments are centrally financed, thus the cash flow for the Bank is presented in the Statement of cash flows.

31 December 2021 *In millions of Naira*	**Retail Banking**	**Commercial Banking**	**Institutional Banking**	**Corporate & Investment Banking**	**Non-interest Banking**	**SPV**	**Total**
Interest and non - interest banking income	21,107	15,357	24,028	43,537	4,552	2,394	110,975
Interest and non - interest banking expense	(4,314)	(7,096)	(6,294)	(24,205)	(1,022)	(2,260)	(45,191)
Net interest and Non - interest margin	**16,793**	**8,261**	**17,734**	**19,332**	**3,530**	**134**	**65,784**
Net fees and commission income	7,796	2,177	4,181	5,110	95	-	19,359
Credit loss expense	(3,529)	(215)	(1,352)	(4,132)	(594)	1	(9,821)
Depreciation and Amortization	(3,241)	(280)	(253)	(852)	(519)	-	(5,145)
Operating Expenses	(12,762)	(7,929)	(19,057)	(26,483)	(1,450)	(4)	(67,685)
Segment profit/(loss)	**4,423**	**3,067**	**2,310**	**1,602**	**2,941**	**131**	**14,474**
Assets as at 31 December 2021							
Capital expenditure: Additions during the year							
Property, plant and equipment & Intangible assets	4,235	132	151	183	-	-	4,701
Other intangible assets	188	-	-	-	-	-	188
Total Assets	**182,212**	**149,373**	**262,774**	**928,137**	**89,253**	**17,380**	**1,629,129**
Total Liabilities	**395,098**	**330,322**	**282,691**	**389,370**	**73,252**	**16,905**	**1,487,638**

5 Segment Information - continued

31 December 2020 *In millions of Naira*	**Retail Banking**	**Commercial Banking**	**Institutional Banking**	**Corporate & Investment Banking**	**Non-interest Banking**	**SPV**	**Total**
Interest and non - interest banking income	9,897	17,530	32,448	45,419	3,736	2,422	111,452
Interest and non - interest banking expense	(5,998)	(7,678)	(7,384)	(24,492)	(1,461)	(2,292)	(49,305)
Net interest and Non - interest margin	3,899	9,852	25,064	20,927	2,275	130	62,147
Net fees and commission income	5,477	1,285	3,513	2,790	22	-	13,087
Credit loss expense	1,688	(1,350)	(5,040)	(2,835)	(376)	7	(7,906)
Depreciation and Amortization	(4,054)	(368)	(335)	(859)	(434)	-	(6,050)
Operating Expenses	(11,428)	(7,435)	(17,572)	(25,753)	(1,071)	(5)	(63,264)
Segment profit/(loss)	**1,104**	**2,593**	**6,673**	**(792)**	**2,661**	**133**	**12,372**
Assets as at 31 December 2020							
Capital expenditure: Additions during the year							
Property, plant and equipment & Intangible assets	1,176	192	217	413	22	-	2,020
Other intangible assets	400	-	-	-	-	-	400
Total Assets	**143,549**	**98,779**	**245,014**	**734,406**	**60,077**	**17,250**	**1,299,075**
Total Liabilities	**350,214**	**235,096**	**243,185**	**272,301**	**45,538**	**16,988**	**1,163,322**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
6	**Interest income using effective interest rate**				
	Loans and advances to customers	90,958	82,877	90,958	82,877
	Investment securities	19,374	28,211	16,980	25,789
	Cash and cash equivalents	643	364	643	364
		110,975	**111,452**	**108,581**	**109,030**

Modification loss of N187 million for Group and Bank has been included in the interest income on loans and advances. This adjustment represents the changes in gross carrying amounts of the financial assets from immediately before, to immediately after modification using the effective interest rate of the initial contract.

		Group 2021	Group 2020	Bank 2021	Bank 2020
	Interest from investment securities were derived from:				
	Debt instruments at amortised cost	13,161	13,610	10,767	11,188
	Debt instruments at fair value through other comprehensive income	6,213	14,601	6,213	14,601
		19,374	**28,211**	**16,980**	**25,789**
7	**Interest expense using effective interest rate**				
	Deposits from customers	29,497	35,165	29,497	35,165
	Debt securities issued	6,702	7,257	4,442	4,965
	Other borrowed funds	6,866	5,094	6,866	5,094
	Deposits from banks	2,122	1,776	2,122	1,776
	Interest on lease liability	4	13	4	13
		45,191	**49,305**	**42,931**	**47,013**

8 **Net fees and commission income**

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

Group & Bank *In millions of Naira*	2021 Retail banking	 Commercial banking	 Institutional banking	 Corporate & investment banking	 Non-interest banking	 Total	2020 Total
E-business commission and fees	6,652	12	10	18	54	6,746	4,975
Other fees and commissions (Note 8.1)	4,046	675	2,254	1,412	-	8,387	4,030
Account maintenance fees	1,832	402	284	412	-	2,930	1,925
Commissions and similar income	237	191	140	1,774	57	2,399	3,796
Facility management fees	279	219	1,333	1,043	-	2,874	1,906
Total revenue from contracts with customers	13,046	1,499	4,021	4,659	111	23,336	16,632
Other non-contract fee income:							
Commission on letter of credit transactions	123	779	255	656	22	1,835	1,045
Total fees and commission income	**13,169**	**2,278**	**4,276**	**5,315**	**133**	**25,171**	**17,677**
Total fees and commission expense							
E-business expenses	(5,373)	(101)	(95)	(205)	(38)	(5,812)	(4,590)
Net fees and commision income	**7,796**	**2,177**	**4,181**	**5,110**	**95**	**19,359**	**13,087**

8.1 Other fees and commission includes mostly advisory fees of N4.3 billion (2020: N2.9 billion).

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

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
9	**Net trading income**				
	Bonds	2,026	5,073	2,026	5,073
	Treasury bills	2,408	3,641	2,408	3,641
	Foreign exchange trading	8,870	3,002	8,870	3,002
	Foreign exchange revaluation loss	(7,506)	(3,062)	(7,506)	(3,062)
		5,798	**8,654**	**5,798**	**8,654**

Foreign exchange trading income includes gains and losses from spot and forward contracts and other currency derivatives. Other foreign exchange differences arising on non–trading activities are presented as foreign exchange revaluation loss.

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
10	**Other operating income**				
	Cash recoveries on previously written off accounts	2,146	917	2,146	917
	Dividend income from FVOCI equity investments	323	258	323	258
	Rental income	329	361	329	361
	Gains on disposal of property, plant and equipment	396	64	396	64
	Other sundry income (note 10.1)	2,990	1,042	2,990	1,042
		6,184	**2,642**	**6,184**	**2,642**

10.1 Other sundry income includes income from cashless policy and other sources. Cashless policy was introduced by the Central Bank of Nigeria in 2015. The policy stipulates 3 per cent charge would be administered by banks for daily individual cumulative or single cash withdrawals in excess of N500,000, and 5 per cent charge on daily cumulative or single cash withdrawals by company in excess of N3 million.

11 Credit loss expense

The table below shows the ECL charges on financial instruments for the year ended 31 December 2021 recorded in profit or loss:

		Group 2021	Group 2020	Bank 2021	Bank 2020
11	**Credit loss expense (see note 11 b. below for breakdown)**				
(i)	Loans and advances impairment:				
	Impairment on loans to corporate entities	10,294	12,164	10,294	12,164
	Impairment on loans to individuals	2,815	1,965	2,815	1,965
	Write-offs	170	465	170	465
	Reversal of allowances no longer required	(6,563)	(8,093)	(6,563)	(8,093)
		6,716	**6,501**	**6,716**	**6,501**
(i)	Impairment charge/(reversal) on other assets (note 22.1)	2,031	1,245	2,031	1,245
(ii)	Impairment charge/(reversal) on investment securities (notes 18.3.1, 18.3.2, 20e and 20f)	364	(118)	365	(111)
(iii)	Impairment charge/(reversal) on letters of credit and guarantees (note 29.3)	710	278	710	278
		3,105	**1,405**	**3,106**	**1,412**
		9,821	**7,906**	**9,822**	**7,913**

11 b. Credit loss expense

The table below shows the ECL charges on financial instruments for the year 31 December 2021 recorded in profit or loss :

Group				**2021**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	5,432	(496)	1,780	6,716
Debt instruments measured at FVOCI	368	-	-	368
Debt instruments measured at amortised cost	(4)	-	-	(4)
Other assets	2,031	-	-	2,031
Financial guarantees	704	-	-	704
Letters of credit	6	-	-	6
Total credit loss expense	**8,537**	**(496)**	**1,780**	**9,821**

Group				**2020**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	655	(1,624)	7,470	6,501
Debt instruments measured at FVOCI	(5)	-	-	(5)
Debt instruments measured at amortised cost	(113)	-	-	(113)
Other assets	1,245	-	-	1,245
Financial guarantees	253	-	-	253
Letters of credit	25	-	-	25
Total credit loss expense	**2,060**	**(1,624)**	**7,470**	**7,906**

Bank				**2021**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	5,432	(496)	1,780	6,716
Debt instruments measured at FVOCI	368	-	-	368
Debt instruments measured at amortised cost	(3)	-	-	(3)
Other assets	2,031	-	-	2,031
Financial guarantees	704	-	-	704
Letters of credit	6	-	-	6
Total credit loss expense	**8,538**	**(496)**	**1,780**	**9,822**

Bank				**2020**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	655	(1,624)	7,470	6,501
Debt instruments measured at FVOCI	(5)	-	-	(5)
Debt instruments measured at amortised cost	(106)	-	-	(106)
Other assets	1,245	-	-	1,245
Financial guarantees	253	-	-	253
Letters of credit	25	-	-	25
Total credit loss expense	**2,067**	**(1,624)**	**7,470**	**7,913**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		Group 2021	Group 2020	Bank 2021	Bank 2020
12	**Personnel expenses**				
	Wages and salaries	13,622	13,508	13,622	13,508
	Defined contribution plan	1,295	1,333	1,295	1,333
		14,917	**14,841**	**14,917**	**14,841**
13.1	**Other operating expenses**				
	Contract services	6,640	6,510	6,640	6,510
	AMCON surcharge (See (a) below)	7,286	6,623	7,286	6,623
	Insurance	4,768	4,288	4,768	4,288
	Banking Resolution Fund (see note (b) below)	1,282	-	1,282	-
	Other professional fees (See (c) below)	700	518	698	514
		20,676	**17,939**	**20,674**	**17,935**

(a) AMCON sinking fund contribution

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

(b) Banking Resolution Fund

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

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

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
13.2	**General and administrative expenses**				
	Administrative expenses	8,584	7,160	8,584	7,160
	Office expenses	4,115	3,799	4,115	3,799
	Communication cost	1,803	1,769	1,803	1,769
	Rents and rates	618	521	618	521
	Advertising and business promotion	2,390	2,173	2,390	2,173
	Other general expenses (Note 13.2.1)	825	519	823	518
	Branding expenses	1,111	223	1,111	223
	Seminar and conferences	411	384	411	384
	Security	421	400	421	400
	Cash handling and cash processing expenses	1,416	1,113	1,416	1,113
	Transport, travel, accomodation	417	375	417	375
	Directors other expenses	255	147	255	147
	Annual general meeting expenses	140	90	140	90
	Stationery and printing	199	115	199	115
	Audit fees	190	190	190	190
	Donations	250	435	250	435
	Membership and subscription	266	387	266	387
	Directors fee	165	75	165	75
	Fines and penalties	-	38	-	38
	Newspapers and periodicals	-	1	-	1
		23,576	**19,914**	**23,574**	**19,913**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
13.3	**Depreciation and amortisation**				
	Depreciation of property, plant and equipment (see note 23.1)	3,619	4,366	3,619	4,366
	Depreciation of right-of-use asset amortisation (see note 23.2)	735	840	735	840
	Depreciation investment property (see note 23.3)	102	94	102	94
	Amortisation of intangible assets (see note 24)	689	750	689	750
		5,145	6,050	5,145	6,050

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
13.4	**Other property, plant and equipment (PPE) costs**				
	Repairs and maintenance of PPE	8,516	7,508	8,516	7,508
		8,516	7,508	8,516	7,508
14	**Income tax**				
(a)	**Current income tax expense:**				
	Income tax (note 14d(i))	382	352	382	352
	Education tax (note 14d(ii))	378	-	378	-
		760	352	760	352
	Information Technology levy (note 14e)	143	122	143	122
	Nigeria Police Trust Fund levy (note 14g)	1	1	1	1
	National Agency for Science and Engineering Infrastructure levy (note 14h)	36	-	36	-
		940	475	940	475
	Prior period under provision	19	655	-	655
	Total income tax expense	**959**	**1,130**	**940**	**1,130**

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
(b)	**Current income tax payable**				
	The movement on this account during the year was as follows:				
	Balance, beginning of the year	551	201	551	201
	Estimated charge for the year (see (14a) above)	760	352	760	352
	Prior period under/(excess) provision	19	655	-	655
	Payments during the year	(312)	(657)	(312)	(657)
	Balance, end of the year	**1,018**	**551**	**999**	**551**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira		Group 2021		Group 2020		Bank 2021		Bank 2020
14	**Income tax - continued**								
(c)	Reconciliation of total tax charge								
		%		%		%		%	
	Profit before income tax expense	100%	14,474	100%	12,372	100%	14,343	100%	12,240
	Income payable @ statutory tax rate of 30%	30%	4,342	30%	3,712	30%	4,303	30%	3,672
	Tax effect of:								
	Non-deductible expenses	60%	8,652	41%	5,119	60%	8,652	42%	5,119
	Tax- exempt Income	(59%)	(8,461)	(102%)	(12,574)	(59%)	(8,422)	(102%)	(12,534)
	Education tax	3%	378	-	-	3%	378	-	-
	Nigeria Police Trust Fund	0%	1	0%	1	0%	1	0%	1
	National Agency for Science and Engineering Infrastructure Act Levy	0%	36	-	-	0%	36	-	-
	Information Technology Levy (NITDA)	1%	143	1%	122	1%	143	1%	122
	Prior preriod under/(excess) provision	0%	19	5%	655	0%	-	5%	655
	Unrecognised tax loss	(31%)	(4,533)	30%	3,743	(32%)	(4,533)	31%	3,743
	Minimum tax	3%	382	3%	352	3%	382	3%	352
	Effective tax rate/ Income tax expense	7%	959	9%	1,130	7%	940	9%	1,130

d(i) The 2021 financial year income tax is based on minimum tax computaion. The Bank prepared its tax computations based on the provisions of Finance Act 2020, which amended S.33(2) CITA by reducing minimum tax rate from 0.5% to 0.25% for tax returns prepared and filed for any year of assessment falling due on any date between 1 Janaury 2020 and 31 December 2021.

d(ii) The basis of the Education Tax is 2% of assessable profit which is N10.6b (2020: Nil). An Education Tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.

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

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

(g) Section 4 of the Nigeria Police Trust Fund (Establishment) Act 2019 stipulates that companies operating in Nigeria shall contribute 0.005% of their profit before tax to the Nigeria Police Trust Fund. The Act establishing the Fund will be in force for 6 years from the year of establishment. In line with the Act, the Bank has provided for Police Trust Fund levy at the specified rate.

(h) National Agency for Science and Engineering Infrastructure Act (Cap N3 LFN 2004) stipulates that commercial companies and firms with income or turnover of N100million and above are required to contribute 0.25% of their profit before tax (the Levy), into the Fund. However, all contributions made to the fund shall be deductible against Companies Income Tax (CIT)

14 Income tax

(i) Deferred tax assets and liabilities

31 December 2021	Balance at 31 December 2020	Recognised in profit or loss	Balance at 31 December 2021
In millions of Naira			
Property, plant and equipment and software	378	719	1,097
Unutilised tax credit (capital allowance)	(3,187)	(2,181)	(5,368)
Tax loss	(4,152)	1,809	(2,343)
Provisions	(10)	(347)	(357)
	(6,971)	-	(6,971)

31 December 2020	Balance at 31 December 2019	Recognised in profit or loss	Balance at 31 December 2020
In millions of Naira			
Property, Plant and Equipment and software	725	(347)	378
Unutilised tax credit (capital allowance)	(3,684)	497	(3,187)
Tax loss	(3,987)	(165)	(4,152)
Provisions	(25)	15	(10)
	(6,971)	-	(6,971)

The Bank has unutilized capital allowance of N58,412,639,243 (2020: N52,899,438,824), unused tax losses carried forward available of N25,497,384,743 (2020: N68,911,793,390) and deductible temporary differences of N75,852,887,231) (2020: N115,695,002,606) to be offset against future taxable profits. However no deferred tax asset has been recognised in respect of these items due to uncertainties regarding the timing and amount of future taxable profits. There is no expiry date for the utilization of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years. This tax hoilday expired at the end of 2021 financial year.Thus, the Bank has applied caution by not recognizing additional deferred tax assets which is not considered capable of recovery. The management's judgment is that the deferred tax recognized in the book is recoverable after the expiration of exemption granted on Government securities. The Bank will have taxable profit upon this expiration.

15 Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2021 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

		Group 2021 Unit ('millions)	Group 2020 Unit ('millions)	Bank 2021 Unit ('millions)	Bank 2020 Unit ('millions)
a	Issued ordinary shares as at 31 December	28,790	28,790	28,790	28,790
	Weighted average number of ordinary shares	28,790	28,790	28,790	28,790
b	Profit for the year attributable to equity holders of the Bank (in million Naira)	13,515	11,242	13,403	11,110
	Basic earnings per share (in kobo)	47k	39k	47k	39k
	Diluted earnings per share (in kobo)	47k	39k	47k	39k

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
16	**Cash and balances with Central Bank of Nigeria**				
	Cash and foreign monies	34,315	35,530	34,315	35,530
	Unrestricted balances with Central Bank of Nigeria	92,689	38,993	92,689	38,993
	Deposits with the Central Bank of Nigeria	243,869	228,791	243,869	228,791
		370,873	**303,314**	**370,873**	**303,314**

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

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
17	**Due from banks**				
	Balances held with banks outside Nigeria	85,791	18,868	85,791	18,868
	Money market placements	9,051	2,211	9,051	2,211
	Balances held with local banks	8	5	-	-
		94,850	**21,084**	**94,842**	**21,079**

Included in balances with banks outside Nigeria is the Naira equivalent of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (see Note 29).

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

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
18	**Pledged assets**				
18.1	***Debt instruments at Fair value through other comprehensive income (FVOCI)***				
	Treasury bills FVOCI (see note (a) below)	10,427	30,513	10,427	30,513
	Total debt instruments measured at FVOCI	**10,427**	**30,513**	**10,427**	**30,513**
18.2	***Pledged assets Debt instruments at amortised cost***				
	Government bonds at amortised cost (see note (b) below)	232	4,228	232	4,228
	Other pledged assets (see note (c) below)	127	120	127	120
	Sub-total	359	4,348	359	4,348
	ECL on Pledged asset at amortised cost	-	(1)	-	(1)
	Total debt instruments measured at amortised cost	**359**	**4,347**	**359**	**4,347**
	Total pledged assets	**10,786**	**34,860**	**10,786**	**34,860**

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

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

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

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

18.3 **Pledged assets measured at FVOCI**

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

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

2021

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	10,427	-	-	10,427
Total	**10,427**	**-**	**-**	**10,427**

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

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2021	30,513			30,513
New assets originated or purchased	10,427	-	-	10,427
Assets derecognised or matured (excluding write-offs)	(30,513)	-	-	(30,513)
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	10,427	-	-	10,427

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	4	-	-	4
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(4)	-	-	(4)
At 31 December 2021	-	-	-	-

Group and Bank				**2020**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	30,513	-	-	30,513
Total	**30,513**	**-**	**-**	**30,513**

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

Group and Bank				
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2020	7,484	-	-	7,484
New assets originated or purchased	30,618	-	-	30,618
Assets derecognised or matured (excluding write-offs)	(7,589)	-	-	(7,589)
Change in fair value	-	-	-	-
At 31 December 2020	**30,513**	**-**	**-**	**30,513**

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

Group and Bank

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	6	-	-	6
New assets originated or purchased	**4**	-	-	4
Assets derecognised or matured (excluding write offs)	**(6)**	-	-	**(6)**
At 31 December 2020	**4**	**-**	**-**	**4**

18.3.2 **Pledged assets instruments measured at amortised cost**

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

Group and Bank				2021
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	359	-	-	359
Total	**359**	**-**	**-**	**359**

Group and Bank				2021
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	4,348	-	-	4,348
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(3,996)	-	-	(3,996)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	7	-	-	7
At 31 December 2021	**359**	**-**	**-**	**359**

Group and Bank				2021
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021	1	-	-	1
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(1)	-	-	(1)
At 31 December 2021	**-**	**-**	**-**	**-**

Group and Bank				2020
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	4,348	-	-	4,348
Total	**4,348**	**-**	**-**	**4,348**

18.3.2 **Pledged assets instruments measured at amortised cost - continued**

Group and Bank				**2020**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	4,351	-	-	4,351
New assets originated or purchased	11	-	-	11
Changes due to modifications not derecognised	(14)	-	-	(14)
At 31 December 2020	**4,348**	**-**	**-**	**4,348**

Group and Bank				**2020**
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2020	4	-	-	4
Assets derecognised or matured (excluding write offs)	(3)	-	-	(3)
At 31 December 2020	**1**	**-**	**-**	**1**

In millions of Naira	**Group 31 Dec 2021**	**Group 31 Dec 2020**	**Bank 31 Dec 2021**	**Bank 31 Dec 2020**
19 Loans and advances to customers				
Loans to corporate entities and other organizations	626,563	570,881	626,563	570,881
Loans to individuals	99,517	42,478	99,517	42,478
	726,080	613,359	726,080	613,359
Less:				
Impairment allowance on loans to corporate entities	(10,794)	(14,111)	(10,794)	(14,111)
Impairment allowance on loans to individuals	(3,386)	(2,421)	(3,386)	(2,421)
	711,900	596,827	711,900	596,827

19.1 Loans and advances to corporate customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2

Group and Bank		**31 December 2021**			
In millions of Naira		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
External rating grade					
RR1-RR2		161,132	-	-	161,132
RR3-RR4		247,640	-	-	247,640
RR5-RR6		110,102	105,718	-	215,820
RR7		-	-	805	805
RR8		-	-	19	19
RR9		-	-	1,147	1,147
Total	-	518,874	105,718	1,971	626,563

Group and Bank		**31 December 2020**			
In millions of Naira		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
External rating grade					
RR1-RR2		67,698	-	-	67,698
RR3-RR4		306,999	-	-	306,999
RR5-RR6		60,107	127,316	-	187,423
RR7		-	-	152	152
RR8		-	-	1,384	1,384
RR9		-	-	7,225	7,225
Total	-	434,804	127,316	8,761	570,881

19.1 Loans and advances to corporate customers - continued

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

Group and Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	434,804	127,316	8,761	570,881
New assets originated or purchased	108,273	10,073	606	118,952
Assets derecognised or repaid (excluding write offs)	(61,911)	(1,485)	(403)	(63,799)
Transfers to Stage 1	36,661	(36,624)	(37)	-
Transfers to Stage 2	(4,893)	4,893	-	-
Transfers to Stage 3	(824)	(3)	827	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	686	686
Amounts written off	-	-	(8,469)	(8,469)
Foreign exchange adjustments	6,764	1,548	-	8,312
At 31 December	518,874	105,718	1,971	626,563

Group and Bank	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	500,924	71,237	10,779	582,940
New assets originated or purchased	55,913	4,291	6,159	66,363
Assets derecognised or repaid (excluding write offs)	(63,811)	(18,471)	(2,439)	(84,721)
Transfers to Stage 1	9,397	(9,138)	(259)	-
Transfers to Stage 2	(75,143)	75,144	(1)	-
Transfers to Stage 3	(462)	(17)	479	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	2,407	2,407
Amounts written off	-	-	(8,364)	(8,364)
Foreign exchange adjustments	7,986	4,270	-	12,256
At 31 December	434,804	127,316	8,761	570,881

Group and Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	1,273	4,963	7,875	14,111
New assets originated or purchased	6,014	2,628	1,680	10,322
Assets derecognised or repaid (excluding write offs)	(3,689)	(752)	(700)	(5,141)
Transfers to Stage 1	3,129	(3,092)	(37)	-
Transfers to Stage 2	(4)	4	-	-
Transfers to Stage 3	(1)	-	1	-
Impact on year end ECL of exposures transferred between stages during the period	(352)	(13)	192	(173)
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(8,469)	(8,469)
Foreign exchange adjustments	30	114	-	144
At 31 December 2021	6,400	3,852	542	10,794

19.1 Loans and advances to corporate customers - continued

Group and Bank	31 December 2020			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	539	6,536	4,044	11,119
New assets originated or purchased	277	71	6,157	6,505
Assets derecognised or repaid (excluding write offs)	(38)	(6,439)	(797)	(7,274)
Transfers to Stage 1	167	(23)	(144)	-
Transfers to Stage 2	(78)	79	(1)	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the period	366	4,208	6,980	11,554
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(8,364)	(8,364)
Foreign exchange adjustments	40	531	-	571
At 31 December 2020	1,273	4,963	7,875	14,111

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was N4.9 billion at 31 December (2020: N10 billion).

