the alternative bank

2023

Annual Report and Financial Statements

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Corporate Information

Company Registration Number	1909410
Board of Directors:	
Mr. Muhtar Bakare	Chairman
Hajiya Umma Dutse	Independent Director
Mrs. Morenikeji Folawiyo	Non Executive Director
Mr. Emmanuel Onasanya	Non Executive Director
Professor Ibrahim Onaleye	Non Executive Director **
Mr. Yemi Odubiyi	Non Executive Director
Mr Hassan Yusuf	Managing Director
Mr. Garba Mohammed	Executive Director
	** Resigned effective 31 December 2023
Registered Office:	No. 239/241 Ikorodu Road, Ilupeju, Lagos
Acting Company Secretary:	Damilola Longe, 20 Marina, Lagos
Independent Auditor:	Deloitte & Touche Civic Towers, Plot GA 1 Ozumba Mbadiwe Street, Victoria Island, Lagos

Report Of The Directors

The Directors have pleasure in presenting to the members of The Alternative Bank Limited ("the Bank") their report together with the audited financial statements and the report of the Independent Auditors for the period ended 31 December 2023. Also, the report of the sharia governance body, Advisory Committee of Experts (ACE) is presented on areas of sharia functions and requirements.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

The Alternative Bank Limited (the "Bank") is a non-interest financial institution in Nigeria. The Bank was granted a national banking license to carry on the business of non interest banking and commenced operation in July 2023. It is established as a private limited liability Company. Prior to its incorporation as a standalone entity, it operated as a business segment (Window) in Sterling Bank.

The Bank's Head office is at No 239/241 Ikorodu Road, Ilupeju, Lagos, Nigeria. The Financial performance of the Bank as at 31 December 2023 represents the Bank's operations from July 1, 2023 as a standalone entity after successful carveout from Sterling Bank where it operated as a Window.

OPERATING RESULTS

Highlights of the Bank's operating results for the Six Months ended 31 December 2023 are as follows:

In thousands of Naira	
Gross earnings	10,210,588
Profit before income tax	2,652,748
Income tax expense	(262,270)
Profit after income tax	2,390,478
Profit attributable to equity holders	2,390,478
Total non-performing facilities as % of gross facilities	4.77%
Earnings per share (kobo) – Basic	12k
Earnings per share (kobo) – Diluted	12k

Dividend

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

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**
Mr.Muhtar Bakare	Chairman	Appointed 26 June 2023
Mrs. Morenikeji Folawiyo	Non-Executive Director	Appointed 26 June 2023
Mr. Yemi Odubiyi	Non-Executive Director	Appointed 26 June 2023
Mr. Emmanuel Onasanya	Non-Executive Director	Appointed 26 June 2023
Prof. Ibrahim Onaleye*	Independent Non-Executive Director	Appointed 26 June 2023
Hajiya Umma Dutse	Indpendent Non-Executive Director	Appointed 26 June 2023
Mr. Hassan Yusuf	Managing Director/CEO	Appointed 26 June 2023
Mr. Garba Mohammed	Executive Director	Appointed 26 June 2023
*** Resigned effective 31 December 2023**		

Report Of The Directors

Going concern

The Directors assess the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Bank will not be a going concern in the next twelve months from the date of this report. For this reason, the financial statements has been 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-23	31-Dec-23
	Names	Direct	Indirect
1	Mr.Muhtar Bakare	NIL	NIL
2	Mrs. Morenikeji Folawiyo	NIL	NIL
3	Mr. Yemi Odubiyi	NIL	NIL
4	Mr. Emmanuel Onasanya	NIL	NIL
5	Prof. Ibrahim Onaleye*	NIL	NIL
6	Hajiya Umma Dutse	NIL	NIL
7	Mr. Hassan Yusuf	NIL	NIL
8	Mr. Garba Mohammed	NIL	NIL

* Resigned effective 31 December 2023

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 Bank during the reporting period.

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
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 has its 99% shareholding held by Sterling Financial Holdings Company Plc (SFHC), a financial institution incorporated under the laws of the Federal Republic of Nigeria.

Donations and Charitable Gifts

The Bank donated a total sum of **N45.9m** during the six month period ended 31 December 2023 to various charitable organizations in Nigeria, details of which are shown below. No donation was made to any political organization.

S/N	Details of Donation	Purpose		Amount (N'000)
1	Nigeria Immigration Service	Sponsorship		19,999
2	Kano Trade Fair	Sponsorship		10,000
3	PEACE AND UNITY CONVENTION SPONSORSHIP 2023	Sponsorship		5,000
4	6th AICIF (African International Conference on Islamic Finance)	Sponsorship		5,000
5	Ramadan Food Project	Corporate Social Responsibility		4,817
6	Food Carnival in Kano	Sponsorship		700
7	SHEHU SHAGARI MODEL ISLAMIC CENTER	Sponsorship		360
	Total Donations			**45,877**

Gender Analysis of Staff

Analysis of staff employed by the Bank for the six months ended 31 December 2023

DESCRIPTION	NUMBER	% TO TOTAL STAFF
Female new hire	79	46.2%
Male new hire	92	53.8%
Total new hire	**171**	**100.0%**
Female as at 31 December 2023	162	41.5%
Male as at 31 December 2023	228	58.5%
Total staff	**390**	**100.0%**

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

GRADE	FEMALE	MALE	TOTAL
Senior Management (AGM –GM)		3	3
Middle Management (DM – SM)	12	22	34
TOTAL	**12**	**25**	**37**

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

GRADE	FEMALE	MALE	TOTAL
Executive Director	-	1	1
Managing Director	-	1	1
Non-Executive Director	2	4	6
TOTAL	2	6	8

Total remuneration of Senior Management (Assistant General Managers, Deputy General Managers, General Managers and Executive Directors) in 2023 amounted to N117,573,846.65.

Acquisition of own shares

The Bank did not acquire any of its shares during the six months period ended 31 December 2023.

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 29 to the financial statements.

Employment and employees

Employment of disabled persons:

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

Health, safety and welfare of employees:

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

Report Of The Directors

Employee training and development

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

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

Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Bank for the six months period ending December 31, 2023 and the profit or loss and other comprehensive income attributeable to equity holders on that date which have not been adequately adjusted for or disclosed.

Auditors

In accordance with Section 401(1) of the Companies and Allied Matters Act 2020 and Section 20.2 of Nigerian Code of Corporate Governance 2018, Messrs Deloitte & Touche was appointed as the first External Auditors of The Alternative Bank Limited and they have indicated their willingness to continue as External Auditors of The Alternative Bank Limited.

BY ORDER OF THE BOARD:

Damilola Lenge
Acting Company Secretary
FRC/2024/PRO/NBA/002/052671
20 Marina, Lagos, Nigeria
20th March, 2024

Corporate Governance Report

The Bank complies with the relevant provisions of the Financial Reporting Council of Nigeria (FRCN) Code of Corporate Governance and the Central Bank of Nigeria (CBN) Guidelines on Corporate Governance for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria.

Board of Directors

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

Attendance at Board meetings for the six months period ended 31 December 2023 are as follows:

SN	Director	Status	Attendance		No. of Meetings
1	Mr. Muhtar Bakare	Chairman	2		2
2	Mrs. Morenikeji Folawiyo	Non-Executive Director	2		2
3	Mr. Yemi Odubiyi	Non-Executive Director	2		2
4	Mr. Emmanuel Onansaya	Non-Executive Director	2		2
5	Prof. Ibrahim Onaleye *	Independent Non- Executive Director	1		2
6	Hajiya Umma Dutse	Independent Non-Executive Director	2		2
7	Mr. Hassan Yusuf	Managing Director/CEO	2		2
8	Mr. Garba Mohammed	Executive Director	2		2
	** Resigned effective 31 December 2023*				

Board Committees

The Board carries out its oversight functions through its various committees each of which has a clearly defined term of reference and a charter that has been approved by the Central Bank of Nigeria. The Board has four (4) standing committees, namely: Board Finance and Investment Committee, Board Risk Management Committee, Board Audit Committee and Board Governance, Nomination and Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

Board Finance and Investment Committee

The Committee 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

- Determine the policies and strategies relating to capital management of the Company, and oversee and monitor
- Ensure finance and investment decisions are in alignment with corporate objectives and strategy;
- Ensure adequate budget and planning processes exist, and performance is measured against the annual budget;

Board Finance and Investment Committee - continued

- Approve and recommend dividend and tax policies to the Board;
- Conduct quarterly business reviews with management to assess financial and investment performance;
- Review the adequacy of financial systems, operations and internal controls;
- Approve capital and major operating expenditure and investment limits recommended by management;
- Ensure that reporting on issues related to investment and finance are comprehensive for proper deliberation
- Ensure investment strategies, policies and guidelines are in compliance with Shariah principles and practices and
- Consider and approve proposals for significant acquisitions, mergers, takeovers, divestments of operating
- Formulate guidelines from time to time on cost control and reduction, consistent with maximum efficiency, and
- Review and report to the Board on, the Company's financial projections, capital and operating budgets, and
- Review and recommend to the Board all new business initiatives, especially those requiring a significant capital
- Determine an optimal investment mix consistent with risk profile agreed by the Board; and
- Carry out such other functions relating to finance and investment strategy as the Board may from time to time

Corporate Governance Report

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

SN	NAME	STATUS	Attendance		No. of Meetings
1	Mr. Emmanul Onasanya	Chairman	1		1
2	Mr. Yemi Odubiyi	Member	1		1
3	Mrs. Morenikeji Folawiyo	Member	1		1
4	Prof. Ibrahim Onaleye*	Member	1		1
5	Mr. Hassan Yusuf	Member	1		1
6	Mr. Garba Mohammed	Member	1		1

***Resigned effective 31 December 2023**

Board Risk Management Committee

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

Terms of reference

- Ensure that there are standards, policies, and processes in place to identify and measure all material risks and
- Re-evaluate all risk management policies on a periodic basis to accommodate major changes in internal or
- Review executive management reports, detailing the adequacy and overall effectiveness of the Company's risk
- Ensure that Management implements specific limits or tolerance levels that are aligned with overall risk appetite
- Make recommendations to the Board concerning the levels of risk capacity and tolerance, and ensure that they
- Ensure that the Company's risk management policies and practices are disclosed in the annual report.
- Review the Company's activities related to the Code of Conduct and Ethics;
- Review the adequacy and effectiveness of compliance programmes;
- Review the compliance processes in place and ensure that any changes to legal and regulatory requirements are
- Periodic review of changes in the economic and business environment, including emerging trends and other
- Evaluate the nature and effectiveness of action plans implemented to address identified compliance weaknesses;
- Provide to the Board such assurances as it may reasonably require regarding compliance by the Company.

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

SN	NAME	STATUS	Attendance		No. of Meetings
1	Mrs. Morenikeji Folawiyo	Chairman	0		1
2	Prof. Ibrahim Onaleye *	Member	1		1
3	Hajiya Umma Dutse	Member	1		1
4	Mr. Yemi Odubiyi	Member	1		1
5	Mr. Hassan Yusuf	Member	1		1
6	Mr. Garba Mohammed	Member	1		1

***Resigned effective 31 December 2023**

Board Audit Committee

The Committee acts on behalf of the Board of Directors on all audit matters. Decisions and actions of the Committee

Term Terms of reference

- Oversee the assessment of the qualification, independence, and performance of the Internal Audit and Sharia
- Review significant findings and recommendations by Internal Audit and Sharia Audit; and Management
- Review implementation of Internal Audit and Sharia Audit recommendations by Management;
- Ensure that the operations of the Internal Audit and Sharia Audit function is in compliance with acceptable
- Ensure Management develops a comprehensive internal control framework and oversee its effectiveness;
- Ensure there are effective controls in place to minimize operational risks and optimize value;
- Oversee the process for identifying risks across the Company and ensure that Management puts in place
- Ensure that adequate whistle-blowing procedures are in place;
- Review the proposed audit plan(s) and review the results of internal audits completed since the previous Committee meeting as well as the focus of upcoming internal audit projects; and
- Ensure the development of a comprehensive internal control framework for the Company, and that the financial report contains an assurance of the operating effectiveness of the Company's internal control framework.

Corporate Governance Report

Board Audit Committee - continued

- Review the results of the annual audit report and discuss the annual financial statements with external auditors and Management;
- Review the auditors' management control letter presented by the external auditors and ensure adequacy of
- Review with the Chief Financial Officer annually the significant financial reporting issues and practices of the
- Meet separately, and at least quarterly, with the Chief Financial Officer, the Chief Internal Auditor and relevant
- Discuss the Company's policy regarding press releases as well as financial information provided to analysts and
- Require Management to present and discuss, as soon as practicable, all reports received from regulators (e.g.
- Annually assess and confirm the independence and competence of the external auditors, the report of this
- Ensure that the tenure of an appointed External Auditor shall be for the maximum period of ten (10) years as
- Review legal and regulatory matters, contingent liabilities or other sensitive information that may have a
- Maintain a mechanism for receiving complaints regarding the Company's accounting and operating procedures;
- 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:

SN	NAME	STATUS	Attendance		No. of Meetings
1	Prof. Ibrahim Onaleye *	Chairman	1		1
2	Mr. Emmanuel Onasanya	Member	1		1
3	Hajiya Umma Dutse	Member	1		1

*Resigned effective 31 December 2023

Board Governance, Nomination and Remuneration Committee

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

Terms of reference

- Review the size and composition of the Board taking into consideration the appropriate skill mix, personal qualities, expertise, ability to exercise independent judgment, and diversity required to discharge the Board's
- Make recommendations on the experience and training required for Board Committee membership, operating structure, and other operational matters;
- Establish the criteria and execute the process, upon Board approval, for appointing and re-appointing new and existing Directors respectively, and the removal of non-performing Directors;
- Ensure that every member of the Board receives a formal letter of appointment, setting out their roles, responsibilities, and time commitments for Board and Board Committees' meetings;
- Develop and maintain an appropriate corporate governance framework for the Company, and make recommendation to the Board on transparent and sound corporate governance principles;
- Consideration of appointment of new Directors to the Board;
- Develop job specification and Key Performance Indicators (KPIs), which shall be approved by the Board for the role of the Chairman and the Non-Executive Directors;
- Ensure the Board carries out annual performance review of itself and that of its Committees in accordance with applicable laws, regulations, policies and codes. The result of the exercise shall be reviewed by this Committee who shall also ensure that the recommendations following the evaluation report are implemented;
- Develop, review and recommend the remuneration policy to the Board for approval;
- Review and recommend to the full Board, compensation for the Chief Executive officer and senior management staff. The committee shall ensure its recommendations are in accordance with the Company's remuneration policy, the provisions of the CBN and SEC Codes of corporate governance and all applicable laws and regulations;
- Ensure that salary scales are set within the general Company's business policy;

Corporate Governance Report

Board Governance, Nomination & Remuneration Committee - continued

- Make recommendations to the Board, reinforcing sound corporate governance principles, on the incentive structure of the Company including executive compensation and bonuses;
- Provide input to the annual report of the Company on Directors' compensation, aligning with the provisions of the CBN and Nigerian Code of Corporate Governance;
- Conduct periodic peer review of compensation and remuneration levels to ensure the Company remains
- Undertake other reviews as the Committee deems necessary in order to fulfil its responsibilities as may be requested by the Board.
- To perform any other duties assigned by the Board from time to time.

