Sterling Bank Plc

Unaudited Group Interim Financial Statements for the Period ended 30 June 2017

Directors' Report
For the period ended 30 June 2017

The Directors present their second quarter report on the affairs of Sterling Bank Plc, together with the unaudited Group Financial Statements for the period ended 30 June, 2017.

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

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

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

In October, 2011, the Bank had a business combination with Equitorial Trust Bank Limited to re-position itself to better compete in the market space. The Bank has 163 branches and cash centres as at 30 June, 2017.

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

Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Total number of issued share capital is 500,000, With 499,999 shares held by Sterling Bank Plc and 1 share held by the Managing Director, Mr. Yemi Adeola. The main objective of setting up the SPV is to raise or borrow money by the issue of bonds or other debt instruments. The approval of the Central Bank of Nigeria was obtained on 17th September 2015. The SPV is a subsidiary and is consolidated in the financial statements of the Bank. The Bank and its subsidiary is collectively referred to as "the Group".

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

	GROUP	BANK	
In millions of Naira	June 2017	June 2017	June 2016
Gross earnings	57,101	56,870	50,055
Profit before taxation	4,334	4,305	4,381
Taxation	(532)	(532)	(360)
Profit after taxation	3,802	3,773	4,021
Transfer to statutory reserve	570	566	1,206
Transfer to general reserve	3,232	3,207	2,814
	3,802	3,773	4,021
Earnings per share (kobo) - Basic	13k	13k	14k
Earnings per share (kobo) - diluted	13k	13k	14k
	June 2017	June 2017	December 2016
NPL Ratio	7.35%	7.35%	9.9%

Directors who served during the period

The following Directors served during the period under review:

	Name	Designation	Date appointed /resigned	Interest represented
1	Mr. Asue Ighodalo	Chairman		
2	Mr. Rasheed Kolarinwa	Independent Director		
3	Dr. (Mrs.) Omolara Akanji	Independent Director		
4	Ms. Tamarakare Yekwe (MON)	Independent Director		
5	Mr. Olaitan Kajero	Non-Executive Director		Eba Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
6	Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investment Limited
7	Mrs. Egbichi Akinsanya	Non-Executive Director		Asset Management Corporation of Nigeria (AMCON)
8	Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
9	Mr. Sujit Varma (Indian)	Non-Executive Director	15/2/2017	State Bank of India
10	Mr. Yemi Adeola	Managing Director/CEO		
11	Mr. Lanre Adesanya	Executive Director		
12	Mr. Kayode Lawal	Executive Director		
13	Mr. Abubakar Suleiman	Executive Director		
14	Mr. Grama Narasimhan (Indian)	Executive Director		
15	Mr. Yemi Odubiyi	Executive Director		

Going Concern

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

Directors interests in shares

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

	Number of shares			
Names	June 2017 Direct	June 2017 Indirect	December 2016 Direct	December 2016 Indirect
Mr. Asue Ighodalo	-	55,641,243	-	57,578,743
Mr. Rasheed Kolarinwa	-	-	-	-
Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
Dr. (Mrs) Omolara Akanji	-	-	-	-
Ms. Tamarakare Yekwe (MON)	-	-	-	-
Mr. Sujit Varma	-	2,549,505,026	-	-
Mr. Olaitan Kajero	-	1,582,687,059	-	1,582,687,059
Mrs. Tairat Tijani	-	1,444,057,327	-	1,444,057,327
Mrs. Egbichi Akinsanya	-	1,684,449,539	-	1,684,449,539
Mr. Yemi Adeola	25,535,555	-	25,535,555	-
Mr. Lanre Adesanya	5,827,937	-	5,827,937	-
Mr. kayode Lawal	12,872,836	-	10,003,576	-
Mr. Abubakar Suleiman	21,810,161	-	18,725,780	-
Mr. Grama Narasimhan	-	-		2,549,505,026
Mr. Yemi Odubiyi	13,126,094	-	10,735,044	-

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 30 June 2017 is as follows:

Range of shares			Number of holders	%	Number of units	%
1	-	1,000	31,810	36.22%	14,403,867	0.05%
1001	-	5,000	26,606	30.30%	60,210,896	0.21%
5,001	-	10,000	9,089	10.35%	61,307,276	0.21%
10,001	-	20,000	7,245	8.25%	97,695,774	0.34%
20,001	-	50,000	5,159	5.87%	160,550,205	0.56%
50,001	-	100,000	2,984	3.40%	205,626,446	0.71%
100,001	-	200,000	2,029	2.31%	285,754,481	0.99%
200,001	-	500,000	1,562	1.78%	483,984,187	1.68%
500,001	-	10,000,000	1,216	1.38%	1,967,719,309	6.83%
Above 10,000,001			118	0.13%	14,817,769,276	51.47%
Foreign shareholding			5	0.01%	10,635,396,407	36.94%
			87,823	100%	28,790,418,124	100.00%

The following shareholders have shareholdings of 5% and above as at 30 June, 2017:

	June 2017 Holding (units)	June 2017 % holding	December 2016 Holding (units)	December 2016 % holding
Silverlake Investment Limited	7,197,604,531	25.00	7,197,604,531	25.00
State Bank of India	2,549,505,026	8.86	2,549,505,026	8.86
SNNL/Asset Management Corporation of Nigeria - Main	1,684,449,539	5.85	1,684,449,539	5.84
Dr. Mike Adenuga	1,620,376,969	5.63	1,620,376,969	5.63
Ess-ay Investments Limited	1,444,057,327	5.02	1,444,057,327	5.02

Acquisition of own shares

The Bank did not acquire any of its shares during the period ended 30 June, 2017 (31 December, 2016: Nil).

