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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stanbic IBTC Bank Plc.

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Stanbic IBTC Bank Plc. ("the Bank") and its subsidiaries (together, "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows for the year ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 7 to 126.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment allowance for loans and advances to customers

The Group's loans and advances to customers are categorised into personal and business banking loans (retail loans) and corporate and transactional banking loans (corporate loans). The determination of impairment on these loans and advances is inherently a significant and judgmental area for the Group as judgments and assumptions are made by the Group over both the timing of recognition and the estimation of the size of the impairment allowance.

The Group uses a complex Expected Credit Loss (ECL) model to determine the impairment allowance for loans and advances. The Group's ECL methodology includes certain judgments and assumptions such as:

- the credit risk ratings allocated to the counterparties in the corporate and transactional banking category;
- the probability of a loan becoming past due and subsequently defaulting;
- the determination of the Group's definition of default;
- the criteria for assessing significant increase in credit risk (SICR);
- the credit conversion factors applied to off-balance sheet exposures;
- the rate of recovery on the loans that are past due and in default;
- the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collaterals;
- the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, exchange rates and the Gross Domestic Product (GDP) rates used in determining the expected credit losses in the loans and advances portfolios.

We focused on the impairment allowance for loans and advances to customers due to the significant judgements, estimates and assumptions made by the Group in determining the impairment allowance required.

How the matter was addressed in our audit

Our procedures included the following:

- we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Group's review of credit risk gradings for the Group's corporate loans and advances. The Group's review includes details of data inputted into the risk grading system as well as timing of the reviews of the credit risk grades allocated to counterparties.

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- o we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Group's ongoing monitoring and identification of loans displaying indicators of impairment and whether they are correctly migrated.

- o we checked that the Group's definition of default is consistent with the requirement of the standard.

- o we assessed the appropriateness of the Group's determination of significant increase in credit risk (SICR) and the resultant classification of loans into various stages of credit risk for reasonableness.

- o With the assistance of our Financial Risk Management specialists, we:

  - assessed the appropriateness of the Group's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;

  - challenged the appropriateness of the modelling approach and the historical movement in the balances of facilities between default and non-default categories in determining the Probability of Default (PD) used in the ECL calculations;

  - tested the accuracy and appropriateness of the data used in determining the Exposure at Default, including the contractual cash flow and credit conversion factor, outstanding loan balance, loan contractual repayment pattern and loan tenor;

  - tested the accuracy of the calculation of the Loss Given Default (LGD) used by the Group and evaluated the appropriateness of the valuation of collaterals used in the ECL model and other evidence of future cash flows by evaluating the valuation reports and assessing haircuts applied by management on the recoverability of collateral considering the current economic conditions;

  - challenged the appropriateness of the Group's forward-looking assumptions comprising the inflation rates, exchange rates and GDP growth rates used in the ECL calculations using publicly available information from external sources;

  - tested the accuracy of the Group's impairment model by independently re-performing the calculations of impairment allowance for corporate and retail loans and advances. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Group may not recover throughout the life of the loans while for loans and advances that have not shown a significant increase in credit risk, the recalculation was based on the losses expected to result from default events within twelve months from the reporting date.

The Group's accounting policy on impairment allowance for loans and advances, disclosure on judgements and estimates and relevant financial risk disclosures are shown in Notes 4.3, 6.1, 6.2 and 12.3 respectively.

Recoverability of Deferred Tax Assets

The Group has recognised and unrecognised deferred tax assets which arose from historical tax losses, unutilised capital allowances and other deductible temporary differences. The recognition of deferred tax assets required the Group to perform an assessment of when and whether sufficient future taxable profits are likely to be generated by the Group to support the future recoverability of the deferred tax asset recognised.

We focused on this area due to the significant judgments and assumptions involved in the estimation of future taxable profits to determine the amount of the recognised and unrecognised deferred tax assets as at the reporting date.