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

SN	NAME	STATUS	Attendance		No. of Meetings
1	Hajiya Umma Dutse	Chairman	2		2
2	Mr. Yemi Odubiyi	Member	1		2
3	Mrs. Morenikeji Folawiyo	Member	2		2
4	Mr. Emmanuel Onasanya	Member	2		2

Corporate Governance Report

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

Meetings	Dates	
Board	13-Jul-23	25-Nov-23
Board Finance and Investment Committee	6-Oct-23	
Board Audit Committee	6-Oct-23	
Board Risk Management Committee	5-Oct-23	
Board Governance, Nomination & Remuneration Committee	4-Oct-23	16-Nov-23

The Company Secretary

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

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

The Company Secretary 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

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

Management Committees

1 **Management Committee (MANCO)**
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 effective returns rate risk within acceptable parameters. It also reviews the economic outlook and its impact on the Bank's strategies.

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

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

5 **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.

Corporate Governance Report

Succession Planning

The Altenative Bank Limited has a Succession Planning framework which is aligned to the Bank's overall organisational development strategy. The Human Capital Group is saddled with the responsibility to coordinate the implementation of the framework.

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

Code of Ethics

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

The Bank also has a Sanctions Manual which provides sample offences/violations and prescribes measures to be adopted in various cases. The Group Head, Human Capital Management is responsible for the implementation and compliance with the "Code of Ethics".

Whistle Blowing Process

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

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

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

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any persons or act that might jeopardize its reputation. 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

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

Further disclosures are stated in Note 46c to the financial statements.

Complaint Management Policy

The Bank has put in place a Complaint Management Policy guiding the resolution of disputes with stakeholders.

Corporate Governance Report

Shariah Governance Mechanism

The Shariah Governance Framework at The Alternative Bank is overseen from a Shariah perspective by the Advisory Committee of Experts (ACE). The appointment of ACE members is endorsed by the Board of Directors and approved by the Central Bank of Nigeria (CBN). Comprising esteemed and qualified Shariah scholars, the ACE is tasked with reviewing and ensuring that all Islamic banking products, services, and operations at AltBank adhere to Shariah principles.

Operating in accordance with resolutions, standards, and guidelines from the Financial Regulation Advisory Council of Experts (FRACE) at the CBN, the ACE's resolutions are guided by Shariah principles and Shariah Standards issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI).

The Alternative Bank has implemented Shariah Governance guidelines issued by the CBN in its Corporate Governance Guidelines for Commercial, Merchant, Non-Interest, and Payment Service Banks in Nigeria. Under this framework, there is a clear segregation between business, Shariah compliance, and Shariah audit, ensuring three lines of defense. This is achieved through the establishment of Internal Shariah Compliance and Internal Shariah Audit departments, both reporting to the Shariah Board. This setup prevents conflicts of interest and ensures necessary checks and balances to ensure all Islamic banking activities comply with relevant Shariah guidelines and regulations.

Statement on Compliance with Internal Shariah Review Mechanism

At the Alternative Bank Limited, ensuring Shariah compliance across all our products and services is paramount. To achieve this, we have established a robust Shariah governance framework, overseen by the Advisory Committee of Experts (ACE), comprising eminent Shariah scholars specializing in Islamic jurisprudence.

We have set up dedicated departments, namely the Shariah Compliance Department and Internal Shariah Audit Department since the inception of our Bank. These departments play a crucial role in upholding Shariah compliance standards throughout our operations.

The Internal Shariah Review Mechanism within our Bank fulfills several key functions aimed at achieving Shariah compliance across all customer dealings, products, and services. The Shariah Review/Compliance (SRC) diligently examines our product documentation, processes, and procedures to ensure alignment with Shariah principles. Additionally, it evaluates all financing requests before disbursement to mitigate Shariah Non-Compliance Risks (SNCR).

Moreover, our internal Shariah audit function conducts independent assessments on the quality and effectiveness of our internal control, risk management systems, and governance processes. This includes evaluating the overall compliance of our operations with the principles of non-interest banking. The findings of these audits are reported to the ACE, who provide guidance, and to management, who take appropriate steps to further enhance our services and products in accordance with Shariah principles.

By adhering to stringent Shariah review mechanisms and continually improving our processes, we remain committed to offering Shariah compliant solutions that meet the ethical and religious standards of our stakeholders.

Corporate Governance Report

Composition of the ACE and the number of meetings attended by each member

The composition of the ACE is as follows:

Name	Role
Shaykh AbdulKader Thomas	Chairman
Hon. Justice AbdurRaheem Ahmad Sayi	Member
Shaykh Abubakar Muhammad Musa	Member

The table below sets out the dates of the ACE meetings and attendance details:

Date of Meeting	Present	Absent
12th March 2023	3	None
20th June 2023	3	None
18th September 2023	3	None
14th December 2023,	3	None

ACE Certification of Compliance with Principles of Islamic Finance

The ACE certification of compliance with principles of Islamic finance signifies that the Advisory Committee of Experts (ACE), an independent advisory body consisting of Shariah experts, has conducted a comprehensive review of the Bank's operations. This review aims to ensure strict adherence to Shariah principles in all aspects of the Bank's activities.

The certification process involves the ACE reviewing and endorsing policies and guidelines related to Islamic finance principles. the ACE validates all documentation for new products and services to ensure alignment with Islamic commercial jurisprudence. It also involves the conducting a thorough review of the internal Shariah audit report. This review ensures that the Bank's operations and practices, as evaluated through the internal Shariah audit, adhere to Shariah principles and guidelines.

Upon completion of the review, the ACE certifies that all products and services offered by the Bank comply with Shariah principles. This certification provides assurance to stakeholders that the Bank operates in accordance with Islamic finance principles, as guided by knowledgeable scholars within the Shariah Advisory Committee.

Advisory Committee of Experts (ACE) Report

Six Months ended December 31, 2023
In the name of Allah, The Beneficent, The Merciful

Praise be to Allah the Lord of the world, prayers and peace be upon the most honorable of the prophets and messengers, our master Prophet Mohammad, his family and all his companions.

Advisory Committee of Experts (ACE)□sreport to the shareholders and participatory stakeholders of The Alternative Bank Limited on the state of compliance of The Alternative Bank Limited with Shariah principles and rules during the period ended 2023.

Introduction:

We, collectively, having been appointed by the Board of Directors of The Alternative Bank as the Advisory Committee of Experts (ACE) of The Alternative Bank Limited have fulfilled our responsibilities in respect of ensuring the Bank□s compliance with Shariah principles and rules, and are pleased to issue this report.

In Our Opinion:

In its various transactions, investments, deposits and its different business transactions during the period ended on 31st December 2023, the bank has abided by the rules and principles of Shariah.

Additional Opinion:

The Advisory Committee of Experts (ACE) of The Alternative Bank Limited has reviewed the financial statement of the bank and taken note of the Non-Permissible Income (NPI) declared by the bank during the review period. The ACE hereby certifies that the declared amount is correct and that the NPI has been disposed by the bank to the satisfaction of the ACE.

We have conducted an evaluation of the work that was accomplished by the Shariah Audit team, which consisted of inspecting, on a test basis, each type of transaction, as well as the necessary documentation and processes that the Bank had employed. The information we received was comprehensive and provided us with reasonable assurance that Sterling NIB has not committed any significant Shariah transgressions.

Our Responsibilities:

Our responsibilities in respect of the Bank□s compliance with Shariah principles and rules include providing supervision, Shariah rulings on the products, services and operations of the Bank, particularly regarding the design of the transactions (including approval of contracts, related documents, and process flows). We are also responsible for supervising and providing our input, where needed, on the execution of such transactions and implementation of our decisions. We are also required to perform a period specific review of the state of compliance of the Bank with Shariah principles and rules.

We confirm that we have fulfilled our responsibilities in respect of the period. We further confirm that the management of the institution has provided us all the information and support that we considered necessary for the purpose of fulfilling our responsibilities, including, in particular, those that enable us to form our opinion and to issue our report.

Responsibilities of the Management:

Management has the responsibility to implement the Shariah governance framework and to ensure that Shariah compliance is embedded in the day-to-day functioning of the institution. The management is responsible for ensuring that the financial arrangements, contracts and transactions having Shariah implications, entered into by the institution with its customers and other stakeholders, and related policies and procedures, are, in substance and in their legal form, in compliance with the requirements of Shariah principles and rules. Management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

Acknowledgment:

The ACE wishes to express gratitude to the Board of Directors, Management, departments, and staff of The Alternative Bank Limited for their excellent cooperation and dedication. We commend the board of directors and management for their strategic decision to transition the Bank from a window to a standalone Bank. This move represents a significant milestone for non-interest banking in Nigeria and brings numerous benefits to the Bank and its stakeholders.

And Allaah knows best.

Date: 02-04-2024

Shaykh AbdulKader Thomas
Chairman
FRC/2023/PRO/AUDITCOM/002/005809

Hon. Justice AbdulRaheem A. Sayi
Member
FRC/2023/PRO/AUDITCOM/002/649835

Shaykh Abubakar M. Musa
Member
FRC/2023/PRO/AUDITCOM/002/951263

Statement Of Directors' Responsibilities In Relation To The Preparation Of The Financial Statements

The Directors of The Alternative Bank accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Bank as at 31 December 2023, and the results of its operations, cash flows and changes in equity for the period then ended, in compliance with International Financial Reporting Standards ("IFRS"), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) 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 (Amended) Act, 2023. 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 Bank's financial position and financial performance.

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

The financial statements of the Bank for the period ended 31 December 2023 were approved by the directors on 20th March, 2024

Signed on behalf of the Directors by:

Hassan Yusuf	**Muhtar Bakare**
Managing Director	***Chairman***
FRC No: FRC/2024/PRO/DIR/003/227843	**FRC/2022/PRO/DIR/003/458338**

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,

(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 Bank is made known to the officer by other officers of the Bank, particularly during the period in which the audited financial statement report is being prepared.

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

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

The financial statements of the Bank for the six months ended 31 December 2023 were approved by the directors on March, 2024.

Signed by:

Okon Markson, FCA
Group Head - Finance & Performance Management
FRC No: FRC/2023/PRO/ICAN/001/702053

Hassan Yusuf
Managing Director
FRC No: FRC/2024/PRO/DIR/003/227843

Muhtar Bakare
Chairman
FRC/2022/PRO/DIR/003/458338

Report of the Board Audit Committee

In compliance with the provisions of Section 404(7) of the Companies and Allied Matters Act 2020, the members of the Board Audit Committee report on the financial statements for the period ended 31 December 2023 as follows:

1 We are of the opinion that the accounting and reporting policies of the Bank are in accordance with International Financial Reporting Standards, Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), regulatory and legal requirements and other agreed ethical practices.

2 We believe that the scope and planning of both the external and internal audits for the period ended 31 December 2023 were satisfactory and reinforce the Bank's internal control systems.

3 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.

4 The Internal Control and Internal Audit functions were operating effectively.

5 We have exercised our statutory functions under Section 404 (4) of the Companies and Allied Matters Act, 2020, and acknowledge the cooperation 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 financial statements of banks". We have reviewed insider-related credits of the Bank and found them to be as analysed in the financial statements. The nature of these facilities is disclosed in Note 40 to the financial statements.

Hajiya Umma Dutse
Chairman, Board Audit Committee
FRC/2024/PRO/DIR/003/444614
20th March, 2024

	Members of the Board Audit Committee are:	
1.	Hajiya Umma Dutse	Chairman
2.	Mr. Emmanuel Onasanya	Member
3.	Professor Ibrahim Onaleye*	Member

* Resigned effective 31st December 2023

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Board Evaluation Report for FY2023

April 2024

Report of External Consultants on the Board Performance Evaluation of The Alternative Bank Limited

We have performed the evaluation of the Board of The Alternative Bank Limited for the year ended 2023 in accordance with the CBN Corporate Governance Guidelines 2023 (CBN CGG 2023) and the FRC Nigerian Code of Corporate Governance 2018 (FRC NCCG 2018).

The FRC NCCG 2018 states that Annual Board Evaluation assesses how each Director, the Committees of the Board and the Board are committed to their roles, work together and continue to contribute effectively to the achievement of the Bank's objectives. Subsection 15.2 of the FRC NCCG states that the summary of the report of this evaluation should be included in the Company's annual report and on the investors' portal. Our approach included the review of The Alternative Bank Limited's Corporate Governance framework, and all relevant policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one on one interviews with the Directors of the Bank.

The appraisal is limited in nature, and as such may not necessarily disclose all significant matters about the company or reveal irregularities in the underlying information.

Based on our work, and as noted below, the Board of The Alternative Bank Limited has complied with the requirements of Sections 10.2 and 10.3 of the CBN CGG 2023 and Sections 14.1 and 15.1 of the Nigerian Code of Corporate Governance 2018 (FRC NCCG 2018) during the year ended 31st December 2023.

Specific recommendations for the further improvement of The Alternative Bank Limited Corporate Governance practices have been articulated and included in our detailed report to the Board. These recommendations cover the following areas: Strategy, Quality of the Board, Board Operations, Board Risk Management Activities, Relationship with Stakeholders as well as Transparency and Disclosure.

Yours faithfully

Abiodun Ogunoiki
Associate Partner and Financial Services Risk Management Leader, West Africa

Deloitte.

Deloitte & Touche
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Victoria Island, Lagos
Nigeria.
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27 March 2024

The Chairman
Alternative Bank Limited
Sterling Towers,
20 Marina,
Lagos Island

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

Deloitte & Touche has performed an independent review to determine the extent of Alternative Bank Limited's ("Alternative Bank") compliance with the provisions of the Nigerian Code of Corporate Governance 2018 (NCCG 2018) and CBN Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks (CBN CG Guidelines for Banks), for the year ended 31 December 2023.

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

The result of our review has shown that the Bank substantially complied with the provisions of the NCCG and the CBN CG Guidelines for Banks at the end of the period under review. It is noteworthy that the Bank obtained its license to operate as a non-interest bank with national authorization on 26 June 2023 and the Board held its inaugural Board and Committee meetings in October 2023. Hence, several relevant policies were still being developed, while an assessment of corporate governance practices could not be fully tested because the Bank was barely six (6) months old by the end of the period under review.

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

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

Yours faithfully,
For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

Deloitte.

P.O. Box 965
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE ALTERNATIVE BANK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The **Alternative Bank Limited** set out on pages 25 – 107, which comprise the statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, the statements of changes in equity, and the statements of cash flow for the year then ended, the notes to the financial statements including material accounting policy information.

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

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

Key Audit Matter **Identification and measurement of impairment of Financial assets**	**How the matter was addressed in the audit**
As disclosed in note 2.2.2 (vii) to the 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 assets; • Financial guarantee contracts issued; and • Finance Facilities • Sukuk instruments;	We evaluated the appropriateness of the Directors' assessment of whether credit risk has increased significantly since initial recognition of financial assets and adequacy of the related disclosures made.