Employment and employees

i ***Employment of disabled persons***

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

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

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

iii ***Employee training and Development***

The Bank is committed to keeping employees fully informed as much as possible regarding the Bank's performance and progress and seeking their opinion where practicable on matters, which particularly affect them as employees.
Training is carried out at various levels through both in-house and external courses. Incentive schemes designed to encourage the involvement of employees in the Bank's performance are implemented whenever appropriate.

iv ***Events after reporting date***

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

BY ORDER OF THE BOARD:

Justina Lewa
Company Secretary
(FRC/2013/NBA/00000001255)
20 Marina, Lagos, Nigeria.
July 24, 2017

Corporate Governance

In line with the revised code of corporate governance issued by the Central Bank of Nigeria in October 2014, the Board had constituted the following committees:

Board Composition and Committee

Board of Directors

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

1	Mr. Asue Ighodalo	Chairman	Chairman
2	Mr. Rasheed Kolarinwa	Member	Independent Director
3	Dr. (Mrs.) Omolara Akanji	Member	Independent Director
4	Ms. Tamarakare Yekwe (MON)	Member	Independent Director
5	Mr. Olaitan Kajero	Member	Non-Executive Director
6	Mrs. Tairat Tijani	Member	Non-Executive Director
7	Mrs. Egbichi Akinsanya	Member	Non-Executive Director
8	Mr. Michael Jituboh	Member	Non-Executive Director
9	Mr. Sujit Varma	Member	Non-Executive Director
10	Mr. Yemi Adeola	Member	Managing Director/CEO
11	Mr. Lanre Adesanya	Member	Executive Director
12	Mr. Kayode Lawal	Member	Executive Director
13	Mr. Abubakar Suleiman	Member	Executive Director
14	Mr. Grama Narasimhan (Indian)	Member	Executive Director
15	Mr. Yemi Odubiyi	Member	Executive Director

Board Credit Committee

The Committee acts on behalf of the Board on credit matters and reports to the Board for approval/ratification. The members are as follows:

1	Dr. (Mrs) Omolara Akanji	Chairman
2	Mr. Rasheed Kolarinwa	Member
3	Mr. Olaitan Kajero	Member
4	Mr. Michael Jituboh	Member
5	Mr. Yemi Adeola	Member
6	Mr. Lanre Adesanya	Member
7	Mr. Kayode Lawal	Member
8	Mr. Grama Narasimhan	Member

Board Finance and General Purpose Committee

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

1	Mrs. Egbichi Akinsanya	Chairman
2	Ms. Tamarakare Yekwe (MON)	Member
3	Mrs. Tairat Tijani	Member
4	Mr. Michael Jituboh	Member
5	Mr. Yemi Adeola	Member
6	Mr. Lanre Adesanya	Member
7	Mr. Abubakar Suleiman	Member
8	Mr. Yemi Odubiyi	Member

Board Governance and Remuneration Committee

The Committee acts on behalf of the Board on all matters relating to the workforce. The members are as follows:

1	Ms. Tamarakare Yekwe (MON)	Chairman
2	Mr. Rasheed Kolarinwa	Member
3	Dr. (Mrs.) Omolara Akanji	Member
4	Mr. Olaitan Kajero	Member
5	Mrs. Egbichi Akinsanya	Member
6	Mrs. Tairat Tijani	Member

Board Risk Management Committee

The Committee is responsible for evaluating and handling issues relating to risk management in the Bank. The members are as follows:

1	Mr. Olaitan Kajero	Chairman
2	Mr. Rasheed Kolarinwa	Member
3	Dr. (Mrs) Omolara Akanji	Member
4	Mrs. Tairat Tijani	Member
5	Mr. Michael Jituboh	Member
6	Mr. Yemi Adeola	Member
7	Mr. Lanre Adesanya	Member
8	Mr. Kayode Lawal	Member
9	Mr. Yemi Odubiyi	Member

Board Audit Committee

The Committee acts on behalf of the Board of Directors on financial reporting, internal control and audit matters. Decisions

and actions of the Committee are presented to the Board for approval/ratification. The members are as follows:

1	Mr. Rasheed Kolarinwa	Chairman
2	Dr. (Mrs) Omolara Akanji	Member
3	Ms. Tamarakare Yekwe (MON)	Member
4	Mrs. Tairat Tijani	Member
5	Mrs. Egbichi Akinsanya	Member
6	Mr. Michael Jituboh	Member

Statutory Audit Committee

The Committee acts on behalf of the Bank on all audit matters. Report and Actions of the Committee are presented to the Shareholders at the Annual General Meeting. The members are as follows:

1	Mrs. Egbichi Akinsanya	Chairman
2	Alhaji Mustapha Jinadu	Member
3	Ms. Christie O. Vincent	Member
4	Ms. Tamarakare Yekwe MON	Member
5	Mr. Olaitan Kajero	Member
6	Mr. Idongesit E. Udoh	Member

Management Committees

1 ***Executive Committee (EXCO)***

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

2 ***Assets and Liability Committee (ALCO)***

The Committee ensures adequate liquidity and the management of interest rate risk within acceptable parameters. It also reviews the economic outlook and its impact on the Bank strategies.

3 ***Management Credit Committee (MCC)***

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

4 ***Management Performance Review Committee (MPR)***

The Committee reviews the Bank's monthly performance on set targets and monitors budget achievement. It also assesses the efficiency of resource deployment in the Bank and re-appraises cost management initiatives.

5 ***Criticised Assets Committee (CAC)***

The Committee reviews the Bank's credit portfolio and collateral documentation. It reviews the non-performing loan stock and recovery strategies for bad loans.

6 ***Computer Steering Committee (CSC)***

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

7 ***Management Risk Committee (MRC)***

The Committee is responsible for planning, management and control of the Bank's overall risks. It includes setting the Bank's risk philosophy, risk appetite, risk limits and risk policies.

Succession Planning

Sterling Bank Plc has a Succession Planning Policy which was approved by the Board of Directors in 2009. Succession Planning is aligned to the Bank's overall organisational development strategy. In line with the policy, a new Unit was set-up in the Human Resources Management Group to implement, amongst others, a Succession Plan for the Bank.

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

Code of Ethics

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

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

Whistle Blowing Process

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

Whistle blowing process is a mechanism by which suspected breaches of the Bank's internal policies, processes, procedures

and unethical activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions. It ensures a high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

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

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

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

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

Compliance Statement on Securities Trading by Interested Parties

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

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

Complaint Management Policy

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2017

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

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

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

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

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

The directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respect, the financial position and financial performance of the Group and Bank as of and for the six months ended 30 June 2017.