How the matter was addressed in our audit

Our procedures included the following:

- We challenged the Group's assessment of the recoverable amounts, including the timing and amount of the projected future taxable profits and the underlying assumptions in the Group's budgets and forecasts, using our knowledge of the Group's business and the industry existing legislations and the Group's historical performance.

- We evaluated whether historical tax losses, unutilised capital allowance and other deductible temporary differences were appropriately determined in accordance with the relevant tax laws.

The Group's accounting policy on deferred tax assets and other relevant disclosures are shown in Notes 4.11, 6.4 and 15 respectively.

Valuation of Derivative Financial Instruments

The Group's derivative financial instruments comprise foreign currency swaps and foreign exchange forward contracts, which are used to manage foreign exchange risk. The Group uses complex valuation methodologies involving multiple inputs including discount rates, exchange rates and earnings yields to estimate the fair value of these derivative instruments.

We focused on this area due to the significance and complexity in the valuation of these derivative financial instruments and the related estimation uncertainty.

How the matter was addressed in our audit

Our procedures included the following, amongst others:

- We evaluated the design and implementation and tested the operating effectiveness of key controls over the inputs used in determining the Group's valuation of derivative financial instruments.

- We inspected derivative contract documents on a sample basis to confirm the terms of the respective transactions.

- With the assistance of our Financial Risk Management specialists, we:
  - challenged the appropriateness of the methodology and assumptions used by the Group to assess whether the valuation model used by the Group was in line with acceptable market practice.
  - ascertained the accuracy of the fair value of derivative assets and liabilities by obtaining quoted rates of the inputs used in the valuation model for the market observable rates and compared these rates to the mark-to-market rates used by the Group.
  - for non-observable inputs, assessed the reasonableness of the rates and other adjustments applied by the Group by independently deriving the input using alternative methodologies.
  - independently re-computed the fair value of the instruments and compared with the Group's valuation for reasonableness

The Group's accounting policy on derivative financial instruments and relevant financial risk disclosures are shown in Notes 4.3, 6.4, 10.6 and 27 respectively.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Directors' Responsibilities, Corporate Governance report, Report of the Audit Committee and other National Disclosures but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal 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 consolidated and separate financial statements, the Directors are responsible for assessing the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Bank or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and 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 Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.

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

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

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

We also provide the Audit Committee 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, related safeguards.

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

Report on other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and the other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004.

i. The Bank paid penalties in respect of contravention of the Central Bank of Nigeria guidelines during the year ended 31 December 2019. Details of penalties paid are disclosed in Note 39 to the financial statements.
ii. Related party transactions and balances are disclosed in Note 36 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

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Kabir O. Okunlola
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
11 February 2020
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
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STANBIC IBTC BANK PLC

Consolidated and separate statements of financial position as at 31 December 2019

	Note	Group 31 Dec. 2019 N'million	Group 31 Dec. 2018 N'million	Bank 31 Dec. 2019 N'million	Bank 31 Dec. 2018 N'million
Assets					
Cash and cash equivalents	7	**446,551**	451,666	**446,551**	451,666
Pledged assets	8	**231,972**	142,543	**231,972**	142,543
Trading assets	9.1	**248,909**	84,276	**248,909**	84,276
Derivative assets	10.6	**32,871**	30,286	**32,871**	30,286
Financial investments	11	**99,233**	357,574	**99,101**	357,456
Loans and advances	12	**535,170**	441,261	**535,170**	441,261
Loans and advances to banks	12	**3,046**	8,548	**3,046**	8,548
Loans and advances to customers	12	**532,124**	432,713	**532,124**	432,713
Other assets	14	**156,019**	64,687	**155,741**	64,516
Investment in subsidiaries	13	**-**	-	**100**	100
Property and equipment	16	**23,988**	18,004	**23,985**	18,001
Intangible assets	17	**5,232**	819	**5,232**	819
Right of use assets	18	**2,500**	-	**2,500**	-
Deferred tax assets	15	**10,248**	8,398	**10,188**	8,321
Total assets		**1,792,693**	1,599,514	**1,792,320**	1,599,245
Equity and liabilities					
Equity		**203,237**	172,019	**201,340**	170,341
Equity attributable to ordinary shareholders		**203,237**	172,019	**201,340**	170,341
Share capital	19	**1,875**	1,875	**1,875**	1,875
Share premium	19	**42,469**	42,469	**42,469**	42,469
Reserves		**158,893**	127,675	**156,996**	125,997
Liabilities		**1,589,456**	1,427,495	**1,590,980**	1,428,904
Trading liabilities	9.2	**250,203**	125,684	**250,203**	125,684
Derivative liabilities	10.6	**4,343**	4,152	**4,343**	4,152
Current tax liabilities	24	**7,812**	3,217	**7,390**	2,866
Deposits and current accounts	21	**896,358**	999,745	**896,786**	999,981
Deposits from banks	21	**248,902**	160,272	**248,902**	160,272
Deposits from customers	21	**647,456**	839,473	**647,884**	839,709
Other borrowings	22	**92,165**	69,918	**92,165**	69,918
Debts Securities Issued	23	**106,658**	60,595	**106,658**	60,595
Provisions	25	**4,148**	8,980	**4,148**	8,980
Other liabilities	26	**227,769**	155,204	**229,287**	156,728
Total equity and liabilities		**1,792,693**	1,599,514	**1,792,320**	1,599,245