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The Bank applies a three-stage approach to measuring ECL on financial assets issued which migrate through three stages based on changes in credit quality since initial recognition.	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss.
At each reporting date, the Directors assess whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life of the financial asset at initial recognition and risk of default at the reporting date. And in determining whether credit risk has increased significantly since initial recognition, the Directors uses internal credit risk grading system, external risk ratings and forecast macroeconomics information like unemployment rate, interest rate, gross domestic product, inflation and commercial property prices.	Our audit procedures also included challenging the Directors on the reasonableness of the financial assets staging categorization based on changes in credit quality and risk of default. We involved our Credit Specialist on the engagement to review and challenge the reasonableness of ECL model logic as well as inputs and assumptions (internal credit risk grading system, external risk ratings and forecast macroeconomics information like unemployment rate, interest rate, gross domestic product, inflation and commercial property prices) used by comparing these with industry trends and Banks's historical performance.
Identification and measurement of impairment of financial assets is of significance to the audit of the financial statements due to the amount of judgement required by the Directors in determining whether the credit risk has increased significantly since initial recognition of financial assets that includes the consideration of current and future macroeconomics information.	We assessed the adequacy of the disclosures in the financial statements relating to financial assets issued to customers.
Accordingly, for the purposes of our audit, we have identified identification and measurement of impairment of financial assets as a key audit matter.	Based on the work performed, we found the Directors key judgements and assumptions to be reasonable. We are satisfied that the related disclosures in the financial statement are appropriate.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The Directors are responsible for the preparation of the Financial Statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020, relevant Central Bank of Nigeria guidelines and circulars, the Financial Reporting Council of Nigeria (Amendment) Act, 2023, Shariah Governance Requirements issued by Central Bank of Nigeria Financial Regulation Advisory Council of Expert and other relevant standards issued by Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and for such internal

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control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Bank's abilities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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 based on these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 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 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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the 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 bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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

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

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

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 Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The 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.

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

No contraventions of any section of BOFIA and CBN circulars/guidelines was brought to our attention during the audit of the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
04 June 2024

Engagement Partner: Michael Daudu
FRC/2013/PRO/ICAN/004/00000000845

Statement of Comprehensive Income*

In thousands of Naira	Notes	31 Dec. 2023
Income from Financing Operations	6	2,784,253
Income from investment in Sukuk Securities (measured using effective return rate)	7a	2,641,994
Income from other Investing Activities	7b	677,208
Gross income from financing & Investment transactions		**6,103,455**
Impairment on Financing & Investment Contracts	8	(246,747)
Net income after impairment		**5,856,708**
Returns to Investment Account Holders	9	(2,377,925)
Total Returns after payment to Equity Investment Account Holders		**3,478,783**
Fees and Commission income	10	1,735,495
Fees and Commission expense	10	(79,290)
		5,134,989
Income from Other Sources		
Other operating income	11	2,371,638
Total Income		**7,506,627**
Expenses:		
Personnel Expenses	12	(2,515,752)
Depreciation and Amortization	13	(114,054)
Other Operating expenses	14	(2,224,073)
Total expenses		**(4,853,879)**
Profit before tax		**2,652,748**
Income tax expenses	15(a)	(262,270)
Profit for the period		**2,390,478**
Other comprehensive income:		
Items that will not be reclassified to profit or loss subsequent period:		
Revaluation gain on equity instruments at fair value through other comprehensive income		**1,382,640**
Total items that will not be reclassified to profit or loss subsequent period		**1,382,640**
Items that will be reclassified to profit or loss in subsequent period:		
Sukuk Instruments at fair value through other comprehensive income:		
- Net change in fair vaue during the year		578,774
- Changes in allowance for expected losses		101,101
Net (losses) / gains on Sukuk instrument at fair value through other comprehensive income		**679,875**
Total Items that will be reclassified to profit or loss in subsequent period:		**679,875**
Other comprehensive income / (loss) for the year net of tax		**2,062,515**
Total comprehensive income for the period		**4,452,993**
Earnings per share		
Basic and Diluted Earnings per share (kobo)	16	**12k**

* The statement of comprehensive income is for six (6) months ended 31 December 2023.

The accompanying notes to the financial statement form part of the financial statements.

Statement of Financial Position

As at 31 December 2023

In thousands of Naira	Notes	31 Dec. 2023
Assets		
Cash & Bank balances.	17	60,033,957
Due from Other Commercial Banks	18	19,987,590
Commodity Murabaha Products	19	8,656,992
Investment-Gold Bullion	20	1,828,128
Accounts Receivable	21	1,436,550
Investment in Sukuk	22	31,780,498
Halal Portfolio Investment	23	4,163,533
Financing Assets	24	33,122,757
Other Investments - Musharakah	25	1,353,707
Other assets	26	3,086,542
Investment Property	27	4,790,469
Investment in Unquoted Equity	28	3,628,065
Property, Plant and Equipment	29	8,700,744
Intangible assets	30	151,092
Total assets		**182,720,624**
Liabilities		
Due To Other Commercial Banks	31	8,627,430
Customer Current Deposits	32	71,699,146
Due To Other Financial Institutions	33	25,617,715
Current Income Tax Payable	15(b)	51,053
Other Liabilities	34	25,692,160
Provisions	35	6,148
Deferred Tax Liabilities	15(i)	177,925
Total liabilities		**131,871,577**
Equity of investment account holders		
Unrestricted Investment Accounts	36	36,306,688
Total equity of investment account holders		**36,306,688**
Owners' equity		
Share Capital	37	10,000,000
Retained Earnings		1,484,349
Other Components of Equity		2,968,644
Profit Equalisation Reserve		89,366
Total equity		**14,542,359**
Total Equity and Liabilities		**182,720,624**

Signed on behalf of the Board of Directors on March 20, 2024

Okon Markson, FCA
Group Head, Finannce & Performance Management
FRC/2023/PRO/ICAN/001/702053

Hassan Yusuf
Managing Director
FRC/2024/PRO/DIR/003/227843

Muhtar Bakare
Chairman
FRC/2022/PRO/DIR/003/458338

The accompanying notes to the financial statement form part of the financial statements.

Statement of Changes in Equity

In thousands of naira	Share capital	Fair value Reserve	Profit Equalisation Reserve	Regulatory Risk Reserve	AGSMEIS Reserve	Statutory Reserve	Total Other Components of Equity	Retained earnings	Total Equity
								31 Dec. 2023	
Equity at July 2023	10,000,000	-	-	-	-	-	-	-	10,000,000
Transfer to profit equalization reserve (PER)**	-	-	89,366	-	-	-	89,366	-	89,366
	-	-	-	-	-	-	-	-	-
Comprehensive Income for the Year	-	-	-	-	-	-	-	-	-
Profit for the Period	-	-	-	-	-	-	-	2,390,478	2,390,478
Net change in fair value of other financial instruments measured at FVOCI	-	578,774	-	-	-	-	578,774	-	578,774
Net change in fair value of equity measured at FVOCI	-	1,382,640	-	-	-	-	1,382,640	-	1,382,640
Changes in allowance for expected credit losses of sukuk instruments at FVOCI	-	101,101	-	-	-	-	101,101	-	101,101
Total comprehensive income for the year	-	2,062,515	89,366	-	-	-	2,062,515	2,390,478	4,542,359
	-	-	-	-	-	-	-	-	-
Transaction with equity holders, recorded directly in equity:	-	-	-	-	-	-	-	-	-
Dividend to equity holders	-	-	-	-	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	-	69,462			69,462	(69,462)	-
Transfer to statutory & AGSMEIS reserves	-	-	-	-	119,524	717,143	836,667	(836,667)	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
At 31 December 2023	10,000,000	2,062,515	89,366	69,462	119,524	717,143	2,968,644	1,484,349	14,542,359

The accompanying notes to the financial statement form part of the financial statements.

**** The Bank set aside part of its earnings as Profit Equalization Reserve (PER) to smoothen profit sharing obligations with its Equity Investment Account Holders.**

Statement of Cash Flows

In thousands of Naira	Notes	31 Dec. 2023
Cash flows from Operating Activities:		
Profit After Tax		**2,390,478**
Adjustments for:		
Gain from disposal of investment property	11	-441,917
Impairment on Financing & Investment Contracts	8	246,747
Depreciation and Amortisations	13	114,053
Income Tax Expense	15(a)	262,270
Gross income from financing & Investment transactions		(6,103,455)
Returns to Investment Account Holders		2,377,925
		(1,153,899)
Change in Operating Assets and Liabilities		
Investment - Commodity Stocks		433,377
Other Assets		(2,464,708)
Due from Other Commercial Bank		(239,000)
Customer current deposits		24,088,940
Financing assets		(18,587,759)
Other Financial Institutions		(3,411,411)
Other liabilities		8,091,993
		6,757,533
Financing & Investment transactions income received		6,162,660
Returns paid to Investment Account Holders		(2,318,428)
		10,601,764
Net cash flows generated from operations		**10,601,764**
Cash Flows from Investing Activities		
Purchase of property and equipment	29	(5,890,890)
Purchase of intangible assets	30	(59,652)
Purchase of investment in Halal Funds		(568,854)
Sales of investment in Sukuk		5,786,794
Proceeds from disposal of investment property		1,157,524
Net cash used in investing activities		424,922
Cash Flows from Financing Activities		
Unrestricted Investment Accounts		5,828,260
Net cash generated from financing activities		5,828,260
Net increase in cash and cash equivalents		16,854,946
Analysis of changes in cash and cash equivalents		
Cash and cash equivalents transferred in		33,184,174
Impact of exchange movement		9,994,836
Increase in cash and cash equivalents		16,854,946
Cash and cash equivalents at end of the period	42	60,033,957

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 thousands of Naira	Note(s)	As at December-23
Transfer to Regulatory Risk Reserve		
Prudential provision		1,587,056
Total Prudential provision		**1,587,056**
IFRS provision		
Impairment allowance on finance facilities	24	1,127,010
Allowances for impairment for other assets	26	171,180
Impairment allowance on Sukuk Securities		101,101
Impairment allowance on other investment - musharaka	25	50,000
Provision for guarantees and letters of credit	35	6,148
Impairment on commodity stock	19	62,155
		1,517,594
Difference in impairment provision balances		***69,462***

Non-permissible Income (NPI) and its disposal

For the six months ended 31 December 2023

In thousands of Naira	**Dec-23**
Sources of charity Funds	
Non Permissible Income	**7,663**
Total Sources of NPI	7,663
Uses of NPI	
Disbursement to charity	7,662
Total uses of NPI during the year	7,662
Balance at 31 December	1

Notes to the Financial Statements

1 Corporate information :

1.1 Incorporation

The Alternative Bank Ltd was incorporated on 23rd March 2022 as a limited liability company with incorporation RC No. 1909410. It obtained a national banking license from the Central Bank of Nigeria on June 26, 2023 and consequently, commenced ethical banking operations on July, 2023. The Alternative Bank is a subsidiary of Sterling Financial Holdings Company Plc.

1.2 Corporate Restructuring

The restructuring was implemented via a scheme of arrangement between the Bank and its shareholders in line with the Guidelines for Licensing and Regulation of national commercial banks in Nigeria.

At a court-ordered meeting held on the 19th of September 2022, the Bank's shareholders approved all the resolutions required to effect the scheme. The Bank also received the final approval of the Securities and Exchange Commission (SEC) to effect the scheme on the 20th of October 2022.

The Bank applied to the Corporate Affairs Commission (CAC) in September 2022 and re-registered the Holdco as a public company.

The court order sanctioning the scheme was obtained on the 19th of December 2022; after which, an application for the registration of the 28,790,418,124 ordinary shares of the Holdco was made to the SEC with approval received on the 20th of March 2023.

The approval of the final licenses for both the Holdco and The Alternative bank Ltd, the standalone Non-Interest Bank were received on the 27th June 2023 and 26th June 2023 respectively from the Central Bank of Nigeria.
The Holdco and the AltBank commenced operations on the 1st of July 2023 following a carve out and transfer of the Non-Interest banking business from the Bank to the Holdco, making it the second subsidiary of the Holdco.

The Holdco structure will enable the Group strengthen its earnings and long-term competitiveness, increase funding sources, diversify into other permissible business areas, fostering growth and increasing shareholder value.

Notes to the Financial Statements

(b) Reorganisation of capital

As part of the carve out of the non-interest banking window business and reorganisation of capital, Sterling Bank Plc transferred the sum of ₦10 billion to the CBN for the capitalisation of The Alternative Bank Limited.

(c) Carve-out and transfer of non-interest banking business and the emergence of The Alternative Bank Ltd

Consequent upon (b) above and in line with the restructuring scheme of arrangement the Bank received all the assets, liabilities, and undertakings related to the non-interest banking window business from the legacy Sterling Bank Plc.

This resulted in transfer of N14.8 billion net asset of non-interest banking window to the Alternative Bank Ltd and a payable account (Due to Sterling Bank Ltd) in like sum recognised in the books in favor of Sterling Bank Ltd.

2 Accounting Policies

2.1 Basis of preparation and statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and For matters that are peculiar to Islamic Banking and Finance, the Bank shall rely on the Statement of Financial Accounting ("SFA") and Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), Standards issued by the Islamic Financial Services Board ("IFSB") and Circulars issued by the Central Bank of Nigeria ("CBN") shall also be of guidance.

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

(a) Functional and Presentation currency

The financial statements are presented in Nigerian Naira, the Bank functional currency and all values are rounded to the nearest Thousand (N'000) except when otherwise indicated.

(b) Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of the financial assets and liabilities within 12 months after the reporting date are ranked higher in the order of liquidity than those that are more than 12 months.

Financial assets and financial liabilities are offset and the net amount reported in the 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 Bank or are issues discussed in that manner by Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI"), Standards issued by the Islamic Financial Services Board ("IFSB").

2.2 Summary of material accounting policies:

The following are the material accounting policies applied by the Bank 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.

Notes to the Financial Statements - continued

(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 Bank with the Tax Authorities, or when appealed, upon receipt of the results of the appeal.

(ii) Deferred tax

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

• 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.

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

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

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

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

2.2.2 Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification of financial instruments

The Bank 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, facility e.t.c.

Notes to the Financial Statements

(ii) Classification of financial instruments- continued

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

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

(iii) Subsequent measurement

Financial assets -

(i) Security 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 mark-up 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. Income from these financial assets is determined using the effective return rate method and reported in profit or loss as '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 returns rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Bank's financial assets at amortised cost include cash and balances with Central Bank of Nigeria, due from banks, facility 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 mark-up on the principal amount outstanding.

The security 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, 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. Income from these financial assets is determined using the effective returns rate method and recognised in profit or loss as 'income'.

2.2.2 Financial instruments - continued

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortised cost under IFRS 9.

The Bank's financial assets at fair value through other comprehensive income include equity instruments at FVOCI, Sukuk securities.

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

(ii) Equity instruments:

The Bank subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Bank'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 Bank's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. All equity financial assets are classified as measured at FVOCI. The Bank presents fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

(iv) Business model assessment

The Bank 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 revenue, maintaining a particular returns 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 Bank'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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment of whether contractual cash flows are solely payments of principal and mark-up on principal

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'profit' is defined as mark-up for the credit risk associated with the total principal amount outstanding and for other basic financing risks and costs.

Cash and Bank Balance

In assessing whether the contractual cash flows are solely payments of principal and the mark-up, the Bank 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 Bank considers:

Notes to the Financial Statements

2.2.2 Financial instruments - continued

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank'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 mark-up for Ijarah Muntahia Bittamleek structured facilities.

The Bank holds a portfolio of long-term fixed rate facilities for which the Bank has the option to revise the returns 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 facility based on the revision in market rates are part of the contractually agreed terms on inception of the facility agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the facilities at par at any reset date. The Bank has determined that the contractual cash flows of these facilities are solely payments of principal and profit because the option varies with the mark-up rate in a way that is considered a consideration for the time value of money, credit risk, other basic financing 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 profit. Please note that changes in mark-up rate applies to facilities under the Ijara structure but the above changes will not apply to facilities under the murabaha structure.

