

Sterling Bank Plc

**Unaudited IFRS Interim Financial Statements for the
Period ended 30 June 2013**

Directors' Report

For the period ended 30 June 2013

The Directors present their second quarter report on the affairs of Sterling Bank Plc, together with the unaudited financial statements for the period ended 30 June 2013

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 and corporate banking, trade services, and investment banking activities. It also provides wholesale banking services including the granting of loans and advances letter of credit transactions, equipment leasing, money market operations, electronic banking product 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 enlarged entity as at the integration period had an expanded branch network of 186 branches.

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

Operating results

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

<i>In thousands of Naira</i>	June 2013	June 2012
Gross earnings	<u>41,855,121</u>	<u>32,682,628</u>
Profit before taxation	6,272,192	3,244,773
Taxation	(350,151)	(239,050)
Profit after taxation	<u>5,922,041</u>	<u>3,005,723</u>
Transfer to statutory reserve	1,776,612	901,717
Transfer to general reserve	4,145,429	2,104,006
	<u>5,922,041</u>	<u>3,005,723</u>
Earnings per share (kobo) - Basic	<u>0.38k</u>	<u>0.19k</u>

Directors who served during the period

The following Directors served during the period under review:

Name	Designation	Date appointed /resigned	Interest represented
1 Alh.(DR).S.A Adegunwa,(OFR)	Chairman		Ess-ay Investments Limited
2 Mr.Yemi Adeola	Managing Director/CEO		
3 Mr.Lanre Adesanya	Executive Director		
4 Mr. Devendra Nath Puri (Indian)	Executive Director		
5 Mr. Abubakar Sule	Executive Director		
6 Mr. Rajan Srinivasan (Indian)	Non-Executive Director	Retired on 30/04/2013	State Bank of India
7 Mr. Yemi Idowu	Non-Executive Director		Eban Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
8 Alh Bashir Borodo (OON)	Non-Executive Director		Dantata Investment & Securities Company Limited
9 Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited
10 Ms. Olufunmilola Osunsade	Non-Executive Director		Dr. Mike Adenuga
11 Mr. Rasheed Kolarinwa	Independent Director		

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:

Names	Number of shares			
	June 2013 Direct	June 2013 Indirect	December 2012 Direct	December 2012 Indirect
Alh.(DR).S.A Adegunwa,(OFR)	-	970,172,223	-	983,001,060
Mr. Rajan Srinivasan	-	1,854,185,474	-	1,854,185,474
Alh Bashir Borodo (OON)	22,401	204,685,534	22,401	204,685,534
Mr. Yinka Adeola	12,723,566	582,337,465	12,723,566	687,337,465
Mr. Yemi Idowu	-	916,875,259	-	934,875,259
Mr.Yemi Adeola	18,571,313	-	18,571,313	-
Mr.Lanre Adesanya	5,110,960	-	5,110,960	-
Mr. Devendra Nath Puri	-	-	-	-
Mr. Abubakar Sule	1,539,843	-	1,539,843	-
Mr. Rasheed Kolarinwa	-	-	-	-
Ms. Olufunmilola Osunsade	-	1,570,386,444	-	1,570,386,444

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 30 June 2013 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,101	36.79%	14,578,823	0.09%
1001 - 5,000	27,015	30.96%	60,673,663	0.39%
5,000 - 10,000	9,358	10.72%	62,647,931	0.40%
10,001 - 20,000	7,481	8.57%	100,799,703	0.64%
20,001 - 50,000	5,136	5.89%	157,765,316	1.00%
50,001 - 100,000	2,684	3.08%	182,425,733	1.16%
100,001 - 200,000	1,437	1.65%	202,256,110	1.29%
200,001 - 500,000	1,031	1.18%	322,530,123	2.05%
500,001 - 10,000,000	903	1.03%	1,519,714,984	9.68%
Above 10,000,001	59	0.07%	10,067,340,315	64.11%
Foreign shareholding	51	0.06%	3,013,131,730	19.19%
	87,256	100%	15,703,864,431	100.00%

The following shareholders have shareholdings of 5% and above as at 30 June 2013:

	June 2013 % holding	December 2012 % holding
State Bank of India	11.81	11.81
SNNL/Asset Management Corporation of Nigeria - Main	10	10
Dr. Mike Adenuga	7.12	7.12
Ess-ay Investments Ltd	6.18	6.26

Acquisition of own shares

The Bank did not acquire any of its shares during the period ended 30 June 2013 (31 December 2012: 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 involvement and training:**

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.