19.2 Loans to Individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2

Group and Bank	31 December 2021			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	5,250	-	-	5,250
RR3-RR4	73,318	-	-	73,318
RR5-RR6	1,712	16,057	-	17,769
RR7	-	-	166	166
RR8	-	-	457	457
RR9	-	-	2,557	2,557
Total	80,280	16,057	3,180	99,517

Group and Bank	31 December 2020			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	5,589	-	-	5,589
RR3-RR4	31,580	-	-	31,580
RR5-RR6	2,361	292	-	2,653
RR7	-	-	312	312
RR8	-	-	1,311	1,311
RR9	-	-	1,033	1,033
Total	39,530	292	2,656	42,478

19.2 Loans to Individuals - continued

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

Group and Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	39,529	293	2,656	42,478
New assets originated or purchased	58,533	8,722	251	67,506
Assets derecognised or repaid (excluding write offs)	(9,326)	(56)	(662)	(10,044)
Transfers to Stage 1	659	(513)	(146)	-
Transfers to Stage 2	(7,663)	7,665	(2)	-
Transfers to Stage 3	(1,458)	(54)	1,512	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(429)	(429)
Foreign exchange adjustments	6	-	-	6
At 31 December	80,280	16,057	3,180	99,517

Group and Bank	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	45,443	192	3,124	48,759
New assets originated or purchased	14,353	204	121	14,678
Assets derecognised or repaid (excluding write offs)	(18,313)	(107)	(1,799)	(20,219)
Transfers to Stage 1	147	(97)	(50)	-
Transfers to Stage 2	(105)	108	(3)	-
Transfers to Stage 3	(1,997)	(9)	2,006	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(743)	(743)
Foreign exchange adjustments	1	2	-	3
At 31 December	39,529	293	2,656	42,478

Group and Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	78	1	2,342	2,421
New assets originated or purchased	1,030	315	319	1,664
Assets derecognised or repaid (excluding write offs)	(137)	(2)	(1,282)	(1,421)
Transfers to Stage 1	113	(1)	(112)	-
Transfers to Stage 2	(14)	16	(2)	-
Transfers to Stage 3	(3)	-	3	-
Impact on year end ECL of exposures transferred between stages during the period	(110)	262	999	1,151
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(429)	(429)
Foreign exchange adjustments	-	-	-	-
At 31 December	957	591	1,838	3,386

19.2 Loans to Individuals - continued

Group and Bank	31 December 2020			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	17	-	1,830	1,847
New assets originated or purchased	24	-	2,110	2,134
Assets derecognised or repaid (excluding write offs)	(12)	(3)	(804)	(819)
Transfers to Stage 1	50	-	(50)	-
Transfers to Stage 2	-	3	(3)	-
Transfers to Stage 3	(1)	1	-	-
Impact on year end ECL of exposures transferred between stages during the period	-	-	2	2
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Amounts written off	-	-	(743)	(743)
Foreign exchange adjustments	-	-	-	-
At 31 December	78	1	2,342	2,421

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

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
19.3	**Classification of loans and advances by rating**				
	Rating				
	RR1-RR2	166,382	73,288	166,382	73,288
	RR3-RR4	320,958	338,578	320,958	338,578
	RR5-RR6	233,589	190,075	233,589	190,075
	RR7	971	465	971	465
	RR8	476	2,695	476	2,695
	RR9	3,704	8,258	3,704	8,258
		726,080	613,359	726,080	613,359
19.4	**Classification of loans and advances by security**				
	Cash	157,118	112,243	157,118	112,243
	Real estate	116,881	99,676	116,881	99,676
	Stocks/shares	25,493	25,868	25,493	25,868
	Debentures	74,653	110,938	74,653	110,938
	Other securities	351,716	263,425	351,716	263,425
	Unsecured	219	1,209	219	1,209
		726,080	613,359	726,080	613,359

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

19 Loans and advances to customers - continued

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
19.5	**Classification of loans and advances by sector**				
	Agriculture	76,727	55,471	76,727	55,471
	Communication	17,762	16,493	17,762	16,493
	Consumer	91,360	36,692	91,360	36,692
	Education	1,369	1,551	1,369	1,551
	Finance and insurance	25,132	26,724	25,132	26,724
	Government	101,375	84,277	101,375	84,277
	Manufacturing	10,438	7,166	10,438	7,166
	Mining & quarrying	-	1	-	1
	Mortgage	3,114	3,526	3,114	3,526
	Oil and gas	170,576	200,774	170,576	200,774
	Others	48,437	29,431	48,437	29,431
	Power	36,011	26,386	36,011	26,386
	Real estate & construction	80,940	81,596	80,940	81,596
	Transportation	28,239	20,419	28,239	20,419
	Non-interest banking	34,600	22,852	34,600	22,852
		726,080	**613,359**	**726,080**	**613,359**
20	**Investment in securities:**				
(a)	***Financial instruments held at fair value through profit or loss (FVTPL)***				
	Treasury bills	6,763	1,412	6,763	1,412
	Euro bonds	374	-	374	-
	Bonds	2,447	42	2,447	42
	Promissory notes	653	-	653	-
	Total financial assets measured at FVTPL	**10,237**	**1,454**	**10,237**	**1,454**
(b)	***Debt instruments at fair value through other comprehensive income***				
	Treasury bills	48,635	33,669	48,635	33,669
	Government bonds	61,643	89,074	61,643	89,074
	Euro bonds	7,615	4,468	7,615	4,468
	Corporate bonds	17,904	8,527	17,904	8,527
	Promissory notes	33,050	42	33,050	42
	Total debt instruments measured at FVOCI	**168,847**	**135,780**	**168,847**	**135,780**
(c)	***Equity instruments at fair value through other comprehensive income***				
	Lotus Capital Halal	246	245	246	245
	SCM Capital Halal	2,239	619	2,239	619
	Zola Elect Nig Litd.	508	480	508	480
	Africa Export/Import Bank	1,044	742	1,044	742
	Nigeria Interbank Settlement System plc	7,772	3,750	7,772	3,750
	Africa Finance Corporation	2,699	2,220	2,699	2,220
	Unified Payment System	456	297	456	297
	Investment in AGSMEIS	2,219	1,663	2,219	1,663
	Nigeria Mortgage Refinancing Corporation	393	393	393	393
	Binkabi Ltd	180	180	180	180
	E-Purse System Ltd	120	76	120	76
	Tremendoc Ltd	80	80	80	80
	Total equity instruments at FVOCI	17,956	10,745	17,956	10,745
(d)	***Debt instruments at amortised cost***				
	Government bonds	99,594	110,241	82,553	93,244
	Treasury Bills	245	-	-	-
	Promissory notes	2,393	-	2,305	-
		102,232	110,241	84,858	93,244
	Less: Allowance for Impairment losses	(7)	(12)	(6)	(10)
	Total debt instruments measured at amortised cost	**102,225**	**110,229**	**84,852**	**93,234**

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

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

Group and Bank	31 December 2021			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	168,847	-	-	168,847
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
Total	**168,847**	**-**	**-**	**168,847**

Group and Bank	31 December 2020			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	123,963	-	-	123,963
RR3-RR4	3,289	-	-	3,289
RR5-RR6	8,528	-	-	8,528
Total	**135,780**	**-**	**-**	**135,780**

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

Group and Bank	31 December 2021			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2021	135,780	-	-	135,780
New assets originated or purchased	98,094	-	-	98,094
Assets derecognised or matured (excluding write-offs)	(64,182)	-	-	(64,182)
Change in fair value	(845)	-	-	(845)
Transfers to Stage 1		-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**168,847**	**-**	**-**	**168,847**

Group and Bank	31 December 2020			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2020	**141,272**			**141,272**
New assets originated or purchased	**63,574**	**-**	**-**	**63,574**
Assets derecognised or matured (excluding write-offs)	**(73,871)**	**-**	**-**	**(73,871)**
Change in fair value	**4,805**	**-**	**-**	**4,805**
At 31 December 2020	**135,780**	**-**	**-**	**135,780**

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

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

Group and Bank	31 December 2021			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021	159	-	-	159
New assets purchased	1	-	-	1
Assets derecognised or matured (excluding write offs)	(11)	-	-	(11)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognitior	-	-	-	-
Changes to models and inputs used for ECL calculations	383	-	-	383
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**532**	-	-	**532**

Group and Bank	31 December 2020			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	229	-	-	229
New assets purchased	16	-	-	16
Assets derecognised or matured (excluding write offs)	(64)	-	-	(64)
Changes to models and inputs used for ECL calculations	(22)	-	-	(22)
At 31 December 2020	**159**	-	-	**159**

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

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 37 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2:

Group	31 December 2021			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	102,068	-	-	102,068
RR3-RR4	164	-	-	164
RR5-RR6	-	-	-	-
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**102,232**	-	-	**102,232**

Group	31 December 2020			
In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	110,077	-	-	110,077
RR3-RR4	164	-	-	164
RR5-RR6	-	-	-	-
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**110,241**	-	-	**110,241**

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

Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	84,858	-	-	84,858
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**84,858**	**-**	**-**	**84,858**

Bank	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	93,080	-	-	93,080
RR3-RR4	164	-	-	164
RR5-RR6	-	-	-	-
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**93,244**	**-**	**-**	**93,244**

Group	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	110,241	-	-	110,241
New assets originated or purchased	2,443	-	-	2,443
Assets derecognised or matured (excluding write-offs)	(10,452)	-	-	(10,452)
At 31 December 2021	**102,232**	**-**	**-**	**102,232**

Group	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	101,832	243	-	102,076
New assets originated or purchased	9,112	-	-	9,112
Assets derecognised or matured (excluding write-offs)	(703)	(243)	-	(946)
At 31 December 2020	**110,241**	**-**	**-**	**110,241**

Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	93,244	-	-	93,244
New assets originated or purchased	2,066	-	-	2,066
Assets derecognised or matured (excluding write-offs)	(10,452)	-	-	(10,452)
At 31 December 2021	**84,858**	**-**	**-**	**84,858**

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

Bank	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	84,640	244	-	84,884
New assets originated or purchased	9,069	-	-	9,069
Assets derecognised or matured (excluding write-offs)	(465)	(244)	-	(709)
At 31 December 2020	**93,244**	**-**	**-**	**93,244**

Group	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	12	-	-	12
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(3)	-	-	(3)
Unwind of discount (recognised in interest income)	-	-	-	-
Changes to models and inputs used for ECL calculations	(2)	-	-	(2)
At 31 December 2021	**7**	**-**	**-**	**7**

Group	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2020	**102**	**29**	**-**	**131**
New assets purchased	**5**	**-**	**-**	**5**
Assets derecognised or matured (excluding write offs)	**-**	**(29)**	**-**	**(29)**
Changes to models and inputs used for ECL calculations	**(95)**	-	-	**(95)**
At 31 December 2020	**12**	**-**	**-**	**12**

Bank	**31 December 2021**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	10	-	-	10
New assets purchased	-	-	-	-
Assets derecognised or matured (excluding write offs)	(3)	-	-	(3)
Changes to models and inputs used for ECL calculations	(1)	-	-	(1)
At 31 December 2021	**6**	**-**	**-**	**6**

Bank	**31 December 2020**			
In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2020	88	29	-	117
New assets purchased	5	-	-	5
Assets derecognised or matured (excluding write offs)	-	(29)	-	(29)
Unwind of discount (recognised in interest income)			-	-
Changes due to modifications not resulting in derecognitior	-	-	-	-
stages during the year	-	-	-	-
Changes due to modification not derecognised	-	-	-	-
Changes to models and inputs used for ECL calculations	(83)	-	-	(83)
Recoveries	-	-	-	-
At 31 December 2020	**10**	**-**	**-**	**10**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

21 **Investment in Subsidiary**

In 2016, Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public limited liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Total number of issued share capital is 500,000, with 499,999 shares held by Sterling Bank Plc and 1 share held by the managing director, Mr. Abubakar Suleiman. The main objective of setting up the SPV is to raise or borrow money by the issue of bonds or other debt instruments.

Name of company	*Ownership/Percecntage interest*	*N'million*	*N'million*
Sterling Investment Management Plc	99.9 percent	1	1

Condensed Statement of profit or loss for the Year ended 31 December 2021	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Interest income	110,975	(4,345)	108,581	6,739
Interest expense	(45,191)	4,345	(42,931)	(6,605)
Net interest income	65,784	-	65,650	134
Other income	31,341	-	31,341	-
Operating income	97,125	-	96,991	134
Operating expenses	(72,830)	-	(72,826)	(4)
Credit loss expense	(9,821)	165	(9,822)	(164)
Profit for the year before tax	14,474	165	14,343	(34)
Income tax expense	(959)	-	(940)	(19)
	13,515	165	13,403	(53)
Condensed statement of financial position				
As at 31 December 2021				
Assets:				
Cash and balances with Central Bank of Nigeria	370,873	-	370,873	-
Due from banks	94,850	-	94,842	8
Pledged assets	10,786	-	10,786	-
Loans and advances to customers	711,900	-	711,900	-
Investments in securities:				
- Financial assets at fair value through profit or loss	10,237	-	10,237	-
- Debt instruments at fair value through other comprehensive income	168,847	-	168,847	-
- Equity instruments at fair value through other comprehensive income	17,956	-	17,956	-
- Debt instruments at amortised cost	102,225	(25,513)	84,852	42,886
Investment in subsidiary	-	(1)	1	-
Other assets	101,405	(75)	101,405	75
Property, plant and equipment	16,939	-	16,939	-
Right of use asset	8,141	-	8,141	-
Investment property	6,918	-	6,918	-
Intangible assets	1,081	-	1,081	-
Deferred tax assets	6,971	-	6,971	-
TOTAL ASSETS	**1,629,129**	**(25,589)**	**1,611,749**	**42,969**
LIABILITIES & EQUITY				
Deposits from banks	15,568	-	15,568	-
Deposits from customers	1,208,753	-	1,208,753	-
Current income tax payable	1,018	-	999	19
Other borrowed funds	116,450	-	116,450	-
Debt securities issued	42,327	(25,706)	25,373	42,660
Other liabilities	102,342	(75)	102,410	7
Provisions	1,180	-	1,180	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	34,859	193	34,384	282
Other components of equity	49,478	-	49,478	-
TOTAL LIABILITIES AND EQUITY	**1,629,129**	**(25,589)**	**1,611,749**	**42,969**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

21 Investment in Subsidiary - Continued

Condensed statement of cash flows Year ended 31 December 2021	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Net cash flows from/(used in)operating activities	147,605	(4,351)	145,027	6,929
Net cash flows (used in)/from in investing activities	(42,573)	-	(42,258)	(315)
Net cash flows used in financing activities	14,636	4,351	16,896	(6,611)
Net increase in cash and cash equivalents	119,668	-	119,665	3
Exchange rate movements on cash and cash equivalents	6,579	-	6,579	-
Cash and cash equivalents, beginning of the year	95,607	-	95,602	5
Cash and cash equivalents, end of the year	221,854	-	221,846	8

Condensed Statement of profit or loss for the Year ended 31 December 2020	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
In millions of Naira				
Interest income	111,452	(4,413)	109,030	6,835
Interest expense	(49,305)	4,413	(47,013)	(6,705)
Net interest income	62,147	-	62,017	130
Other income	24,383	-	24,383	-
Operating income	86,530	-	86,400	130
Operating expenses	(66,252)	-	(66,247)	(5)
Credit loss expense	(7,906)	(68)	(7,913)	75
Profit/(loss) for the year before tax	12,372	(68)	12,240	200
Income tax expense	(1,130)	-	(1,130)	-
Profit/(loss) for the year after tax	11,242	(68)	11,110	200
Assets:				
Cash and balances with Central Bank of Nigeria	303,314	-	303,314	-
Due from banks	21,084	-	21,079	5
Pledged assets	34,860	-	34,860	-
Loans and advances to customers	596,827	-	596,827	-
Investments in securities:				
- Financial assets at fair value through profit or loss	1,454	-	1,454	-
- Debt instruments at fair value through other comprehensive income	135,780	-	135,780	-
- Equity instruments at fair value through other comprehensive income	10,745	-	10,745	-
- Debt instruments at amortised cost	110,229	(25,715)	93,234	42,682
Investment in subsidiary	-	(1)	1	-
Other assets	43,950	(75)	43,704	321
Property, plant and equipment	15,956	-	15,956	-
Right of use asset	8,319		8,319	
Investment property	8,004		8,004	
Intangible assets	1,582	-	1,582	-
Deferred tax assets	6,971	-	6,971	-
TOTAL ASSETS	**1,299,075**	**(25,791)**	**1,281,830**	**43,008**
LIABILITIES & EQUITY				
Deposits from banks	21,289	-	21,289	-
Deposits from customers	950,835	-	950,835	-
Current income tax payable	551	-	551	-
Other borrowed funds	86,367	-	86,367	
Debt securities issued	42,274	(25,715)	25,323	42,666
Other liabilities	61,552	(75)	61,621	4
Provisions	454	-	454	-
Share capital	14,395	(1)	14,395	1
Share premium	42,759	-	42,759	-
Retained earnings	25,278	-	24,913	337
Other components of equity	53,321	-	53,323	-
TOTAL LIABILITIES AND EQUITY	**1,299,075**	**(25,791)**	**1,281,830**	**43,008**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

21 Investment in Subsidiary - Continued

Condensed statement of cash flows **Year ended 31 December 2020**	**Group**	**Elimination Entries**	**Bank**	**Sterling SPV**
Net cash flows from/(used in) operating activities	4,228	(6,692)	4,406	6,514
Net cash flows (used in)/from investing activities	(8,284)	-	(8,467)	183
Net cash flows used in financing activities	(7,795)	6,692	(7,795)	(6,692)
Net (decrease)/increase in cash and cash equivalents	(11,851)	-	(11,856)	5
Exchange rate movements on cash and cash equivalents	4,164	-	4,164	-
Cash and cash equivalents, beginning of the year	103,294	-	103,294	-
Cash and cash equivalents, end of the year	**95,607**	**-**	**95,602**	**5**

In millions of Naira	**Group 31 Dec 2021**	**Group 31 Dec 2020**	**Bank 31 Dec 2021**	**Bank 31 Dec 2020**
22 Other assets				
Financial assets				
Accounts receivable (see note (i))	97,450	39,327	97,450	39,081
Non-financial assets				
Prepayments and other debit balances	4,444	4,498	4,444	4,498
Prepaid staff cost	1,574	1,518	1,574	1,518
Stock of cheque books and administrative stationeries	1,650	408	1,650	408
Gross other assets	105,118	45,751	105,118	45,505
Allowance for impairment on other assets (note 22.1)	(3,713)	(1,801)	(3,713)	(1,801)
	101,405	**43,950**	**101,405**	**43,704**

i. Included in accounts receivable are:

a. USD43.3million (N18.4billion) {2020: USD48.7 million (N19.5billion)} receivable from Cambridge Springs Investment Limited in respect of loan sold to the company.

b. Forex deliverables due from CBN for the Bank’s customers, among others.

In millions of Naira	**Group 31 Dec 2021**	**Group 31 Dec 2020**	**Bank 31 Dec 2021**	**Bank 31 Dec 2020**
22.1 Movement of allowance for impairment on other assets				
Balance, beginning of year	1,801	1,010	1,801	1,010
Charge/(reversal) on other assets (note 11)	2,031	1,245	2,031	1,245
Write offs	(119)	(454)	(119)	(454)
Balance, end of year	3,713	1,801	3,713	1,801

23.1 **Property, plant and equipment**

Group and Bank

The movement during the year was as follows:

31 December 2021 *In millions of Naira*	**Leasehold Land**	**Leasehold Building**	**Leasehold Improvement**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Capital work-in-progress**	**Total**
(a) **Cost**								
As at 1 January 2021	1,993	4,126	3,811	11,318	14,898	5,699	935	42,780
Additions	-	4	187	347	709	791	2,663	4,701
Reclassifications	-	187	9	213	5	6	(420)	-
Disposals	-	-	-	(212)	(20)	(553)	-	(785)
As at 31 December 2021	1,993	4,317	4,007	11,666	15,592	5,943	3,178	46,696
(b) **Accumulated depreciation and impairment**								
As at 1 January 2021	242	590	2,466	8,896	11,164	3,466	-	26,824
Charge for the year	-	83	275	911	1,243	1,107	-	3,619
Disposals	-	-	-	(206)	(19)	(461)	-	(686)
As at 31 December 2021	242	673	2,741	9,601	12,388	4,112	-	29,757
Net book value								
As at 31 December 2021	**1,751**	**3,644**	**1,266**	**2,065**	**3,204**	**1,831**	**3,178**	**16,939**
As at 31 December 2020	**1,751**	**3,536**	**1,345**	**2,422**	**3,734**	**2,233**	**935**	**15,956**

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N16.4billion (2020: N13.8 billion).
ii) No item of property,plant and equipment was pledged as security.