Financial liabilities -
The Bank 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 Bank.

The Bank 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 Bank's own credit quality is calculated by determining the changes in credit spreads above observable market mark-up 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.

2.2.2 Financial instruments - continued

(v) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets that are debt instruments. A change in the objective of the Bank's business occurs only when the Bank 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 Bank 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 profits previously recognised are not restated when reclassification occurs.

The Bank may only sell insignificant portion of debt instruments measured at amortised cost frequently without triggering a change in business model. If the Bank 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 Bank 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 Bank 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.

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Notes to the Financial Statements

2.2.2 Financial instruments - continued

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 Bank 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 income for the year.

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

Qualitative criteria

Scenarios where modifications may lead to derecognition of existing facilities and recognition of a new facilities, 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 mark-up
- 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 Bank 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 mark-up 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 mark-up 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 mark-up 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 mark-up rate of the existing financial asset.

Notes to the Financial Statements

2.2.2 Financial instruments - continued

(ii) Financial liabilities

The Bank 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 returns 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.

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

2 Credit-impaired financial assets

At each reporting date, the Bank 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 Bank would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

A **Financing transaction** that has been renegotiated due to a deterioration in the **customers'** 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, **financing transactions** that are more than 90 days overdue are considered impaired except for specialised transactions in which the Bank has rebutted the 90 days past due presumptions. The specialised **transactions** 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 Bank considers the following factors.

Notes to the Financial Statements

2.2.2 Financial instruments - continued

(vii) Impairment of financial assets- continued

- The market's assessment of creditworthiness as reflected in the Sukuk 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.

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

Financing transaction 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;
- **Financing** 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 Bank cannot identify the ECL on the **financing** commitment component separately from those on the drawn component: the Bank 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 Bank. Credit write-off approval is documented in writing and properly initialed by the Credit collection and recoveries.

A write-off constitutes a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank'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 returns 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.

The Bank did not have any embedded deriavtive in the 2023 financial year.

Notes to the Financial Statements

2.2.2 Financial instruments - continued

(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 Bank 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 Bank'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 Bank 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained Profit in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

(xii) Financial guarantees and financing 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). The Bank also recognises loss allowance for its financing commitments (See Note 33). The expected loss allowance for the financing commitment is calculated as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

The Bank has issued no financing arragement / commitment that is measured at FVTPL.

2.2.3 Revenue recognition

Returns from Investment, Financing and Share of Profit

Returns from Investment, Financing and Share of Profit are recognised in profit or loss using the agreed profit or mark - up rate method. The effective return 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 return rate for financial instruments other than credit-impaired assets, the Bank 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 return rate is calculated using estimated future cash flows including expected credit losses.

Notes to the Financial Statements

2.2.3 Revenue recognition- continued

The calculation of the effective returns rate includes transaction costs and fees paid or received that are an integral part of the effective returns 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 returns 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 income earned and share of profit

In calculating income earned and share of profit, the effective return 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, income earned is calculated by applying the effective returns rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of income reverts to the gross basis.

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

c. Presentation

Profit earned and share of profit presented in the profit or loss includes:

- Income/profit on financial assets and financial liabilities measured at amortised cost calculated on an effective returns basis;
- Profit on securities instruments measured at FVOCI calculated on an effective returns basis;

d. Compliance of income and expense with Sharia requirements

Sharia compliant income

Profit earned and shared are sharia compliant income and expense. The Bank 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.

Notes to the Financial Statements

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 Bank 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 Bank 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

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

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

Notes to the Financial Statements

2.2.5 Property, plant and equipment - continued

Assets in Capital work in progress consists of items of property, plant and equipment that are not yet available for use. Assets in Capital work in progress are 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 Intangible assets

Software

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

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

2.2.7 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 26 in accordance with IAS 16.

The investment properties consist of buildings which are depreciated on a straight-line basis over their useful life of 50 years and landed properties which are meant for development and are not subjected to depreciation.

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.

2.2.7 Investment properties - continued

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 Bank accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the Financial Statements

2.2.9 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 Bank 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 Bank's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

The Bank 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 Bank's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

(ii) Termination benefits

The Bank recognises termination benefits as an expense when the Bank 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 Bank 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 Bank 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.

(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.

Notes to the Financial Statements

2.2.9 Employee benefits - 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 Bank 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 Bank 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.

2.2.11 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 Bank's ordinary shares are recognised in equity in the period in which they are approved and declared by the Bank's shareholders.

2.2.11 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 (fvoci) until the investment is derecognized or otherwise impaired.

(ii) Regulatory risk reserve

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

(iv) 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.

Notes to the Financial Statements

2.2.11 Equity reserves - continued

(v) Profit Equalisation reserve

Profit equalisation reserve is the amount appropriated by the bank out of the mudaraba income, before allocating the mudarib share, in order to maintain a certain return level of return on investment (smoothening) for investment account holders and increase owners' equity.

2.2.12 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank'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.

2.2.13 Foreign currency translation

The Bank'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.

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).

The Bank 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 note:

Quantitative disclosures of fair value measurement hierarchy are in Note 45

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 Bank 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.

Notes to the Financial Statements

2.2.13 Foreign currency translation - continued

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank 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.

2.3 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:

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants can replace any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

These amendments had no impact on the Group's consolidated financial statements.

3 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 Bank 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 Bank. 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 25 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 27 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 Bank 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.

Notes to the Financial Statements

3 Estimates and Assumptions - continued

(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 Bank's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily.To the extent possible, the Bank 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 Bank has assessed whether the contractual terms of these assets are solely payments of principal and Profit on the principal amount outstanding.

(vi) Significant accounting judgements, estimates and assumptions

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 finance facilities. In estimating these cash flows, the Bank 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 financing portfolio (such as credit quality, levels of arrears, credit utilisation, fiancing assets 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 estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Bank's internal credit grading model, which assigns PDs to the individual 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

Notes to the Financial Statements

3 Estimates and Assumptions - continued

(vii) 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.

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 Bank's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

The Bank'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 Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(i) Going Concern

The Bank'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 Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Deferred tax asset

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

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.

Notes to the Financial Statements

4 New standards and interpretations and Products

4.1 New standards and interpretation issued but not yet effective

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

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

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

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

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

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

Amendments to IAS 7 & IFRS 7 – Supplier Finance Arrangements

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

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

4.2 Products

4.2.1 Istisna'a

A contract whereby the buyer request the seller to manufacture, construct or build a product in specification of nature and time using the seller's raw materials and expertise at a pre-agreed price. The contractual agreement of Istisna'a is an obligation from the manufacturer or producer to deliver the contracted assets to the customer upon completion. In Istisna'a the asset or product of sales is not available at the time of sale.Istisna'a provide a key advantage in a contract that it can provide flexibility to the customer, where payments can be made in installments linked to project completion, at delivery or after project completion. **Istisna'a** are mainly applied in Infrastructure projects and the main examples of istisna' application includes: Construction of power plants, factories, roads, schools, hospitals, building and residential developments. The parties to an istisna' contract are: the Producer or Manufacturer; the Bank (i.e. the financier); and the Customer (i.e. purchaser of goods).

The Bank shall comply fully with the requirements of Shari'ah in recognition and measurement of Ijarah financing. The periodic lease rentals receivable are treated as rental income during the year they occur and charge thereon is included in operating expenses while initial direct cost incurred are written off to the income statement in the year they are incurred.

Notes to the Financial Statements

4.2.2 Murabaha

Murabah is the sale of goods contract with an agreed upon profit mark up on the cost (Cost plus). Murabaha sale is of two types. In the first type, the Islamic bank purchases the goods and makes it available for sale without any prior promise from a customer to purchase it. In the second type, the Islamic bank purchases the goods as required by a customer from a third party and then sells those goods to the same customer. In the latter case, the bank purchases the goods only after a customer has made a promise to purchase them from the bank. The cost-plus-amount which is the sales value is considered to reflect to totality of the contract value to which the customer is liable.

Profit from murabaha is quantifiable at the commencement of the transaction. Such income is recognized as it accrues over the period of the contract on effective returns rate method on balance outstanding.

4.2.3 Musharaka

Musharaka is a form of partnership between the bank and its clients whereby each party contributes to the capital of partnership in equal or varying degrees to establish a new project or share in an existing one, and whereby each of the parties becomes an owner of the capital on a permanent or declining basis and shall have his due share of the profits. However, losses are shared in proportion to the contributed capital. It is not permissible to stipulate otherwise.

Income on Musharaka Contracts is recognized when the right to receive payment is established or on the distribution by the Musharek.

4.2.4 Mudarabah

The term Mudarabah refers to form of business contract - partnership whereby one party is responsible for the required capital and the other the personal effort. It may be conducted between investment account holders as providers of funds and the bank as mudarib. The bank announces its willingness to accept the funds of investment account holders, the sharing of profits being as agreed between the two parties. In the latter cases, such losses would be borne by the Islamic bank. A Mudaraba contract may also be concluded between the bank as a provider of funds, on behalf of itself or on behalf of investment account holders, and business owners, including farmers, traders etc.

4.2.5 Ijarah

Ijara-wa-Iqtina is a contract of the use of an asset for an agreed period in return to for a consideration paid on agreed intervals. The lessor or Muajir, is the owner of the asset and the lessee or Mustajir, uses the asset. The lessor temporarily transfers its usufruct to the lesseefor a rental and therefore for the agreed period and the lessee uses the assets and derived the benefits therefrom.

In full compliance with the provisions of Shari'ah in recognition and measurement of Ijarah financing contracts, the periodic lease rentals receivable are treated as rental income during the year they occur and charge thereon is included in operating expenses while initial direct cost incurred are written off to the income statement in the year they are incurred.

Operating Ijarah:

Ijarah contracts that do not end up with the transfer of ownership of leased assets to the lessee.

Finance Ijarah (Munahia Bittamleek):

Ijarah contracts which end up with the transfer of ownership of leased assets from the Bank (Lessor) to the customer (lessee).

Notes to the Financial Statements

4.2.6 Sukuk(Bonds) - measured at FVOCI

These are investment sukuk that represent ownership of units of equal value in the Mudaraba equity and are registered in the names of holders on the basis of undivided ownership of shares in the Mudaraba equity and its returns according to the percentage of ownership of the share. The owners of such sukuk are the rabbul-mal.

Amortised cost:

The amortised cost of an instrument is the amount at which the financial asset is measured at initial recognition minus capital/redemption repayments, plus or minus the cumulative amortisation using the effective return rate method of any difference between that initial amount and the maturity amount, and minus in reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective return rate method is a method of calculating the amortised cost of a financial asset and of allocating the finance income over the relevant period. The effective return rate is the rate that exactly equates the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the asset. When calculating the effective returns rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument, but shall not consider future credit losses. This calculation includes all fees and amounts paid or received between parties of the contract that are an integral part of the effective returns rate, transaction costs, and all other premiums and discounts.

4.2.7 Inventories

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

4.2.8 Gold Bullion Stocks:

Gold bullion represents stock of refined gold held for sale. Monthly mark-to-market are done on the stocks and the market impact adjusted in line with the provisions of inventories accounting.

4.2.9 1) The use of return rate:

Modern business is conducted with Profit as the foundation in setting up pricing and valuation. Non interest Banking prohibits the use of interest. This may have a pervasive effect on accounting for financial instruments, especially on recognition and subsequent measurement. The application of Capital Asset Pricing Model (CAPM) in pricing financial instruments contains parameter which is fixed, the risk free Profit rate which is regarded as riba. The model must relates the instruments with underlying real business to avoid trading on papers only which is believed to be riba.

2) Financial Instruments (FI):

In Non interest Banking, Financial Instruments (FI) must directly relate to underlying business. Price changes in the instruments are directly attributable to the changes in the value of underlying business and perhaps also changes in the value of competing assets. Theoretically, Non Profit Financial Instruments will not change due to merely changes in returns rate since changes in returns rate are not necessarily driven by changes in the real sector or underlying business. FI in Non Profit Banking is more a proof of ownership of a business instead of merely representing claim to cash flows. E.g. Sukuk-Ijarah gives a fixed cash flows, since assets financed by the bond generates fixed rental revenue as well. Certificate of Deposit is only tradeable after initial offering and after proven that the proceeds have been invested in a real sector. FI should relate directly to real sector to prohibit trading on papers only.

Notes to the Financial Statements

3) Hamish Jiddiya:

Hamish Jiddiya is a security deposit payment as a commitment fee and promise to purchase. If the buyer withdraws from the contract to purchase, the seller can demand compensation for the actual damage, if the hamish deposit is higher than the actual loss, the buyer receives the difference back, if the actual damage is higher, the the seller can demand additional compensation to the extent of the difference above the hamish deposit. Hamish can also be applied as a payment of instalment.

4) Wakala:

Wakala is an agency where a Wakeel - a representative is appointed to undertake transactions on behalf of the principal 'Muwakkil'. The agency law or Wakala law is to facilitate exchanges in economic activities. The fundamental principle of Wakala is the delegated authority from the 'Muwakkil' (principal) to the 'wakil' (agent). Where the income is quantifiable and contractually determined at the commencement of the contract, income is accrued and recognized on a time-apportioned basis over the year of the contract based on the principal amounts outstanding.

5 Segment Information

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

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

(b) *Reportable segment*

The Bank has three reportable segments; Retail Banking, Commercial Banking, Corporate & Investment Banking. The strategic business units offer different products and services, and are managed separately based on the Bank'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 Bank's reportable segments:

- Corporate & Investment banking provides banking solutions to multinational companies and other financial institutions;

- Retail Banking provides banking solutions to individuals, small businesses and partnerships.

- Commercial Banking provides banking solutions to commercial entities among others.

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.

5 Segment Information - continued

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023.

The activity of the segments are centrally financed, thus the cash flow for the Bank is presented in the Statement of cash flows.