BY ORDER OF THE BOARD:

Justina Lewa
Company Secretary
20, Marina, Lagos, Nigeria.
July 5, 2013

Corporate Governance

In line with corporate governance guidelines issued by the Central Bank of Nigeria in April 2006, the Board had constituted the following committees:

Board Composition and Committee

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 Mr Yemi Idowu	Chairman
2 Alhaji Bashir M. Borodo, OON	Member
3 Mr Yinka Adeola	Member
4 Mr. Rasheed Kolarinwa	Member
5 Mr Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Davendra Nath Puri	Member
8 Mr. Abubakar Sule	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 Mr. Rasheed Kolarinwa	Chairman
2 Alhaji Bashir M. Borodo, OON	Member
3 Mr Yinka Adeola	Member
4 Ms. Olufumilola Osunsade	Member
5 Mr Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Abubakar Sule	Member

Board Establishment Committee

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

1 Alhaji Bashir M. Borodo, OON	Chairman
2 Mr. Rasheed Kolarinwa	Member
3 Mr Yemi Idowu	Member
4 Ms. Olufumilola Osunsade	Member
5 Mr. Yemi Adeola	Member
6 Mr. Devenrda Nath Puri	Member
7 Mr. Abubakar Sule	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 Ms. Olufumilola Osunsade	Chairman
2 Mr. Yinka Adeola	Member
3 Mr. Rasheed Kolarinwa	Member
4 Mr Yemi Idowu	Member
5 Mr. Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Devenrda Nath Puri	Member

Audit Committee

The Committee acts on behalf of the Board on all audit matters. Decisions and actions of the Committee are presented to the Board for approval/ratification. The members are as follows:

1 Alhaji Mustapha Jinadu	Chairman
2 Mr. Idongesit E. Udoh	Member
3 Miss Christie O. Vincent	Member
4 Mr Yemi Idowu	Member
5 Mr. Yinka Adeola	Member
6 Alhaji Bashir M. Borodo, OON	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 this policy, a new Unit was set-up in the Human Resources & Performance 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 & Performance 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 & Performance 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

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

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

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

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

STATEMENTS OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2013

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act 1990, and Sections 24 and 28 of the Banks and Other Financial Institution Act 1991, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the 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 Bank and to prevent and detect fraud and other irregularities;
- (b) the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 1990, Banks and Other Financial Institutions Act, 1991, Revised Prudential Guidelines, International Financial Reporting Standards and relevant Circulars issued by the Central Bank of Nigeria;
- (c) the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Bank will not continue in business.

The directors accept responsibility for the 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 of Nigeria, Banks and Other Financial Institutions Act, 1991, Revised Prudential Guidelines, and relevant Circulars issued by the Central Bank of Nigeria.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and the financial performance for the period.

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

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern.

Condensed Statement of Comprehensive Income

For the period ended 30 June 2013


<i>In thousands of Naira</i>	Notes	June 2013	June 2012
Interest income	3	31,080,358	26,340,320
Interest expense	4	(15,905,618)	(14,378,363)
Net interest income		<u>15,174,740</u>	<u>11,961,957</u>
Fees and commission income	5	6,697,835	4,373,494
Net fee and commission		<u>6,697,835</u>	<u>4,373,494</u>
Trading income	6	2,394,939	520,366
Other operating income	7	1,681,989	1,448,448
Operating income		<u>25,949,503</u>	<u>18,304,265</u>
Net impairment charges	8	(1,149,674)	(102,128)
Net operating income after impairment loss		<u>24,799,829</u>	<u>18,202,137</u>
Personnel expenses	9	(4,608,035)	(4,402,614)
Depreciation and amortisation	19(b)&20	(1,289,658)	(1,340,331)
Other operating expenses	10	(12,629,944)	(9,214,419)
Total expenses		<u>(18,527,637)</u>	<u>(14,957,364)</u>
Profit before income tax		6,272,192	3,244,773
Income tax expense	11(a)	(350,151)	(239,050)
Profit after tax		<u>5,922,041</u>	<u>3,005,723</u>
 <i>Other comprehensive income</i>			
Fair value loss on available for sale investments		(426,221)	106,990
Other comprehensive income for the period net of tax		<u>(426,221)</u>	<u>106,990</u>
Total comprehensive income		<u><u>5,495,820</u></u>	<u><u>3,112,713</u></u>
Earnings per share - basic (in kobo)	12	0.38k	0.19k
Earnings per share - diluted (in kobo)	12	0.38k	0.19k