23.1 Property, plant and equipment

Group and Bank

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

	31 December 2020 *In millions of Naira*	**Leasehold Land**	**Leasehold Building**	**Leasehold improvement**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Capital work-in-progress**	**Total**
(a)	**Cost**								
	As at 1 January 2020	2,131	4,138	3,913	11,551	15,842	5,312	763	43,650
	Additions		-	143	723	139	511	504	2,020
	Reclassifications	3	(3)	35	78	62	157	(332)	-
	Disposals	(141)	-	-	(32)	(5)	(258)	-	(436)
	Adjustments	-	(9)	(3)	9	(4)	-	-	(7)
	Written off	-	-	(277)	(1,011)	(1,136)	(23)	-	(2,447)
	As at 31 December 2020	1,993	4,126	3,811	11,318	14,898	5,699	935	42,780
(b)	**Accumulated depreciation and impairment**								
	As at 1 January 2020	238	507	2,476	8,899	10,430	2,624	-	25,174
	Charge for the year	11	83	267	1,037	1,875	1,093	-	4,366
	Disposals	(7)	-	-	(30)	(5)	(227)	-	(269)
	Written off	-	-	(277)	(1,010)	(1,136)	(24)	-	(2,447)
	As at 31 December 2020	242	590	2,466	8,896	11,164	3,466	-	26,824
	Net book value								
	As at 31 December 2020	**1,751**	**3,536**	**1,345**	**2,422**	**3,734**	**2,233**	**935**	**15,956**
	As at 31 December 2019	**1,893**	**3,631**	**1,437**	**2,652**	**5,412**	**2,688**	**763**	**18,476**

i) The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N13.8 billion.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
23.2	**Right-of-use asset**				
	Building				
(a)					
	Balance, beginning of the year	8,319	8,896	8,319	8,896
	Additions during the year	573	263	573	263
	Reversal	(16)	-	(16)	-
	Depreciation charge	(735)	(840)	(735)	(840)
	Balance, end of the year	**8,141**	**8,319**	**8,141**	**8,319**

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
23.3	**Investment property**				
(a)	**Cost**				
	At 1 January	8,133	4,176	8,133	4,176
	Additions	667	3,957	667	3,957
	Disposal	(1,705)	-	(1,705)	-
	As at 31 December	7,095	8,133	7,095	8,133
(b)	**Accumulated depreciation and impairment**				
	At 1 January	129	35	129	35
	Depreciation	102	94	102	94
	Disposal	(54)	-	(54)	-
	Balance end of year	177	129	177	129
	Balance as at 31 December	**6,918**	**8,004**	**6,918**	**8,004**

Fair value of investment property	**Level 1**	**Level 2**	**Level 3**
	-	-	**7,149**

The fair value of the Group's investment property at 31 December 2021 was determined by independent, appropriately qualified external valuers - Austin Otegbulu PhD. (FRC/2013/NIESV/00000001582) of A.C Otegbulu & Partners (FRC/2020/00000013592) and Oladapo Olaiya (FRC/2013/NIESV/00000004238) of Dapo Olaiya Consulting (FRC/2013/0000000000569). The valuations conform to the Estate surveyors and valuers registration board of Nigeria Standards. Fees paid to valuers are based on fixed price contracts.

The method of valuation adopted is the sales comparism and investment method.
The investment property is driven by the Non-interest banking window of the group in line with the provisions of IAS 40 and the Central Bank of Nigeria guidelines.

In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
Rental income from investment property	**182**	185	**182**	185
Direct operating expenses	**(102)**	(94)	**(102)**	(94)
	80	91	**80**	91

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
24	**Intangible assets**				
(a)	**Cost**				
	At 1 January	5,296	4,979	5,296	4,979
	Additions	188	400	188	400
	Written off	-	(83)	-	(83)
	Balance end of year	5,484	5,296	5,484	5,296
(b)	**Accumulated amortisation and impairment**				
	Beginning of year	3,714	3,046	3,714	3,046
	Amortisation for the year	689	750	689	750
	Write off	-	(82)	-	(82)
	Balance end of year	4,403	3,714	4,403	3,714
	Net book value				
	Balance as at 31 December	**1,081**	**1,582**	**1,081**	**1,582**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
25	**Deposits from banks**				
	Money market takings	-	17,993	-	17,993
	Due to local banks	15,568	3,296	15,568	3,296
		15,568	21,289	15,568	21,289
26	**Deposits from customers**				
	Current accounts	618,698	556,092	618,698	556,092
	Savings accounts	204,889	194,504	204,889	194,504
	Term deposits	289,921	155,249	289,921	155,249
	Pledged deposits	95,245	44,990	95,245	44,990
		1,208,753	**950,835**	**1,208,753**	**950,835**

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

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
27	**Other borrowed funds**				
	Due to CBN-Agric-Fund (see (27(i))	40,098	45,211	40,098	45,211
	Due to Africa Agric and Trade Investment Fund (see (27(ii))	2,100	3,289	2,100	3,289
	Due to CBN-State ECA secured loans (see (27 (iii))	13,746	13,756	13,746	13,756
	Due to Islamic Corporation (see (27(iv))	-	1,666	-	1,666
	Due to Islamic Corporation (see (27(v))	10,277	-	10,277	-
	Due To Nigeria Mortgage Refinance Company (see (27(vi))	1,954	2,158	1,954	2,158
	Due to CBN - ABP (see (27(vii))	29,352	2,804	29,352	2,804
	Due to Master Card Foundation (MCF) (see (27(viii))	9,322	6,223	9,322	6,223
	Due to CBN - RSSF Fund (see (27 (ix))	4,537	5,418	4,537	5,418
	Due to CBN - NESF Fund (see(27 (x))	2,823	3,265	2,823	3,265
	Due to BOI (see (27 (xi))	2,241	2,577	2,241	2,577
		116,450	**86,367**	**116,450**	**86,367**
	Movement on other borrowed funds:				
	Beginning of year	86,367	82,702	86,367	82,702
	Additions during the year	39,844	11,526	39,844	11,526
	Repayments during the year	(9,761)	(8,118)	(9,761)	(8,118)
	Accrued interest	6,866	5,094	6,866	5,094
	Interest paid	(7,355)	(4,988)	(7,355)	(4,988)
	Foreign exchange difference	489	151	489	151
		116,450	**86,367**	**116,450**	**86,367**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

27 **Other borrowed funds - continued**

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

Central Bank of Nigeria (CBN) in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) established a Commercial Agricultural Credit Scheme, (CACS) to promote commercial agricultural enterprise in Nigeria. The Bank obtained the loan on behalf of the customers at two (2) percent for on lending to customers at a rate of 9% per annum. Repayment proceeds from CACS projects are repatriated to CBN on quarterly basis. Loans under the agriculture scheme are expected to terminate on 30 September 2025.

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate has further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021.

27(ii) **Africa Agriculture and Trade Investment Fund**

This represents the outstanding balance on the $15million credit facility granted to the Bank by Africa Agriculture and Trade Investment Fund payable over 4 years in 9 instalments 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.

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

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

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate has further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021.

27(iv) **Due to Islamic Corporation**

This represents the outstanding balance on the $11.25 million amortizing Murabaha financing facilities granted by the Islamic Corporation for the development of the private sector for a period of five years effective January 2016. The facility which attracted a margin of 6.25% was fully repaid in March 2021.

27(v) **Due to Islamic Corporation**

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

27(vi) **Due to Nigeria Mortgage Refinance Company Plc.**

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 in 2016 at an interest rate of 15.5% per annum to mature 7 September 2031.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

27 **Other borrowed funds - continued**

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

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

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate has further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021.

27(viii) **Due to Master Card Foundation (MCF)**

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

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

27(ix) **Due to CBN - Real Sector Support Facility (RSSF) Fund**

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

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate has further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021.

27(x) **Due to CBN - Non-Oil Support Export Stimulation Facility (NESF) Fund**

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

CBN in response to COVID-19 outbreak and spillovers, issued a circular on 16 March 2020 with reference No. FPR/DIR/GEN/CIR/07/049 reducing interest rates on all CBN intervention facilities from 9 to 5 percent per annum for 1 year effective March 1, 2020. The reduction in rate has further been extended till 28 February 2022 as contained in circular reference No FPR/DIR/PUB/CIR/01/001 of 03 March 2021.

27(xi) **Due to Bank of Industry (BOI).**

The amount of N2.24billion (December 2020: N2.58billion) represents the outstanding balance on the funding granted by BOI under the Small and Medium Enterprise Refinancing and Restructuring Fund (SMERRF) . The SMERRF is administered at an all-in interest rate of 10% per annum payable on a monthly basis, one-off fee 2% and monitoring fee of 0.125% payable on quarterly basis. The tenor of the facilities range between 5 years to 7 years.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
28	**Debt securities issued**				
	18.86% Debt securities carried at amortised cost (See (i) below)	-	-	5,159	5,220
	17.55% Debt securities carried at amortised cost (See (ii) below)	-	-	20,214	20,103
	16.5% Debt securities carried at amortised cost (See (iii) below)	8,502	8,503	-	-
	16.25% Debt securities carried at amortised cost (See (iv) below)	33,825	33,771	-	-
		42,327	**42,274**	**25,373**	**25,323**
	Movements in debt securities issued				
	At 1 January	42,274	42,655	25,323	25,709
	Accrued interest	6,702	7,257	4,442	4,965
	Interest paid	(6,649)	(7,638)	(4,392)	(5,351)
		42,327	**42,274**	**25,373**	**25,323**

i This represents N4.7 billion 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 N19.739 billion 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 N7.9 billion 7-year 16.50% subordinated unsecured non-convertible debenture stock issued by the SPV, 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.

iv This represents a N32.899 billion 7-year 16.25% subordinated unsecured non-convertible debenture stock issued by the SPV, 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
29	**Other liabilities**				
	Financial liabilities				
	Other credit balances (note 29.1)	10,270	12,162	10,270	12,162
	Customers' deposits for foreign trade	57,263	25,636	57,263	25,636
	Lease liability (29.2)	60	114	60	114
	Certified cheques	3,020	4,505	3,020	4,505
	Creditors and accruals	31,549	19,012	31,617	19,081
		102,162	61,429	102,230	61,498
	Non financial fiabilities				
	Information technology levy	143	122	143	122
	Police trust fund levy	1	1	1	1
	National Agency for Science and Engineering Infrastructure levy	36	-	36	-
	Total Other Liabilities	**102,342**	**61,552**	**102,410**	**61,621**

29.1 Other credit balances includes mostly Bond proceed Collection of N2.5 billion, e-business settlement N2.3 billion and long outstanding draft N2.0 billion. It also includes upfront fees on financial guarantee contract such as Advance Payment Guarantee and Bid bond, etc. The upfront fees are amortised using the maturity date of the contracts.

29.2

In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
Lease liability				
As at 1 January	114	65	114	65
Additions	-	36	-	36
Interest on lease liability	4	13	4	13
Payments	(58)	-	(58)	-
As at 31 December	**60**	**114**	**60**	**114**

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

Maturity analysis of lease liability *In millions of Naira*	Less than 3 months	6-12 months	1 - 5 years	Total
	41	**-**	**19**	**60**

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
29.3	**Provisions**				
	Provisions for litigations and claims	161	145	161	145
	Provision for guarantees and letters of credit	1,019	309	1,019	309
		1,180	**454**	**1,180**	**454**
	At 1 January	454	167	454	167
	Additions	726	287	726	287
	At 31 December	**1,180**	**454**	**1,180**	**454**

Provision for litigations: This is provision for litigations and claims against the Bank as at 31 December 2021. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that this provision is adequate for liability that have crystalized from these claims. There is no expected reimbursement in respect of this provision.

	In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
30	**Share capital and equity reserves**				
	Share capital				
(a)	**Authorised:**				
	32,000,000,000 Ordinary shares of 50k each	**16,000**	**16,000**	**16,000**	**16,000**
(b)	**Issued and fully-paid:** 28.79 billion (2019: 28.79 billion) Ordinary shares of 50k each	**14,395**	**14,395**	**14,395**	**14,395**

(i) Ordinary shareholding:

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meeting of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

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

In millions of units	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
28.79 billion (2018: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	14,395
	14,395	14,395	14,395	14,395
Movement in nominal share capital in units				
At 31 December	28,790	28,790	28,790	28,790
	28,790	28,790	28,790	28,790

31 Dividends

In respect of 2021, the Directors proposed that a dividend of 10kobo for every 50kobo share will be paid to shareholders. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in this financial statements until approved and declared by the shareholders. The proposed dividend is subject to withholding tax at the appropriate rate and is payable to shareholders whose names appear in the
In 2021, the Directors declared and paid dividends of N1.44 billion (5k per share) in respect of 2020 results.

32.1 Other components of equity

In millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
(a) GROUP							
Balance at 1 January 2021	12,375	5,276	10,435	235	1,711	23,289	53,321
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	(11,506)	-	-	-	-	-	(11,506)
Net change in fair value of equity instrument at FVOCI	4,801	-	-	-	-	-	4,801
Changes in allowance for expected credit losses	368	-	-	-	-	-	368
Transfer between reserves							
Transfer from regulatory risk reserve (Note 32.1d)	-	-	(188)	-	-	-	(188)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	670	2,012	2,682
Balance at 31 December 2021	**6,038**	**5,276**	**10,247**	**235**	**2,381**	**25,301**	**49,478**
Balance at 1 January 2020	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,622**	**56,218**
Comprehensive income for the year:							
Other comprehensive income net of tax							
Net change in fair value of debt instrument at FVOCI	2,420				-		2,420
Net change in fair value of equity instrument at FVOCI	3,468				-		3,468
Changes in allowance for expected credit losses	(72)				-		(72)
Transfer between reserves							
Transfer from regulatory risk reserve (Note 32.1d)			(10,936)				(10,936)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-				556	1,667	2,223
Balance at 31 December 2020	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,289**	**53,321**

32.1 Other components of equity - continued

In millions of Naira	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Statutory reserve	Total other components of equity
BANK							
At 1 January 2021	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,291**	**53,323**
Comprehensive income for the year:							-
Other comprehensive income net of tax							-
Net change in fair value of debt instrument at FVOCI	(11,506)	-	-	-		-	(11,506)
Net change in fair value of equity instrument at FVOCI	4,801	-	-	-		-	4,801
Changes in allowance for expected credit losses	368	-	-	-		-	368
Transfer between reserves							
Transfer from regulatory risk reserve (Note 32.1d)	-	-	(188)	-	-	-	(188)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-	-	-	670	2,010	2,680
31 December 2021	**6,038**	**5,276**	**10,247**	**235**	**2,381**	**25,301**	**49,478**
Balance at 1 January 2020	**6,559**	**5,276**	**21,371**	**235**	**1,155**	**21,624**	**56,220**
Comprehensive income for the year:							
Net change in fair value of debt instrument at FVOCI	2,420	-	-	-	-	-	2,420
Net change in fair value of equity instrument at FVOCI	3,468	-	-	-	-	-	3,468
Changes in allowance for expected credit losses	(72)	-	-	-	-	-	(72)
Transfer between reserves							
Transfer from regulatory risk reserve (Note 32.1d)	-	-	(10,936)	-	-	-	(10,936)
Transfer to statutory risk and AGSMEIS reserves (Notes 32.1a & 32.c)	-	-		-	556	1,667	2,223
31 December 2020	**12,375**	**5,276**	**10,435**	**235**	**1,711**	**23,291**	**53,323**

32.1 Other components of equity - continued

a. Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. Amount transferred to statutory reserve for the year ended 31 December 2021 was **(15% of N13.3billion) N1.989billion** (2020: N1.667billion).

b. Share capital reserve

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

c. AGSMEIS reserve

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

d. Regulatory risk reserve

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

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

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

e SMEEIS reserve

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

33 Commitments and Contingencies

a. Litigations and claims

There are 92 (2020: 70) litigations and claims against the Group as at 31 December 2021. The total amount claimed against the Group is N43.5billion (2020: N22.7billion). These claims arose in the normal course of business and are being contested by the Group. The Directors, having sought advice of professional counsels and are of the opinion that no significant liability will crystalise from these claims. Provisions of N161million at 31 December 2021 (2020: N145 million) have been made in these financial statements on crystalised claims, refer to note 29.3.

33 (b) Contingent liabilities and commitments

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

Nature of instruments:

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

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

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

In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
Bonds, guarantees and indemnities	109,448	124,165	109,448	124,165
Letters of credit	90,758	36,129	90,758	36,129
Performance bonds	22,224	14,993	22,224	14,993
	222,430	175,287	222,430	175,287

Above balances represent contingent liabilities for which the customers have not defaulted. As stated in note 2.2.12, any portion that is due for which the Group has become liable are recognised in Other Liabilities (Note 29).

c. **Impairment losses on guarantees and other commitments**

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

(i) **Financial guarantees**

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

31 December 2021 (Group and Bank)

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	109,448	-	-	109,448
RR3-RR4	-	-	-	-
RR5-RR6	-	-	-	-
RR7	-	-	-	-
RR8	-	-	-	-
RR9	-	-	-	-
Total	**109,448**	**-**	**-**	**109,448**

31 December 2020 (Group and Bank)

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
RR1-RR2	124,165	-	-	124,165
RR3-RR4		-	-	-
Total	**124,165**	**-**	**-**	**124,165**

33 (b) Contingent liabilities and commitments - continued

(i) **Financial guarantees - continued**

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

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2021	124,165	-	-	124,165
New exposures	74,994	-	-	74,994
Exposure derecognised or matured/lapsed (excludingwrite offs)	(89,932)	-	-	(89,932)
Foreign exchange adjustments	221	-	-	221
At 31 December 2021	**109,448**	**-**	**-**	**109,448**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 1 January 2020	118,639	-	-	118,639
New exposures	75,261	-	-	75,261
Exposure derecognised or matured/lapsed (excludingwrite offs)	(69,735)	-	-	(69,735)
At 31 December 2020	**124,165**	**-**	**-**	**124,165**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2021	279	-	-	279
New exposures	1,246	-	-	1,246
Exposure derecognised or matured (excludingwrite offs)	(542)	-	-	(542)
At 31 December 2021	**983**	-	-	**983**

In millions of Naira (Group and Bank)	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	18	-	-	18
New exposures	267	-	-	267
Exposure derecognised or matured (excludingwrite offs)	(6)	-	-	(6)
At 31 December 2020	**279**	-	-	**279**

33 (b) Contingent liabilities and commitments - continued

(ii) **Letters of credit**

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

In millions of Naira (Group and Bank)	**Stage 1**	**Stage 2**	**Stage 3**	***2021*** **Total**
Internal rating grade				
RR1-RR2	90,758	-	-	90,758
Total	**90,758**	**-**	**-**	**90,758**

In millions of Naira (Group and Bank)	**Stage 1**	**Stage 2**	**Stage 3**	***2020*** **Total**
Internal rating grade				
RR1-RR2	36,129	-		36,129
Total	**36,129**	**-**	**-**	**36,129**

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

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding exposure as at 1 January 2021	36,129	-	-	36,129
New exposures	92,993	-	-	92,993
Exposure derecognised or matured/lapsed (excludingwrite offs)	(38,364)	-	-	(38,364)
At 31 December 2021	**90,758**	**-**	**-**	**90,758**

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Outstanding exposure as at 1 January 2020	27,705	-	-	27,705
New exposures	27,694	-	-	27,694
Exposure derecognised or matured/lapsed (excludingwrite offs)	(19,270)	-	-	(19,270)
At 31 December 2020	**36,129**	**-**	**-**	**36,129**

In millions of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2021	29	-	-	29
New exposures	33	-	-	33
Exposure derecognised or matured (excludingwrite offs)	(26)	-	-	(26)
At 31 December 2021	**36**	**-**	**-**	**36**

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

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2020	4	-	-	4
New exposures	28	-	-	28
Exposure derecognised or matured (excludingwrite offs)	(3)	-	-	(3)
At 31 December 2020	**29**	-	-	**29**

34 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes directors and key management personnel among others.

	In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
(i)	**Transactions with the related parties**				
				-	
	Loans and advances				
a.	Secured loans and advances	2,538	6,013	2,538	6,013
b.	Contingent liabilities	1,758	4,121	1,758	4,121
c.	Transactions and balances with the Bank's subsidiary				
	Sterling Investment Management Plc				
	Debt instruments issued by the Bank	-	-	25,706	25,715
	Other liabities	-	-	75	75
	Interest expense	-	-	4,345	4,391

(ii) Transactions with key management personnel

Key management personnel has been defined as the executive directors and non-executive directors of the Group. Key management personnel and their close family members engaged in the following transactions with the Group during the year:

In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
Secured loans and advances	600	374	600	374
Deposit liabilities (related parties and key management personnel)	17,645	13,467	17,645	13,467

34 Related party transactions - continued

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

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

In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
Short-term benefits (wages and salaries)	159	156	159	156
Post-employment benefits (pension contributions)	14	14	14	14
	173	170	173	170

(iv) Directors' remuneration below relates to payment made to non-executive directors and charged as expense during the year. The non-executive directors do not receive pension entitlements from the Bank.

In millions of Naira	Group 2021	Group 2020	Bank 2021	Bank 2020
Directors' remuneration				
Fees as directors	165	75	165	75
Other emoluments	81	53	81	53
	246	**128**	**246**	**128**

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

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are secured. For the year ended 31 December 2021, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2020: Nil).

34b Insider Related Credits

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

The Group granted various credit facilities meeting the definition of insider related credits at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of N2.4billion (2020: N6.0billion) relating to the Directors and some employees were outstanding on these facilities at the end of the period/year.

31 December 2021

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Globalmix Capital Ltd.	Related to a Director	Asue Ighodalo	10-Aug-18	07-Feb-22	1,267	379	Performing	Secured Against Real Estate	Term Loan
Rite Foods Limited	Related to a Director	Tairat Tijani	09-Mar-20	22-Jan-22	997	997	Performing	Cash	Overdraft
Commercial Staff Loan	Employees	Employees	NA	NA	1,821	1,162	Performing	Lien on entitlements/indemnity	Other Loans
TOTAL					**4,085**	**2,538**			

Letter of credit and bond guarantees.

31 December 2021

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	5	5	Performing	Personal Guarantee	Bank Guarantee
Rite Foods Limited	Related to a Director	Tairat Tijani	09-Mar-21	08-Mar-22	300	300	Performing	Personal Guarantee	Bank Guarantee
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	13-Apr-21	31-Mar-22	545	545	Performing	Cash / Personal Guarantee	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	09-Mar-20	22-Jan-22	458	458	Performing	Personal Guarantee	Letter Of Credit
Touchdown Travels Ltd	Related to a Director	Tunde Adeola	03-Dec-21	03-Dec-22	450	450	Performing	Personal Guarantee	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**1,758**	**1,758**			

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

34b Insider Related Credits - Continued

31 December 2020

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Conoil Plc	Shareholder	Mike Adenuga	05-Nov-19	26-Feb-21	12,187	4,337	Performing	Negative Pledge	Overdraft
Olufunmilola Osunsade	Related to a Shareholder	Mike Adenuga	01-Jul-20	31-Jul-23	2	1	Performing	Personal Guarantee	Overdraft
Do II Designs Limited	Related to a Director	Asue Ighodalo	14-Aug-20	15-Feb-21	50	7	Performing	Cash	Overdraft
Globalmix Capital Ltd.	Related to a Director	Asue Ighadalo	10-Aug-18	10-Aug-21	500	356	Performing	Legal Mortgage	Term Loan
Commercial Staff Loan	Employees	Employees	NA	NA	1,904	1,312	Performing	Lien on entitlements/ indemnity	Other Loans
	TOTAL				**14,643**	**6,013**			

Letter of credit and guarantees

31 December 2020

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'million)	OUTSTANDING CREDIT (N'million)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	14-Sep-20	13-Mar-21	70	70	Performing	Lien on APG Proceeds	Bank Guarantee
Lenox And Blair Estate Ltd	Related to a Director	Tunde Adeola	29-Feb-16	24-Feb-21	9	9	Performing	Equitable Mortgage	Bank Guarantee
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	14-Sep-20	13-Mar-21	46	46	Performing	Lien on APG Proceeds	Bank Guarantee
Audeo Clothing Company Ltd	Related to a Director	Tunde Adeola	07-Jan-15	23-Dec-24	14	14	Performing	Legal Mortgage and Debenture	Bank Guarantee
Blue Camel Energy Limited	Related to a Director	Abubakar Suleiman	07-Aug-20	31-Mar-21	884	884	Performing	Cash / Personal Guarantee	Letter Of Credit
Rite Foods Limited	Related to a Director	Tairat Tijani	23-Mar-20	23-Mar-21	2,598	2,598	Performing	Legal Mortgage and Debenture	Letter Of Credit
Lotus Capital	Related to a Director	Tunde Adeola	19-Oct-16	18-Oct-21	500	500	Performing	Lien on Cash Deposit	Bank Guarantee
TOTAL - CONTINGENT (Letters of credit and bond guarantees)					**4,121**	**4,121**			

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

35 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Group and the Bank as at 31 December 2021 and profit or loss and other comprehensive income attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

In millions of Naira	Group 31 Dec 2021	Group 31 Dec 2020	Bank 31 Dec 2021	Bank 31 Dec 2020
36 Cash and cash equivalents				
Cash and foreign monies (Note 16)	34,315	35,530	34,315	35,530
Unrestricted balances with Central Bank of Nigeria (Note 16)	92,689	38,993	92,689	38,993
Balances held with local banks (Note 17)	8	5	-	-
Balances held with banks outside Nigeria (Note 17)	85,791	18,868	85,791	18,868
Money market placements (Note 17)	9,051	2,211	9,051	2,211
	221,854	95,607	221,846	95,602

37 Financial RIsk Management

(a) Introduction and overview

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

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

Risk management framework

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

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

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

Three Lines of Defense

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

First line of defence – Strategic Business Functions

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

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

Second line of defense – Independent Risk and Control Oversight

This consists of functions responsible for providing independent oversight over key risks like credit, market, liquidity and operational risk and facilitating the implementation of risk controls to ensure that the business and process owners operate within the defined risk appetite and align with approved policies and procedures. They formulate risk management policies, processes and controls, provide guidance and coordination of activities of all other monitoring functions within the Group and identify enterprise trends, synergies and opportunities for change.