Six Months Ended '31 December 2023 *In thousands of Naira*	**Retail Banking**	**Commercial Banking**	**Corporate & Investment Banking**	**Total**
Financing & Investment Income	1,831,037	1,464,829	2,807,589	6,103,455
Share of Profit with Investment Account Holders	(713,378)	(570,702)	(1,093,846)	(2,377,925)
Net Profit Margin	**1,117,659**	**894,127**	**1,713,744**	**3,725,530**
Net fees and commission income	687,704	550,164	1,054,480	2,292,348
Impairment on Financing & Investment Contracts	(74,024)	(59,219)	(113,504)	(246,747)
Depreciation and Amortization	(96,946)	(9,124)	(7,984)	(114,054)
Operating Expenses	(1,456,164)	(1,164,931)	(2,232,784)	(4,853,879)
Segment profit/(loss) before tax	**795,824**	**636,660**	**1,220,264**	**2,652,748**
Six Months Ended 31 December 2023				
Capital expenditure: Additions during the year				
Property, plant and equipment & Intangible assets	1,482,468	1,185,975	2,273,118	4,941,561
Other intangible assets	-	-	-	-
Total Assets	**54,816,187**	**43,852,950**	**84,051,487**	**182,720,624**
Total Liabilities & Equity of investment account holders	**50,453,480**	**40,362,784**	**77,362,002**	**168,178,265**

Notes to the Financial Statements

	In thousands of Naira	31 Dec. 2023
6	**Income from Financing Operations**	
	Income from Ijara transactions	349,189
	Income from Murabaha (Cost-Plus) contracts	2,435,065
	Total Income from Financing contracts	**2,784,253**
7a	**Income from investment in Sukuk Securities (measured using effective return rate)**	
	Income from investment in Sukuk Securities	2,641,994
	Total - Income from investment in Sukuk Securities	**2,641,994**
7b	**Income from other Investing Activities**	
	Income from Other Treasury operations	400,052
	Income from Musharaka Investment	25,905
	Income from direct commodity trading	251,251
	Total Income from other Investing Activities	**677,208**

8 **Impairment on Financing & Investment Contracts**

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

In thousands of Naira	31 Dec. 2023
Impairment Expense	
Investment & Financing impairment:	
Impairment on finance facilities - Corporate	400,584
Impairment on finance facilities - individuals	197,188
Impairment on Investments	151,101
Impairment charge on Guarantees and Letters of Credit	6,148
Impairment of Commodity Murabaha Stocks	12,155
Allowances no longer required - corporate	(406,061)
Allowances no longer required - individual	(114,368)
	246,747

9	**Returns to Investors and Funders**	
	Returns to Investment Account Holders	1,640,510
	Returns to Islamic Development Bank	737,415
	Total Returns to Investors and Funders	**2,377,925**

10 Net fees and commission income

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

In thousands of Naira	**31 Dec. 2023**
E-business commission and fees	180,093
Commissions on Letter of Credits (LCs) / Trade Finance	25,402
Agency - (Wakala) Commission (Note 10.1)	1,530,000
Total fees and commission income	**1,735,495**
E-business expenses	(79,290)
Net fees and commision income	**1,656,205**

10.1 Wakala commission refers to commissions earned on agency (Wakala) contract on the sale of grains in Nigeria.

	In thousands of Naira	**31 Dec. 2023**
11	**Other operating income**	
	Rental Income	81,746
	Miscellaneous Income (note 11.1)	1,847,975
	Gains from Disposal (note 11.2)	441,917
	Total Other operating income	**2,371,638**

11.1 ***Included in the miscellaneous income is the gain made from foreign currency translation***

11.2 ***Gains on disposal is in respect of disposal of assets of Investment Property reported under the provisions of IAS 40.***

Notes to the Financial Statements

	In thousands of Naira	**31 Dec. 2023**
12	**Personnel Cost**	
	Salaries & Wages	2,467,419
	Defined Pension Contribution	48,333
		2,515,752
13	**Depreciation and Amortisation**	
	Depreciation of property, plant and equipment (see note 25)	65,473
	Depreciation investment property (see note 25)	28,640
	Amortisation of Intangible assets	19,941
		114,054
14	**Operating expenses**	
	Training and seminar expenses	31,282
	Other staff expenses	298,766
	NDIC Premium charge	136,689
	Directors Fees & Board Expenses	105,739
	Audit Fee	37,625
	Shariah Advisor Charges	12,514
	Other Operating expense (See Note 14.1)	1,601,458
		2,224,073
14.1	**Other Operating expense**	
	Directors fees and allowances	72,292
	Maintenance Investment Property	4,098
	Other expenses	119,697
	Printing and stationeries	20,473
	Promotional Expenses*	415,905
	Repair and Maintenance	781,739
	General Insurance & related charges	14,522
	Shared service cost	27,243
	Travel and Entertainment	67,371
	Professional and Consutacy	78,118
		1,601,458

Promotional expenses are mainly cost incured during the brand launch at the carved-out.

Notes to the Financial Statements

	In thousands of Naira	31 Dec. 2023
15	**Income tax**	
(a)	**Current income tax expense:**	
	Companies 'Income tax	51,053
	Information Technology levy	26,527
	Nigeria Police Trust Fund levy	133
	National Agency for Science and Engineering Infrastructure levy	6,632
		84,345
	Deferred tax expense:	
	Origination of temporary differences	177,925
	Total income tax expense	**262,270**
(b)	**Current income tax payable**	
	The movement on this account during the year was as follows:	
	Balance, beginning of the year	-
	Estimated charge for the year (see (15a) above)	51,053
	Prior period under/(excess) provision	-
	Payments during the year	-
	Balance, end of the year	**51,053**

Notes to the Financial Statements

In thousands of Naira		**2023**
15 Income tax - continued		
(c) Reconciliation of total tax charge		
	%	
Profit before income tax expense	100%	2,652,748
Income payable @ statutory tax rate of 30%	30%	795,824
Tax effect of:		
Non-deductible expenses	11%	299,343
Tax- exempt Income	-60%	(1,580,475)
Education tax	0%	-
Capital gains tax	0%	-
Nigeria Police Trust Fund	0%	133
National Agency for Science and Engineering Infrastructure Act Levy	0%	6,632
Information Technology Levy (NITDA)	1%	26,527
Prior preriod under/(excess) provision	0%	-
deffered tax Impact of unrelieved tax losses	25%	663,234
Minimum tax	2%	51,053
Effective tax rate/ Income tax expense	10%	262,271

d(i) The Companies Income Tax Act (CITA) in Nigeria requires companies having more than N100 Million Naira turnover to pay income tax at the rate of 30% of their taxable profits. Where the company does not have a taxable profit or where the income tax on the taxable profit is lower than the prescribed minimum tax, the minimum tax shall apply. Minimum tax in Nigeria is assessed at the rate of 0.5% of the turnover.

Due to unutilized tax losses and unclaimed capital allowance, the Alternative Bank has no taxable profit for the year ended 31 December 2023, as a result, was
assessed to minimum tax for the year under review. The minimum tax charge for the year was N51 million.

d(ii) The basis of the Education Tax is 3% of assessable profit which is nil for the year under review. Education Tax is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.

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

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

(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.

(i) Deferred tax assets and liabilities

In thousands of Naira	Recognised in profit or loss	31 Dec. 2023
Property, plant and equipment and software	765,398	765,398
Unutilised tax credit (capital allowance)	(463,606)	(463,606)
Tax loss	(419,789)	(419,789)
Provisions	295,923	295,923
	177,926	177,926

The Bank has unutilized capital allowance of **N1,545,354,844**, unused tax losses carried forward available of **N1,399,298,168** resulting in total deductible temporary difference of **N2,944,653,012** to offset against future taxable profits. The Bank has not recognized additional deffered tax asset for the year and there is no expiry date for utilization of tax assets in Nigeria.

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 holiday expired at the end of 2021 financial year with the exception of Federal Government Bond (including FGN Sukuk Bond) which remains tax exempt. The income arising from investment in FGN SUKUK Bond has created the above unutilized tax assets for the Bank and accounts for the Bank's source of deffered tax assets.

		31 Dec. 2023
	In thousands of Naira	
17	**Cash and Bank balances**	
	Cash and Bank with Other Banks	60,032,957
	Unrestricted balances with Central Bank of Nigeria	1,000
		60,033,957

Cash and Bank represents balances of RTGS with CBN and Operating Accounts with Sterling Bank Ltd.

18	**Due from Sterling Bank Ltd**	
	Qard Placement with Banks	19,987,590
	Total Due from Sterling Bank Ltd	**19,987,590**
19	**Commodity Murabaha Products**	
	Istisna	1,704,023
	Murabaha Product	3,910,254
	Commodity Mudarabah	3,104,870
	Less: Impairment	**-62,155**
	Net Commodity Murabaha Products	**8,656,992**

**Commodity Murabaha Products are accounted for under inventories

20	**Investment-Gold Bullion**	
	Gold Bullion	1,783,733
	Gold Coins	44,395
	Total Investment on Gold Bullion	**1,828,128**

**Investment in gold bullion are accounted for under inventories

21	**Accounts Receivable**	
	Account Recievables	1,201,458
	Account Recievables - Others	235,092
	Total Accounts Receivable	**1,436,550**

21.1 *In Thousands of Naira* — **Total**

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Tranfer in as at July 2023	1,486,550	-	-	1,486,550
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**1,486,550**	-	-	**1,486,550**

21.2 *Bank*

In Thousands of Naira	Stage 1	Stage 2	Stage 3	31 Dec. 2023 Total
ECL allowance Transfer In	-	-	-	-
Charge for the year	50,000	-	-	50,000
Assets derecognised or matured (excluding write offs)	-	-	-	-
At 31 December 2023	**50,000**	-	-	**50,000**

Account receivable represents obligations for delivery of POS machines and other items from third-party.

22	**Investment in Sukuk measured at (FVOCI)**	
	FGN Sukuk	30,468,038
	KATSINA Sukuk	835,696
	PURPLE Sukuk	253,762
	GOMBE Sukuk	223,001
	Total of Sukuk Securities	**31,780,498**

22.1 *Bank* — **31 Dec. 2023**

In millions of Naira	Stage 1	Stage 2	Stage 3	Total
Tranfer in as at July 2023	37,567,292	-	-	37,567,292
New assets originated or purchased	-	-	-	-
Assets derecognised or matured (excluding write-offs)	(5,786,794)	-	-	(5,786,794)
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**31,780,498**	-	-	**31,780,498**

22.2 *Bank*

In Thousands of Naira	Stage 1	Stage 2	Stage 3	31 Dec. 2023 Total
ECL allowance Transfer In	-	-	-	-
New assets purchased	117,669	-	-	117,669
Assets derecognised or matured (excluding write offs)	(16,568)	-	-	(16,568)
At 31 December 2023	**101,101**	-	-	**101,101**

23	**Halal Portfolio Investments measured at (FVOCI)**	**4,163,533**
	Total Halal Portfolio Investments	**4,163,533**

23.1 *Bank*

In millions of Naira	Stage 1	Stage 2	Stage 3	31 Dec. 2023 Total
Tranfer in as at July 2023	3,594,679	-	-	3,594,679
New assets originated or purchased	568,854	-	-	568,854
Assets derecognised or matured (excluding write-offs)	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**4,163,533**	-	-	**4,163,533**

Portfolio investment comprise of investments in Halal managed fund with SCM Capital N3.8b and Lotus Capital N0.411b.

	In thousands of Naira	31 Dec. 2023
24	**Facilities to customers**	
	Facilities to corporate entities and other organizations	29,473,696
	Facilities to individuals	4,776,071
		34,249,767
	Less:	
	Impairment allowance on Facilities to corporate entities	(555,874)
	Impairment allowance on Facilities to individuals	(571,136)
		33,122,757

24.1 **Facilities 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 38 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 2.2.2.iii

	31 Dec. 2023			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total
External rating grade				
RR1-RR2	-	-	-	-
RR3-RR4	27,326,667	-	-	27,326,667
RR5-RR6	634,879	675,990	-	1,310,869
RR7	-	-	141,124	141,124
RR8	-	-	220,846	220,846
RR9	-	-	474,189	474,189
Total	27,961,546	675,990	836,160	29,473,696

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

	31 Dec. 2023			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount -Transfer In	21,980,141	1,519,222	856,570	24,355,933
New assets originated or purchased	7,627,903	-	-	7,627,903
Assets derecognised or repaid (excluding write offs)	(1,269,752)	(885,850)	(268,977)	(2,424,579)
Transfers to Stage 1	102,593	(102,156)	(437)	0
Transfers to Stage 2	(413,225)	413,225	-	-
Transfers to Stage 3	(66,114)	(268,452)	334,566	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(85,561)	(85,561)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	27,961,546	675,990	836,160	29,473,696

	31 Dec. 2023			
In thousands of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance Transfer In	146,367	17,475	483,072	646,914
New assets originated or purchased	1,819	-	-	1,819
Assets derecognised or repaid (excluding write offs)	(357,909)	(9,722)	(38,430)	(406,061)
Transfers to Stage 1	456	(456)	(1)	(0)
Transfers to Stage 2	(13,083)	13,083	-	-
Transfers to Stage 3	(30,879)	(125,277)	156,156	(0)
Impact on year end ECL of exposures transferred between stages during the period	413,244	127,213	(141,694)	398,764
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	-	-	(85,561)	(85,561)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	160,015	22,317	373,542	555,874

24.2 Facilities 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

	31 Dec. 2023			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
RR1-RR2	-	-	-	-
RR3-RR4	3,581,775	-	-	3,581,775
RR5-RR6	69,873	316,038	-	385,911
RR7	-	-	93,052	93,052
RR8	-	-	273,322	273,322
RR9	-	-	442,010	442,010
Total	3,651,649	316,038	808,384	4,776,071

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

	31 Dec. 2023			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount -Transfer In	3,962,433	341,198	902,043	5,205,674
New assets originated or purchased	357,023	422	15,539	372,985
Assets derecognised or repaid (excluding write offs)	(570,374)	(94,682)	(99,656)	(764,712)
Transfers to Stage 1	21,386	(3,765)	(17,621)	-
Transfers to Stage 2	(86,143)	95,292	(9,149)	0
Transfers to Stage 3	(32,677)	(22,427)	55,104	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	(37,876)	(37,876)
Foreign exchange adjustments	-	-	-	-
At 31 December	3,651,649	316,038	808,384	4,776,071

Bank	31 Dec. 2023			
In thousands of Naira	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance Transfer In	90,072	49,951	386,168	526,191
New assets originated or purchased	138,305	20	47,610	185,935
Assets derecognised or repaid (excluding write offs)	(49,784)	(25,182)	(39,401)	(114,367)
Transfers to Stage 1	815	(73)	(742)	-
Transfers to Stage 2	(12,724)	13,302	(578)	(0)
Transfers to Stage 3	(15,262)	(10,474)	25,736	-
Impact on year end ECL of exposures transferred between stages during the period	-	15,030	(3,777)	11,253
Amounts written off	-	-	(37,876)	(37,876)
At 31 December	151,422	42,574	377,139	571,136

In thousands of Naira	**31 Dec. 2023**
24.3 Classification of Facilities by rating	
Rating	
RR1-RR2	-
RR3-RR4	30,908,442
RR5-RR6	1,696,780
RR7	234,176
RR8	494,168
RR9	916,199
	34,249,767
24.4 Classification of Facilities by security	
Cash	142,787
Real estate	3,402,547
Stocks/shares	17,688,673
Debentures	165,515
Other securities	12,850,245
Unsecured	-
	34,249,767

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

	In thousands of Naira	31 Dec. 2023
24.5	**Classification of Facilities by sector**	
	Agriculture	6,777,174
	Communication	75,852
	Consumer	2,564,497
	Education	72,892
	Finance & Insurance	165,515
	Manufacturing	3,005,709
	Mortgage	2,521,126
	Oil & gas	29,963
	Others	10,935,287
	Real Estate & Construction	1,977,342
	Transportation	6,124,411
		34,249,767

	In thousands of Naira	31 Dec. 2023
25	**Other Investments - Musharaka**	1,403,707
	Less: Impairment - Transfer In July 2023	(50,000)
	Total Musharaka Investment	**1,353,707**

Musharaka Investment represents the Bank's contribution in partnership with KDSG in the provision of affordable shops and market stalls N211m and Partnership with Zola Electric for the provision of Solar energy N1.1b.