Condensed Statement of Financial Position


As at 30 June 2013

<i>In thousands of Naira</i>	Notes	June 2013	December 2012
ASSETS			
Cash and balances with Central Bank	13	61,310,665	63,622,016
Due from banks	14	59,318,052	33,878,671
Pledged assets	15	72,778,809	57,412,053
Loans and advances to Customers	16	272,749,882	229,420,874
Investment in securities:			
- Held for Trading	17(a)	6,359,378	1,998,860
- Available for Sale	17(b)	9,187,922	16,857,561
- Held to Maturity	17(c)	183,263,088	155,935,974
Other assets	18	9,970,573	6,132,005
Property, plant and equipment	19	8,456,716	7,793,316
Intangible assets	20	471,513	203,464
Deferred tax assets	21	6,971,145	6,971,145
TOTAL ASSETS		690,837,743	580,225,940
LIABILITIES			
Deposits from Banks	22	12,642,750	3,118,775
Deposits from Customers	23	552,288,304	463,726,325
Current income tax liabilities	11(b)	870,771	803,422
Other borrowed funds	24	36,738,756	30,356,039
Debt securities in issue	25	4,562,006	4,563,612
Other liabilities	26	34,737,712	31,015,373
TOTAL LIABILITIES		641,840,299	533,583,546
EQUITY			
Share capital	27	7,851,931	7,851,931
Share premium	27	18,689,788	18,689,788
Retained earnings	27	7,023,734	6,019,078
Other components of equity	27	15,431,988	14,081,597
<i>Attributable to equity holders of the Bank</i>		48,997,442	46,642,394
TOTAL LIABILITIES AND EQUITY		690,837,741	580,225,940

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Abubakar Suleiman
Chief Financial Officer
FRC/2013/CIBN/00000001275



Yemi Adeola
MD/CEO
FRC/2013/CIBN/00000001257

Condensed Statement of Changes in Equity

For the period ended 30 June 2013

	Share capital	Share premium	Translation reserve	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Revaluation reserve	Retained earnings	Total
<i>In thousands of Naira</i>											
Balance at 1 January 2013	7,851,931	18,689,788	-	7,877,009	148,935	58,727	5,276,423	234,503	486,000	6,019,078	46,642,394
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	5,922,041	5,922,041
Other comprehensive income net of tax	-	-	-	-	(426,221)	-	-	-	-	-	(426,221)
Realised during the year	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	1,776,612	-	-	-	-	-	(1,776,612)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(3,140,773)	(3,140,773)
Balance at 30 June 2013	7,851,931	18,689,788	-	9,653,621	(277,286)	58,727	5,276,423	234,503	486,000	7,023,734	48,997,442

	Share capital	Share premium	Translation reserve	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Revaluation reserve	Retained earnings	Total
<i>In thousands of Naira</i>											
Balance at 1 January 2012	7,851,931	18,689,788	45,744	5,790,947	(98,714)	-	5,276,423	234,503	486,000	2,780,714	41,057,337
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	3,005,723	3,005,723
Other comprehensive income net of tax	-	-	-	-	106,990	-	-	-	-	-	106,990
Realised during the year	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	901,717	-	-	-	-	-	(901,717)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(1,570,386)	(1,570,386)
Balance at 30 June 2012	7,851,931	18,689,788	45,744	6,692,664	8,276	-	5,276,423	234,503	486,000	3,314,334	42,599,664