Third line of defense – Independent Assurance

This consists of all functions with primary responsibilities for evaluating and providing independent assurance on the adequacy, appropriateness and effectiveness of the risk management process and policy. This function is performed by internal and external audit.

37 Financial risk management - continued

(b) Risk Management Structure

The responsibility for management of risk exposure of the Group rests with the Board, this responsibility is delegated to various committees of the Board.

The Board Risk Management Committee (BRMC) is designated with the responsibility of managing the overall risk exposure of the Group. The Committee reviews and recommends risk management policies and procedures for Board approval.

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

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

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

The Assets and Liability Committee ensures that the Group has adequate liquidity to meet the funding need of the Group, and also manages the interest rate and foreign exchange risk of the Group. The Committee also reviews the economic outlook and its likely impact on the Group's current and future performance.

The Criticised Assets Committee (CAC) reviews the non-performing loans and recommends strategies for recovery of bad loans. The Committee also reviews the Group's loan portfolio and validates collateral documentation.

The Enterprise Risk Management Group is saddled with the responsibility of implementing and supervising all risk management policies, guidelines and procedures.

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

The Internal Audit Department as part of its annual audit programme, examines the adequacy and level of compliance with the procedures. Result of assessments, findings and recommendations are discussed with the relevant departments, and reported to the Board Audit Committee.

(c) Risk measurement and reporting systems

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

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

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Group through regular risk reports.

37 Financial risk management - continued

(d) Risk Mitigation

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

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

a. Acceptable collateral for each credit product;

b. Required documentation/perfection of collaterals;

c. Conditions for waiver of collateral requirement and approval of collateral waiver; and

d. Acceptance of cash and other forms of collateral denominated in foreign currency.

Finally, master netting arrangements for credit facilities collateralised partly with deposits are settled by set-off based on underlying set-off agreement.

(e) Risk Appetite

The Group's risk appetite is an expression of the maximum level of risk the Group is willing and able to accept in pursuit of its strategic and financial objectives expressed in the strategic plan.

The risk appetite statement expresses the degree of risk acceptable to the group in achieving its strategic plan. The group shall consider the following in defining the Risk Appetite Statement:

- Strategic Objectives
- Management perspective
- Economic conditions
- Stakeholders expectations
- Target benchmarking
- Regulatory threshold

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

37 Financial risk management - continued

(f) Concentration Risk

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

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

(g) Credit Risk Management

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

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

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

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

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

(h) Risk Management Architecture

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

(i) Organization Structure

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

- Corporate and Investment Banking
- Commercial Banking
- Institutional Banking
- Retail and Consumer Banking
- Non Interest Banking
- Sterling Investment Management Plc

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

37 Financial risk management - continued

(i) Organization Structure - continued

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

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

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

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

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

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

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

In addition to the business segments, the Bank is also supported by the activities of the following Strategic Resource Functions:

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

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

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

37 Financial risk management - continued

(j) Methodology for Risk Rating

The Group has a credit rating and scoring system developed for rating exposures. They were developed in line with international best practice. Exposures are created by Corporate, Commercial and Retail business segments. The credit risk rating system assigns scores using various risk parameters based on the information provided by the borrower.
The rating is derived by adding the scores from all the risk parameters and the outcome of the rating is important for approval / rejection of the loan request.

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

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

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

Structured Businesses
The factors to be considered are:
Quantitative factors are basically the financial ratios which include:
a. Leverage ratios
b. Liquidity ratios
c. Profitability ratios
d. Interest Coverage ratios
e. Activity ratio

Qualitative factors. These include:
a. Industry
i. Size of the business
ii. Industry growth
iii. Market Competition
iv. Entry/Exit barriers

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

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

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

37 Financial risk management - continued

(j) Methodology for Risk Rating - continued

Unstructured Businesses:

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

The factors to be considered are:
Quantitative factors. These include:

i) Contract related transactions
a) Net Profit Margin
b) Counterparty – Nature/Financial capacity of the Principals

ii) Other Facilities
a) Account turnover
b) Repayment history

Qualitative factors. These include:
Management:

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

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

In general, the following are considered in assessing facility request

(i) Character

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

(ii) Capacity

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

(iii) Capital

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

(iv) Cash Collaterised Facilities

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

(v) Pricing

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

37 Financial risk management - continued

(vi) Collateral/Security

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

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

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

Enterprise risk review

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

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

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

37.1 Credit risk

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

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

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

Main Characteristics and Elements of Credit Risk Management;

37 Financial risk management - continued

(a) Credit Portfolio Planning

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

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

(b) Exposure Development and Creation

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

(c) Exposure Management

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

(d) Delinquency Management/Loan Workout

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

(e) Credit Recovery

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

The Group's Risk Management Objectives and Policies

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

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

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

37 Financial risk management - continued

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

(f) Risk Management Architecture

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

(ii) Credit risk measurement

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

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

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

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

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

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

(iii) Credit granting process

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

(a) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects the following components:

(i) the character and capacity of the client or counterparty to pay down on its contractual obligations;

(ii) current exposures to the counterparty and its likely future development;

(iii) credit history of the counterparty; and

(iv) the likely recovery ratio in case of default obligations -using value of collateral and other ways out.

37 Financial risk management - continued

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

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

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

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

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

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

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

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

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

37 Financial risk management - continued

Enterprise risk review - continued

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

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

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

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

(a) **Collateral Acceptability**

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

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

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

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

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

(b) Master Netting Arrangements

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

37 Financial risk management - continued

In millions of Naira	31 Dec 2021	31 Dec 2020
Financial assets:		
Loans and advances	157,118	112,243
Financial liabilities:		
Collaterised deposits	122,222	103,876

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

In millions of Naira	31 Dec 2021	31 Dec 2020
Net financial assets/ liabilities:		
Loans and advances	34,896	8,367

(c) Credit-related Commitments

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

(d) Credit Concentration

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

Breakdown of Exposures by Geographic Areas

31 December 2021

S/N	Region	31 Dec 2021	31 Dec 2020
	In millions of Naira		
1	Abuja	34,967	12,285
2	Lagos	427,446	391,644
3	North Central	34,278	23,102
4	North East	4,370	4,018
5	North West	19,962	6,120
6	South East	8,920	3,861
7	South South	129,622	114,140
8	South West	66,515	58,189
	Grand Total	**726,080**	**613,359**

37 Financial risk management - continued

Enterprise risk review - continued

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

The Bank's maximum exposure to credit risk as at 31 December 2021 and 31 December 2020 is represented by the net carrying amounts of the financial assets set out below:

Group

Type of collateral or credit enhancement

31 December 2021

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collateral value**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	370,873	-	-	-	-	-	-	370,873	-
Due from banks	94,850	-	-	-	-	-	-	94,850	-
Pledged assets	10,786	-	-	-	-	-	-	10,786	-
Loans and advances to customers							-	-	
- Corporate loans	626,563	121,741	110,790	37,323	694,561	-	964,415	-	(10,794)
- Individual/retail loans	99,517	482	9,000	-	58	-	9,540	89,977	(3,386)
Debt instruments at amortised cost	102,232	-	-	-	-	-	-	102,232	(7)
Total financial assets at amortised cost	**1,304,821**	**122,223**	**119,790**	**37,323**	**694,619**	**-**	**973,955**	**668,718**	**(14,187)**
Derivative financial assets									
Debt instruments at fair value through profit or loss	10,237	-	-	-	-	-	-	10,237	-
Total financial instruments at fair value through profit or loss	**10,237**	**-**	**-**	**-**	**-**	**-**	**-**	**10,237**	**-**
Debt instruments at fair value through other comprehensive income	168,847	-	-	-	-	-	-	168,847	(532)
Total debt instruments at fair value through other comprehensive income	**168,847**	**-**	**-**	**-**	**-**	**-**	**-**	**168,847**	**(532)**
Financial guarantees	109,448	50,783	463	-	-	45	51,291	58,157	(983)
Letters of credit for customers	90,758	99,713	-	-	-	-	99,713	-	(36)
	1,684,111	**272,719**	**120,253**	**37,323**	**694,619**	**45**	**1,124,959**	**905,959**	**(15,738)**

37 Financial risk management - continued

Enterprise risk review - continued

Bank

Type of collateral or credit enhancement

31 December 2021

	Fair value of collateral and credit enhancements held								
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	370,873	-	-	-	-	-	-	370,873	-
Due from banks	94,842	-	-	-	-	-	-	94,842	-
Pledged assets	10,786	-	-	-	-	-	-	10,786	-
Loans and advances to customers									
- Corporate loans	626,563	121,741	110,790	37,323	694,561	-	964,415	-	(10,794)
- Individual/retail loans	99,517	482	9,000	-	58	-	9,540	89,977	(3,386)
Debt instruments at amortised cost	84,858	-	-	-	-	-	-	84,858	(6)
Total financial assets at amortised cost	**1,287,439**	**122,223**	**119,790**	**37,323**	**694,619**	**-**	**973,955**	**651,336**	**(14,186)**
Derivative financial assets	-								
Debt instruments at fair value through profit or loss	10,237	-	-	-	-	-	-	10,237	-
Total financial instruments at fair value through profit or loss	**10,237**	**-**	**-**	**-**	**-**	**-**	**-**	**10,237**	**-**
Debt instruments at fair value through other comprehensive income	168,847	-	-	-	-	-	-	168,847	(532)
Total debt instruments at fair value through other comprehensive income	**168,847**	**-**	**-**	**-**	**-**	**-**	**-**	**168,847**	**(532)**
Financial guarantees	109,448	50,783	463	-	-	45	51,291	58,157	(983)
Letters of credit for customers	90,758	99,713	-	-	-	-	99,713	-	(36)
	1,666,729	**272,719**	**120,253**	**37,323**	**694,619**	**45**	**1,124,959**	**888,577**	**(15,737)**

37 Financial risk management - continued

Enterprise risk review - continued

Group
Type of collateral or credit enhancement
31 December 2020

In millions of Naira	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Secured against Real Estate	Stocks/ shares	Debenture	Others	Total collaterals	Net exposure	Associated ECLs
Financial assets									
Cash and balances with Central Bank of nigeria	303,314	-	-	-	-	-	-	303,314	-
Due from banks	21,084	-	-	-	-	-	-	21,084	-
Pledged assets	34,861	-	-	-	-	-	-	34,861	(1)
Loans and advances to customers							-	-	
- Corporate loans	570,881	103,680	133,040	37,323	844,985	-	1,119,028	-	(14,111)
- Individual/retail loans	42,478	196	9,140	-	58	-	9,394	33,084	(2,421)
Debt instruments at amortised cost	110,241	-	-	-	-	-	-	110,241	(12)
Total financial assets at amortised cost	**1,082,859**	**103,876**	**142,180**	**37,323**	**845,043**	**-**	**1,128,422**	**502,584**	**(16,545)**
Debt instruments at fair value through profit or loss	1,454	-	-	-	-	-	-	1,454	-
Total financial instruments at fair value through profit or loss	**1,454**	**-**	**-**	**-**	**-**	**-**	**-**	**1,454**	**-**
Debt instruments at fair value through other comprehensive income	135,780	-	-	-	-	-	-	135,780	(162)
Total debt instruments at fair value through other comprehensive income	**135,780**	**-**	**-**	**-**	**-**	**-**	**-**	**135,780**	**(162)**
Financial guarantees	124,165	80,510	452	-	21,591	3,304	105,857	18,308	**(279)**
Letters of credit for customers	36,129	17,696	-	-	-	177	17,873	18,256	(29)
Other commitments	-	-	-	-	-	-	-	-	-
	1,380,387	**202,082**	**142,632**	**37,323**	**866,634**	**3,481**	**1,252,152**	**676,382**	**(17,177)**

37 Financial risk management - continued

Enterprise risk review - continued

Bank

Type of collateral or credit enhancement

31 December 2020

		Fair value of collateral and credit enhancements held							
In millions of Naira	**Maximum exposure to credit risk**	**Cash**	**Secured against Real Estate**	**Stocks/ shares**	**Debenture**	**Others**	**Total collaterals**	**Net exposure**	**Associated ECLs**
Financial assets									
Cash and balances with Central Bank of Nigeria	303,314	-	-	-	-	-	-	303,314	-
Due from banks	21,079	-	-	-	-	-	-	21,079	-
Pledged assets	34,861	-	-	-	-	-	-	34,861	(1)
Loans and advances to customers									
- Corporate loans	570,881	103,680	133,040	37,323	844,985	-	1,119,028	-	(14,111)
- Individual/retail loans	42,478	196	9,140	-	58	-	9,394	33,084	(2,421)
Debt instruments at amortised cost	93,244	-	-	-	-	-	-	93,244	(10)
Total financial assets at amortised cost	**1,065,857**	**103,876**	**142,180**	**37,323**	**845,043**	**-**	**1,128,422**	**485,582**	**(16,543)**
Derivative financial assets	-	-	-	-	-	-	-	-	-
Debt instruments at fair value through profit or loss	1,454	-	-	-	-	-	-	1,454	-
Total financial instruments at fair value through profit or loss	**1,454**	**-**	**-**	**-**	**-**	**-**	**-**	**1,454**	**-**
Debt instruments at fair value through other comprehensive income	135,780	-	-	-	-	-	-	135,780	(162)
Total debt instruments at fair value through other comprehensive income	**135,780**	**-**	**-**	**-**	**-**	**-**	**-**	**135,780**	**(162)**
Financial guarantees	124,165	80,510	452	-	21,591	3,304	105,857	18,308	(279)
Letters of credit for customers	36,129	17,696	-	-	-	177	17,873	18,256	(29)
	1,363,385	**202,082**	**142,632**	**37,323**	**866,634**	**3,481**	**1,252,152**	**659,380**	**(17,175)**

37 Financial risk management - continued

Enterprise risk review - continued

Credit concentrations

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

Group **31 December 2021** **In millions of Naira**	**Cash and bank balances**	**Due from banks**	**Pledged assets**	**Loans and advances**	**Debt instruments at fair value through profit or loss**	**Debt instruments at amortised cost**	**Debt instruments at fair value through OCI**	**Financial guarantees**	**Letters of credit for customers**	**Total**
Concentration by sector:										
Corporate	-	-	-	-	-	-	260	-	-	260
Agriculture	-	-	-	75,975	-	-	-	1,031	-	77,006
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	17,762	-	-	5,020	116	15	22,913
Consumer	-	-	-	88,113	-	-	-	1,181	2,737	92,031
Education	-	-	-	1,350	-	-	-	-	-	1,350
Finance and Insurance	34,315	94,850	127	24,873	-	-	-	237	-	154,402
Government	336,558	-	10,659	101,341	10,237	102,225	159,067	15,776	2,654	738,517
Manufacturing	-	-	-	10,429	-	-	-	2,387	39,446	52,262
Mining & Quarrying	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	3,087	-	-	-	-	-	3,087
Oil & Gas	-	-	-	166,611	-	-	-	13,588	37,327	217,526
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others		-	-	47,781	-	-	-	6,499	1,270	55,550
Power	-	-	-	36,008	-	-	302	2,926	6,590	45,826
Real Estate & Construction	-	-	-	76,862	-	-	-	33,700	212	110,774
Transportation	-	-	-	27,424	-	-	4,198	16,645	294	48,561
Non-Interest Banking	**-**	**-**	**-**	**34,284**	**-**	**-**	**-**	**14,379**	**177**	**48,840**
	370,873	**94,850**	**10,786**	**711,900**	**10,237**	**102,225**	**168,847**	**108,465**	**90,722**	**1,668,905**
Concentration by location:										
Nigeria	370,873	9,061	10,659	711,900	10,237	102,225	168,847	108,465	90,722	1,582,989
America	-	48,880	127	-	-	-	-	-	-	49,007
Europe	-	36,437	-	-	-	-	-	-	-	36,437
Africa	-	470	-	-	-	-	-	-	-	470
Asia	-	2	-	-	-	-	-	-	-	2
	370,873	**94,850**	**10,786**	**711,900**	**10,237**	**102,225**	**168,847**	**108,465**	**90,722**	**1,668,905**

37 Financial risk management - continued

Enterprise risk review - continued

Bank **31 December 2021** **In millions of Naira**	**Cash and bank balances**	**Due from banks**	**Pledged assets**	**Loans and advances**	**Debt instruments at fair value through profit or loss**	**Debt instruments at amortised cost**	**Debt instruments at fair value through OCI**	**Financial guarantees**	**Letters of credit for customers**	**Total**
Concentration by sector:										
Corporate	-	-	-	-	-	-	260	-	-	260
Agriculture	-	-	-	75,975	-	-	-	1,031	-	77,006
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	17,762	-	-	5,020	116	15	22,913
Consumer	-	-	-	88,113	-	-	-	1,181	2,737	92,031
Education	-	-	-	1,350	-	-	-	-	-	1,350
Finance and Insurance	34,315	94,842	-	24,873	-	-	-	237	-	154,267
Government	336,558	-	10,786	101,341	10,237	84,852	159,067	15,776	2,654	721,271
Manufacturing	-	-	-	10,429	-	-	-	2,387	39,446	52,262
Mining & Quarrying	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	3,087	-	-	-	-	-	3,087
Oil & Gas	-	-	-	166,611	-	-	-	13,588	37,327	217,526
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	47,781	-	-	-	6,499	1,270	55,550
Power	-	-	-	36,008	-	-	302	2,926	6,590	45,826
Real Estate & Construction	-	-	-	76,862	-	-	-	33,700	212	110,774
Transportation	-	-	-	27,424	-	-	4,198	16,645	294	48,561
Non-Interest Banking	-	-	-	34,284	-	-	-	14,379	177	48,840
	370,873	**94,842**	**10,786**	**711,900**	**10,237**	**84,852**	**168,847**	**108,465**	**90,722**	**1,651,524**
Concentration by location:										
Nigeria	370,873	9,053	10,659	711,900	10,237	84,852	168,847	108,465	90,722	1,565,608
America	-	48,880	127	-	-	-	-	-	-	49,007
Europe	-	36,437	-	-	-	-	-	-	-	36,437
Africa	-	470	-	-	-	-	-	-	-	470
Asia	-	2	-	-	-	-	-	-	-	2
	370,873	**94,842**	**10,786**	**711,900**	**10,237**	**84,852**	**168,847**	**108,465**	**90,722**	**1,651,524**

37 Financial risk management - continued

Enterprise risk review - continued

Credit concentrations

The Group monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2020, is set out below:

Group 31 December 2020 In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:										
Corporate	-	-	120	-	-	-	8,528	-	-	8,648
Agriculture	-	-	-	55,099	-	-	-	2	2	55,103
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	16,401	-	-	-	203	108	16,712
Consumer	-	-	-	34,733	-	-	-	-	-	34,733
Education	-	-	-	1,542	-	-	-	-	-	1,542
Finance and Insurance	35,530	21,084	-	26,380	-	-	-	1,330	-	84,324
Government	267,784	-	34,740	84,006	1,454	110,229	127,252	15,837	7,097	648,399
Manufacturing	-	-	-	7,154	-	-	-	2,265	14,042	23,461
Mining & Quarrying	-	-	-	1	-	-	-	-	-	1
Mortgage	-	-	-	3,093	-	-	-	-	-	3,093
Oil & Gas	-	-	-	197,229	-	-	-	14,611	10,026	221,866
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others		-	-	28,781	-	-	-	7,671	1,746	38,198
Power	-	-	-	23,499	-	-	-	192	3,067	26,758
Real Estate & Construction	-	-	-	77,242	-	-	-	60,400	-	137,642
Transportation	-	-	-	19,511	-	-	-	21,375	12	40,898
Non-Interest Banking	-	-	-	22,156	-	-	-	-	-	22,156
	303,314	**21,084**	**34,860**	**596,827**	**1,454**	**110,229**	**135,780**	**123,886**	**36,100**	**1,363,534**
Concentration by location:										
Nigeria	303,314	2,215	34,860	596,827	1,454	110,229	135,780	123,886	36,100	1,344,665
America	-	9,016	-	-	-	-	-	-	-	9,016
Europe	-	9,823	-	-	-	-	-	-	-	9,823
Africa	-	28	-	-	-	-	-	-	-	28
Asia	-	2	-	-	-	-	-	-	-	2
	303,314	**21,084**	**34,860**	**596,827**	**1,454**	**110,229**	**135,780**	**123,886**	**36,100**	**1,363,534**