26	**Other Assets**	
	Prepayment- Stocks	205,893
	Settlement Account Balances	893,495
	Prepaid expenses	512,893
	Other Receivable	1,645,441
		3,257,722
	Impairment - Other Assets **(see 26i)**	(171,180)
	Total	**3,086,542**
26i	**Movement in Impairment of Other Assets:**	
	Transfer In at Carved-Out	171,181
	Charged for the period	-
	Balance as at December 31, 2023	**171,181**

	In thousands of Naira	31 Dec. 2023
27	**Investment property**	
(a)	**Cost**	
	Transfer in at 1 July**	5,807,970
	Additions	-
	Disposal	(720,775)
	As at 31 December	5,087,195
(b)	**Accumulated depreciation and impairment**	
	Transfer in at 1 July**	273,255
	Depreciation	28,640
	Disposal	(5,168)
	Balance end of year	296,726
	Balance as at 31 December	**4,790,469**

****Transfer in represents the value of the Investment Properties and depreciations carved-out from the legacy Sterling Bank Plc at July 2023**

The fair value of the Bank's investment property at 31 December 2023 was determined by independent, appropriately qualified external valuers- Austin Otegbulu PhD. (FRC/2013/NIESV/00000001582) of A.C Otegbulu & Partners (FRC/2020/00000013592) and Oladapo Olaiya (FRC/2013/NIESV/00000004238) of Dapo Olaiya Consulting (FRC/2013/0000000000569). The entity maintains a valuation policy of three years (3yr) life in its investment properties assets in line with the policy of the bank. The total valuation amount stood at N6.3b.

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

The investment property is accounted for in line with the provisions of IAS 40 - Cost Method and the Central Bank of Nigeria guidelines.

In thousands of Naira	31 Dec. 2023
Rental income from investment property	81,746
Direct operating expenses	4,098
	85,844

	In thousands of Naira	31 Dec. 2023
28	**Investments in unquoted Equities at fair value through other comprehensive income (fvoci)**	
	Investment in unquoted Equities	3,628,065
	Total Investments in unquoted Equities	**3,628,065**

Investment in unquoted equities are mainly start-up companies in the real sector where the management are focussed to grow. The list of the entities and associted investment

Unquoted Entity	
Mudarabah -Helathtracka	328,805
Corp. Venture fund-VP Sterling SIV I Ltd	804,478
Investment in Equity-Binkabi	1,000
Equity Mudarabah -E Purse	1,480
Equity Mudarabah -TREMENDOC LTD	2,218,437
Altschool Investment	273,865
Total	**3,628,065**

Notes to the Financial Statements - continued

In thousands of Naira — 31 Dec. 2023

29 Property, plant and equipment

The movement during the year was as follows:

	31 December 2023 *In thousands of Naira*	Leasehold Improvement	Furniture, fittings and equipment	Motor vehicles	Computer Equipment	Farm Mechanization	Capital work-in-progress	Total
(a)	**Cost**							
	Transfer in at 1 July 2023	45,727	53,802	174,477	206,061	449,217	2,208,630	3,137,914
	Additions	-	91,580	239,757	82,302	1,516,799	3,960,452	5,890,890
	Reclassifications	225	-	-		-	(225)	-
	As at 31 December 2023	45,952	145,382	414,234	288,363	1,966,016	6,168,857	9,028,804
(b)	**Accumulated depreciation and impairment**							
	Transfer in at 1 January 2023	15,398	23,429	68,137	110,437	45,187	-	262,588
	Charge for the year	2,286	4,795	20,205	18,407	19,779	-	65,472
	Recassifications	-	1,633	-	(1,633)	-	-	-
	As at 31 December 2023	17,684	29,857	88,342	127,211	64,966	-	328,060
	Net book value							
	As at 31 December 2023	**28,268**	**115,525**	**325,892**	**161,152**	**1,901,050**	**6,168,857**	**8,700,744**

i) Transfer in represents the value of the PPE and depreciations carved-out from the legacy Sterling Bank Plc at July 2023
ii) The gross carrying amount of fully depreciated property, plant and equipment owned by the bank is N526m
iii) Farm Echanization equipments include tractors, harvesters and other equipments maintained for deployment in the farming need of communities for rental payments.
iv) No item of property,plant and equipment was pledged as security by the bank.
v) Capital work in progress relates majorly to cost of Solarization projects, the development of branches and business channels.

	In thousands of Naira	31 Dec. 2023
30	**Intangible assets**	
(a)	**Cost**	
	Transfer in at 1 July**	525,341
	Addition	59,652
	Balance end of year	584,993

Transfer in represents the value of the Intangible assets carved-out from the legacy Sterling Bank Plc at July 2023

(b)	**Accumulated amortisation and impairment**	
	Transfer in at 1 July**	(413,960)
	Amortisation for the year	(19,941)
	Balance end of year	(433,901)
	Net book value	
	Balance as at 31 December	**151,092**

Items reclassified were from work-in-progress capitalized during the year.
Transfer in represents the value of the Intangible assets carved-out from the legacy Sterling Bank Plc at July 2023

31	**Deposits from Other Commercial Banks**	
	Due to local banks - Sterling Bank Ltd	8,627,430
	Total Deposits from Sterling Bank Ltd	8,627,430
32	**Deposits from customers**	
	Current accounts	57,232,311
	Savings accounts	14,273,071
	Pledged deposits	193,764
	Total Deposits from customers	**71,699,146**

Pledged deposits represent contracted cash deposits with the Bank that are held as

	In thousands of Naira	31 Dec. 2023
33	**Due to other financial institutions**	
	Due to Islamic Development Bank (see 33i)	25,314,751
	Due To Nigeria Mortgage Refinance Company (see 33ii)	302,964
		25,617,715

33i **Due to Islamic Development Bank**

This represents the Naira equivalent of $25m and $10m amortizing Commodity Mudarabah funding payable over 5years and 3 years respectively, contracted in 2021 and 2023 respectively at 6.21% and 8.78% under the legacy Sterling Bank Plc and transferred at Carved-Out.

33ii **Due to Nigeria Mortgage Refinance Company Plc.**

This represents a Wakalah Bi Istithmar agreement between the Bank and Nigeria Mortgage Refinance Company PLC (NMRC) for NMRC to refinance from time to time Mortgage Wakalah Bi Istithmar originated by the Bank with full recourse to the Bank on the terms and conditions stated in the agreement.

	In thousands of Naira	31 Dec. 2023
34	**Other liabilities**	
	Other Payables	2,062,413
	Due to Sterling Bank **	18,383,350
	Deferred Income	2,612,422
	Clearing Suspense	1,434,570
	Sundry Deposit for Collateral	476,799
	Other Taxes (see note 34i)	33,292
	General accrual	689,314
		25,692,160

***** Included in the N18.4b balance in Due to Sterling Bank is the N14.8b net balance transferred to Sterling Bank Ltd during the carved-out in line with the scheme of arrangement (see note 1.2 (b).***

34i	**Other Taxes include:**	
	Information Technology levy	26,527
	Police Trust Fund Levy	133
	National Agency for Science and Engineering Infrastructure levy	6,632
	Total of Other Taxes	**33,292**

Notes to the Financial Statements

	In thousands of Naira	31 Dec. 2023
35	**Provisions**	
	Provision for guarantees and letters of credit	**6,148**
36	**Equity of Investment Account Holders**	
	Mudaraba deposit	36,178,766
	Hajj deposit	126,795
	Hamish Jiddiyah	1,127
	Equity of Investment Account Holders	36,306,688
37	**Share capital and equity reserves**	
(a)	**Share capital**	
	20,000,000 Ordinary shares of 50k each	**10,000,000**
(b)	**Issued and fully-paid:**	
	20,000,000 Ordinary shares of 50k each	**10,000,000**

(i) **Ordinary shareholding:**
The holders of ordinary shares are entitled to receive dividend as declared from time to

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

In thousands of units	31 Dec. 2023
20,000,000 Ordinary shares of 50k each	10,000,000
	10,000,000

38 Other components of equity

a. Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 15(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital. Amount transferred to statutory reserve for the year ended 31 December 2023 was N717million (30% of N2.39b).

b 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.

c 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

39 Commitments and Contingencies

a. Litigations and claims

There are no litigations and claims against the Bank as at 31 December 2023. Consequently, no provisions have been made by the Bank on litigation.

b. Contingent liabilities and commitments

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

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 financing assets.

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

In thousands of Naira	31 Dec. 2023
Bonds, guarantees and indemnities	1,828,225
Letters of credit	407,647
Performance bonds	240,349
	2,476,221

Above balances represent contingent liabilities for which the customers have not defaulted. Any portion that is due for which the Bank has become liable are recognised in Other Liabilities.

Notes to the Financial Statements

b. Contingent liabilities and commitments - continued

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:

c. 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-Dec-23

In Thousands of Naira	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	-	-	-	
RR1-RR2	-	-	-	-
RR3-RR4	1,828,225	-	-	1,828,225
RR5-RR6	-	-	-	-
RR7	-	-	-	-
Total	**1,828,225**	-	-	**1,828,225**

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

In Thousands of Naira	Stage 1	Stage 2	Stage 3	Total
Transfer in as at 1 July 2023	4,066,765	-	-	4,066,765
New exposures	1,575,885	-	-	1,575,885
Exposure derecognised or matured/lapsed (excludingwrite offs)	(3,814,425)	-	-	(3,814,425)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**1,828,225**	-	-	**1,828,225**

In Thousands of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 July 2023	-	-	-	-
New exposures	5,281	-	-	5,281
Exposure derecognised or matured (excludingwrite offs)	-	-	-	-
At 31 December 2023	**5,281**	-	-	**5,281**

d 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 Thousands of Naira	Stage 1	Stage 2	Stage 3	***31 Dec. 2023*** Total
Internal rating grade	-	-	-	
RR1-RR2	-	-	-	-
RR3-RR4	407,647	-	-	407,647
Total	**407,647**	-	-	**407,647**

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

In Thousands of Naira	Stage 1	Stage 2	Stage 3	Total
Transfer in as at 1 July 2023	83,595	-	-	83,595
New exposures	407,647	-	-	407,647
Exposure derecognised or matured/lapsed (excludingwrite offs)	(83,595)	-	-	(83,595)
At 31 December 2023	**407,647**	-	-	**407,647**

In Thousands of Naira	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 July 2023	-	-	-	-
New exposures	868	-	-	868
Exposure derecognised or matured (excludingwrite offs)	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**868**	-	-	**868**

40 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 thousands of Naira		31 Dec. 2023
(i)	**Transactions with the related parties**		
	Financing Assets:		
a.	Murabah Financing		22,595
b.	Contingent liabilities		-
c.	**Transactions and balances with the sister company - Sterling Bank Ltd**	**Note**	
	Operating Account*		48,001,022
	Qard Placements - Due from Other Commercial Bank	18	19,987,590
	Qard Takings - Due to Other Commercial Bank	31	8,627,430
	Intercompany Settlement account**	34	18,383,350

**** The operating account balances are embedded in the Cash and Bank balances.***
***** Included in the N18.4b balance in Due to Sterling Bank is the N14b net balance trannsferred to Sterling Bank Ltd during the carved-out in line with the scheme of arrangement.***

(ii) Transactions with key management personnel

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

In thousands of Naira	31 Dec. 2023
Ijarah and Murabah Financing	-
Deposit liabilities (related parties and key management personnel)	55,433

(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 thousands of Naira	31 Dec. 2023
Short-term benefits (wages and salaries)	30,356
Post-employment benefits (pension contributions)	2,856
	33,212

(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 thousands of Naira	31 Dec. 2023
Directors' remuneration	11,250
Fees as directors	82,360
Other emoluments	-
	93,610

**2019 other emoluments figure previously stated at N210m has been represented to exclude directors expenses

(v) Terms and conditions of transactions with related parties

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

41 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Bank for the six months period ending December 31, 2023 and the profit or loss and other comprehensive income attributeable to equity holders on that date which have not been adequately adjusted for or disclosed. However, Hajiya Umma Dutse was appointed the chairman of the board audit committee on February 15, 2024 to fill the vaccant position.

In Thousands of Naira	**31 Dec. 2023**
42 Cash and cash equivalents	
Cash and Bank with Other Banks (Note 17)	60,032,957
Unrestricted balances with Central Bank of Nigeria (Note 17)	1,000
	60,033,957

43 Financial Risk Management

(a) Introduction and overview

All of the Bank's intermediation activities, including trading and financing, carry some inherent risk. In order to effectively manage these risks, the bank has embraced the enterprise risk management philosophy, which aims to create a solid, secure, and stable financial institution. The bank has also implemented a uniform methodology and standard template for risk identification, measurement, management, and control in order to achieve this.

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

Risk management framework

The risk management framework consists of the governance structure, policies, strategy, processes and techniques for the management of risks faced by the Bank. 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 bank 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 bank 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 Bank 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 Bank for proactive and efficient identification and management of risks inherent in the Bank's activities, processes, system, products and external events as follows:

First line of defence – Strategic Business Functions

This consists of business owners/ subject matter experts with primary responsibilities for risk management. The first line of defense involves the actual business operations where the transactions are entered, executed, valued and recorded.

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 bank and identify enterprise trends, synergies and opportunities for change.

43 Financial Risk Management - continued

Third line of defense – Independent Assurance

The third line of defense consists of Internal Audit and Compliance departments with primary responsibilities for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of NIB's overall risk management framework, policy and risk plan implementation.

(b) Risk Management Structure

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

The Board Investment & Finance Committee (BIMC) is designated with the responsibility of managing the overall risk exposure of the bank. 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 financing 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 bank's overall risk profile; including the determination of the bank's risk philosophy, appetite, limits and policies.

The Management Investment Committee (MIC) 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 (ALCO) ensures that the bank has adequate liquidity to meet the funding need of the bank, and also manages the profit and foreign exchange risk of the bank. The Committee also reviews the economic outlook and its likely impact on the bank's current and future performance.

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

The Enterprise Risk Management bank of the Bank 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 bank. 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 bank also carries out scenario analysis as stated in the bank's credit policy guide and stress testing to identify potential exposure under stressed market situations.

43 Financial Risk Management - continued

(c) Risk measurement and reporting systems - continued

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 bank. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the bank'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 bank 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 bank through regular risk reports.

(c) Risk Mitigation

The bank 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 bank`s exposure is secured, and to minimize the risk of credit losses to the bank 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

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

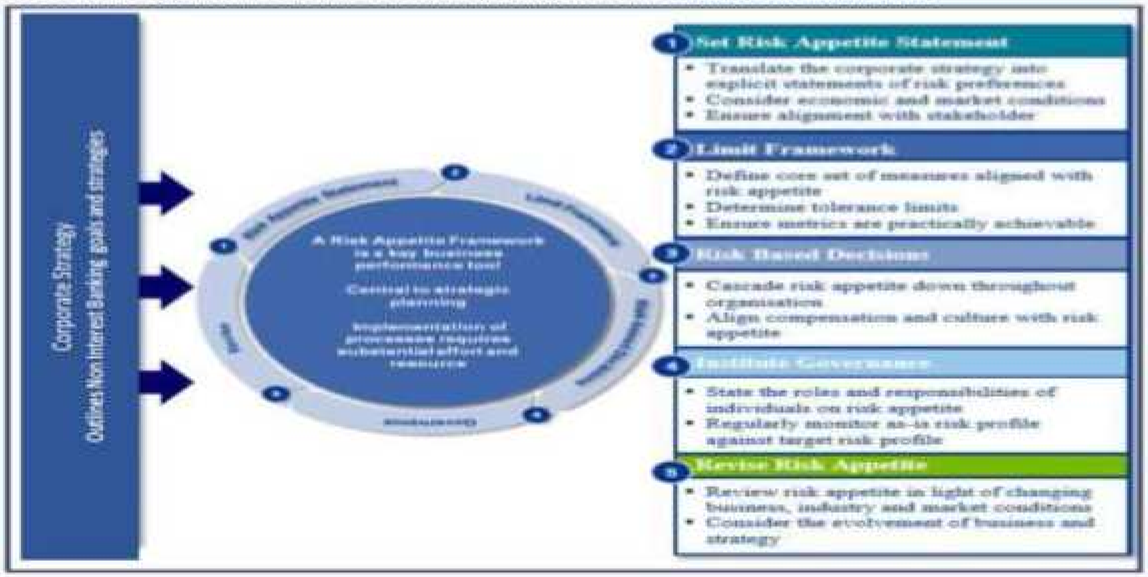
(d) Risk Appetite

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

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

43 Financial Risk Management - continued

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



(e) 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 bank'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.