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

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

Condensed Statement of Profit or Loss
For the period ended 30 June 2017

		Group	Bank	
In millions of Naira	Notes	June 2017	June 2017	June 2016
Interest income	3	50,028	49,797	41,541
Interest expense	4	(23,010)	(22,808)	(15,910)
Net interest income		27,018	26,989	25,631
Fees and commission income	5	5,902	5,902	6,008
Net Trading income/(Loss)	6	(2,258)	(2,258)	1,733
Other operating income	7	3,429	3,429	773
Operating income		34,091	34,062	34,145
Impairment charges	8	(4,081)	(4,081)	(3,665)
Net operating income after impairment		30,010	29,981	30,480
Personnel expenses	9	(5,749)	(5,749)	(5,682)
Other operating expenses	10 (a)	(7,298)	(7,298)	(7,569)
General and administative expenses	10 (b)	(7,286)	(7,286)	(8,356)
Other property, plant and equipment cost	10(c)	(3,074)	(3,074)	(2,471)
Depreciation and amortisation	21(b)&21	(2,269)	(2,269)	(2,021)
Total expenses		(25,676)	(25,676)	(26,099)
Profit before income tax		4,334	4,305	4,381
Income tax expense	11(a)	(532)	(532)	(360)
Profit for the period		3,802	3,773	4,021
Earnings per share - basic (in kobo)	12	13k	13k	14k
Earnings per share - diluted (in kobo)	12	13k	13k	14k

Statement of Other comprehensive income

In millions of Naira	Notes	June 2017	June 2017	June 2016
Profit for the period		3,802	3,773	4,021
Items that may be reclassified subsequently to profit or loss:				
Fair value gain/(loss) on available for sale investments		(6,173)	(6,173)	(11,716)
Fair value gain/(loss) on available for sale securities sold included in profit or loss		11,323	11,323	(1,154)
Other comprehensive income/(loss) for the period; net of tax		5,150	5,150	(12,870)
Total comprehensive profit/(loss) for the period		8,953	8,924	(8,849)

Condensed Statement of Financial Position
As at 30 June 2017

		Group		Bank	
In millions of Naira	Notes	June 2017	December 2016	June 2017	December 2016
Assets					
Cash and balances with Central Bank of Nigeria	13	92,176	107,859	92,176	107,859
Due from Banks	14	60,603	31,289	60,603	31,289
Pledged financial assets	15	138,082	86,864	138,082	86,864
Derivative financial assets	16	-	8	-	8
Loans and advances to Customers	17	524,023	468,250	524,023	468,250
Investment securities:					
- Held for trading	18(a)	5,879	1,653	5,879	1,653
- Available-for-sale	18(b)	37,071	34,867	37,071	34,867
- Held to maturity	18(c)	51,465	58,113	48,138	54,724
Investment in subsidiary	19(c)	-	-	1	1
Other assets	20	23,493	21,676	23,493	21,676
Property, plant and equipment	21	16,180	14,604	16,180	14,604
Intangible assets	22	1,918	2,037	1,918	2,037
Deferred tax assets	11(c)	6,971	6,971	6,971	6,971
Total Assets		957,861	834,190	954,536	830,803
Liabilities					
Deposits from Banks	23	1,575	23,769	1,575	23,769
Deposits from Customers	24	609,028	584,734	609,028	584,734
Derivative financial liabilities	16	-	8	-	8
Current income tax liabilities	11(b)	888	942	888	942
Other borrowed funds	25	186,493	82,450	186,493	82,450
Debt securities issue	26	13,254	15,382	9,938	11,976
Other liabilities	27	52,011	41,245	52,011	41,245
Total Liabilities		863,249	748,530	859,933	745,124
Equity					
Share capital	28	14,395	14,395	14,395	14,395
Share premium	28	42,759	42,759	42,759	42,759
Retained earnings		9,458	6,226	9,449	6,242
Equity reserves		28,000	22,280	27,999	22,282
Total equity		94,613	85,660	94,603	85,679
Total liabilities and equity		957,861	834,190	954,536	830,802

Signed on behalf of the Board of Directors by:

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

Abubakar Suleiman
ED, Finance and Strategy
FRC/2013/CIBN/00000001275

Yemi Adeola
Managing Director/ Chief Executive Officer
FRC/2013/CIBN/00000001257

Condensed Statement of changes in equity
For the period ended 30 June 2017

Group

In millions of Naira	Share capital	Share premium	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Retained earnings	Total
Balance at 1 January 2017	14,395	42,759	17,409	(11,323)	10,682	5,276	235	6,226	85,660
Comprehensive income for the period	-	-	-	-	-	-	-	3,802	3,802
Other comprehensive income net of tax		-	-	5,150	-	-	-	-	5,150
Transfer to other reserve	-	-	570	-	-	-	-	(570)	-
Balance at 30 June 2017	**14,395**	**42,759**	**17,979**	**(6,173)**	**10,682**	**5,276**	**235**	**9,458**	**94,613**

Bank

In millions of Naira	Share capital	Share premium	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Retained earnings	Total
Balance at 1 January 2017	14,395	42,759	17,412	(11,323)	10,683	5,276	235	6,242	85,679
Comprehensive income for the period	-	-	-	-	-	-	-	3,773	3,773
Other comprehensive income net of tax		-	-	5,150	-	-	-	-	5,150
Transfer to other reserve	-	-	566	-	-	-	-	(566)	-
Balance at 30 June 2017	**14,395**	**42,759**	**17,978**	**(6,173)**	**10,683**	**5,276**	**235**	**9,449**	**94,603**

Bank

In millions of Naira	Share capital	Share premium	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Retained earnings	Total
Balance at 1 January 2016	14,395	42,759	16,635	1,154	5,070	5,276	235	10,042	95,566
Comprehensive income for the year	-	-	-	-	-	-	-	4,021	4,021
Other comprehensive income net of tax	-	-	-	(12,870)	-	-	-	-	(12,870)
Transfer to other reserve	-	-	603	-	-	-	-	(603)	-
Dividends to equity holders	-	-	-	-	-	-	-	(2,591)	(2,591)
Balance at 30 June 2016	**14,395**	**42,759**	**17,238**	**(11,716)**	**5,070**	**5,276**	**235**	**10,868**	**84,126**