37 Financial risk management - continued

Enterprise risk review - continued

Bank

31 December 2020

In millions of Naira	Cash and bank balances	Due from banks	Pledged assets	Loans and advances	Debt instruments at fair value through profit or loss	Debt instruments at amortised cost	Debt instruments at fair value through OCI	Financial guarantees	Letters of credit for customers	Total
Concentration by sector:										
Corporate	-	-	120	-	-	0	8,528	-	-	8,648
Agriculture	-	-	-	55,099	-	-	-	2	2	55,103
Capital Market	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	16,401	-	-	-	203	108	16,712
Consumer	-	-	-	34,733	-	-	-	-	-	34,733
Education	-	-	-	1,542	-	-	-	-	-	1,542
Finance and Insurance	35,530	21,079	-	26,380	-	-	-	1,330	-	84,319
Government	267,784	-	34,740	84,006	1,454	93,234	127,252	15,837	7,097	631,404
Manufacturing	-	-	-	7,154	-	-	-	2,265	14,042	23,461
Mining & Quarrying	-	-	-	1	-	-	-	-	-	1
Mortgage	-	-	-	3,093	-	-	-	-	-	3,093
Oil & Gas	-	-	-	197,229	-	-	-	14,611	10,026	221,866
Other Public Utilities	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	28,781	-	-	-	7,671	1,746	38,198
Power	-	-	-	23,499	-	-	-	192	3,067	26,758
Real Estate & Construction	-	-	-	77,242	-	-	-	60,400	-	137,642
Transportation	-	-	-	19,511	-	-	-	21,375	12	40,898
Non-Interest Banking	-	-	-	22,156	-	-	-	-	-	22,156
	303,314	**21,079**	**34,860**	**596,827**	**1,454**	**93,234**	**135,780**	**123,886**	**36,100**	**1,346,534**
Concentration by location:										
Nigeria	303,314	2,210	34,860	596,827	1,454	93,234	135,780	123,886	36,100	1,327,665
America	-	9,016	-	-	-	-	-	-	-	9,016
Europe	-	9,823	-	-	-	-	-	-	-	9,823
Africa	-	28	-	-	-	-	-	-	-	28
Asia	-	2	-	-	-	-	-	-	-	2
	303,314	**21,079**	**34,860**	**596,827**	**1,454**	**93,234**	**135,780**	**123,886**	**36,100**	**1,346,534**

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Commitments and Guarantees

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

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

GROUP & BANK *In millions of Naira*	**31 Dec 2021**	**31 Dec 2020**
Bonds, guarantees and indemnities	109,448	124,165
Letters of credit	90,758	36,129
	200,206	**160,294**

Maturity profile of contingents and commitments

As at 31 December 2021 *In millions of Naira*	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Bonds, guarantees and indemnities	-	4,044	54,831	33,184	17,389	109,448
Letters of credit	-	53,828	36,902	28	-	90,758
Total undiscounted financial assets (A)	**-**	**57,872**	**91,733**	**33,212**	**17,389**	**200,206**

As at 31 December 2020	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Bonds, guarantees and indemnities	-	6,296	68,157	27,161	22,551	124,165
Letters of credit	-	29,017	7,097	15	-	36,129
Total undiscounted financial assets (A)	**-**	**35,313**	**75,254**	**27,176**	**22,551**	**160,294**

37 Financial Risk Management - continued

Enterprise Risk Review - continued

Exposure to Credit Risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

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

31 December 2021				
Assets	**carrying values of:**			
In millions of Naira	**Defaulted exposures**	**Non defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans and advances to customers	5,151	720,929	(14,180)	711,900
Debt securities	-	25,373	-	25,373
Off balance sheet exposures	-	200,206	(1,019)	199,187
Total	5,151	946,508	(15,199)	936,460

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	370,873	-	-	-	370,873	370,873
Due from banks	94,850	-	-	-	94,850	94,850
Pledged assets	10,786	-	-	-	10,786	10,786
Loans and advances to customers	166,382	320,958	233,589	5,151	726,080	711,900
Financial assets at fair value through profit or loss	10,237	-	-	-	10,237	10,237
Investments securities - FVOCI	168,847	-	-	-	168,847	168,847
Investments securities - amortised cost	102,068	164	-	-	102,232	102,225
Other assets	-	97,450	-	-	97,450	97,450
Total	924,043	418,572	233,589	5,151	1,581,355	1,567,168

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

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

31 December 2020 **Assets** *In millions of Naira*	**carrying values of:** **Defaulted exposures**	**Non defaulted exposures**	**Allowances/ impairments**	**Net values**
Loans	11,417	601,942	(16,532)	596,827
Debt Securities	-	25,323	-	25,323
Off Balance sheet exposures	-	160,294	-	160,294
Total	11,417	787,559	(16,532)	782,444

In millions of Naira	RR1 - RR2	RR3 - RR4	RR5 - RR6	RR7 - RR9	Total	Carrying Amount
Balances with Central Bank of Nigeria	303,314	-	-	-	303,314	303,314
Due from banks	21,084	-	-	-	21,084	21,084
Pledged assets	34,860	-	-	-	34,860	34,860
Loans and advances	73,288	338,578	190,075	11,418	613,359	596,827
Financial assets at fair value through profit or loss	1,454	-	-	-	1,454	1,454
Investments securities - FVOCI	123,963	3,289	8,528	-	135,780	135,780
Investments securities - amortised cost	110,077	164	-	-	110,241	110,229
Other assets	-	39,327	-	-	39,327	39,327
Total	668,040	381,358	198,603	11,418	1,259,419	1,242,875

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Mitigation Techniques

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

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

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

31 December 2021

Assets			**Exposure unsecured**	**Exposures secured by collateral**	**Exposures secured by collateral of which: Secured**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees of which: secured**
In millions of Naira							
Loans and advances to customers			219	725,861	374,145	-	-
Debt Securities			25,373	-	-	-	-
Total			25,592	725,861	374,145	-	-
of which defaulted			**51**	**5,100**	**-**	-	-

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes			**Exposures pre Credit Conversion Factor and Credit Risk Mitigation**		**Exposures post Credit Conversion Factor and Credit Risk Mitigation**		
In millions of Naira			**on balance sheet**	**off- balance sheet**	**on balance sheet**	**off- balance sheet**	**Risk Weighted Assets (RWA)**
Sovereigns and their central banks			599,389	-	599,389	-	-
Non-central government public sector entities			132,317	22,201	75,921	7,854	83,614
Supervised institutions			86,265	-	86,061	-	17,633
Corporates			383,151	182,138	327,020	7,550	334,570
Regulatory retail portfolios			97,108	-	96,673	-	72,505
Secured by residential property			15,090	-	14,136	-	13,475
Secured by commercial real estate			104,783	-	100,033	-	100,033
Past due loans			135	-	133	-	95
Higher –risk categories			17,955	-	17,955	-	26,933
Other assets			166,751	18,090	166,751	8,460	140,768
Total			**1,602,944**	**222,429**	**1,484,072**	**23,864**	**789,626**

31 December 2020

Assets			Exposure unsecured	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
In millions of Naira							
Loans and advances to customers			1,209	612,150	348,725	-	-
Debt Securities			25,323	-	-	-	-
Total			26,532	612,150	348,725	-	-
of which defaulted			**336**	**11,081**	**-**	-	-

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Risk Exposure and Credit Risk Mitigation (CRM)

Asset Classes			**Exposures pre CCF and CRM**		**Exposures post CCF and CRM**		
In millions of Naira			**on balance sheet**	**off- balance sheet**	**on balance sheet**	**off- balance sheet**	**Risk Weighted Assets (RWA)**
Sovereigns and their central banks			511,700	-	511,700	-	-
Non-central government public sector entities			126,531	22,983	67,810	9,010	71,171
Supervised institutions			19,283	200	19,280	-	4,024
Corporates			312,595	127,598	269,024	-	269,024
Regulatory retail portfolios			37,153	-	36,962	-	27,722
Secured by residential property			49,636	-	49,321	-	48,380
Secured by commercial real estate			92,921	-	91,473	-	91,473
Past due loans			1,199	-	1,199	-	1,030
Higher –risk categories			10,747	-	10,747	-	16,120
Other assets			111,515	24,506	111,515	9,808	85,792
Total			1,273,279	175,287	1,169,030	18,818	614,736

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2021 **In millions of Naira** **Risk weight**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Exposure Amount (Post CCF and Post CRM)**
Sovereigns	599,389	-	-	-	-	-	**599,389**
Non-central government public sector entities (PSEs)	-	201	-	-	83,574	-	**83,775**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised Institutions	-	85,112	676	-	272	-	**86,060**
Corporates	-	-	-	-	334,570	-	**334,570**
Regulatory Retail Portfolios	-	-	-	96,673	-	-	**96,673**
Secured by Mortgages on Residential Properties	-	-	-	2,643	11,493	-	**14,136**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	100,033	-	**100,033**
Past due loans	-	-	76	-	57	-	**133**
Higher –risk categories	-	-	-	-	-	17,955	**17,955**
Other assets	34,443	-	-	-	140,768	-	**175,211**
Total	**633,832**	**85,313**	**752**	**99,316**	**670,767**	**17,955**	**1,507,935**

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2021 **In millions of Naira** **Risk weight**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total credit exposure amount (Pre CCF and CRM)**
Sovereigns	599,389	-	-	-	-	-	**599,389**
Non-central government public sector entities (PSEs)	-	6,524	15,878	-	132,116	-	**154,518**
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	**-**
Supervised institutions	-	85,112	676	-	476	-	**86,264**
Corporates	-	83,976	98,162	-	383,151	-	**565,289**
Regulatory retail portfolios	-	-	-	97,108	-	-	**97,108**
Secured by Mortgages on Residential Properties	-	-	-	2,644	12,446	-	**15,090**
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	104,783	-	**104,783**
Past due loans	-	-	76	-	59	-	**135**
Higher –risk categories	-	-	-	-	-	17,955	**17,955**
Other assets	34,443	458	17,633	-	132,308	-	**184,842**
Total	**633,832**	**176,070**	**132,425**	**99,752**	**765,339**	**17,955**	**1,825,373**

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS

31 December 2020 **In millions of Naira** **Risk weight**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Exposure Amount (Post CCF and Post CRM)**
Sovereigns	511,700	-	-	-	-	-	511,700
Non-central government public sector entities (PSEs)	-	1,718	18,412	-	56,690	-	76,820
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised Institutions	-	19,071	0	-	209	-	19,280
Corporates	-	-	-	-	269,024	-	269,024
Regulatory Retail Portfolios	-	-	-	36,962	-	-	36,962
Secured by Mortgages on Residential Properties	-	-	-	3,760	45,560	-	49,321
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	91,473	-	91,473
Past due loans	-	-	363	-	811	24	1,199
Higher –risk categories	-	-	-	-	-	10,747	10,747
Other assets	35,530	-	9,808	-	75,984	-	121,323
Total	547,230	20,789	28,583	40,723	539,752	10,771	1,187,849

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

31 December 2020 **In millions of Naira**	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total credit exposure amount (Pre CCF and CRM)**
Sovereigns	511,700	-	-	-	-	-	511,700
Non-central government public sector entities (PSEs)	-	7,402	26,700	-	115,411	-	149,514
Multilateral Development Banks (MDBs)	-	-	-	-	-	-	-
Supervised institutions	-	19,071	200	-	212	-	19,483
Corporates	-	24,691	102,907	-	312,595	-	440,193
Regulatory retail portfolios	-	-	0	37,153	-	-	37,153
Secured by Mortgages on Residential Properties	-	-	-	4,076	45,560	-	49,636
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	92,921	-	92,921
Past due loans	-	-	363	-	811	24	1,199
Higher –risk categories	-	-	-	-	-	10,747	10,747
Other assets	35,530	4,333	20,174	-	75,984	-	136,021
Total	547,231	55,497	150,345	41,229	643,495	10,771	1,448,566

37 Financial Risk Management - continued

Exposure to Credit Risk - continued

Impairment assessment

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

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

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

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

37 Financial Risk Management - continued

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

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

The Bank's internal rating and Probability of Default (PD) estimation process
The Group runs separate models for its key portfolios in which its customers are rated from RR-1 to RR-9 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower,utilise supplementary external information that could affect the borrower's behaviour. These information sources are first used to determine the ratings within the Bank's risk management framework. The internal credit grades are assigned based on these assessments.
PDs is an estimate of the likelihood of default over a given time horizon which is based on the historical default data of the Bank which are then adjusted for IFRS 9 ECL calculations by incorporating forward looking information. This is further assessed based on three economic scenarios (Base, Upturn and Downturn) with appropriate probabity weights assigned to derive the probaility weighted ECLs.

Treasury, trading and interbank relationships
The Group's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group analyses available information such as financial information and other external data to conduct credit assessments and assign internal ratings.

37 Financial Risk Management - continued

Corporate lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit rating model that takes into account various historical, current and forward-looking information such as:

• Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

• Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond.

• Any macro-economic or geopolitical information, e.g., GDP growth for the specific industry and geographical segments where the client operates. Industry or sector information to assess the competitive position of the obligors with regards to market share.

• Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group's models for retail products.

Retail/MSME lending

Retail lending comprises, asset finance, unsecured personal loans, credit cards and overdrafts. These products, along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool . Key inputs into the models are:

• Consumer/Retail lending products: personal income/salary levels based on records of current accounts, personal indebtedness, demographic information and loan-to-value ratios (mortgages).

• MSMEs:financial , management and industry information. In addititition, historical account performance is evaluated.

37 Financial Risk Management - continued

The Bank's internal credit rating grades

Internal risk rating grade	External rating equivalent		Remarks
RR -1	**AAA TO AA-**		Superior
RR -2	**A+ TO A-**		Strong
RR -3	**BBB+ TO BB-**		Good
RR -4	**BB+ TO BB-**		Satisfactory
RR -5	**B+ TO B-**		High Risk
RR -6	**CCC+ TO CCC**		Watch List
RR -7	**CC+ TO C**		Substandard
RR -8	**D**		Doubtful
RR -9	**D**		Lost

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12m ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and purchased or originated credit impaired (POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to multiple scenarios.

Loss given default

LGD is the portion of the loan determined to be irrecoverable at the time of loan default. the Group estimates the general Life Time LGD curves based on an Intensity Matrix, which is built on top of the actual migration of exposure in between the Credit Risk States (buckets). The secured portion of the LGD adjusted for collateral values while recovery data is observed for the unsecured portion of the LGD. The models in calculating the LGD considers in its computation a wider set of transaction characteristics (e.g. product type, collateral, recovery cost, time to recovery e.t.c.).

The Group segments its products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

37 Financial Risk Management - continued

Significant increase in credit risk
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime (LT) ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers both qualitative and quantitative factors in assessing whether credit risk has increased significantly on any exposure. Some of these factors include significant increase in PD since initial recognition, expectation of forbearance and restructuring due to financial difficulties.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 19c), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3.0 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains the data used from third party sources (Central Bank of Nigeria, Nigeria Bureau of Statistics, BMI Research, Trading Economics etc.) and a team of expert within its Enterprise Risk Management Department verifies the accuracy of inputs to the Group' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2020 and 2021.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

37 Financial Risk Management - continued

The Group and Bank

31 December 2021								
Key drivers	**ECL Scenario**	**Assigned probabilities**	**2022**	**2023**	**2024**	**2025**	**2026**	**Subseqeunt years**
GDP growth rate%	Upside	23%	2.80%	2.80%	3.10%	3.50%	3.50%	3.50%
	Base Case	50%	2.30%	2.30%	2.60%	3.00%	3.00%	3.00%
	Downside	27%	1.80%	1.80%	2.10%	2.50%	2.50%	2.50%
Exchange rate	Upside	23%	440.00	473.29	492.53	514.19	540.00	540.00
	Base Case	50%	450.00	483.29	502.53	524.19	550.00	550.00
	Downside	27%	465.00	498.29	517.53	539.19	565.00	565.00
Inflation rate %	Upside	23%	13.00%	11.50%	11.20%	10.60%	10.60%	10.60%
	Base Case	50%	13.50%	12.00%	11.70%	11.10%	11.10%	11.10%
	Downside	27%	14.00%	12.50%	12.20%	12.10%	12.10%	12.10%

37 Financial Risk Management - continued

Analysis of inputs to the ECL model under multiple economic scenarios - continued

31 December 2020

Key drivers	ECL Scenario	Assigned probabilities %	2021	2022	2023	2024	2025	Subseqeunt years
GDP growth rate%	Upside	23%	1.70%	2.80%	3.60%	4.00%	4.00%	4.00%
	Base Case	50%	1.20%	1.80%	2.60%	3.00%	3.00%	3.00%
	Downside	27%	0.70%	1.50%	2.30%	2.70%	2.70%	2.70%
Exchange rate	Upside	23%	413.06	451.02	492.57	500.00	500.00	500.00
	Base Case	50%	423.06	461.02	507.25	519.37	519.37	519.37
	Downside	27%	444.22	484.77	532.25	544.37	544.37	544.37
Inflation rate %	Upside	23%	13.25%	11.70%	9.90%	9.80%	9.80%	9.80%
	Base Case	50%	13.75%	12.70%	10.90%	10.80%	10.80%	10.80%
	Downside	27%	14.50%	13.20%	11.40%	11.30%	11.30%	11.30%

At the beginning of each year, the key economic indicators used in ECL models for the Group are always reassessed to reflect current and accurate data.

The following tables outline the impact of multiple scenarios on the allowance:

Group

31 December 2021

In millions	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
Upside (23%)	121	2	2,457	771	224	8
Base (50%)	266	4	5,397	1,693	492	18
Downside (27%)	145	2	2,940	922	267	10
Total	532	7	10,794	3,386	983	36

37 Financial Risk Management - continued

31 December 2020	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	37	3	3,212	551	64	7
Base (50%)	82	6	7,094	1,217	140	15
Downside (27%)	44	3	3,805	653	75	8
Total	163	13	14,111	2,421	279	29

Bank

31 December 2021	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	121	1	2,457	771	224	8
Base (50%)	266	3	5,397	1,693	492	18
Downside (27%)	145	2	2,940	922	267	10
Total	532	6	10,794	3,386	983	36

31 December 2020	Debt instruments at FVOCI	Debt instruments at amortised cost	Corporate lending	Individual/ Retail lending	Financial guarantee	Letter of credit
In millions						
Upside (23%)	37	3	**3,212**	551	64	7
Base (50%)	82	6	7,094	1,217	140	15
Downside (27%)	44	3	3,805	653	75	8
Total	163	11	14,111	2,421	279	29

37 Financial Risk Management - continued

Overview of modified financial assets

From a risk management point of view, once an asset is forborne or modified, the Group's credit recovery department for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification gain earned by the Bank.

Group	**31 Dec 2021**	**31 Dec 2020**
Loans and advances	78,992	141,840
Net modification loss	(187)	(843)
Amortised cost after modification	78,805	140,997

Bank	**31 Dec 2021**	**31 Dec 2020**
Loans and advances	78,992	141,840
Net modification loss	(187)	(843)
Amortised cost after modification	78,805	140,997

37 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk

Liquidity risk and Funding Management: The Group is exposed to two types of liquidity risk;

1 Market/Trading Liquidity Risk is the risk of inability to conduct transaction at current market price because of the size of the transaction, this type of liquidity risk comes to play when certain assets cannot be liquidated at short notice due to market illiquidity.

2 Funding Liquidity Risk relates to the Group's ability to raise the necessary cash to roll over its debt; to meet the cash, margin, and collateral requirements of counterparties; and to satisfy capital withdrawals. Funding liquidity risk is managed through holding cash and cash equivalents, setting credit lines in place, and monitoring buying power. (Buying power refers to the amount a trading counterparty can borrow against assets under stressed market conditions).

The Asset & Liability Committee (ALCO) is responsible for managing the liquidity of the Group, this function is delegated to the Asset & Liability Management (ALM) Department that manage the day-to-day liquidity requirements of the Group, and also act as secretariat to ALCO. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, also when there is unexpected delay in repayment of loans (term liquidity risk) or
unexpectedly high payment outflow (withdrawal/call risk).

In line with the Liquidity Risk Management Framework, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short–term bank placements and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Presented below is the process used in managing liquidity:

Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;

Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

Monitoring balance sheets liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting Department).

37 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques

Liquidity positions are measured by calculating the net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management policy.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and Government Bonds for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitment. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the CBN.

The following table reflects the Group's regulatory liquidity ratio for the years indicated.

	As at 31 December 2021	As at 31 December 2020
At end of year	37.94%	34.94%
Average for the year	32.23%	30.21%
Maximum for the year	38.12%	39.93%
Minimum for the year	21.16%	22.09%

In addition to the above, the Group also applies the following metrics in measuring liquidity risk and ensuring that day-to-day funding requirements are met.

1 **Liquidity Coverage Ratio (LCR)** - The LCR aims to ensure that the Group has sufficient unencumbered high-quality liquid assets ('HQLA') to withstand a stressed 30-day funding scenario. HQLA consist of cash or assets that can easily be converted into cash at little or no loss of value to cover any net outflow. The minimum requirement is 100%.

On a Business-As-Usual (BAU) basis, the Group's LCR as at 31 December 2021 was 135.57%. The LCR indicates that the Group has adequate liquidity to support its current level of growth.

2 Net Stable Funding Ratio (NSFR) – The Net Stable Funding Ratio (NSFR) is a longer-term structural ratio designed to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

It measures the amount of available stable funding relative to the required stable funding. This ratio should be equal to at least 100% on an ongoing basis. It is designed to complement the LCR.

The Group's NSFR of 148.72% as at 31 December 2021, was well above the Basel requirement of 100% and internal risk tolerance level.

37 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

3 **Liquidity Gap**: Liquidity Gap describe a discrepancy or mismatch in the supply or demand for cash inflows and outflows. The ALM Team use maturity gap analysis to compare cash inflows and outflows daily and over a series of time-bands. The liquidity gap reports are prepared using the projection worksheets created for different scenarios and stress levels. For each scenario, the assumptions used were approved by the ALCO. For liquidity in the normal or ordinary course of business, the minimum levels of projected liquidity shall be maintained. For liquidity in all other scenarios and stress levels, the ALCO establishes minimum guidance levels.

4 **Liquidity Ratios:** Liquidity ratios describe the structure and shape of the balance sheet in business-as-usual conditions and allow the ALCO to monitor changes in structural liquidity. The Group establishes various liquidity ratios to indicate the business's ability to meet short-term obligations with liquid assets, identify any mismatches between long-term funding sources and uses and review the ability of the banking business to fund loans through customer deposits.
The ALCO sets the internal liquidity ratios targets aimed at ensuring that the Group meets its liquidity needs under going concern and stressed market conditions.

Please find below key liquidity risk metrics as at 31st December 2021

	As at 31 December 2021	As at 31 December 2020
Liquidity Ratio	37.94%	34.94%
Net Interbank Borrowing / Total Deposit	0.00%	1.66%
Loan/ Deposit Ratio	58.50%	62.36%
Current and Savings Account/Total Deposit	69.04%	78.95%

**Loan to Deposit shown above is the average LDR for Q4 2021*

5 **Stress Testing:** In addition, stress testing and scenario analysis are used to assess the financial and management capabilities of the Group to continue operating effectively under extreme but still viable trading conditions. A liquidity stress test is conducted, at least monthly, reviewing the impact of an accelerated run-off from funding sources and changes in normal business situation.

The ALCO integrates the results of the stress testing process into the Group's strategic planning process (e.g. Management could adjust its asset-liability composition) and the firm's day-to-day risk management practices (e.g. through monitoring sensitive cash flows or reducing concentration limits).

To ensure that liquidity risk is controlled within the Group, limits and triggers are set. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to particular sources of liabilities, asset-liability mismatches and counterparty concentrations.
These limits include liquidity ratio limits (Loan/Deposit, Liquid Assets/Customer Liabilities, Medium Term Funding Ratio, Core Funding Ratio etc.), Maturity Mismatch limits, Cumulative Outflow limit as well as Concentration limits. Furthermore, diversification of the Group's funding profile in terms of investor types, regions, products and instruments is also an important element of controlling liquidity risk.

37 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

Liquidity Contingency Funding Plan

The Group has an approved liquidity Contingency Funding Plan (CFP or the Plan) for managing unanticipated stressful scenarios that could result in a significant erosion of group-specific or general market liquidity. The Plan details the policies, procedures and actions for responding to contingent liquidity events as well as incorporates early warning indicators to monitor market conditions.

Such early warning indicators include, among others, decline in the liquidity ratio below approved limits for a prescribed period, delays in disbursements of statutory allocations beyond a prescribed period, negative clearing balances for a prescribed period or a branch running out of physical cash.