(f) Credit Risk Management

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

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

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

The bank'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.

43 Financial Risk Management - continued

(g) Risk Management Architecture

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

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.
d. Acceptance of cash.

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

(h) Impairment assessment

The references below show where the Bank'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 Bank 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 finance facilities where the 90 days past due is rebutted and 180 days past due is used instead). The Bank 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 Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank 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 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.
- 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, profit or (where relevant) fees.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the Bank.

It is the Bank'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.

43 Financial Risk Management - continued

(i) Methodology for Risk Rating

The bank 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 customer.

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 facilities request.

Retail exposures:

Retail exposures are governed by standard credit product programs and categorized as Consumer & MSME exposures. Consumer exposures are availed to individuals while MSME exposures 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 exposures respectively.

Commercial and Corporate exposures:

Commercial and Corporate Customers are rated using risk rating models. Depending on the underlying business transaction, Specialized facility Models are also used for assessing specialized exposures 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. Profit 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.

43 Financial risk management - continued

(i) 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 bank lends directly or who manage the enterprises to which the bank 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 customer must provide capital for anticipated adversity. The index to determine capital should be leverage for murabah, ijara and finance 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 bank. The average score computed often determines the minimum level of profit chargeable. This profit 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 profit chargeable. This interest rate determined would be a guide.

(vi) Collateral/Security

Collateral, often referred to as credit risk mitigant, gives additional assurance to recovering exposures 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
- Finance facilities to value ratio of collateral offered
- Marketability of security/collateral
- Whether collateral is a specialised asset or general purpose - type asset.
- Depreciating or appreciating value over time.

Enterprise risk review

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

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

Risk management is carried out by Enterprise Risk Management bank (ERM) within the policies approved by the Board of Directors. The ERM bank 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, profit 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, profit rate and other price risk.

43.1 Credit risk

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

The bank manages credit risks, which has been defined as the potential for a counterparty to default on financial obligations leading to financial losses. Credit risk is the principal source of risk to the bank arising from exposures 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 bank (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;

(a) Credit Portfolio Planning

In line with the bank's planning cycle, credit portfolio plans are developed and approved at the overall bank 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 bank.

(b) Exposure Development and Creation

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

(c) Exposure Management

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

(d) Delinquency Management/Financing Workout

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

(e) Credit Recovery

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

The bank's Risk Management Objectives and Policies

The bank'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 exposures as those with profit and principal repayment outstanding for 90 days or
5. Other criteria are also defined for determining impaired exposures. These include:

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

43.1 Credit risk - 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 bank'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 customer 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 bank for all exposures to credit risk. Each grade corresponds to a customer's or counterparty's probability of default.

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

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

The bank'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 bank'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 exposures and ijara. Credit risks are examined and managed for unfunded facilities commitments in addition to funded exposures and ijaras.

(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 bank'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.

exposures and advances

In measuring credit risk of exposures and advances to customers and to banks at a counterparty level, the bank 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.

43 Financial risk management - continued

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

(iv) Credit Risk Control & Mitigation policy

The bank manages concentration risks to counterparties, banks, sectors and countries. The level of credit risk undertaken is controlled by setting limits on exposures to individuals, banks, 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 bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single customer, or banks of customers (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.

Notes to the Financial Statements - continued

43 Financial risk management - continued

Enterprise risk review - continued

(i) Credit Risk Control & Mitigation policy

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

Authority level	**Approval limit (Naira)**
Full Board	Above 1,500,000,000
Board Credit Committee	1,500,000,000
Management Investment 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 Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for finance & investment facilities are:

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

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

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 Bank 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.

In thousands of Naira	**31 Dec 2023**
Financial assets:	
Finance & Investments	142,787
Financial liabilities:	-
Collaterised deposits	**219,500**

(b) Master Netting Arrangements - continued

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 thousands of Naira	31 Dec 2023
Net financial assets/ liabilities:	
Finance & Investments	-

(c) **Credit-related Commitments**

The primary purpose of these instruments is to create other avenues for financing. Guarantees and standby letters of credit carry the same credit risk as finance facilities. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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 finance facility.

(d) **Credit Concentration**

The Bank 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

In thousands of Naira

S/N	Region	31 Dec 2023
	In thousands of Naira	
1	Abuja	1,756,722
2	Lagos	5,378,052
3	North Central	2,231,218
4	North East	1,264,483
5	North West	16,355,566
6	South East	1,304
7	South South	38,160
8	South West	7,456,404
	Grand Total	**34,481,909**

43 Financial risk management - continued

Enterprise risk review - continued

43.2 Liquidity risk

Liquidity risk and Funding Management: The Bank is exposed to two types of liquidity risk;

1. Market/Trading Liquidity Risk is the risk of inability to conduct transaction at current market price because of the size of the transaction. This type of liquidity risk comes to play when certain assets cannot be liquidated at short notice due to market illiquidity.

2. Funding Liquidity Risk relates to the inability to raise the necessary cash to roll over its debt; to meet the cash, margin, and collateral requirements of counterparties; and to satisfy capital withdrawals. Funding liquidity risk is managed through holding cash and cash equivalents, setting credit lines in place, and monitoring buying power. (Buying power refers to the amount a trading counterparty can borrow against assets under stressed market conditions).

The Asset & Liability Committee (ALCO) is responsible for managing the liquidity of the Bank, this function is delegated to the Asset & Liability Management (ALM) Department that manage the day-to-day liquidity requirements of the Bank, and also act as secretariat to ALCO. The Market & Liquidity Risk Team actively manages and monitors liquidity through the framework of limits, behavioural patterns of non-maturing assets and liabilities, among others. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, also when there is

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 Bank. 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 Bank 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 and market and liqudity risk department).

43 Financial risk management - continued

43.2 Liquidity risk - continued

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 Bank 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 Bank's compliance with the liquidity limit established by the CBN.

The following table reflects the Bank's regulatory liquidity ratio for the years indicated.

	As at 31 December 2023
At end of year	61.40%
Average for the year	72.46%
Maximum for the year	85.72%
Minimum for the year	60.60%

In addition to the above, the Bank 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 Bank 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 Bank's LCR as at 31 December 2023 was 187.12%. The LCR indicates that the Bank 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 Bank's NSFR of 105.78% as at 31 December 2023, was well above the Basel requirement of 100% and internal risk tolerance level.

43 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 Bank 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 through customer deposits.

The ALCO sets the internal liquidity ratios targets aimed at ensuring that the Bank meets its liquidity needs under going concern and stressed market conditions.

Please find below the Bank's key liquidity risk metrics as at 31st December 2023

	As at 31 December 2023
Liquidity Ratio	62%
Net Interbank Takings / Total Deposit	0%
Financing/ Deposit Ratio	40%
Current and Savings Account/Total Deposit	75%

5 Stress Testing: In addition, stress testing and scenario analysis are used to assess the financial and management capabilities of the Bank 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 Bank'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 Bank, 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 Bank's funding profile in terms of investor types, regions, products and instruments is also an important element of controlling liquidity risk.

43 Financial risk management - continued

Liquidity risk - continued

(e) Liquidity Risk Measurement Techniques - continued

Liquidity Contingency Funding Plan

The Bank has an approved liquidity Contingency Funding Plan (CFP or the Plan) for managing unanticipated stressful scenarios that could result in a significant erosion of Bank-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.

43 Financial Risk Management - continued

Enterprise Risk Review - continued

43.2 Liquidity Risk

Bank

The table below shows the undiscounted cash flows on the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

31 December 2023	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	17	60,033,957	60,033,957	27,015,281	12,547,097	7,264,109	3,301,868	9,905,603
Due from banks	18	19,987,590	19,987,590	19,987,590	-	-	-	-
Financing Assets	24	33,122,757	35,490,929	2,284,809	992,387	11,636,765	8,980,784	11,596,184
Investment securities:				-	-	-	-	-
- Financial assets at fair value through profit or loss	23	4,163,533	5,631,374	348,595	367,913	1,775,427	1,370,203	1,769,236
- Financial Invesments at fair value through other comprehensive income	22	31,780,498	41,324,582	2,661,483	2,808,976	13,555,204	10,461,358	11,837,560
- Equity instruments at fair value through other comprehensive income	28	3,628,065	4,855,019	-	-	-	-	4,855,019
Investment-Gold Bullion	20	1,828,128	1,828,128	1,828,128	-	-	-	-
Other assets	26	3,086,542	3,257,722	810,473	352,022	127,821	185,685	1,781,722
		157,631,070	**172,409,301**	**54,936,358**	**17,068,395**	**34,359,326**	**24,299,898**	**41,745,324**
Financial liabilities								
Due To Other Commercial Banks	31	8,627,430	8,627,430	555,644	241,339	2,829,952	2,184,042	2,816,452
Deposits from customers	32	71,699,146	71,699,145	4,894,802	2,126,015	20,627,774	19,239,751	24,810,803
Due To Other Financial Institutions	33	25,617,715	25,617,715	3,609,333	657,735	7,712,625	5,952,292	7,685,729
Other liabilities	34	23,596,455	23,596,455	2,274,845	988,060	1,953,186	6,849,616	11,530,749
Unrestricted Investment Accounts	36	36,306,688	38,848,156	14,522,675	9,076,672	10,165,873	2,541,468	2,541,468
		165,847,434	**168,388,902**	**25,857,299**	**13,089,822**	**43,289,410**	**36,767,171**	**49,385,201**
Gap (asset - liabilities)		**(8,216,364)**	**4,020,400**	**29,079,059**	**3,978,573**	**(8,930,084)**	**(12,467,272)**	**(7,639,877)**
Cumulative liquidity gap				**29,079,059**	**33,057,633**	**24,127,549**	**11,660,277**	**4,020,400**

43 Financial Risk Management - continued

Enterprise Risk Review - continued

43.3 Returns Rate Risk

Return rate risk in the banking book is the risk of an adverse impact on earnings or capital due to changes in market returns rates. Changes in returns rates affect earnings by changing its net returns income and the level of other returns sensitive income and operating expenses. Changes in returns 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 returns rates change.

The Bank's objective for management of returns rate risk in the banking book is to ensure a higher degree of returns rate mismatch margin stability and lower returns rate risk over an returns rate cycle. This is achieved by hedging material exposures with the external market.

The Bank's operations are subject to the risk of returns rate fluctuations to the extent that returns-earning assets and returns-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank 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 returns rate risk arises in the Bank'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 Bank.

Overall, management of the Bank's non-trading returns rate risk positions lies with the ALCO. In addition to various strategies, the ALCO defines the internal transfer pricing framework constructed to ensure that returns 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 returns Rate Risk in the Banking Book

Generally, the primary source of returns 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 returns rate.

The measures applied by the Bank in monitoring and controlling returns rate risk in the banking book includes:

Net returns Income (NII) Sensitivity – An integral part of the Bank's management of non-traded returns rate risk is to monitor the sensitivity of expected net returns 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 Bank applies a combination of scenarios and assumptions relevant to our peculiar businesses in forecasting one-year net returns income sensitivities across a range of returns 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 returns income in this scenario. This can be used to assess the economic capital required to support returns 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 returns 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 Bank's returns rate exposure. The assets and liabilities are grouped into brackets defined by their time to maturity or the date of the returns rate adjustment. The difference, or gap, between assets and liabilities in each time bracket makes the Bank sensitive to returns rate fluctuations. The amounts are based on returns rate maturities. However, saving and current accounts have a non-defined returns maturity. A quantitative assessment of the returns rate sensitivity of our saving accounts and current accounts has been executed. The outcome of this assessment is used in the calculations for returns rate risk.

43 Financial Risk Management - continued

Market risks - continued

43.3 Returns Rate Risk - continued

RATE SENSITIVITY OF ASSETS AND LIABILITIES

In Thousands of Naira	*Notes*	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
31 December 2023							
Non-derivative assets:							
Due from banks	17	7,384,685	3,218,056	2,237,207	4,928,820	2,218,823	19,987,590
Financing Assets	20	12,237,649	5,332,854	3,707,423	8,167,873	3,676,958	33,122,757
Investment securities :							
- Financial assets at fair value through profit or loss	21(a)	1,538,273	670,340	466,023	1,026,702	462,194	4,163,533
- Sukuk instruments at fair value through other comprehensive income	21(b)	11,744,557	5,117,977	3,558,039	7,838,764	3,528,802	31,780,498
- Sukuk instruments at amortised cost	21(d)	3,822,727	1,665,846	1,158,103	2,551,433	1,148,587	10,346,697
		36,727,891	16,005,074	11,126,796	24,513,592	11,035,363	99,401,075
Non-derivative liabilities:							
Deposits from Banks	27	3,187,520	1,389,040	965,666	2,127,472	957,731	8,627,430
Deposits from customers	28	26,490,217	11,543,758	8,025,270	17,680,578	7,959,323	71,699,145
Other funds & Sukuk securities issued	29&30	9,464,810	4,124,522	2,867,385	6,317,175	2,843,823	25,617,715
		39,142,547	17,057,320	11,858,321	26,125,225	11,760,877	105,944,290
Total returns sensitivity gap		(2,414,656)	(1,052,245)	(731,525)	(1,611,633)	(725,514)	(6,543,216)

Impact of Standardized returns Rate Shock on Earnings

Time Band	No. of Days	Upward 2%	Downward -2%	returns Rate Gap (Net Positions)	Impact of upward movement	Impact of Downward movement
Up to 1 month	365	0.02	(0.02)	49,669	993	(993)
from 1 to 3 months	335	0.02	(0.02)	351,393	7,028	(7,028)
from 3 to 6 months	275	0.02	(0.02)	(1,052,245)	(21,045)	21,045
from 6 to 12 months	185	0.02	(0.02)	(731,525)	(14,631)	14,631
Total				(1,382,709)	(27,654)	27,654

43 Financial Risk Management - continued

Market Risks - continued

Returns Rate Risk - continued

Impact of Standardized returns Rate Shock on Equity

Time Band		Weighting factor	returns Rate Gap (Net Position)	Impact on Equity
Up to 1 month		0.08%		-
from 1 to 3 months		0.31%		-
from 3 to 6 months		0.68%		-
from 6 to 12 months		1.31%		-
1 years to 2 years		2.46%		-
2 years to 3 years		3.80%		-
3 years to 4 years		5.05%		-
4 years to 5 years		6.41%		-
5 years to 7 years		8.27%		-
7 years to 10 years		9.06%		-
10 years to 15 years		11.70%		-
15 years to 20 years		11.73%		-
More than 20 years		12.72%		-
Total			-	-

Notes to the Financial Statements

43 Financial Risk Management - continued

43.4 Foreign Currency Risk

Foreign exchange risk is the risk that fluctuations in the prevailing foreign exchange rates would affect the value of the Bank'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 Bank'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 Bank's exposure to foreign exchange risk at 31st December 2023.