Condensed Statements of Cash Flow

For the period ended 30 June 2017

		Group	Bank	
In millions of Naira	Notes	June 2017	June 2017	June 2016
Operating activities				
Profit before tax		4,334	4,305	4,381
Adjustment for:				
Net impairment on loan	8	4,203	4,203	3,821
Impairment loss on other assets	8	(115)	(115)	(156)
Depreciation and amortisation	21(b)&20	2,269	2,269	2,021
Loss/(Gain) on disposal of property and equipment	7	(40)	(40)	(11)
Movement in debt capital		293	383	(8)
Dividend received	7	(132)	(132)	(38)
Foreign exchange gain/loss	7&10(a)	800	800	(13,588)
Net gain on investment securities at fair value through profit or loss		(17)	(17)	53
Net changes in other comprehensive income		(5,150)	(5,150)	12,870
		6,444	**6,505**	**9,344**
Changes in				
Change in pledged assets		(51,218)	(51,218)	(115,431)
Change in loans and advances to customers		(63,814)	(63,814)	(121,048)
Change in restricted balance with Central bank		19,373	19,373	(18,054)
Change in other assets		(1,663)	(1,663)	(13,173)
Change in deposits from customers		24,294	24,294	31,911
Change in other liabilities		10,766	10,766	24,751
		(55,817)	**(55,756)**	**(201,700)**
Income tax paid	11(b)	(543)	(543)	(369)
Net cash flows from operating activities		**(56,360)**	**(56,299)**	**(202,070)**
Investing activities				
Net sale/(purchase) of investment securities		225	163	75,621
Purchase of property and equipment	21	(3,595)	(3,595)	(1,287)
Purchase of intangible assets	22	(195)	(195)	-
Proceeds from the sale of property and equipment		75	75	37
Redemption of investments		-	-	-
Dividend received	7	132	132	38
Net cash flows from/(used in) investing activities		**(3,358)**	**(3,419)**	**74,410**
Financing activities				
Proceeds from borrowing		120,235	120,235	47,116
Repayment of borrowing		(16,192)	(16,192)	(28,085)
Proceed from Debt Securities		-	-	-
Repayment of Debt Securities		(1,986)	(1,986)	-
Dividends paid to equity holders		-	-	(2,591)
Net cash flows from/(used in) financing activities		**102,057**	**102,057**	**16,440**
Effect of exchange rate changes on cash and cash equivalents		(10,909)	(10,909)	14,806
Net increase/(decrease) in cash and cash equivalents		42,339	42,339	(111,219)
Cash and cash equivalents at 1 January		44,666	44,666	100,313
Cash and cash equivalents at 30 June	29	**76,096**	**76,095**	**3,901**
Operational cash flow from Interest				
Interest Received		47,943	47,712	37,358
Interest Paid		(22,902)	(22,700)	(16,017)

Notes to the Consolidated and Separate Financial Statements
For the period ended 30 June 2017

1 **Corporate information**

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

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

2 **Accounting policies**

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

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

The condensed consolidated and separate financial statements have been prepared on a historical cost basis, except for available-for-sale investments, financial assets and liabilities held for trading, all of which have been measured at fair value.

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

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 30 June 2017. Sterling Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities,non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(c) Seasonality of operations

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

(d) Changes in accounting estimates

There were no changes to the accounting estimates applied by the Group. 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 on the Group's ability to continue as a going concern. Therefore the financial statement continues to be prepared on a going concern basis.

(e) Issuance, repurchase and repayment of debts and equity securities

During the period under review, there was issuance of commercial paper that resulted in an external inflow into the Bank.

(f) Dividends

No dividend was declared on the audited results of the Bank for the year ended December 31, 2016. The Directors did not recommend the payment of any dividend for the Bank's interim results to 30 June 2017.

(g) Significant events after the end of the reporting period

There were no significant events that occurred after 30 June 2017 that would necessitate a disclosure and/or adjustment to the interim results presented herein.

2.2 **Summary of significant accounting policies**

The accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its consolidated financial statements as at year ended 31 December 2016. Below are the significant accounting policies.

(a) Interest Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate takes into account contractual terms which includes prepayment options, claw-back, contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis.

- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Non-interest income and non -interest expense

Sharia income

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

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

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

(b) Fees and commission
Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

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

(d) Financial assets and liabilities

(i) Initial recognition
The Group initially recognises loans and advances, deposits; debt securities issued and liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit and loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(ii) Subsequent measurement
Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Held-to-maturity
Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

(b) Financial assets held at fair value through profit and loss
This category has two sub-categories; financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:
- the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

- the group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the profit or loss in 'net trading income' for trading assets and in ‘net income from other financial instruments carried at fair value’ for financial assets designated at fair value through profit or loss at inception.

Interest earned while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

(c) Available-for-sale

Available-for-sale investments are non-derivative investments that were designated by the Group as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. . Unquoted equity securities whose fair value cannot reliably be measured were carried at cost. All other available-for-sale investments were carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in the profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(d) Loans and advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(iii) Amortised cost measurement

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

(iv) Fair value measurement

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 best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management’s best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting price.

Available for sale unquoted equity securities are measured at cost because their fair value could not be reliably measured.

(e) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the customer is more than 90 days past due;
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated material forgiveness of debt or postponement of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(f) Cash and cash equivalents

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

2.3 Standards issued but not yet effective

New standards have been issued but are not yet effective for the period ended 30 June 2017; thus, it has not been applied in preparing these financial statements. The Group intends to adopt the standards below when they become effective:

IFRS 15: Revenue from Contract with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. This will be effective from 1 January 2018. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date,this might not have signficant impact on the Group.

IFRS 9: Financial Instrument: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held.The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. Based on the preliminary assessment, the standard is not expected to have major gaps in the current classification of financial assets and financial liabilities. impairment charge will need to be based on 12 months expected credit loss and life time expected credit losses, policies and and processes for assessment of significant increase in credit risk need to be put in place, the implementation will not only impact the Group's financial reporting aspect of financial instruments but will also have a significant impact on the operations and processes around originating and mintoring financial instruments.

IFRS 16 Leases

The International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases on 13 January 2016. The new standard requires lessees to recognise assets and liabilities for most leases. For lessors there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. It is not expected that this amendment would be relevant to the Group.

IFRS 17 — Insurance Contracts

The International Accounting Standards Board (IASB or Board) issued IFRS 17 Insurance Contract on 18 May 2017. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard will be effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. It is not expected that this amendment would be relevant to the Group.

Improvement to IFRSs

Amendments resulting from annual improvements to IFRSs to the following standards will not have any impact on

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

2.4 Segment Information

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

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

b. Reportable segment

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

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

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

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in the period (2016: none).