Condensed Statements of Cash Flow

For the period ended 30 June 2013

<i>In thousands of Naira</i>	Notes	June 2013	June 2012
Operating activities			
Profit for the period		5,922,041	3,005,723
Adjustment for:			
Depreciation and amortisation	19(b)&20	1,289,658	1,340,331
Net impairment on investment securities		229,849	-
Impairment loss on other assets		13,425	308,125
Net impairment on loan		906,400	(205,997)
Gain on disposal of property and equipment		(10,735)	(106,452)
Loss on sale of investment		(486)	(36,750)
Income tax expense	11(a)	350,151	239,050
Dividend received		(31,877)	(103,034)
Foreign exchange gain		(738,073)	(476,476)
Net interest income		(15,174,740)	(11,961,957)
Net gain on investment securities at fair value through profit or loss		(779,964)	-
Net changes in other comprehensive income		(673,870)	(205,704)
		(8,698,221)	(8,203,141)
Changes in			
Change in pledged assets		(15,366,756)	(5,734,981)
Change in loans and advances to customers		(44,247,335)	49,629,224
Change in restricted balance with Central bank		(6,032,591)	(5,622,637)
Change in other assets		(3,544,201)	1,927,713
Change in deposits from banks		9,523,975	(17,739,230)
Change in deposits from customers		88,561,979	(65,569,404)
Change in other liabilities		3,722,339	12,851,706
		23,919,189	(38,460,750)
Interest received		29,352,502	25,151,016
Interest paid		(12,511,085)	(14,560,684)
Dividend received		31,877	(103,034)
		40,792,483	(27,973,452)
Income tax paid		(282,802)	(203,766)
Vat paid		(727,821)	(74,995)
Net cash flows from operating activities		39,781,860	(28,252,213)
Investing activities			
Net sale/(purchase) of investment securities		(23,717,994)	501,544
Purchase of property and equipment		(1,970,699)	(2,098,058)
Proceeds from the sale of property and equipment		78,451	5,161
Purchase of intangible assets		(318,123)	(72,628)
Net cash flows from/(used in) investing activities		(25,928,366)	(1,663,981)
Financing activities			
Proceeds from borrowing		6,382,717	4,285,283
Repayment of long term borrowing		-	-
Issuance of debenture stock		-	-
Dividends paid to equity holders		(3,140,773)	(1,570,386)
Net cash flows from/(used in) financing activities		3,241,945	2,714,896
Net increase/(decrease) in cash and cash equivalents		17,095,439	(27,201,297)
Cash and cash equivalents at 1 January		49,193,566	66,591,200
Cash and cash equivalents at 30 June	28	66,289,005	39,389,902

Notes to the Financial Statements

For the period ended 30 June 2013

1 General information

The Bank is a public limited liability company incorporated and domiciled in Nigeria. The Bank shares are listed and traded on the floor of the Nigerian Stock Exchange. The registered office is located at Sterling Towers, 20 Marina, Lagos, Nigeria.

The Bank is principally engaged in investment, corporate, commercial and retail banking.

2 Accounting policies

2.1 (a) Basis of preparation

The condensed financial statements for the six months ended June 30, 2013 have been prepared in accordance with International Financial Reporting Standard 34 Interim Financial Reporting

(b) Seasonality of operations

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

(c) Unusual items

There were no unusual transactions or occurrences with the period.

(d) Changes in accounting estimates

There were no changes to the accounting estimates applied by the Bank.

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

During the period under review, there were no issuance of debt or equity that resulted in an external inflow into the Bank

(f) Dividends

The Directors did not recommend the payment of any dividend for the Bank's second quarter results to 30 June 2013

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

There were no significant events that occurred after the second quarter period that would necessitate a disclosure and/or adjustment to the quarterly returns presented herein

(h) Litigation settlements

There was a litigation settlement of ten million Naira (N10m) during the second quarter ended 30 June 2013 (30 June 2012 :NIL)

2.2 Summary of significant accounting policies

The accounting policies applied by the Bank in these condensed interim financial statement are the same as those applied by the bank in its financial statement as at year ended 31 December 2012. Below are the significant accounting policies

(a) Interest

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 Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes 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.
- 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 Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments at fair value through profit and loss in the statement of comprehensive income.

(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 fair value changes, dividends and foreign exchange differences.

(d) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(e) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances, deposits; debt securities issued and subordinated 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 Bank becomes a party to the contractual provisions of the instrument.

(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 Bank has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments were 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 Bank 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 Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank'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
- A group of financial assets is managed and its performance evaluated on a fair value basis; or

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement 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 and dividends received 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 Bank 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 Bank 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 receivables

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

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and receivables.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank’s financial statements.

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 amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm’s length transaction on 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 balance sheet 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 a 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

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

(i) Assets carried at amortised cost

The Bank assesses at each balance sheet 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 Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a 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 Bank 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 Bank 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 balance sheet 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 Bank in the management of its short-term commitments.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2013, and have not been applied in preparing these financial statements. The Bank intends to adopt the standards below when they become effective.

IFRS 9: Financial Instrument: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB is addressing impairment and hedge accounting. Exposure drafts have been issued. The completion of these projects is expected in 2012. The Bank is currently assessing the impact of both the first phase and the second phase on its financial statements.

Improvement to IFRSs

Amendments resulting from improvements to IFRSs to the following standards did not have a material impact on the accounting policies, financial position or performance of Sterling Bank Plc during this financial period.