Foreign Currency Concentrations risk as at 31 December 2023

In Thousands of Naira **Assets**	Naira	Dollar	GBP	Euro	Others	Total
Cash and balance with Central Bank of Nigeria	-	-	-	-	-	-
add un-restricted balance	60,021,012	11,014	340	1,591	-	60,033,957
Due from other banks	19,987,590	-	-	-	-	19,987,590
Financial assets pledged as collateral	-	-	-	-	-	-
- Equity instruments at fair value through other comprehensive inc	3,628,065	-	-	-	-	3,628,065
Financing Assets	33,122,757	-	-	-	-	33,122,757
Financial assets at fair value through profit or loss	4,163,533	-	-	-	-	4,163,533
- Sukuk instruments at fair value through other comprehensive income	31,780,498	-	-	-	-	31,780,498
Investment-Gold Bullion	1,828,128	-	-	-	-	1,828,128
Other assets	2,962,613	123,886	25	11	8	3,086,542
Total financial assets (A)	157,494,195	134,900	365	1,601	8	157,631,070
Liabilities						
Due to banks	8,627,396	32	2	-	-	8,627,430
Due to customers	71,699,146	-	-	-	0	71,699,146
Due to other financial institutions	25,592,316	25,399	-	-	-	25,617,715
Other financial liabilities	23,588,617	5,140	295	1,499	904	23,596,455
Unrestricted Investment Accounts	36,306,688					36,306,688
Total financial liabilities (B)	165,814,163	30,571	297	1,499	904	165,847,434
Net financial assets/ (liabilities)	- 8,319,968	104,329	69	102	(896) -	8,216,364

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	**Dollar**	**GBP**	**Euro**	**Total**
In Thousands of Naira				
Net On Balance Sheet Position	104,329	69	102	104,500
Closing Exchange Rate (Naira/Currency)	952	1,211	1,052	
10% Currency Appreciation (-)	857	1,090	946	
10% Currency Depreciation (+)	1,047	1,332	1,157	
Effect of 10% appreciation on Profit	(10,433)	(7)	(10)	(10,450)
Effect of 10% depreciation on Profit	10,433	7	10	10,450

Notes to the Financial Statements - continued

Financial risk management - continued

43.5 Operational Risk Management

Operational risk in the Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank's internal and external auditors.

Operational Risk Management Framework
The Bank 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 Bank'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 Bank'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.

Notes to the Financial Statements - continued

43.5 Operational Risk Management - continued

Risk assessments of new and existing products, processes and applications are also conducted to identify material operational risks and ensure adequacy and effectiveness of implemented mitigating controls.

2 Key risk indicators

The Bank 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 Bank 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 Bank'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 Bank. 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 Bank'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 Bank 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

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.

Notes to the Financial Statements

Financial risk management - continued

43.5 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 requirements.

31 December 2023

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
In thousands of Naira						
Basic Indicator Approach (BIA)						
Gross Income	15%	2,871,023	5,164,742	4,876,803	12,912,567	1,936,885
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						645,628
Calibrated Risk Weighted Amount (BIA)						8,070,355

43.6 Capital management

1 Regulatory capital
The Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria. In implementing current capital requirements, the Central Bank of Nigeria requires the Bank to maintain a 10% minimum ratio for total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as Fair value through other comprehensive income.

Various limits are applied to elements of the capital base. The qualifying Tier 2 capital is limited to 33.3% of Tier 1 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

The CBN in its circular BSD/DIR/GEN/LAB/12/011/3 effective 10 April 2019 informs banks on the exclusion of the following reserves in the
• Regulatory adjustments/deductions applicable to T2 capital

(b) Capital Adequacy Ratio
In accordance with Central Bank of Nigeria regulations, a minimum threshold of 10% is to be maintained when computing the ratio qualifying capital to risk weighted assets.

The capital adequacy computation for the year ended 31 December 2023 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/LAB/12/011/5 and dated 10 April 2019. 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.

AltBank, 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.

Financial risk management - continued

(c) Capital Adequacy Ratio

Constituents of Capital **In thousands of Naira**	**31 Dec 2023**
Tier 1 capital	0
Share capital	10,000,000
Share premium	-
Retained earnings	1,484,349
Profit Equilization Reserves	89,366
Statutory Reserve	717,143
SMEEIS Reserve	-
AGSMEIS Reserve	119,524
Other reserves	-
Tier 1 Capital Before Regulatory Deduction	12,410,382
Regulatory Deduction	
Deferred tax assets	-
Other intangible assets	151,092
Total Regulatory Deduction	151,092
Tier 1 Capital after Regulatory Deduction	12,259,290
Tier 2 capital: Instruments & Reserves	
Other comprehensive income	2,062,515
Eligible Tier 2 Capital	2,062,515
Total regulatory capital	14,321,805
Risk-weighted assets	96,054,858
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets	14.91%

*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.

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has a capital management process in place to measure, deploy and monitor its available capital anc assess its adequacy.

The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conductec annually which determines the adequate level of capitalization for the Bank to meet regulatory requirements fo current and future business needs, including understress 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 or the business and includes information on the Bank's governance structure, and policies that support risk anc capital management systems.

43 Financial risk management - continued

43.6 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.

44 Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2023.

Maturity analysis of assets and liabilities **31 December 2023** ***In thousands 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	60,033,957	-	-	-	-	60,033,957
Due from banks	7,384,685	3,218,056	2,237,207	4,928,820	2,218,823	19,987,590
Pledged assets	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Financing Assets	12,237,649	5,332,854	3,707,423	8,167,873	3,676,958	33,122,757
Investment in securities:	-	-	-	-	-	
- Financial assets at fair value through other comprehensive income	1,538,273	670,340	466,023	1,026,702	462,194	4,163,533
- Sukuk instruments at fair value through other comprehensive income	11,744,557	5,125,619	3,558,039	7,838,764	3,513,518	31,780,498
- Equity instruments at fair value through other comprehensive income	-	-	-	-	3,628,065	3,628,065
Investment-Gold Bullion	1,828,128	-	-	-	-	1,828,128
Other assets	893,495	1,057,915	1,135,132	-	-	3,086,542
Total	95,660,745	15,404,785	11,103,825	21,962,159	13,499,557	157,631,070

In thousands of Naira Liabilities	**Less than3 months**	**3-6 months**	**6-12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Deposits from bank	8,627,396	32	2	-	-	8,627,430
Deposits from customers	71,699,146	-	-	-	0	71,699,146
Due to Other Banks	25,592,316	25,399	-	-	-	25,617,715
Other liabilities	23,588,617	5,140	295	1,499	904	23,596,455
Unrestricted Investment Accounts	11,981,207	9,076,672	10,165,873	2,541,468	2,541,468	36,306,688
Total	141,488,682	9,107,243	10,166,169	2,542,967	2,542,372	165,847,434
Net	(45,827,938)	6,297,541	937,655	19,419,192	10,957,185	(8,216,364)

45 Fair Value of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 2.2.19. The Bank measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value measurement hierarchy for assets & liabilities as at 31 December 2023:

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Assets measured at fair value					
Pledged assets – FVOCI	18.1	-	-	-	-
Sukuk instruments at FVTPL	21(a)	-	-	-	-
Sukuk instruments measured at FVOCI	21(b)	31,780,498	-	-	31,780,498
Equity instruments at fair value through other comprehensive income	21(c)	-	-	4,855,019	3,628,065
Assets for which fair value are disclosed					
Due from banks		-	19,987,590	-	19,987,590
Pledged assets at Amortised cost		-	-	-	-
Financing Assets		-		35,490,929	33,122,757
Instruments at amortised cost			-	-	-
Liabilities for which fair values are disclosed:					
Deposits from banks		-	-	8,627,430	8,627,430
Deposits from customers		-	-	8,627,430	8,627,430
Other borrowed funds		-	-	23,512,815	25,617,715
Sukuk securities issued		-	-		-

Notes to the Financial Statements

45 Fair Value of financial instruments - continued

Bank

	Carrying amount		Fair value amount
In thousands of Naira	**2023**		**2023**
Financial assets			
Cash and balances with Central Bank of Nigeria	-		-
Due from banks	19,987,590		19,987,590
Pledged assets	-		-
Derivative financial assets	-		-
Financing Assets	33,122,757		20,874,375
Investment in securities:			
- Financial assets at fair value through profit or loss	-		-
income	31,780,498		31,780,498
- Equity instruments at fair value through other comprehensive income	4,855,019		4,855,019
- Sukuk instruments at amortised cost	-		-
Total	89,745,864	-	77,497,482
Financial liabilities			
Deposits from banks	8,627,430		8,627,430
Deposits from customers	71,699,145		1,592,980
Other borrowed funds	25,617,715		23,512,815
Sukuk securities issued	-		-
Unrestricted Investment Accounts	36,306,688		38,848,156
Creditors and accruals	-		-
Total	142,250,978	-	72,581,382

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 sukuk are based on price quotations at the reporting date. The fair value of unquoted instruments, funding 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 securities 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 returns to date.

The table below sets out information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Type of Financial Instrument	Fair Value as at December 31, 2023	Valuation technique	Unobservable Input	Range of Estimates for Unobservable Inputs (December 31, 2023)	Relationship of Unobservable Inputs to Fair Value
Unquoted Equity	3,628,065.35	P/BV and EV/EBITDA	P/BV multiples	0.79x - 1.22x	Significant Increases in P/BV, would result in higher fair values. Significant reduction would result in lower fair values
			EV/EBIDA Muliples	12.00x - 28.95x	Significant Increases in EV/EBITDA, would result in higher fair values. Significant reduction would result in lower fair values

The table below sets out information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Key Assumption	Effect on Other Comprehensive Income	
	Dec. 2023	
	5% Increase	5% Decrease
	N' Thousands	N' Thousands
P/BV and EV/EBIDTA multiples	**181,403**	**(181,403)**

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Notes to the Financial Statements - continued

46a In line with circular No.: FPR/DIR/GEN/01/020, the returns on the customer complaints for the year ended december 31, 2023 is as set out as below:

Financial year	NUMBER 2023 Year to date	NUMBER H1 2023	AMOUNT CLAIMED 2023 Year to date	AMOUNT CLAIMED H1 2023	AMOUNT REFUNDED 2023 Year to date	AMOUNT REFUNDED H1 2023
			In thousands of Naira		In thousands of Naira	
Pending complaints b/f	-	-	-	-	-	-
Complaints received	60,988	10,674	3,345,000	-	-	-
Complaints resolved	60,883	10,669	3,345,000	-	-	-
Unresolved complaints escalated to CBN for intervention	-	-	-	-	-	-
Unresolved complaints pending with the bank c/f	105	5	2,000	0	-	-

46b **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 card issuance and usage for the year ended 31 December 2023 is set out below:

	31-Dec-23		
Product	Count		₦'000
Mastercard	8,883		9,477,466
Verve	117,651		147,473,759

46c **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 Six Months period ended December 31, 2023.

46d **Fines and Penalties:**

The bank did not incur penalty on contraventions of Central Bank of Nigeria's guidelines and circulars in FY2023.

46e **Non-Audit Services:**

During the year, the Bank's auditors, Deloitte & Touche, provided no non-audit services to the Bank.

VALUE ADDED STATEMENT
AS AT DECEMBER 31, 2023

	N'000	%
Gross Earnings	**10,131,298**	
Returns paid to Mudarabah Investors	(2,377,925)	
	7,753,373	
Impairment Charges on Investments & Financing Assets	(246,747)	
Bought in goods and Services	(2,224,073)	
Value Added	**5,282,553**	**100**
Distributions:		
Payment to:		
Employees - Salaries & Benefits	2,515,752	48
Government - Taxes	262,270	5
Shareholders - Dividend	-	
	2,778,022	**53**
Reinvestments:		
Depreciation and Amortization	114,054	2
Statutory Reserves	2,390,478	45
Retained Earnings		
	2,504,532	**47**
Total Value Added	**5,282,554**	**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 employees, shareholders, government and amount reinvested for the creation of further wealth.

OTHER NATIONAL DISCLOSURES

FINANCIAL SUMMARY

In thousands of Naira		**31 Dec 2023**
Statement of Financial Position		
As at 31 December 2023		
In thousands of Naira	**Note**	**31 Dec 2023**
Assets		
Cash & Bank balances.	17	60,033,957
Due from Other Commercial Banks	18	19,987,590
Commodity Murabaha Products	19	8,656,992
Investment-Gold Bullion	20	1,828,128
Accounts Receivable	21	1,436,550
Investment in Sukuk	22	31,780,498
Halal Portfolio Investment	23	4,163,533
Financing Assets	24	33,122,757
Other Investments - Musharakah	25	1,353,707
Other assets	26	3,086,542
Investment Property	27	4,790,469
Investment in Unquoted Equity	28	3,628,065
Property, Plant and Equipment	29	8,700,744
Intangible assets	30	151,092
Total assets		**182,720,624**
Liabilities		
Due To Other Commercial Banks	31	8,627,430
Customer Current Deposits	32	71,699,146
Due To Other Financial Institutions	33	25,617,715
Income Tax Liabilities	15(b)	51,053
Other liabilities	34	25,692,160
Provisions	35	6,148
Total liabilities		**131,693,652**
Equity of investment account holders		
Unrestricted Investment Accounts	36	36,306,688
Total equity of investment account holders		**36,306,688**
Owners' equity		
Share Capital	37	10,000,000
Retained Earnings		1,484,349
Other Components of Equity		2,968,644
Profit Equalisation Reserve		89,366
Total equity		**14,542,359**
Total Equity and Liabilities		**182,542,699**

Statement of Comprehensive Income

In thousands of Naira	Notes	31 Dec. 2023
Income from Financing Operations	6	2,784,253
Income from investment in Sukuk Securities (measured using effective return rate)	7a	2,641,994
Income from other Investing Activities	7b	677,208
Gross income from financing & Investment transactions		**6,103,455**
Impairment on Financing & Investment Contracts	8	(246,747)
Net income after impairment		**5,856,708**
Returns to Investment Account Holders	9	(2,377,925)
Total Returns after payment to Equity Investment Account Holders		**3,478,783**
Fees and Commission income	10	1,735,495
Fees and Commission expense	10	(79,290)
		5,134,988
Income from Other Sources		
Other operating income	11	2,371,638
Total Income		**7,506,626**
Expenses:		
Personnel Expenses	12	(2,515,752)
Depreciation and Amortization	13	(114,054)
Other Operating expenses	14	(2,224,073)
Total expenses		**(4,853,879)**
Profit before tax		**2,652,747**
Income tax expenses	15(a)	(262,270)
Profit for the period		**2,390,477**
Other comprehensive income:		
Items that will not be reclassified to profit or loss subsequent period:		
Revaluation gain on equity instruments at fair value through other comprehensive income		1,382,640
Total items that will not be reclassified to profit or loss subsequent period		**1,382,640**
Items that will be reclassified to profit or loss in subsequent period:		
Sukuk Instruments at fair value through other comprehensive income:		
- Net change in fair vaue during the year		578,774
- Changes in allowance for expected losses		101,101
Net (losses) / gains on Sukuk instrument at fair value through other comprehensive income		**679,875**
Total Items that will be reclassified to profit or loss in subsequent period:		**679,875**
Other comprehensive income / (loss) for the year net of tax		**2,062,515**
Total comprehensive income for the period		**4,452,992**
Earnings per share		
Basic and Diluted Earnings per share (kobo)	16	**12**

The accompanying notes to the financial statement form part of the financial statements.