Segment Information continued
Group

In millions of Naira	**Retail Banking**	**Commercial & Institutional**	**Corporate & Investment**	**Non-Interest Banking**	**SPV**	**Total**
For the period ended 30 June 2017						
Interest income and NIB income	4,963	20,579	22,420	1,385	681	50,028
Interest expenses and NIB expense	(3,970)	(8,639)	(8,928)	(821)	(652)	(23,010)
Net interest income/NIB margin	993	11,940	13,492	564	29	27,018
Fees and Commission income	853	3,363	1,671	15	-	5,902
Depreciation of property & Equipment	(452)	(921)	(875)	(22)	-	(2,269)
IMPAIRMENT	(1,658)	(3,635)	1,214	(157)	-	(4,236)
Segment Profit (loss)	**1,052**	**40**	**3,016**	**197**	**29**	**4,334**
For the period ended 30 June 2017						
Assets:						
Capital expenditure						
Property, plant and equipment/Intangible	3,503	41	38	13	-	3,595
Intangible segment assets	195					195
Total Assets	**134,194**	**306,992**	**477,409**	**30,758**	**8,508**	**957,861**
Total Liabilities	**123,211**	**276,517**	**430,017**	**25,007**	**8,497**	**863,249**

Bank

In millions of Naira	**Retail Banking**	**Commercial & Institutional**	**Corporate & Investment**	**Non-Interest Banking**	**Total**
For the period ended 30 June 2017					
Interest income and NIB income	5,413	20,579	22,420	1,385	49,797
Interest expenses and NIB expense	(4,420)	(8,639)	(8,928)	(821)	(22,808)
Net interest income/NIB margin	993	11,940	13,492	564	26,989
Fees and Commission income	853	3,363	1,671	15	5,902
Depreciation of property & Equipment	(452)	(921)	(875)	(22)	(2,269)
IMPAIRMENT	(1,658)	(3,635)	1,214	(157)	(4,236)
Segment Profit (loss)	**1,052**	**40**	**3,016**	**197**	**4,305**
For the period ended 30 June 2017					
Assets:					
Capital expenditure					
Property, plant and equipment/Intangible	3,503	41	38	13	3,595
Intangible segment assets	195	-	-	-	195
Total Assets	**139,376**	**306,992**	**477,409**	**30,758**	**954,535**
Total Liabilities	**128,115**	**276,517**	**430,017**	**25,007**	**859,656**

In millions of Naira	**Retail Banking**	**Commercial & Institutional**	**Corporate & Investment**	**Non-Interest Banking**		**Total**
For the period ended 30 June 2016						
Interest income and NIB income	4,454	15,348	21,521	218		41,541
Interest expenses and NIB expense	(2,372)	(5,916)	(7,546)	(76)		(15,910)
Net interest income NIB margin	2,081	9,432	13,975	142		25,631
Fees and Commission income	2,147	2,574	1,282	5		6,008
Depreciation of property & Equipment	(186)	(703)	(1,111)	(22)		(2,021)
IMPAIRMENT	(684)	(2,479)	(484)	(18)		(3,665)
Segment Profit (loss)	**(480)**	**1,332**	**3,499**	**29**		**4,381**
For the period ended 31 December 2016						
Assets:						
Capital expenditure						
Property, plant and equipment	1,503	60	1612	0		3,175
Intangible segment assets	41	1,435	-	39		1,515
Total Assets	**129,377**	**275,132**	**416,577**	**9,717**	**3,387**	**834,190**
Total Liabilities	**116,363**	**246,854**	**367,747**	**9,013**	**8,552**	**748,529**

3 Interest income

	Group	Bank	
In millions of Naira	June 2017	June 2017	June 2016
Cash and cash equivalent	1,264	1,264	230
Loan and advances to customers	37,609	37,609	29,987
Investment securities	11,149	10,918	10,566
Interest on impaired loans	6	6	758
	50,028	49,797	41,541
Interest from Investment securities were derived from:			
Avaliable-for-sale	6,378	6,378	5,577
Held to maturity	4,772	4,540	4,988
	11,149	10,918	10,566

4 Interest Expense

In millions of Naira	June 2017	June 2017	June 2016
Deposits from banks	2,021	2,021	1,019
Deposits from customers	17,251	17,251	13,587
Debt issued and other borrowed funds	3,738	3,536	1,304
	23,010	22,808	15,910

5 Fees and commission income

In millions of Naira	June 2017	June 2017	June 2016
Facility management fees	628	628	1,136
Account Maintanance Fee	662	662	693
Commissions and similar income	1,811	1,811	1,601
Commission on letter of credit and Off Balance Sheet transactions	419	419	413
Other fees and commission (See note below)	2,382	2,382	2,165
	5,902	5,902	6,008

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

6 Net trading income/(Loss)

In millions of Naira	June 2017	June 2017	June 2016
Foreign exchange trading	1,212	1,212	1,645
Securities trading	(3,470)	(3,470)	88
	(2,258)	(2,258)	1,733

7 Other operating income

In millions of Naira	June 2017	June 2017	June 2016
Rental income	51	51	81
Other sundry income	590	590	436
Net gain on trading instruments	1	1	-
Dividends on available-for-sale equity securities	132	132	38
Gains on disposal of property, plant and equipment (See note below	40	40	11
Cash recoveries on previously written off accounts	2,598	2,598	206
Net gain on trading securties	17	17	-
	3,429	3,429	773

8 Net impairment

In millions of Naira	Group June 2017	Bank June 2017	Bank June 2016
Credit losses			
- Specific impairment allowance (see note 17)	4,038	4,038	3,936
- Collective impairment (see note 17)	82	82	9
Bad debt written off	391	391	52
Allowances no longer required	(308)	(308)	(176)
	4,203	4,203	3,821
Other financial asset impairment			
- Impairment charge/(writeback) on investment securities (see note 17)	(7)	(7)	-
- Impairment charge/(writeback) on other assets (see note 20)	(115)	(115)	(156)
- Impairment reversal on other assets		-	-
	4,081	4,081	3,665

9 Personnel expenses

In millions of Naira	June 2017	June 2017	June 2016
Wages and salaries	5,104	5,104	5,105
Defined contribution plan	645	645	577
	5,749	5,749	5,682

10 (a) Other operating expenses

In millions of Naira	June 2017	June 2017	June 2016
AMCON surcharge (see note (i) below)	2,105	2,105	2,018
Contract Services	1,997	1,997	2,023
Insurance	1,928	1,928	1,718
Other Professional Fees	468	468	447
Net foreign exchange loss	800	800	1,219
Net loss on trading securties	-	-	144
	7,298	7,298	7,569

AMCON surcharge

(i) This represents the Bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 30 June 2017. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2015 : 0.5%) of its total assets plus 33.3% of off-financial position assets (loan-related) as at the preceding year end to AMCON's sinking fund in line with existing guidelines.