Demola Sogunle
Chief Executive
FRC/2013/CIBN/00000001034
6 February 2020

Bayo Olujobi
Chief Financial Officer
FRC/2015/ICAN/00000012619
6 February 2020

Yinka Sanni
Director
FRC/2013/CISN/00000001072
6 February 2020

The accompanying notes on page 7 to 126 form an integral part of these financial statements.

STANBIC IBTC BANK PLC

Consolidated and separate statements of profit or loss
For the year ended 31 December 2019

For the twelve months ended	Note	Group 31-Dec-19 N'million	Group 31-Dec-18 N'million	Bank 31-Dec-19 N'million	Bank 31-Dec-18 N'million
Gross earnings		**178,259**	169,273	**178,828**	169,207
Net interest income		**69,846**	71,705	**69,832**	71,691
Interest income	31.1	**113,070**	112,452	**113,056**	112,438
Interest expense	31.2	**(43,224)**	(40,747)	**(43,224)**	(40,747)
Non-interest revenue		**60,444**	55,447	**61,027**	55,395
Net fee and commission revenue	31.3	**22,503**	23,259	**22,424**	23,234
Fee and commission revenue	31.3	**27,248**	24,633	**27,169**	24,608
Fee and commission expense	31.3	**(4,745)**	(1,374)	**(4,745)**	(1,374)
Trading revenue	31.4	**36,367**	31,118	**36,357**	31,091
Other revenue	31.5	**1,574**	1,070	**2,246**	1,070
Income before credit impairment charges		**130,290**	127,152	**130,859**	127,086
Net impairment loss/(write back) on financial instruments	31.6	**(1,664)**	2,988	**(1,664)**	2,988
Income after credit impairment charges		**128,626**	130,140	**129,195**	130,074
Operating expenses		**(70,884)**	(76,833)	**(72,212)**	(78,016)
Staff costs	31.7	**(30,100)**	(32,169)	**(29,701)**	(31,750)
Other operating expenses	31.8	**(40,784)**	(44,664)	**(42,511)**	(46,266)
Profit before tax		**57,742**	53,307	**56,983**	52,058
Income tax	33.1	**(5,233)**	(2,517)	**(4,696)**	(2,146)
Profit for the year		**52,509**	50,790	**52,287**	49,912
Profit attributable to:					
Equity holders of the parent		**52,509**	50,790	**52,287**	49,912
Profit for the year		**52,509**	50,790	**52,287**	49,912
Earnings per share					
Basic earnings per ordinary share (kobo)	34	**1,400**	1,354	**1,394**	1,331
Diluted earnings per ordinary share (kobo)	34	**1,400**	1,354	**1,394**	1,331

The accompanying notes on page 7 to 126 form an integral part of these financial statements.