The Contingency Funding plan covers the available sources of contingent funding to supplement cash flow shortages, the lead times to obtain such funding, the roles and responsibilities of those involved in the contingency plans, and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the Contingency Funding Plan.

In the period between 31 December 2020 and 31 December 2021, the Group's total deposit base grew on a yearly basis by 27% from N951billion to N1,209billion. It is instructive to note that 51% of the customer deposits were Demand deposits.

37 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk

Group

The table below shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

31 December 2021	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
In millions of Naira								
Financial assets								
Cash and balances with Central Bank of Nigeria	16	370,873	370,873	127,004	-	-	-	243,869
Due from banks	17	94,850	94,850	94,850	-	-	-	-
Pledged assets	18	10,786	10,786	10,786	-	-	-	-
Loans and advances to customers	19	711,900	993,996	193,682	89,560	140,333	283,338	287,083
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	20(a)	10,237	10,237	5,773	25	965	1,876	1,598
- Debt instruments at fair value through other comprehensive income	20(b)	168,847	234,537	42,955	33,694	6,618	71,612	79,658
- Equity instruments at fair value through other comprehensive income	20(c)	17,956	17,956	-	-	-	-	17,956
- Debt instruments at amortised cost	20(d)	102,225	147,443	21,603	-	7,273	81,551	37,016
Other assets	22	101,405	101,405	-	-	-	101,405	-
		1,589,079	**1,982,083**	**496,653**	**123,279**	**155,189**	**539,782**	**667,180**
Financial liabilities								
Deposits from Banks	25	15,568	15,567	15,567	-	-	-	-
Deposits from customers	26	1,208,753	1,256,566	441,524	77,277	238,023	253,453	246,289
Debt securities issued & other borrowed funds	27&28	158,777	199,637	-	-	-	170,643	28,994
Other liabilities	29	102,342	102,342	-	-	-	102,342	-
		1,485,440	**1,574,112**	**457,091**	**77,277**	**238,023**	**526,438**	**275,283**
Gap (asset - liabilities)		**103,639**	**407,971**	**39,562**	**46,002**	**(82,834)**	**13,344**	**391,897**
Cumulative liquidity gap				**39,562**	**85,564**	**2,730**	**16,074**	**407,971**

37 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Group

31 December 2020 *In millions of Naira* Financial assets	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Cash and balances with Central Bank of Nigeria	16	303,314	303,314	63,696	-	-	-	239,618
Due from banks	17	21,084	21,084	21,084	-	-	-	-
Pledged assets	18	34,860	34,860	1,496		28,949		4,415
Loans and advances to customers	19	596,827	795,986	120,309	127,490	138,595	259,599	149,993
Investment securities:			-					
- Financial assets at fair value through profit or loss	20(a)	1,454	1,454	2	-	1,452	-	-
- Debt instruments at fair value through other comprehensive income	20(b)	135,780	149,603	66,064	5,035	40,628	26,665	11,210
- Equity instruments at fair value through other comprehensive income	20(c)	10,745	10,745	-	-	-	-	10,745
- Debt instruments at amortised cost	20(d)	110,229	139,641	6,150	425	5,972	91,016	36,078
Other assets	22	43,950	43,950				43,950	
		1,258,243	**1,500,637**	**278,801**	**132,950**	**215,597**	**421,230**	**452,059**
Financial liabilities								
Deposits from Banks	25	21,289	21,289	4,615	16,674			
Deposits from customers	26	950,835	957,608	336,478	58,891	181,393	193,153	187,693
Debt securities issued & other borrowed funds	27&28	128,641	170,902	-	1,666	-	143,783	25,453
Other liabilities	29	61,552	61,552				61,552	
		1,162,317	**1,211,351**	**341,093**	**77,231**	**181,393**	**398,488**	**213,146**
Gap (asset - liabilities)		**95,926**	**289,286**	**(62,292)**	**55,719**	**34,204**	**22,743**	**238,913**
Cumulative liquidity gap				**(62,292)**	**(6,573)**	**27,630**	**50,373**	**289,286**

37 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Bank

31 December 2021	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
In millions of Naira								
Financial assets								
Cash and balances with Central Bank of Nigeria	16	370,873	370,873	127,004	-	-	-	243,869
Due from banks	17	94,842	94,842	94,842	-	-	-	-
Pledged assets	18	10,786	10,786	10,786	-	-	-	-
Loans and advances to customers	19	711,900	993,996	193,682	89,560	140,333	283,338	287,083
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	20(a)	10,237	10,237	5,773	25	965	1,876	1,598
- Debt instruments at fair value through other comprehensive income	20(b)	168,847	234,537	42,955	33,694	6,618	71,612	79,658
- Equity instruments at fair value through other comprehensive income	20(c)	17,956	17,956	-	-	-	-	17,956
- Debt instruments at amortised cost	20(d)	84,852	122,385	21,603	-	7,273	56,492	37,017
Other assets		101,405	101,405	-	-	-	101,405	-
		1,571,698	**1,957,017**	**496,645**	**123,279**	**155,189**	**514,723**	**667,181**
Financial liabilities								
Deposits from Banks	25	15,568	15,567	15,567	-	-	-	-
Deposits from customers	26	1,208,753	1,256,566	441,524	77,277	238,023	253,453	246,289
Debt securities issued & other borrowed funds	27&28	141,823	178,320	-	1,912	-	147,192	29,216
Other liabilities	29	102,410	102,410				102,410	
		1,468,554	**1,552,863**	**457,091**	**79,189**	**238,023**	**503,055**	**275,505**
Gap (asset - liabilities)		**103,144**	**404,154**	**39,554**	**44,090**	**(82,834)**	**11,668**	**391,676**
Cumulative liquidity gap				**39,554**	**83,644**	**810**	**12,478**	**404,154**

37 Financial Risk Management - continued

Enterprise Risk Review - continued

(e) Liquidity Risk - continued

Bank

31 December 2020 **In millions of Naira** Financial assets	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Cash and balances with Central Bank of Nigeria	16	303,314	303,314	63,696	-	-	-	239,618
Due from banks	17	21,079	21,079	21,079	-	-	-	-
Pledged assets	18	34,860	34,860	1,496		28,949		4,415
Loans and advances to customers	19	596,827	795,986	120,309	127,490	138,595	259,599	149,993
Investment securities:								
- Financial assets at fair value through profit or loss	20(a)	1,454	1,454	2	-	1,452	-	-
- Debt instruments at fair value through other comprehensive income	20(b)	135,780	149,603	66,064	5,035	40,628	26,665	11,210
- Equity instruments at fair value through other comprehensive income	20(c)	10,745	10,745					10,745
- Debt instruments at amortised cost	20(d)	93,234	122,400	5,391	372	5,235	79,779	31,624
Other assets	22	43,704	43,704				43,704	
		1,240,997	**1,483,145**	**278,037**	**132,897**	**214,859**	**409,747**	**447,604**
Financial liabilities								
Deposits from Banks	25	21,289	21,289	4,615	16,674			
Deposits from customers	26	950,835	957,608	336,478	58,891	181,393	193,153	187,693
Debt securities issued & other borrowed funds	27&28	111,690	137,000	-	1,666	-	109,477	25,857
Other liabilities	29	61,621	61,621				61,621	
		1,145,435	**1,177,518**	**341,093**	**77,231**	**181,393**	**364,251**	**213,550**
Gap (asset - liabilities)		**95,562**	**305,627**	**(63,056)**	**55,666**	**33,466**	**45,496**	**234,055**
Cumulative liquidity gap				**(63,056)**	**(7,390)**	**26,076**	**71,572**	**305,627**

While there is a negative cumulative liquidity gap within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

37 Financial risk management - continued

(f) Market Risk

Market risk is the risk that earnings or capital would be adversely affected by changes in the level, correlation or volatility of market factors. Market factors include interest rates, foreign exchange rates, equity prices, and commodity prices. This risk arises mainly from trading activities as well as through non-traded risk in the banking book.

The Group's objective is to control and manage market risk exposures within the acceptable risk appetite approved by the Board while optimizing returns. The Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. Its strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk.

Central to the Group's market risk management is the deployment of appropriate tools and methodologies tailored towards identifying, measuring, monitoring, controlling and reporting the Group's exposure to each market risk factor.

Market Risk Management and Control Framework
The Group has put in place a robust and clearly defined market risk management framework, which essentially provides the Board and Management with guidance on market risk management processes. All teams involved in the management and control of market risk are required to fully comply with the policy statements to ensure the Group is not exposed to market risk beyond the qualitative and quantitative risk tolerances.

ALCO manages market and liquidity risks across the Group and meets monthly to review, approve and make recommendations concerning the risk profile including limits, utilization and strategy. They also recommend, to the Board, amendments to the market risk policy.

A dedicated market risk team, independent of the trading and business units, is responsible for implementing the market risk control framework and assumes day-to-day responsibility for market risk management. A limit framework is set within the context of the approved market risk appetite while daily market risk dashboard and stress testing reports are generated.

Risk limits, which are monitored daily by the Market Risk team include stop loss limits, unhedged open positions, VaR, duration amongst others. Daily positions of the Group's trading and FVTOCI portfolios are marked-to-market to enable the Group have an accurate view of its trading exposures.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

37 Financial risk management - continued

(f) Market Risk

Market Risk Governance Structure

Board of Directors	• The Board is responsible for the overall governance of Market Risk management process.
Board Risk Management Committee	• The Board Risk Management Committee promotes effective management of Market Risk. The Committee also help to foster the establishment and maintenance of an effective Market Risk culture.
4 Management Risk Committee (MRC)	• The Management Risk Committee (MRC) is responsible for implementing the Bank's Market Risk management policies and procedures.
Asset and Liability Management Committee	• The overall authority and management of Market Risk in the Group is vested in the Asset and Liability Management Committee (ALCO).
Chief Risk Officer	• The Chief Risk Officer provides direction on the implementation of market risk management framework as well as supervises and monitors on regular basis, the Market Risk profile of the Group.
Market and Liquidity Risk Management (MLRM) Team	• The MLRM Team has primary ownership of the policy and ensure its implementation. • This include identifying, measuring, monitoring and reporting market risks within the Group while developing policies and guidelines for its effective management.

37 Financial risk management - continued

Market Risk Measurement Techniques

The major measurement techniques used by the Group to monitor and control Market Risk exposures are outlined below.

1 Value at Risk (VaR): Is a technique that produces estimates of the potential change in the market value of a portfolio over a specified time horizon at a given confidence level. In line with the Group's policy, VaR assumes a time horizon of one trading day and a confidence level of 99% for internal risk management purposes bearing in mind present market realities, the Group's level of exposure as well as the composition of its portfolio.

The Group's trading VaR for the financial year is reflected in the table below.

2021 (all figures in N'million)	Interest Rate	Foreign Exchange
VaR as at 31 Dec 2021	50.05	1.8

Back-testing

In order to verify that the results acquired from VaR calculations are consistent and reliable, the model is always back-tested. Back-testing is an integral part of VaR reporting in the Group's risk management processes. Back-testing is a procedure where actual profits and losses are compared to projected VaR estimates aimed at ensuring that the model yields accurate risk estimates.

We would expect, on average, to see two or three profits and two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of profits or losses in excess of VaR over this period can therefore be used to measure how well the models are performing.

All exceptions generated from the back-testing process are documented with suitable explanation. Based on the exception classification, necessary action is taken on risk models by the Market & Liquidity Risk Management Team with directive from the ALCO.

2 **Stress Testing:** Due to volatilities in the operating environment, the Group conducts stress tests to evaluate the potential losses originating from impact of market risk factors under extreme market conditions. The stress testing includes the impact of exceptional changes in market rates and prices on the fair value of the Fair Value though P or L (FVPL) and Fair Value through Other Comprehensive Income (FVOCI) portfolios. The Group calculates:

> risk factor stress testing, where stress movements are applied to each risk ;
> historical stress tests where shocks based on historical movements are assumed and applied; and
> ad-hoc stress testing, which includes applying possible stress events to specific positions.

The results of the stress tests are reviewed by the ALCO who may respond by modifying the portfolio and taking other strategic steps to reduce the expected impact in the event that these risks crystallizes. The stress test results may also be presented to the Board.

37 Financial Risk Management - continued

Enterprise Risk Review - continued

f(i) Interest Rate Risk

Interest rate risk in the banking book is the risk of an adverse impact on earnings or capital due to changes in market interest rates. Changes in interest rates affect earnings by changing its net interest income and the level of other interest sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the assets, liabilities, and off-balance-sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change.

The Group's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which can arise due to the movement in the various floating rate indices, such as the savings rate and the 90-day NIBOR, until maturity. Non-traded interest rate risk arises in the group's book from the provision of retail and wholesale banking products and services, as well as from certain structural exposures within the balance sheet, mainly due to the fact that assets, liabilities and equity may be re-priced at different times. These risks impact both the earnings and the economic value of the Group.

Overall, management of the Group's non-trading interest rate risk positions lies with the ALCO. In addition to various strategies, the ALCO defines the internal transfer pricing framework constructed to ensure that interest rate risk arising from mismatches in the maturity profile of assets and liabilities is managed to achieve a balanced repricing cumulative gap position that is in line with the limits set by the Board. The ALCO also makes judgmental assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or re-pricing dates.

Measurement of Interest Rate Risk in the Banking Book

Generally, the primary source of interest rate risk is the differences in the timing of the repricing of the assets, liabilities and off-balance sheet instruments. Repricing mismatches generally occur from borrowing short term to fund long term assets or borrowing long term to fund long term assets. These activities can expose an institutions earnings and economic value of equity (EVE) to changes in market interest rate.

The measures applied by the Group in monitoring and controlling interest rate risk in the banking book includes:

Net Interest Income (NII) Sensitivity – An integral part of the Group's management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income while applying different rate scenarios (simulation modelling) where other macro-economic metrics are held constant. This monitoring is undertaken at the ALCO level. The Group applies a combination of scenarios and assumptions relevant to our peculiar businesses in forecasting one-year net interest income sensitivities across a range of interest rate scenarios.

Economic Value of Equity (EVE) - EVE represents the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario, i.e. the current book value of equity plus the present value of future net interest income in this scenario. This can be used to assess the economic capital required to support interest rate risk in the banking book (IRRBB). An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. Operating entities are required to monitor EVE sensitivity as a percentage of capital resources.

The following tables provide information on the extent of the Group's interest rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the interest rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to interest rate fluctuations. The amounts are based on interest rate maturities. However, saving and current accounts have a non-defined interest maturity. A quantitative assessment of the interest rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for interest rate risk.

37 Financial Risk Management - continued

(f) Market risks - continued

f(i) Interest Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

(a)

Group **In millions of Naira** **31 December 2021**	***Notes***	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Non-derivative assets:							
Due from banks	17	94,850	-	-	-	-	94,850
Loans and advances to customers	19	138,714	64,143	100,507	202,927	205,609	711,900
Investment securities :							
- Financial assets at fair value through profit or loss	20(a)	5,773	25	965	1,876	1,598	10,237
- Debt instruments at fair value through other comprehensive income	20(b)	30,924	24,257	4,764	51,554	57,348	168,847
- Debt instruments at amortised cost	20(d)	14,978	-	5,042	56,540	25,665	102,225
		285,239	88,425	111,278	312,897	290,220	1,088,059
Non-derivative liabilities:							
Deposits from Banks	25	15,568	-	-	-	-	15,568
Deposits from customers	26	424,940	74,316	228,903	243,742	236,852	1,208,753
Other borrowed funds & Debt securities issued	27&28	-	-	-	135,717	23,060	158,777
		440,508	74,316	228,903	379,459	259,912	1,383,098
Total interest sensitivity gap		(155,269)	14,109	(117,625)	(66,562)	30,308	(295,039)

Impact of Standardized Interest Rate Shock on Earnings

Time Band		**No. of Days**	**Upward 2%**	**Downward -2%**	**Interest Rate Gap (Net Positions)**	**Impact of upward movement**	**Impact of Downward movement**
Up to 1 month		365	0.02	(0.02)	(188,678)	(3,774)	3,774
from 1 to 3 months		335	0.02	(0.02)	(91,091)	(1,822)	1,822
from 3 to 6 months		275	0.02	(0.02)	26,906	538	(538)
from 6 to 12 months		185	0.02	(0.02)	(68,207)	(1,364)	1,364
Total					(321,070)	(6,421)	6,421

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Position)	Impact on Equity
Up to 1 month		0.08%	(188,678)	(151)
from 1 to 3 months		0.32%	(91,091)	(290)
from 3 to 6 months		0.72%	26,906	193
from 6 to 12 months		1.42%	(68,207)	(971)
1 years to 2 years		2.61%	15,888	414
2 years to 3 years		4.20%	56,399	2,370
3 years to 4 years		5.56%	5,125	285
4 years to 5 years		6.48%	(61,430)	(3,979)
5 years to 7 years		9.33%	65,492	6,108
7 years to 10 years		11.37%	(45,413)	(5,163)
10 years to 15 years		16.05%	11,276	1,810
15 years to 20 years		18.62%	10,427	1,942
More than 20 years		22.81%	(31,733)	(7,237)
Total			(295,039)	(4,670)

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

Group In millions of Naira (a) 31 December 2020	*Notes*	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Financial assets							
Due from banks	17	21,084		-	-	-	21,084
Loans and advances to customers	19	63,730	33,576	52,585	193,626	134,638	478,155
Investment securities:							
- Financial assets at fair value through profit or loss	20(a)	2	-	1,452	-	-	1,454
- Debt instruments at fair value through other comprehensive income	20(b)	67,214	6,617	22,756	24,904	14,289	135,780
- Debt instruments at amortised cost	20(d)	-	-	12,868	71,185	26,176	110,229
		152,030	40,193	89,661	289,715	175,103	746,702
Financial Liabilities							
Non-derivative liabilities:							
Deposits from Banks	25	4,615	16,674	-	-	-	21,289
Deposits from Customers	26	311,437	54,529	162,226	167,971	254,672	950,835
Other borrowed funds & Debt securities issued	27&28		1,666		52,165	2,158	55,989
		316,052	72,869	162,226	220,136	256,830	1,028,113
Total interest sensitivity gap		(164,022)	(32,676)	(72,565)	69,579	(81,727)	(281,411)

Impact of Standardized Interest Rate Shock on Earnings

Time Band		No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Positions)	Impact of upward movement	Impact of Downward movement
Up to 1 month		365	0.02	(0.02)	(106,597)	(2,132)	2,132
from 1 to 3 months		335	0.02	(0.02)	(110,245)	(2,024)	2,024
from 3 to 6 months		275	0.02	(0.02)	(24,899)	(375)	375
from 6 to 12 months		185	0.02	(0.02)	(23,596)	(239)	239
Total					(265,337)	(4,770)	4,770

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month		0.08%	(106,597)	(85)
from 1 to 3 months		0.32%	(110,245)	(353)
from 3 to 6 months		0.72%	(24,899)	(179)
from 6 to 12 months		1.43%	(23,596)	(337)
1 years to 2 years		2.77%	45,119	1,250
2 years to 3 years		4.49%	65,251	2,930
3 years to 4 years		6.14%	63,418	3,894
4 years to 5 years		7.71%	(47,392)	(3,654)
5 years to 7 years		10.15%	(30,002)	(3,045)
7 years to 10 years		13.26%	(13,370)	(1,773)
10 years to 15 years		17.84%	(7,539)	(1,345)
15 years to 20 years		22.43%	9,509	2,133
More than 20 years		26.03%	(29,205.38)	(7,602)
Total			(209,547)	(8,167)

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Bank *In millions of Naira* **31 December 2021**	*Notes*	**Less than 3 months ₦'million**	**3-6 months ₦'million**	**6-12 months ₦'million**	**1 - 5 years ₦'million**	**More than 5 years ₦'million**	**Total ₦'million**
		RATE SENSITIVITY OF ASSETS AND LIABILITIES					
Non-derivative assets:							
Due from banks	17	94,842	-	-	-	-	94,842
Loans and advances to customers	19	138,714	64,143	100,507	202,927	205,609	711,900
Investment securities:			-	-	-	-	
- Financial assets at fair value through profit or loss	20(a)	5,773	25	965	1,876	1,598	10,237
- Debt instruments at fair value through other comprehensive income	20(b)	30,924	24,257	4,764	51,554	57,348	168,847
- Debt instruments at amortised cost	20(d)	14,978	-	4,185	44,386	21,303	84,852
		285,231	88,425	110,421	300,743	285,858	1,070,678
Non-derivative liabilities:							
Deposits from Banks	25	15,568	-	-	-	-	15,568
Deposits from Customers	26	424,724	74,336	228,966	243,809	236,918	1,208,753
Other borrowed funds & Debt securities issued	27&28	-	-	-	118,763	23,060	141,823
		440,292	74,336	228,966	362,572	259,978	1,366,144
Total interest sensitivity gap		(155,061)	14,089	(118,545)	(61,829)	25,880	(295,466)

Impact of Standardized Interest Rate Shock on Earnings

Time Band	**No. of Days**	**Upward 2%**	**Downward -2%**	**Interest Rate Gap (Net Position)**	**Impact of upward movement**	**Impact of Downward movement**
Up to 1 month	365	0.02	(0.02)	(191,974)	(3,839)	3,839
from 1 to 3 months	335	0.02	(0.02)	(91,099)	(1,822)	1,822
from 3 to 6 months	275	0.02	(0.02)	26,906	538	(538)
from 6 to 12 months	185	0.02	(0.02)	(68,207)	(1,364)	1,364
Total				(324,374)	(6,487)	6,487

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Positions)	Impact on Equity
Up to 1 month		0.08%	(191,974)	(154)
from 1 to 3 months		0.32%	(91,099)	(290)
from 3 to 6 months		0.72%	26,906	193
from 6 to 12 months		1.42%	(68,207)	(971)
1 year to 2 years		2.61%	19,231	502
2 years to 3 years		4.20%	61,139	2,565
3 years to 4 years		5.56%	4,653	259
4 years to 5 years		6.48%	(61,916)	(4,010)
5 years to 7 years		9.33%	65,205	6,082
7 years to 10 years		11.37%	(48,886)	(5,557)
10 years to 15 years		16.06%	10,790	1,732
15 years to 20 years		18.62%	10,427	1,942
More than 20 years		22.81%	(31,733)	(7,237)
Total			(295,464)	(4,945)

37 Financial Risk Management - continued

(f) Market Risks - continued

f(i) Interest Rate Risk - continued
Bank

RATE SENSITIVITY OF ASSETS AND LIABILITIES

As at 31 December 2020 In millions of Naira		Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Financial assets							
Non-derivative assets:							
Due from banks	17	21,079		-	-	-	21,079
Loans and advances to customers	19	63,730	33,576	52,585	193,626	134,638	478,155
Investment securities:							
- Financial assets at fair value through profit or loss	20(a)	2		1,452			1,454
- Debt instruments at fair value through other comprehensive income	20(b)	67,214	6,617	22,756	24,904	14,289	135,780
- Debt instruments at amortised cost	20(d)			10,859	60,068	22,307	93,234
		152,025	40,193	87,652	278,598	171,234	729,702
Non-derivative liabilities:							
Deposits from Banks	25	4,615	16,674				21,289
Deposits from customers	26	311,437	54,529	162,226	167,971	254,672	950,835
Other borrowed fund & Debt securities issued	27&28		1,666		35,262	2,158	39,086
		316,052	72,868	162,226	203,233	256,830	1,011,210
Total interest sensitivity gap		(164,028)	(32,675)	(74,574)	75,365	(85,596)	(281,508)

37 Financial Risk Management - continued

f(i) Interest Rate Risk - continued

Impact of Standardized Interest Rate Shock on Earnings

Time Band		No. of Days	Upward 2%	Downward -2%	Interest Rate Gap (Net Positions)	Impact of upward movement	Impact of Downward movement
Up to 1 month		365	0.02	-0.02	(106,597)	(2,132)	2,132
from 1 to 3 months		335	0.02	-0.02	(110,245)	(2,024)	2,024
from 3 to 6 months		275	0.02	-0.02	(24,899)	(375)	375
from 6 to 12 months		185	0.02	-0.02	(25,606)	(260)	260
Total					(267,347)	(4,790)	4,790

Impact of Standardized Interest Rate Shock on Equity

Time Band		Weighting factor	Interest Rate Gap (Net Position)	Impact on Equity
Up to 1 month		0.08%	(106,597.35)	(85)
from 1 to 3 months		0.32%	(110,245.07)	(353)
from 3 to 6 months		0.72%	(24,899.00)	(179)
from 6 to 12 months		1.43%	(25,605.58)	(366)
1 year to 2 years		2.77%	42,224.04	1,170
2 years to 3 years		4.49%	60,025.31	2,695
3 years to 4 years		6.14%	55,195.99	3,389
4 years to 5 years		7.71%	(25,262.74)	(1,948)
5 years to 7 years		10.15%	(30,424.56)	(3,088)
7 years to 10 years		13.26%	(16,637.98)	(2,206)
10 years to 15 years		17.84%	(7,961.68)	(1,420)
15 years to 20 years		22.43%	9,508.94	2,133
More than 20 years		26.03%	(29,205.38)	(7,602)
Total			(209,885)	(7,861)

37 Financial Risk Management - continued

f(ii) Foreign Currency Risk

Foreign exchange risk is the risk that fluctuations in the prevailing foreign exchange rates would affect the value of the Group's assets and liabilities as well as off-balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, securities, future cash flows in foreign currencies arising from foreign currency transactions. Exposures to foreign exchange risk are consistently monitored by limit structures for overnight and intraday positions.

The ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily since an effective overview of such risk is a critical element of the Group's asset/liability risk management. The Board defines the overall risk tolerance levels and expectations for foreign exchange risk management and Management aims to ensure that the risk tolerance is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. This net open position is measured on a daily basis and is to be kept within set limits. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in a foreign currency.

The table below summarises the Group's exposure to foreign exchange risk at 31st December 2021.

(a) Foreign Currency Concentrations risk as at 31 December 2021

Group

In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	253,198	24,449	388	149	-	278,184
add un-restricted balance	92,689	-	-	-	-	92,689
Due from other banks	5,009	75,811	4,510	8,809	711	94,850
Financial assets to maturity pledged as collateral	10,659	127	-	-	-	10,786
Loans and advances to customer	575,715	136,183	2	-	-	711,900
Financial assets at fair value through profit or loss	9,863	374	-	-	-	10,237
- Debt instruments at fair value through other comprehensive income	161,232	7,615	-	-	-	168,847
Debt instruments at amortised cost	102,225	-	-	-	-	102,225
Other assets	53,585	47,780	(12)	-	52	101,405
Total financial assets (A)	1,264,175	292,339	4,888	8,958	763	1,571,123
Liabilities						
Due to banks	15,568	-	-	-	-	15,568
Due to customers	951,510	245,312	5,068	6,815	48	1,208,753
Debts issued and other borrowed funds	146,648	12,129	-	-	-	158,777
Other financial liabilities	63,828	36,474	56	1,279	705	102,342
Total financial liabilities (B)	1,177,554	293,915	5,124	8,094	753	1,485,440
Net financial assets/ (liabilities)	86,621	(1,576)	(236)	864	10	85,683

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(1,576)	(236)	864	(948)
Closing Exchange Rate (Naira/Currency)	424	572	480	
10% Currency Appreciation (-)	382	514	432	
10% Currency Depreciation (+)	467	629	528	
Effect of 10% appreciation on Profit	158	24	(86)	95
Effect of 10% depreciation on Profit	(158)	(24)	86	(95)

37 Financial risk management - continued

f(ii) Foreign currency risk - continued

Group

31 December 2020

In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	238,314	24,577	254	1,176	-	264,321
add un-restricted balance	38,993					38,993
Due from other banks	2,172	12,175	589	5,993	155	21,084
Financial assets to maturity pledged as colleteral	34,740	120				34,860
Loans and advances to customers	451,275	145,552	0	0	-	596,827
Financial assets measured at fair value through profit or loss	1,454					1,454
Financial assets at fair value through other comprehensive income	131,312	4,468				135,780
Financial investment at amortized cost	110,229	-				110,229
Other assets	12,200	31,728	0	0	21	43,950
Total financial assets (A)	1,020,689	218,620	843	7,169	176	1,247,498
Liabilities						
Due to banks	4,187	17,102				21,289
Due to customers	746,199	191,684	3,970	8,946	36	950,835
Debt issued and other borrowed funds	117,476	11,165				128,641
Other financial liabilities	37,346	20,025	16	4,027	138	61,552
Total financial liabilities (B)	905,208	239,976	3,986	12,973	174	1,162,317
Net financial assets/ (liabilities)	115,481	(21,356)	(3,143)	(5,804)	2	85,181

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(47,486)	(3,142)	(5,804)	(56,432)
Closing Exchange Rate(Naira/Currency)	400	546	491	
1% Currency Appreciation(-)	360	492	442	
1% Currency Depreciation(+)	440	601	540	
Effect of 1% appreciation on Profit	4,749	314	580	5,643
Effect of 1% depreciation on Profit	(4,749)	(314)	(580)	(5,643)

37 Financial risk management - continued

f(ii) Foreign currency risk

(a) Foreign Currency Concentrations Risk as at 31 December 2021

Bank

31 December 2021						
In millions of Naira	Naira	Dollar	GBP	Euro	Others	Total
Cash and balance with Central Bank of Nigeria	253,198	24,449	388	149	-	278,184
add un-restricted balance	92,689	-	-	-	-	92,689
Due from other banks	5,001	75,811	4,510	8,809	711	94,842
Financial assets to maturity pledged as colleteral	10,659	127	-	-	-	10,786
Loans and advances to customers	575,715	136,183	2	-	-	711,900
Financial assets held for trading	9,863	374	-	-	-	10,237
- Debt instruments at fair value through other comprehensive income	161,232	7,615	-	-	-	168,847
Debt instrument at amortised cost	84,852	-	-	-	-	84,852
Other assets	53,585	47,780	(12)	-	52	101,405
Total financial assets (A)	1,246,794	292,339	4,888	8,958	763	1,553,742
Liabilities						
Due to banks	15,568	-	-	-	-	15,568
Due to customers	951,510	245,312	5,068	6,815	48	1,208,753
Debt issued and other borrowed funds	129,694	12,129	-	-	-	141,823
Other financial liabilities	63,896	36,474	56	1,279	705	102,410
Total financial liabilities (B)	1,160,668	293,915	5,124	8,094	753	1,468,554
Net financial assets/ (liabilities)	**86,126**	(1,576)	(236)	864	10	**85,188**

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(1,576)	(236)	864	(948)
Closing Exchange Rate (Naira/Currency)	424	572	480	
10% Currency Appreciation (-)	382	514	432	
10% Currency Depreciation (+)	467	629	528	
Effect of 10% appreciation on Profit	158	24	(86)	95
Effect of 10% depreciation on Profit	(158)	(24)	86	(95)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

37 Financial Risk Management - continued

f(ii) Foreign currency risk

In millions of Naira **31 December 2020**	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balance with Central Bank of Nigeria	238,314	24,577	254	1,176	-	264,321
add un-restricted balance	38,993	-	-	-	-	38,993
Due from other banks	2,167	12,175	589	5,993	155	21,079
Financial assets to maturity pledged as colleteral	34,740	120				34,860
Loans and advances to customer	451,275	145,552	-	-	-	596,827
Financial assets held for trading	1,454	-	-	-	-	1,454
Financial assets at fair value through profit or loss	131,312	4,468	-	-	-	135,780
Financial investments at amortized cost	93,234	-	-	-	-	93,234
Other assets	11,955	31,728	-	-	21	43,704
Total financial assets (A)	1,003,444	218,620	843	7,169	176	1,230,252
Liabilities						
Due to banks	4,187	17,102				21,289
Due to customers	746,199	191,684	3,970	8,946	36	950,835
Debt issued and other borrowed funds	100,525	11,165				111,690
Other financial liabilities	37,415	20,025	16	4,027	138	61,621
Total financial liabilities (B)	888,326	239,976	3,986	12,973	174	1,145,435
Net financial assets/ (liabilities)	115,118	- 21,356	(3,143)	(5,804)	2	84,817

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	(47,486)	(3,142)	(5,804)	(56,432)
Closing Exchange Rate (Naira/Currency)	400	546	491	
1% Currency Appreciation (-)	360	492	442	
1% Currency Depreciation (+)	440	601	540	
Effect of 1% appreciation on Profit	4,749	314	580	5,643
Effect of 1% depreciation on Profit	(4,749)	(314)	(580)	(5,643)

37 Financial risk management - continued

(g) Operational Risk Management - continued

Operational risk in the Group is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks.

Operational risk exists in all activities, processes, products and systems. The Group aims to maintain operational risk within its risk appetite through a strategy anchored on the sustenance of a strong risk culture of individual and collective awareness and understanding of operational risk, accountability and transparency on operational risk issues at all levels, deployment of robust operational risk policies, processes and tools, and collaboration across all the business units and support functions in managing operational risk.

Operational Risk Governance Structure

Operational risk is managed in the Group along three lines of defense. The first line consists of the business units who own and are directly responsible for managing the risk. They identify and report operational risks in their activities and communicate these risks to the second line of defense which includes the independent risk management and control functions. This line formulates the risk management policies, processes and tools, and provides support in enhancing and monitoring the effectiveness of controls in the business units and support functions, while the third line of defense, the Internal Audit department, provides independent assurance on the adequacy, appropriateness and effectiveness of the risk management policies and process on an ongoing basis.

The Group maintains a dedicated Operational Risk Management (ORM) function which formulates the operational risk management strategy, policy and framework. The department, through the Chief Risk Officer, has a reporting line to the Executive Management, Management Risk Committee and Board Risk Management Committee, depicting a robust governance structure. The Board approves the Group's ORM policy and appetite. The Management Risk Committee reviews operational risk management reports quarterly and defines action plans to minimize material risks to acceptable levels. In addition, the ORM department collaborates with the Conduct and Compliance Division to ensure effective implementation of the ORM framework in the business units and support functions. It also works closely with the business units to manage operational risk based on the outcomes of the monitoring activities of the Conduct and Compliance Division. The ORM department is audited regularly by the Group's internal and external auditors.

Operational Risk Management Framework

The Group has a robust framework for managing operational risk. The framework defines the core governing principles and processes for the effective identification, assessment, mitigation, and monitoring of operational risks in line with regulatory requirements and international best practices. The key processes and tools in the ORM framework include the following:

1 **Risk and Control Self-Assessment**

The Group's Risk and Control Self-Assessment (RCSA) program provides a structured approach for business owners to identify material risks in their business areas, assess the effectiveness of controls in mitigating the risks and implement actions to proactively address the identified vulnerabilities. RCSA helps senior management to assess the overall effectiveness of the control environment, improve risk decision making, and optimize controls to meet business objectives. The RCSA is also a rich source of information for developing heat maps that highlight the Group's areas of vulnerability, risk concentration and materiality.

The RCSA program was redesigned and enhanced in the third quarter of the year to improve the risk identification and control assessment process, ensure ownership of risks at senior levels within the business, and enhance the monitoring and resolution of issues.

Risk assessments of new and existing products, processes and applications are also conducted to identify material operational risks and ensure adequacy and effectiveness of implemented mitigating controls.

37 Financial risk management - continued

(g) Operational Risk Management - continued

2 **Key risk indicators**

The Group uses Key Risk Indicators which provide early warning signals of changes in the risk profile to monitor and mitigate key threats to the achievement of strategic goals. Material breaches are reported monthly and quarterly to Management for timely remediation.

3 **Operational Risk Event Data Collection**

The Group maintains a comprehensive internal loss database aligned with regulatory and Basel standards for collecting, analyzing and reporting operational risk events and losses. The data on the Group's historical loss experience provides meaningful information for assessing the exposure to operational risk, developing risk scenarios, prioritizing risk decisions, and implementing controls to mitigate risks. Strict reporting requirements are in place to ensure that operational risk incidents are escalated to relevant stakeholders for timely decision making. Adequate risk transfer mechanisms including insurance and outsourcing are in place to minimize the impact of operational risk events on the Group. The lessons learnt from operational risk events and losses are communicated across the Bank and used in improving the control environment.

4 **Scenario Analysis**

The Operational Risk Management department utilizes scenario analysis of the Group's internal historical losses and material external risk events in modelling tail risk events, determining the potential impact on the organization, and proactively developing action plans to mitigate the risks.

Business Continuity Management

The Group obtained the Business Continuity Management System (BCMS) certification (ISO 22301) within the year in line with international principles and standards. This certification indicates that a comprehensive Business Continuity Plan and robust recovery processes and systems are in place to build resilience, safeguard the Bank's employees and assets, maintain strategic communications, minimize service disruption and losses, and ensure timely recovery and resumption of operations and technology infrastructure in the event of a disaster. The Bank's dedicated Business Continuity Manager coordinates the activities of the BCMS and ensures the development, implementation and testing of the BCP is in line with international standards and best practices.

The Operational Risk Management framework is supported by other departmental policies and procedures that guide the daily activities of the business units and functions and ensure adequate controls are implemented to mitigate risks. The policies and procedures are regularly reviewed and updated, and the processes redesigned or automated where required, to improve operational efficiency and the effectiveness of controls across the Bank.

Periodic reports on the identified operational risks are circulated to the relevant stakeholders for timely remediation of issues, enhancement of controls and to increase awareness of operational risk across the Bank.

37 Financial risk management - continued
(g) Operational Risk Management - continued

Operational Risk Capital Charge
The Bank uses the Basic Indicator Approach for computing the capital charge for operational risk in line with regulatory

31 December 2021

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
In millions of Naira						
Basic Indicator Approach (BIA)						
Gross Income	15%	87,126	86,336	96,595	270,057	40,509
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						13,503
Calibrated Risk Weighted Amount (BIA)						168,786

31 December 2020

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
In millions of Naira						
Basic Indicator Approach (BIA)						
Gross Income	15%	79,012	87,126	89,398	255,536	38,330
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						12,777
Calibrated Risk Weighted Amount (BIA)						159,710

(h) Capital management

(a) Regulatory capital

The Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria. In implementing current capital requirements, the Central Bank of Nigeria requires the Bank to maintain a 10% minimum ratio for total capital to total risk-weighted assets.

The Bank’s regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as Fair value through other comprehensive income.

Various limits are applied to elements of the capital base. The qualifying Tier 2 capital is limited to 33.3% of Tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

37 Financial risk management - continued

(h) Capital management - continued

(a) Regulatory capital - continued

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of the following reserves in the computation of total qualifying capital:

- Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines,
- Collective impairment on loans and receivables and other financial assets,
- Other Comprehensive Income (OCI) Reserves will be recognized as part of Tier 2 capital subject to the limits set in paragraph 3.2 of the CBN Guidance, and Notes on the Calculation of Regulatory Capital

(b) Capital Adequacy Ratio

In accordance with Central Bank of Nigeria regulations, a minimum threshold of 10% is to be maintained when computing the ratio qualifying capital to risk weighted assets.

The capital adequacy computation for the year ended 31 December 2018 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/BAS/08/031 and dated 24 June 2015. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Sterling Bank, in line with the directives from the Central Bank of Nigeria (CBN), has adopted the following approaches for its Pillar 1 capital calculations:

- Credit Risk – Standardised Approach
- Market Risk – Standardised Approach
- Operational Risk – Basic indicator approach, which is 15% of the average gross income for the past 3 year.

37 Financial risk management - continued

(h) Capital management - continued

(b) Capital Adequacy Ratio - continued

Constituents of Capital		Group 2021	Group 2020	Bank 2021	Bank 2020
In millions of Naira					
Tier 1 capital	***Note***				
Paid- up share capital	30	14,395	14,395	14,395	14,395
Share premium		42,759	42,759	42,759	42,759
General reserve (Retained earnings)		34,859	25,278	34,384	24,913
SMEEIS reserve		235	235	235	235
AGSMEIS reserve		2,381	1,711	2,381	1,711
Statutory reserve		25,301	23,289	25,301	23,291
Other reserves		5,276	5,276	5,276	5,276
Tier 1 Capital Before Regulatory Deduction		125,206	112,943	124,731	112,580
Regulatory Deduction					
Deferred tax assets		(6,971)	(6,971)	(6,971)	(6,971)
Other intangible assets		(1,081)	(1,582)	(1,081)	(1,582)
Total Regulatory Deduction		(8,052)	(8,553)	(8,052)	(8,553)
Tier 1 Capital after Regulatory Deduction		117,154	104,390	116,679	104,027
Tier 2 capital: Instruments & Reserves					
Sub- ordinated debt *		18,235	22,422	18,235	22,301
Other comprehensive income		6,038	12,375	6,038	12,375
Eligible Tier 2 Capital		24,273	34,797	24,273	34,676
Total regulatory capital		141,427	139,187	140,952	138,703
Risk-weighted assets		951,825	771,981	951,379	771,587
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		14.86%	18.03%	14.82%	17.98%

*Recognition of capital instrument in Tier 2 capital in its final five years to maturity is amortized on a straight-line basis by 20% per annum.

Description of Tier 2 Capital (Sub-ordinated debt)

``	Place	Issue date	Date of maturity	Coupon rate	N'million
Non- convertible debenture stock	Nigeria	25 August 2016	25 August 2023	18.86%	5,159
Non- convertible debenture stock	Nigeria	5 October 2018	5 October 2025	17.55%	20,214

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory requirements for current and future business needs, including under stress scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's philosophy, processes, and techniques for managing risks across the Bank. Furthermore, it describes the controls management has implemented to reduce the likelihood of occurrence and minimize the impact of risk events on the business and includes information on the Bank's governance structure, and policies that support risk and capital management systems.

(h) Capital management - continued

(b) Capital Adequacy Ratio - continued

Internal Capital Adequacy Assessment Process (ICAAP)

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets	Capital requirements
	In millions of Naira		
1	Credit Risk		
1.01	Sovereign	-	-
1.02	Public Sector Entities	4,923	507
1.03	State and Local Government	70,837	7,300
1.04	Multilateral Development Bank	-	-
1.05	Supervised Institutions	17,633	1,817
1.06	Corporate and Other Persons	327,020	33,702
1.07	Regulatory Retail Portfolio	72,505	7,472
1.08	Secured by Mortgages on Residential Properties	13,475	1,389
1.09	Exposures Secured by Mortgages on Commercial Real Estates	100,033	10,309
1.10	Past Due	95	10
1.11	Higher Risk Exposures	26,933	2,776
1.12	Other Balance Sheet Exposures	132,308	13,636
1.13	Off Balance Sheet Exposures	23,864	2,459
1.14	Regulatory Adjustment	(10,247)	-
2	Market risk		
2.01	Interest Rate Risk	1,402	112
2.02	Foreign Exchange Risk	1,811	145
3	Operational risk		
3.01	Basic Indicator Approach	168,786	13,503
4	Capital Adequacy Ratio		
4.01	Tier 1 Capital Adequacy Ratio	12.26%	
4.02	Total Capital Adequacy Ratio	14.82%	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

37 Financial risk management - continued

(h) Capital management - continued

(iii) **Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

38 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2021.

- Group

Maturity analysis of assets and liabilities **31 December 2021** Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	127,004	-	-	-	243,869	370,873
Due from banks	94,850	-	-	-	-	94,850
Pledged assets	10,786	-	-	-	-	10,786
Loans and advances to customers	138,714	64,143	100,507	202,927	205,609	711,900
Investment in securities:	-	-	-	-	-	
- Financial assets at fair value through profit or loss	5,773	25	965	1,876	1,598	10,237
- Debt instruments at fair value through other comprehensive income	30,925	24,257	4,764	51,554	57,347	168,847
- Equity instruments at fair value through other comprehensive income	-	-	-	-	17,956	17,956
- Debt instruments at amortised cost	14,979	-	5,042	56,540	25,664	102,225
Other assets	-	-	-	101,405	-	101,405
Total	423,031	88,425	111,278	414,302	552,043	1,589,079

- Group

In millions of Naira Liabilities	**Less than3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Deposits from bank	15,568	-	-	-	-	15,568
Deposits from customers	424,724	74,336	228,966	243,809	236,918	1,208,753
Debts issued and other borrowed funds	-	-	-	135,717	23,060	158,777
Other liabilities	-	-	-	102,342	-	102,342
Total	440,292	74,336	228,966	481,868	259,978	1,485,440
Net	(17,261)	14,089	(117,688)	(67,566)	292,065	103,639

38 Maturity Analysis of Assets and Liabilities - continued

In millions of Naira	Less than3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
31 December 2020						
Cash and balances with Central Bank of Nigeria	63,696	-	-	-	239,618	303,314
Due from banks	21,084	-	-	-	-	21,084
Pledged assets	1,496	-	28,949	-	4,415	34,860
Loans and advances to customers	77,429	49,722	73,202	220,749	175,725	596,827
Investment in securities:	-					
- Financial assets at fair value through profit or loss	2	-	1,452	-	-	1,454
- Debt instruments at fair value through other comprehensive income	67,214	6,617	22,756	24,904	14,289	135,780
- Equity instruments at fair value through other comprehensive income	-	-	-	-	10,745	10,745
- Debt instruments at amortised cost	-	-	12,869	71,185	26,175	110,229
Other assets	-	-	-	43,950	-	43,950
Total	230,921	56,339	139,228	360,788	470,967	1,258,243
Deposits from bank	4,615	16,674	-	-	-	21,289
Deposits from customers	334,282	58,507	180,209	191,892	185,945	950,835
Debts issued and other borrowed funds	-	1,666	-	101,508	25,467	128,641
Other liabilities	-	-	-	61,552	-	61,552
Total	338,897	76,847	180,209	354,952	211,412	1,162,317
Net	(107,976)	(20,508)	(40,981)	5,836	259,555	95,926

38 Maturity Analysis of Assets and Liabilities - continued

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2021.