(b) General and administative expenses

In millions of Naira	June 2017	June 2017	June 2016
Administrative expenses	1,220	1,220	1,562
Audit fees	120	120	120
Office expenses	1,513	1,513	1,318
Advertising and business promotion	341	341	1,302
E-business expense	747	747	368
Cash handling and processing expense	507	507	576
Branding expenses	462	462	95
Communication cost	596	596	603
Transport, travel, accomodation	224	224	210
Seminar and conferences	345	345	308
Rents and rates	15	15	50
Security	292	292	173
Other general expenses	422	422	1,218
Annual general meeting expenses	120	120	120
Stationery and printing	98	98	105
Directors other expenses	152	152	129
Membership and subscription	87	87	68
Fines and penalties	2	2	8
Directors fee	22	22	21
Newspapers and periodicals	1	1	3
	7,286	7,286	8,356

(c) Other property, plant and equipment cost

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

11 Income tax expense

In millions of Naira	June 2017	June 2017	June 2016
(a) Income tax	489	489	316
Education tax	-	-	-
Capital gains tax	-	-	-
Information Technology levy	43	43	44
Total income tax expense	532	532	360

(b) *Current income tax liabilities*

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

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Balance, beginning of the year	942	780	942	780
Income tax and education tax for the period.	489	777	489	777
payments during the period	(543)	(616)	(543)	(616)
	888	942	888	942

(c) Deferred tax

30June 2017

In millions of Naira	Balance as at 1 January 2017	Recognised in profit or loss	Recognised deferred tax liability/(asset)
Accelerated depreciation of property, plant and equipment	2,598		2,598
Unutilised tax credit (capital allowance)	(4,687)		(4,687)
Tax losses	(5,030)		(5,030)
Deductible temporary difference	148		148
	(6,971)	-	(6,971)

31 December 2016

In millions of Naira	Balance as at 1 January 2016	Recognised in profit or loss	Recognised deferred tax liability/(asset)
Accelerated depreciation of property, plant and equipment	2,189	410	2,598
Unutilised tax credit (capital allowance)	(4,192)	(495)	(4,687)
Tax losses	(4,927)	(104)	(5,030)
Deductible temporary difference	(41)	189	148
	(6,971)	-	(6,971)

12 Earning per share (basic and diluted)

The calculation of basic earnings per share as at 30 June 2017 was based on the profit attributable to ordinary shareholders of N4,050,000,000 and weighted average number of ordinary shares outstanding of 28,790,418,124 calculated as follows:

In thousands of Unit	June 2017	December 2016	June 2017	December 2016
Weighted average number of ordinary shares	28,790	28,790	28,790	28,790

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Profit for the period attributable to equity holders of the Bank	3,802	4,021	3,773	4,021
Basic earning per share	13k	14k	13k	14k
Diluted earning per share	13k	14k	13k	14k

13 Cash and balances with Central Bank

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Cash and foreign monies	11,697	11,780	11,697	11,780
Unrestricted balances with Central Bank of Nigeria	5,370	1,598	5,370	1,598
Deposits with the Central bank of Nigeria	75,109	94,482	75,109	94,482
	92,176	107,859	92,176	107,859

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

14 Due from banks

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balances held with local banks	12,174	6,937	12,174	6,937
Balances held with banks outside Nigeria	6,035	12,807	6,035	12,807
Money market placements	42,394	11,545	42,394	11,545
	60,603	31,289	60,603	31,289

15 Pledged Assets

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Pledged Treasury bills (see note (a) below)	5,854	10,015	5,854	10,015
Pledged Bonds - FGN (see note (b) below)	96,668	50,605	96,668	50,605
Pledged Bonds - State Government (see note (b) below)	4,242	-	4,242	-
Pledged Euro Bonds (see note (b) below)	25,018	23,321	25,018	23,321
Pledged Corporate Bonds (see note (c) below)	259	-	259	-
Other pledged assets (see note (d) below)	6,041	2,923	6,041	2,923
	138,082	86,864	138,082	86,864

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

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

(b) Pledged as security for long term loan from Citibank International, clearing activities with First Bank Plc.

(c) Pledged as security to counter parties on Repurchased Agreement (REPO) transactions

(d) Included in other pledged assets are cash collateral for letters of credit and visa card through Zenith Bank Plc. The deposit are not part of the fund used by the bank for day to day activities.

16 Foreign Exchange Derivatives

In millions of Naira 30 June 2017	Notional Contract Amount	Fair Value Assets	Fair Value Liability
Non deliverable forward	-	-	-
Derivative assets/(liabilities)	-	-	-

17 Loan and Advances to Customers

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Loans to individuals	21,153	17,250	21,153	17,250
Loans to corporate entities and other organizations	515,251	459,464	515,251	459,464
	536,404	476,713	536,404	476,713
Less:				
Specific impairment allowance	(8,023)	(4,187)	(8,023)	(4,187)
Collective impairment allowance	(4,358)	(4,276)	(4,358)	(4,276)
	524,023	468,250	524,023	468,250

Impairment allowance on loans and advances to customers

Specific impairment

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balance, beginning of year	4,187	11,567	4,187	11,567
Impairment charge for the period (see note 8)	4,038	11,329	4,038	11,329
Reversal for the period	(308)	(720)	(308)	(720)
Write-offs	106	(17,988)	106	(17,988)
Balance, end of period	8,023	4,187	8,023	4,187

Collective impairment

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balance, beginning of year	4,276	4,182	4,276	4,182
Impairment charge for the period (see note 8)	82	94	82	94
Reversal for the period	-	-	-	-
Balance, end of period	4,358	4,276	4,358	4,276

18 Investment securities:

In millions of Naira	June 2017	December 2016	June 2017	December 2016
(a) *Held for Trading (HFT)*				
- Bonds	-	-	-	-
- Treasury bills	5,879	1,653	5,879	1,653
	5,879	1,653	5,879	1,653
(b) *Available for Sale (AFS)*				
Government bond	3,924	22,981	3,924	22,981
Equity securities	3,103	2,837	3,103	2,837
Euro bond	8,140	8,207	8,140	8,207
Treasury bills	22,144	1,089	22,144	1,089
	37,311	35,114	37,311	35,114
Impairment on AFS instruments (see note 18 d)	(240)	(247)	(240)	(247)
	37,071	34,867	37,071	34,867

Unquoted available for sale equity securities are carried at cost, their fair value cannot be measured realiably. These are investments in small and medium scale enterprises with a carrying cost of N3.10 billion (2016: N2.84 billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. These investments are recouped through redemption or disposal to existing equity holders.

Included in the balances of equity securities are impact of foreign currency translation and investments made under the Agricultural/Small and Medium Enterprises Investment Scheme (AGSMEIS) based on the CBN Guidelines which requires Banks to set aside 5% of their annual profit after tax for equity investments in permissible activities.

	June 2017	December 2016	June 2017	December 2016
(c) *Held to maturity (HTM)*				
Government bonds	49,231	55,194	45,904	51,806
Corporate bonds	2,234	2,919	2,234	2,919
Treasury bills	-	-	-	-
	51,465	58,113	48,138	54,724
Total Investment securities	94,415	94,632	91,088	91,244

(d) Specific allowance for impairment on AFS

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balance, beginning of year	247	247	247	247
Writeback	(7)	-	(7)	-
Balance, end of period	240	247	240	247

19 Investment in Subsidiary

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Investment in Sterling SPV	-	-	1	1
	-	-	1	1

Condensed Statement of Profit or loss for the Period ended
30 June 2017

In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Interest income			
Interest expense	231	(450)	681
	(202)	450	(652)
Profit/Loss for the Period	29	-	29

Condensed Statement of financial position as at
30 June 2017

In millions of Naira	Sterling Group	Elimination Entries	Sterling SPV
Assets			
Investment in securities	3,327	-	3,327
Loans and Receivable (See below (a))	-	5,181	5,181
	3,327	5,181	8,508
Liabilities and Equity			
Debt securities in issue	3,316	5,181	8,497
Equity	1		1
Reserve	(19)		(19)
profit for the period	29		29
	3,327	5,181	8,508

(a) This represents investement made by Sterling SPV in Sterling notes (Debenture). This is 7 year 18.86% surbodinated unsecured non-convertible debenture stock with interest payable semi-annually and due to mature in 2023. The effective interest rate is 19.75% per annum.

20 Other Assets

Other assets comprise:

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Accounts receivable	5,418	6,288	5,418	6,288
Prepayments (see note (a) below)	15,626	12,902	15,626	12,902
Prepaid staff cost	2,531	2,818	2,531	2,818
Stock of cheque books and stationery	643	547	643	547
	24,218	22,555	24,218	22,555
Impairment on other assets	(725)	(880)	(725)	(880)
	23,493	21,676	23,493	21,676

Movement in impairment on other assets

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balance, beginning of year	880	1,053	880	1,053
impairment on other assets (note 8)	-	7	-	7
Writeback (note 8)	(115)	-	(115)	-
Write-offs	(40)	(181)	(40)	(181)
Balance, end of period	725	880	725	880

(a) Included in prepayments are mostly Bank premises rent

21 Property, plant and equipment

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

Group and Bank

	In millions of Naira	Leasehold Land and Building	Capital work-in-progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
(a)	**Cost**						
	Balance as at 1 January, 2016	7,950	2,401	11,878	6,985	5,059	34,273
	Additions for the period	135	824	671	973	574	3,176
	Disposals	(2)	-	(165)	(10)	(959)	(1,136)
	Reclassification	572	(1,093)	444	53	24	(0)
	Balance as at 31 December 2016	8,654	2,132	12,827	8,001	4,698	36,312
	Balance as at 1 January, 2017	8,654	2,132	12,827	8,001	4,698	36,312
	Additions for the period	18	264	174	2,977	161	3,595
	Disposals	-	-	(96)	(2)	(348)	(446)
	Adjustment	-		0	(0)		-
	Reclassification	5	(120)	98	4	13	-
	Balance as at 30 June 2017	8,678	2,276	13,003	10,979	4,524	39,460
(b)	Depreciation and impairment losses						
	Balance as at 1 January, 2016	2,996	-	6,891	6,047	3,081	19,015
	Charge for the period	446	-	1,634	753	884	3,717
	Audit Journal	-	-	-	-	-	-
	Disposals	(2)	-	(97)	(10)	(915)	(1,023)
	Balance as at 31 December 2016	3,440	-	8,428	6,790	3,051	21,708
	Balance as at 1 January, 2017	3,440	-	8,428	6,790	3,051	21,709
	Charge for the period	208	-	840	510	425	1,983
	Adjustment	-	-	0	(0)		-
	Disposals	-	-	(94)	(2)	(315)	(411)
	Balance as at 30 June 2017	3,648	-	9,174	7,298	3,161	23,281
	Carrying amounts						
	Balance as at 30 June 2017	5,030	2,276	3,829	3,682	1,363	16,180
	Balance as at 31 December 2016	5,214	2,132	4,400	1,211	1,647	14,604
	Balance as at 1 January, 2016	4,953	2,401	4,987	938	1,977	15,258

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N14.78billion (2016: N11.22billion).

22 Intangible asset

Purchased Software

In millions of Naira	Group		Bank	
	June 2017	December 2016	June 2017	December 2016
Cost				
Beginning of year	3,871	2,356	3,871	2,356
Additions	195	1,515	195	1,515
Disposals	(34)	-	(34)	-
Balance end of period	4,033	3,871	4,033	3,871
Amortisation and impairment losses				
Beginning of year	1,834	1,356	1,834	1,356
Amortisation for the period	286	479	286	479
Disposals	(6)	-	(6)	-
Balance end of period	2,115	1,834	2,115	1,834
Carrying amounts	1,918	2,037	1,918	2,037

23 Deposits from Banks

	June 2017	December 2016	June 2017	December 2016
Money Market Deposits	1,575	23,769	1,575	23,769
	1,575	23,769	1,575	23,769

24 Deposits from customers

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Current accounts	315,282	322,278	315,282	322,278
Savings accounts	54,139	52,357	54,139	52,357
Term deposits	188,317	201,845	188,317	201,845
Pledged deposits	51,290	8,254	51,290	8,254
	609,028	584,734	609,028	584,734

25 Other borrowed Funds

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Foreign Funds				
Due to Citibank (See (i) below)	15,310	15,268	15,310	15,268
Due to Standard Chartered Bank (See (ii) below)	9,215	24,458	9,215	24,458
Due to Islamic Corporation Development Bank (See (iii) below)	15,283	9,283	15,283	9,283
	39,808	49,009	39,808	49,009
Local Funds				
Due to BOI (see (iv) below)	2,103	2,618	2,103	2,618
Due to CBN-Agric-Fund (See (v) below)	51,891	18,396	51,891	18,396
Due to CBN - MSME Fund (See (vi) below)	595	1,006	595	1,006
Due to Nigeria Mortgage Refnance Company (See (vii) below)	1,637	1,660	1,637	1,660
Due to Excess Crude Account (See (viii) below)	14,610	9,761	14,610	9,761
Due to Central Bank of Nigeria (see (ix) below)	75,850	-	75,850	-
	146,685	33,441	146,685	33,441
	186,493	82,450	186,493	82,450

(i) This represents the Naira equivalent of a USD50,000,000 outstanding of the USD95,000,000 credit facility granted to the Bank by Citibank International Plc payable in 4 years commencing October 2008 and interest is payable quarterly at LIBOR plus a margin of 475 basis point. The facility was renegotiated in 2013 to mature in September 2017 at a fixed rate of 6.2% annually. The loan is secured with pledged financial assets as indicated in Note 15. The effective interest rate of the loan is 6.9% per annum.