- Bank

31 December 2021 **Maturity analysis of assets and liabilities** **In millions of Naira** Assets	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	127,004	-	-	-	243,869	370,873
Due from banks	94,842	-	-	-	-	94,842
Pledged assets	10,786	-	-	-	-	10,786
Loans and advances to customers	138,714	64,143	100,507	202,927	205,609	711,900
Investment in securities :	-	-	-	-	-	
- Financial assets at fair value through profit or loss	5,773	25	965	1,876	1,598	10,237
- Debt instruments at fair value through other comprehensive income	30,925	24,257	4,764	51,554	57,347	168,847
- Equity instruments at fair value through other comprehensive income	-	-	-	-	17,956	17,956
- Debt instruments at amortised cost	14,979	-	5,042	39,167	25,664	84,852
Other assets	-	-	-	101,405	-	101,405
Total	423,023	88,425	111,278	396,929	552,043	1,571,698
Deposits from banks	15,568	-	-	-	-	15,568
Deposits from customers	424,724	74,336	228,966	243,809	236,918	1,208,753
Debts issued and other borrowed funds	-	1,521	-	117,066	23,236	141,823
Other liabilities	-	-	-	102,410	-	102,410
Total	440,292	75,857	228,966	463,285	260,154	1,468,554
Net	(17,269)	12,568	(117,688)	(66,356)	291,889	103,144

38 Maturity Analysis of Assets and Liabilities - continued

Bank

31 December 2020 **In millions of Naira** **Maturity analysis of assets and liabilities**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Cash and balances with Central Bank of Nigeria	63,696	-	-	-	239,618	303,314
Due from banks	21,079	-	-	-	-	21,079
Pledged assets	1,496	-	28,949	-	4,415	34,860
Loans and advances to customers	77,429	49,722	73,202	220,749	175,725	596,827
Investment in securities:	-					
- Financial assets at fair value through profit or loss	2	-	1,452	-	-	1,454
- Debt instruments at fair value through other comprehensive income	67,214	6,617	22,756	24,904	14,289	135,780
- Equity instruments at fair value through other comprehensive income	-	-	-	-	10,745	10,745
- Debt instruments at amortised cost	-	-	10,859	60,068	22,307	93,234
Investment in subsidiary	-	-	-	-	-	-
Other assets	-	-	-	43,704		43,704
Total	230,915	56,339	137,218	349,425	467,099	1,240,997
Deposits from bank	4,615	16,674	-	-	-	21,289
Deposits from customers	334,282	58,507	180,209	191,892	185,945	950,835
Debts issued and other borrowed funds	-	1,666	-	84,154	25,870	111,690
Other liabilities	-	-	-	61,621	-	61,621
Other liabilities						
Total	338,897	76,847	180,209	337,667	211,815	1,145,435
					-	
Net	(107,982)	(20,508)	(42,991)	11,758	255,284	95,562

39 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.19. The Group measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
Fair value measurement hierarchy for assets & liabilities as at 31 December 2021:

- GROUP

In millions of Naira	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value					
Pledged assets – FVOCI	18.1	10,427	-	-	10,427
Debt instruments at FVTPL	20(a)	10,237	-	-	10,237
Debt instruments measured at FVOCI	20(b)	168,847	-	-	168,847
Equity instruments at fair value through other comprehensive income	20(c)	-	-	17,956	17,956
Assets for which fair value are disclosed					
Due from banks		-	94,850	-	94,850
Pledged assets at Amortised cost		232	127	-	359
Loans and advances to customers		-		527,690	527,690
Debt instruments at amortised cost		-	70,874	-	70,874
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	15,568	15,568
Deposits from customers		-	-	1,162,285	1,162,285
Other borrowed funds		-	-	93,042	93,042
Debt securities issued		-	40,385		40,385

- 31 December 2020

Pledged assets – FVOCI	18.1	30,513	-	-	30,513
Debt instruments at FVTPL	20(a)	1,454	-	-	1,454
Debt instruments measured at FVOCI	20(b)	133,202	2,578	-	135,780
Equity instruments at fair value through other comprehensive income	20(c)	-	-	10,745	10,745
Assets for which fair value are disclosed			-		
Due from banks		-	21,084	-	21,084
Pledged assets at Amortised cost		4,347	-	-	4,347
Loans and advances to customers		-	-	564,752	564,752
Debt instruments at amortised cost		93,933	-	-	93,933
Liabilities for which fair values are disclosed:			-		
Deposits from banks		-	-	21,289	21,289
Deposits from customers		-	-	906,793	906,793
Other borrowed funds		-	-	72,551	72,551
Debt securities issued		-	40,990	-	40,990

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

39 Fair Value of financial instruments- continued

Fair value measurement hierarchy for assets & liabilities as at 31 December 2021

- BANK

In millions of Naira		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value					
Pledged assets – FVOCI	18.1	10,427	-	-	10,427
Debt instruments at FVTPL	20(a)	10,237	-	-	10,237
Debt instruments measured at FVOCI	20(b)	168,847	-	-	168,847
Equity instruments at fair value through other comprehensive income	20(c)	-	-	17,956	17,956
Assets for which fair value are disclosed					
Due from banks		-	94,842	-	94,842
Pledged assets at amortised cost		232	127	-	359
Loans and advances to customers		-	-	527,690	527,690
Debt instruments at amortised cost		-	58,829	-	58,829
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	15,568	15,568
Deposits from customers		-	-	1,162,285	1,162,285
Other borrowed funds		-	-	93,042	93,042
Debt securities issued		-	24,195	-	24,195

- 31 December 2020

Assets measured at fair value					
Pledged assets – FVOCI	18.1	30,513	-	-	30,513
Debt instrument at FVTPL	20(a)	1,454	-	-	1,454
Debt instrument measured at FVOCI	20(b)	133,202	2,578	-	135,780
- Equity instruments at fair value through other comprehensive income	20(c)	-	-	10,745	10,745
Assets for which fair value are disclosed					
Due from banks		-	21,079	-	21,079
Pledged assets at Amortised cost		4,347	-	-	4,347
Loans and advances		-	-	564,752	564,752
Debt instrument at Amortised cost		76,692	-	-	76,692
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	21,289	21,289
Deposits from customers		-	-	906,793	906,793
Other borrowed funds		-	-	72,551	72,551
Debt securities issued		-	24,039	-	24,039

39 Fair Value of financial instruments - continued

Group

In millions of Naira	Carrying amount 2021	Carrying amount 2020	Fair value amount 2021	Fair value amount 2020
Financial assets				
Cash and balances with Central Bank of Nigeria	370,873	303,314	370,873	303,314
Due from banks	94,850	21,084	94,850	21,084
Pledged assets	10,786	34,860	10,786	34,860
Loans and advances to customers	711,900	596,827	527,690	564,752
Investment in securities:				
- Financial assets at fair value through profit or loss	10,237	1,454	10,237	1,454
- Debt instruments at fair value through other comprehensive income	168,847	135,780	168,847	135,780
- Equity instruments at fair value through other comprehensive income	17,956	10,745	17,956	10,745
- Debt instruments at amortised cost	102,225	110,229	70,874	93,933
Total	1,487,674	1,214,293	1,272,113	1,165,922
Financial liabilities				
Deposits from banks	15,568	21,289	15,568	21,289
Deposits from customers	1,208,753	950,835	1,162,285	906,793
Other borrowed funds	116,450	86,367	93,042	72,551
Debt securities issued	42,327	42,274	40,385	40,990
Customer deposits for foreign trade	57,263	25,636	57,263	25,636
Creditors and accruals	31,549	19,012	31,549	19,012
Total	1,471,910	1,145,413	1,400,092	1,086,271

Bank

In millions of Naira	Carrying amount 2021	Carrying amount 2020	Fair value amount 2021	Fair value amount 2020
Financial assets				
Cash and balances with Central Bank of Nigeria	370,873	303,314	370,873	303,314
Due from banks	94,842	21,079	94,842	21,079
Pledged assets	10,786	34,860	10,786	34,860
Loans and advances to customers	711,900	596,827	527,690	564,752
Investment in securities:				
- Financial assets at fair value through profit or loss	10,237	1,454	10,237	1,454
- Debt instruments at fair value through other comprehensive income	168,847	135,780	168,847	135,780
- Equity instruments at fair value through other comprehensive income	17,956	10,745	17,956	10,745
- Debt instruments at amortised cost	84,852	93,234	58,829	76,692
Total	1,470,293	1,197,293	1,260,060	1,148,676
Financial liabilities				
Deposits from banks	15,568	21,289	15,568	21,289
Deposits from customers	1,208,753	950,835	1,162,285	906,793
Other borrowed funds	116,450	86,367	93,042	72,551
Debt securities issued	25,373	25,323	24,195	24,039
Customer deposits for foreign trade	57,263	25,636	57,263	25,636
Creditors and accruals	31,617	19,081	31,617	19,081
Total	1,455,024	1,128,531	1,383,970	1,069,388

39 Fair Value of financial instruments - continued

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value

The management assessed that cash and balances with Central Bank of Nigeria, creditors & accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity; it is assumed that the carrying amounts approximates their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining FVOCI financial assets are measured using quoted market prices in active markets which are adjusted for using the accrued interest to date.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2021 was assessed to be insignificant.

For loans and advances, a discounted cash flow model is used based on various fair value of the loan portfolio by discounting the future cash flows on these loans using interest rates on loans and remaining days to maturity of each of the cash flows.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of financial instrument	Fair value as at 31 December 2021 N'million	Fair value as at 31 December 2020 N'million	Valuation technique	Unobservable input	Range of estimates for unobservable inputs (31 December 2021)	Range of estimates for unobservable inputs (31 December 2020)	Relationship of unobservable inputs to fair value
Unquoted Equity	17,956	10,745	P/BV and EV/EBITDA	P/BV multiples	0.79x - 0.88x	0.77x - 4.55x	Significant increases in P/BV, would result in higher fair values. Significant reduction would result in lower fair values
				EV/EBITDA multiples	1.73x - 3.48x	N/A	Significant increases in EV/EBITDA, would result in higher fair values. Significant reduction would result in lower fair values

Level 3 fair value measurements - Effect of unobservable inputs on fair value measurement

The table below sets out information about significant unobservable inputs used as at 31 December 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Key Assumption	Effect on Other Comprehensive Income			
	Dec. 2021		Dec. 2020	
	5% Increase	5% Decrease	5% Increase	5% Decrease
	N'million	N'million	N'million	N'million
P/BV and EV/EBITDA multiples	**562**	**(562)**	**374**	**(374)**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

40 Compliance with banking regulations

The Bank did not incur penalty on contraventions of Central Bank of Nigeria's guidelines and circulars in FY2021.

41(a) Customer Complaints

In line with Circular No: FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2021 is as set out below:

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
Financial year	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
			In millions of Naira		**In millions of Naira**	
Pending complaints b/f	414	94	1,342	20	N/A	269
Complaints received	204,342	137,620	164	7,661	163	7,661
Complaints resolved	202,630	137,300	157	6,339	157	6,339
Unresolved complaints escalated to CBN for intervention	NIL	NIL	N/A	N/A	N/A	N/A
Unresolved complaints pending with the bank c/f	2,126	414	1,349	1,342	N/A	N/A

41(b) Report to the CBN on Fraud and Forgeries

In line with Section 5.1.2 (L) of the CBN Code of Corporate Governance, the breakdown of fraud and forgeries for the year is presented below:

	2021	2020
Number of fraud incidents	74	73
Amount involved (N'000)	3,347,664	195,339
Amount involved ($'000)	0	9
Actual/Expected Loss (N'000)	1,602,615	123,811
Actual/Expected Loss ($'000)	0	9

42 Card Usage data

In line with the Central Bank of Nigeria guidelines for card issuance and usage in Nigeria, Section 11.0, the report on card issuance and usage for the year ended 31 December 2021 is set out below:

	31 December 2021		31 December 2020	
Product	Volume	Value ₦'million	Volume	Value ₦'million
Visa	826	6,901	679	6,642
Verve	70,686	826,394	35,124	409,830

43 Whistle Blowing

The Bank complied with the provisions of CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2021.

44 Non-Audit Services

During the year, the Bank's auditor, Deloitte & Touche, provided the following permissible non-audit services to the Bank:

Description of the service	*In millions of Naira*	**2021**
i) Independent Assessment of ECL Model Automation		13.7
ii) Independent Assessment of the Risk Management Function		5.0

In the Bank's opinion, the provision of these services did not impair the independence and objectivity of the external auditor as adequate safeguard was put in place.

45 COVID-19 Impact Assessment

The global economy improved markedly in 2021, boosted by the global vaccine rollout and improved management of the COVID 19 pandemic. However, with the advent of a new variant of the COVID-19 virus in the 4th quarter of 2021, the world economy became increasingly vulnerable. Border closures and selective banning of certain countries with suspected cases of the Omicron variant heralded the Q4, 2021.

Against this backdrop, the International Monetary Fund (IMF) downgraded its 2021 growth forecast for the global economy marginally from 6.0 per cent to 5.9 per cent. It also revised the projection for the Advanced Economies downwards from 5.6 per cent to 5.2 per cent. The downgrade was however offset by an upgrade of the growth forecast for Emerging Markets and Developing Economies (EMDEs) in 2021. Thus, the forecast for the Emerging Markets and Developing Economies was revised upwards to 6.4 per cent from 6.3 per cent. Overall, COVID-19 continues to be the primary driver of forecast revisions to the global economic outlook.

Despite the elevated caseloads and new strains of the COVID-19 virus recorded in some countries during the fourth quarter of 2021, ongoing vaccination programs are expected to drive a reduction in reported cases and fatalities, as well as accelerate global GDP growth in the near future. In Nigeria, efforts are being made towards vaccinating a larger percentage of the population against the virus to fast-track a continued drop in the number of cases recorded and consequent fatalities.

In the light of the above dynamics and associated headwinds, Sterling bank has remained committed to being prepared and proactive, leveraging on its agile structure and optimising pre-pandemic initiatives and strategy in response to the pandemic and the resultant hardships. These initiatives have continued to prove effective in minimizing disruptions in the Bank’s continued operations and optimal service rendering. The major measure implemented by the Bank in ensuring operational resilience and sustained service delivery to our stakeholders is the activation of its comprehensive Business Continuity Plan (BCP), which include an internal awareness campaign, health and wellness campaign, enhanced IT infrastructure to support remote work, electronic business operations, electronic banking services and improved network security.

To preserve the Bank’s asset quality, the Bank maintains optimal risk management measures and operational process improvements, including frequent stress testing and contingency planning to assess the impact of the COVID-19 pandemic on its Capital Adequacy, Asset Quality and Liquidity indicators. Recent results signify that all related metrics remain compliant with regulatory thresholds of 10% (Capital Adequacy Ratio), 5% (Non-Performing Loans Ratio) and 30% (Liquidity Ratio). Furthermore, the Bank remains compliant with regulatory guidelines on disclosures and valuations of Financial Instruments, including the impact of the pandemic on its recalibrated IFRS 9 models.

Also, the Bank reviewed its portfolio of investment securities, consisting mainly of FGN debt instruments. We remain confident that the Federal Government of Nigeria will continue to meet its obligations. The component of corporate debt instruments in the Bank’s portfolio of investment securities is relatively small, and we continue to assess and value them as appropriate.

Following our review of the current situation of the pandemic, the Bank’s Management remains confident of the organization’s resilience and is not aware of any material uncertainties that may cast significant doubt upon the entity’s ability to continue operating as a going concern.

46 Reclassifications

Net foreign exchange revaluation loss figure for the comparative period was reclassified in order to align with current year presentation which is deemed to provide information that is more relevant to users of the financial statements. The amount reclassified and the affected lines in the statement of comprehensive income are as shown below:

		Group	Bank
		N'million	**N'million**
	Net Fee & Commission income		
a)	Net trading income as per FY2020	11,716	11,716
	Less: Net foreign exchange revaluation loss	(3,062)	(3,062)
	Now reported	8,654	8,654
b)	Operating income as per FY2020	89,592	89,462
	Less: Net foreign exchange revaluation loss	(3,062)	(3,062)
	Now reported	86,530	86,400
c)	Other operating expenses as per FY2020	21,001	20,997
	Less: Net foreign exchange revaluation loss	(3,062)	(3,062)
	Now reported	17,939	17,935
	Total expenses as per FY2020	69,314	69,309
	Less: Net foreign exchange revaluation loss	(3,062)	(3,062)
	Now reported	66,252	66,247
d)	**Five year summary**		
	Gross Earnings as per FY2020	138,897	136,475
	Less: Net foreign exchange revaluation loss	(3,062)	(3,062)
	Now reported as	135,835	133,413

OTHER NATIONAL DISCLOSURES

STATEMENTS OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2021

	Group				Bank			
	2021		**2020**		**2021**		**2020**	
In millions of Naira		%		%		%		%
Gross earnings	142,316		135,835		139,922		133,413	
Interest expense	(45,191)		(49,305)		(42,931)		(47,013)	
	97,125		86,530		96,991		86,400	
Net impairment	(9,821)		(7,906)		(9,822)		(7,913)	
Bought-in-materials and services -local	(52,768)		(45,361)		(52,764)		(45,356)	
Value added	34,536	100	33,263	100	34,405	100	33,131	100
Applied to pay:								
Employee as wages, salaries and pensions	14,917	43	14,841	45	14,917	43	14,841	45
Income taxes	959	3	1,130	3	940	3	1,130	3
Retained in business:								
Depreciation and amortisation	5,145	15	6,050	18	5,145	15	6,050	18
Profit for the year	13,515	39	11,242	34	13,403	39	11,110	34
	34,536	100	33,263	100	34,405	100	33,131	100

Value added is the wealth created by the efforts of the Bank and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - GROUP

	31 DECEMBER				
	2021	**2020**	**2019**	**2018**	**2017**
In millions of Naira					
ASSETS					
Cash and balances with Central Bank of Nigeria	370,873	303,314	156,059	117,685	122,630
Due from other banks	94,850	21,084	69,361	43,542	51,066
Pledged assets	10,786	34,860	11,831	11,423	145,179
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	711,900	596,827	618,732	621,017	598,073
Investment securities:		-	-	-	
- Financial assets at fair value through profit or loss	10,237	1,454	8,317	4,110	6,883
- Debt instruments at fair value through other comprehensive income	168,847	135,780	141,272	117,620	-
- Equity instruments at fair value through other comprehensive income	17,956	10,745	5,470	4,011	-
- Debt instruments at amortised cost	102,225	110,229	101,944	123,086	-
- Available for sale	-	-	-		80,031
- Held to maturity	-	-	-		24,075
Other assets	101,405	43,950	28,581	29,446	18,728
Property, plant and equipment	16,939	15,956	18,476	16,942	16,451
Right-of-use asset	8,141	8,319	8,896	-	-
Investment property	6,918	8,004	4,141	-	-
Intangible assets	1,081	1,582	1,933	1,850	2,114
Deferred tax assets	6,971	6,971	6,971	6,971	6,971
	1,629,129	1,299,075	1,181,984	1,097,704	1,072,201
Non-current assets held for sale	-	-	701	5,218	-
TOTAL ASSETS	**1,629,129**	**1,299,075**	**1,182,685**	**1,102,922**	**1,072,201**
LIABILITIES					
Deposits from banks	15,568	21,289	-	-	11,048
Deposits from customers	1,208,753	950,835	892,660	760,608	684,834
Derivative financial liabilities	-	-	-	-	-
Current income tax liabilities	1,018	551	201	405	232
Other borrowed funds	116,450	86,367	82,702	119,526	212,847
Debt securities issued	42,327	42,274	42,655	86,609	13,068
Other liabilities	102,342	61,552	44,742	37,678	48,234
Provisions	1,180	454	167	295	295
TOTAL LIABILITIES	1,487,638	1,163,322	1,063,127	1,005,121	970,558
NET ASSETS	**141,491**	**135,753**	**119,558**	**97,801**	**101,643**
EQUITY					
Share capital	14,395	14,395	14,395	14,395	14,395
Share premium	42,759	42,759	42,759	42,759	42,759
Retained earnings	34,859	25,278	6,187	(3,307)	6,991
Other components of equity	49,478	53,321	56,217	43,954	37,498
Attributable to equity holders of the Bank	**141,491**	**135,753**	**119,558**	**97,801**	**101,643**
Other Commitments and Contingencies	222,430	175,287	159,021	130,347	131,106

PROFIT OR LOSS ACCOUNT	**2021** **₦'million**	**2020** **₦'million**	**2019** **₦'million**	**2018** **₦'million**	**2017** **₦'million**
Gross earnings	142,316	135,835	150,195	148,708	133,490
Profit before income tax expense	14,474	12,372	10,672	9,489	8,105
Income tax expense	(959)	(1,130)	(70)	(271)	(85)
Profit after income tax	13,515	11,242	10,602	9,218	8,020
Earning per share in Kobo (Basic/Diluted)	47k	39k	37k	32k	28k

OTHER NATIONAL DISCLOSURES

FIVE-YEAR FINANCIAL SUMMARY - BANK

	31 DECEMBER				
	2021	**2020**	**2019**	**2018**	**2017**
In millions of Naira					
ASSETS					
Cash and balances with Central Bank of Nigeria	370,873	303,314	156,059	117,685	122,630
Due from other banks	94,842	21,079	69,361	43,435	51,066
Pledged assets	10,786	34,860	11,831	11,423	145,179
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	711,900	596,827	618,732	621,017	598,073
Investment securities:					
- Financial assets at fair value through profit or loss	10,237	1,454	8,317	4,110	6,883
- Debt instruments at fair value through other comprehensive income	168,847	135,780	141,272	117,620	-
- Equity instruments at fair value through other comprehensive income	17,956	10,745	5,470	4,011	-
- Debt instruments at amortised cost	84,852	93,234	84,767	106,147	-
- Available for sale	-	-	-	-	80,031
- Held to maturity	-	-	-	-	20,671
Investment in subsidiary	1	1	1	1	1
Other assets	101,405	43,704	28,581	29,446	18,728
Property, plant and equipment	16,939	15,956	18,476	16,942	16,451
Right-of-use asset	8,141	8,319	8,896	-	-
Investment property	6,918	8,004	4,141	-	-
Intangible assets	1,081	1,582	1,933	1,850	2,114
Deferred tax assets	6,971	6,971	6,971	6,971	6,971
	1,611,749	1,281,830	1,164,808	1,080,658	1,068,798
Non-current assets held for sale	-	-	701	5,218	-
TOTAL ASSETS	**1,611,749**	**1,281,830**	**1,165,509**	**1,085,876**	**1,068,798**
LIABILITIES					
Deposits from banks	15,568	21,289	-	-	11,048
Deposits from customers	1,208,753	950,835	892,660	760,608	684,834
Derivative financial liabilities	-	-	-	-	-
Current income tax liabilities	999	551	201	405	232
Other borrowed funds	116,450	86,367	82,702	119,526	212,847
Debt securities issued	25,373	25,323	25,709	69,355	9,709
Other liabilities	102,410	61,621	44,742	37,678	48,234
Provisions	1,180	454	167	295	295
TOTAL LIABILITIES	1,470,733	1,146,440	1,046,181	987,867	967,199
NET ASSETS	**141,016**	**135,390**	**119,328**	**98,009**	**101,599**
EQUITY					
Share capital	14,395	14,395	14,395	14,395	14,395
Share premium	42,759	42,759	42,759	42,759	42,759
Retained earnings	34,384	24,913	5,954	(3,101)	6,944
Other components of equity	49,478	53,323	56,220	43,956	37,501
Attributable to equity holders of the Bank	**141,016**	**135,390**	**119,328**	**98,009**	**101,599**
Other Commitments and Contingencies	222,430	175,287	159,021	130,347	131,106

PROFIT OR LOSS ACCOUNT	**2021** **₦'million**	**2020** **₦'million**	**2019** **₦'million**	**2018** **₦'million**	**2017** **₦'million**
Gross earnings	139,922	133,413	147,439	147,791	133,022
Profit before income tax expense	14,343	12,240	10,233	9,739	8,039
Income tax expense	(940)	(1,130)	(70)	(271)	(85)
Profit after income tax	13,403	11,110	10,163	9,468	7,954
Earning per share in Kobo (Basic/Diluted)	47k	39k	35k	33k	28k
Dividend per share	10k	5k	3k	0k	2k

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