(ii) This represents short-term finance facility obtained from Standard Chartered Bank, London. Three loans were granted during the year 2016 for the purpose of providing dollar liquidity for the Bank. The rate of interest on the loans is the agreggate of the applicable margin (Margin and Libor). The principal and interest on the loans are fully payable upon maturity.

(iii) This represents a $50 million Murabaha financing facility granted by Islamic Corporation for the development of the private sector for a period of 5 years commencing 12 October 2015. The profit on the facility shall be the aggregate of the cost price multiplied by 3 months USD Libor + 600 per annum multiplied by deferred period (in days) divided by 360 days. Profit plus the principal shall be payable at maturity.

(iv) This is a facility from Bank of Industry under Central Bank of Nigeria N200billion intervention fund for refinancing and restructuring of the Bank's existing loan portfolio to Nigeria SME/Manufacturing sector and N500billion Power and Aviation intervention fund for financing projects in the Power and Aviation sectors of the economy.

The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. Specifically, the managing agent (BOI) is entitled to a 1% management fee and the Bank a 6% spread. Loans shall have a maximum tenor of 15 years and/or working capital facility of one year with provision for roll over.

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

(vi) This represents facility introduced by Central Bank of Nigeria in respect of Micro, Small and Medium Enterprises (MSME) for the development of small and medium enterprises. The Fund is accessible to Sterling Bank business customers in Agricultural, Education and Services (hospitality, entertainment) sectors. The facility has interest rate of 2% per annum and the Bank is permitted to avail the facilty to customers at an interest rate of 9% per annum. The facility has a tenor of 5 years.

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

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

(ix) This represents the facevalue bonds under Bond Repurchase Agreement (REPO) with Central Bank of Nigeria

26 Debt securities in issue

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Debt securities - Debenture (See (i) below)	4,807	4,575	4,807	4,575
Debt securities - Bond (See (ii) below)	8,232	8,552	4,917	5,146
Debt securities - Commercial Paper (See (iii) below)	214	2,254	214	2,254
	13,254	15,382	9,938	11,976

(i) This represents N4.562 billion 7-year 13% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 19 December 2011 and 30 December 2011 by the Central Bank of Nigeria and the Securities & Exchange Commission respectively. The Bank is obliged to pay the Trustee (Skye Bank Plc) interest semi-annually on the non-convertible debenture stock due 2018 until all the entire stock have been redeemed. The effective interest rate is 13.42% per annum.

(ii) This represents N4.7billion 7 year 18.86% surbodinated unsecured non-convertible debenture stock issued by the Bank and approved on 3 August 2016 and 25 August 2016 by the Securities & Exchange Commission and Central Bank of Nigeria respectively. Interest is payable semi-annually on the non-convertible debenture stock due in 2023. The effective interest rate is 19.75% per annum and until the entire stock has been redeemed, the issuer (Sterling Bank Plc) is obliged to pay interest to the Trustee.

(iii) This represents tranche 2 and 3 of Sterling Bank Commercial Paper trading on FMDQ with maturity dates of 180days and 270days and discount rates of 20% and 19.75% respectively.

27 Other liabilities

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Creditors and accruals	10,197	8,589	10,197	8,589
Certified cheques	3,058	4,545	3,058	4,545
Customers' deposits for foreign trade	11,585	9,559	11,585	9,559
Provisions	296	296	296	296
Information Technology Levy	43	60	43	60
Other credit balances (See (i) below)	26,833	18,196	26,833	18,196
	52,011	41,245	52,011	41,245

Movement in provisions in other liabilities

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Balance, beginning of year	296	268	296	268
Additions	0	27	0	27
Payments/transfer				
	296	296	296	296

(i) Included in other credit balances are customer deposits secured with bonds.

28 Capital and reserves

(a) *Share capital*

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Authorised:				
32,000,000,000 Ordinary shares of 50k each	16,000	16,000	16,000	16,000
Issued and fully-paid:				
28.79 billion (2014: 28.79 billion) Ordinary shares of 50k each	14,395	14,395	14,395	14,395

(b) Share premium

In millions of Naira	Group June 2017	Group December 2016	Bank June 2017	Bank December 2016
Share premium	42,759	42,759	42,759	42,759

(c) Other regulatory reserves

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

(i) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(ii) Regulatory risk reserve

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

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

(ii) Prudential impairment allowance is less than IFRS impairment allowance: the excess charges resulting should be transferred from the regulatory risk reserve account to the retained earnings to the extent of the non-distributable reserve previously recognised.

(iii) Other reserves

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

(d) Retained earnings

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

29 Cash and cash equivalents

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

In millions of Naira	Group June 2017	Bank June 2017	Bank June 2016
Cash and foreign monies (See note 13)	11,697	11,697	12,414
Unrestricted balances with Central Bank of Nigeria (See note 13)	5,370	5,370	32,016
Balances held with local banks (See note 14)	12,174	12,174	12,093
Balances held with banks outside Nigeria (See note 14)	6,035	6,035	16,627
Money market placements (See note 14)	42,394	42,394	10,108
Balances due to local banks (See note 22)	-	-	-
Money Market Deposits (See note 23)	(1,575)	(1,575)	(79,357)
	76,096	76,096	3,901

30 Contingent Liabilities and commitments

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

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

Letters of credit and guarantees commit the Bank to make payment on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.
The following table summarises the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

In millions of Naira	June 2017	December 2016	June 2017	December 2016
Bonds, guarantees and indemnities	51,983	59,647	51,983	59,647
Letters of credit	11,442	18,233	11,442	18,233
Others	75,827	33,379	75,827	33,379
	139,252	111,260	139,252	111,260