IAS 1: Presentation of Financial Statements
IFRS 1: Low interest government loans
IFRS 7: Financial Instrument: Disclosures
IFRS 7: Off-setting of financial assets and liabilities
IFRS 10 ,11,& 12: Transition guidance
IFRIC 13 Customer Loyalty Programmes
IFRIC 20: Stripping costs
IAS 27 Consolidated and Separate Financial Statements
IAS 27: Consequential amendments
IAS 28: Consequential amendments

3	Interest income		
	<i>In thousands of Naira</i>	June 2013	June 2012
	Cash and cash equivalent	657,050	256,669
	Loan and advances to customers	19,920,388	15,040,377
	Investment securities	10,020,363	11,003,748
	Interest on impaired loans	482,557	39,526
		31,080,358	26,340,320
4	Interest expense		
	<i>In thousands of Naira</i>	June 2013	June 2012
	Deposits from banks	489,906	381,249
	Deposits from customers	14,343,125	13,088,837
	Debt issued and other borrowed funds	1,072,587	908,277
		15,905,618	14,378,363
5	Fees and commission income		
	<i>In thousands of Naira</i>	June 2013	June 2012
	Facility management fees	2,342,024	729,357
	Commission on turnover	1,827,482	1,954,498
	Commissions and similar income	1,387,937	992,488
	Commission on letter of credit and Off Balance Sheet transactions	832,976	503,426
	Other fees and commission	307,416	193,725
		6,697,835	4,373,494
	Credit related 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		
	<i>In thousands of Naira</i>	June 2013	June 2012
	Foreign exchange trading	806,075	483,560
	Bonds	1,348,084	36,806
	Treasury bills	240,780	-
		2,394,939	520,366
7	Other operating income		
	<i>In thousands of Naira</i>	June 2013	June 2012
	Rental income	82,354	133,908
	Other sundry income	380,671	380,498
	Foreign exchange gain/(loss)	(68,002)	(7,084)
	Revaluation on trading securities	779,964	-
	Dividends on available-for-sale equity securities	31,877	103,034
	Gains on disposal of property, plant and equipment	10,735	106,452
	Profit/loss on sale of investment	486	36,750
	Cash recoveries on previously written off accounts	463,904	694,890
		1,681,989	1,448,448

8 Net impairment

<i>In thousands of Naira</i>	June 2013	June 2012
Credit losses		
- Specific impairment allowance	1,184,289	381,422
- Collective impairment	1,083,720	-
Bad debt written off	258	27,324
Allowances no longer required	<u>(1,361,867)</u>	<u>(614,743)</u>
	906,400	(205,997)
Other financial asset impairment		
- Impairment charge on investment securities	229,849	-
- Impairment on other assets	13,425	308,125
	<u>1,149,674</u>	<u>102,128</u>

9 Personnel expenses

<i>In thousands of Naira</i>	June 2013	June 2012
Wages and salaries	4,400,078	4,003,182
Defined contribution plan	207,957	399,432
	<u>4,608,035</u>	<u>4,402,614</u>

10 Other operating expenses

<i>In thousands of Naira</i>	June 2013	June 2012
Other premises and equipment costs	2,183,594	2,101,672
Audit fees	94,643	60,000
Other Professional Fees	150,668	196,416
AMCON surcharge (see note below)	1,447,777	639,200
Contract Services	790,614	639,039
Insurance Cost	1,371,169	1,328,838
General and administrative expenses	6,591,479	4,249,254
	<u>12,629,944</u>	<u>9,214,419</u>

AMCON surcharge

This represents the bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 30 June 2013. Effective 1 January 2013, the Bank was required to contribute an equivalent of 0.5% (2012 : 0.3%) of its total assets as at the succeeding period end (31 December 2012) to AMCON's sinking fund in line with existing guidelines.

11 Income tax expense

<i>In thousands of Naira</i>	June 2013	June 2012
(a) Income tax	350,151	239,050
Deferred tax expense:		
Origination of temporary differences		
Total income tax expense	<u>350,151</u>	<u>239,050</u>

(b) **Current income tax liabilities**

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

<i>In thousands of Naira</i>	June 2013	December 2012
Balance, beginning of the year	803,422	677,926
Estimated charge for the period	350,151	471,116
payments during the period	(282,802)	(345,619)
	<u>870,771</u>	<u>803,422</u>

12 Earning per share (basic and diluted)

The calculation of basic earnings per share as at 30 June 2013 was based on the profit attributable to ordinary shareholders of N5,922,041,000 and weighted average number of ordinary shares outstanding of 15,703,863,000, calculated as follows:

<i>In thousands of Unit</i>	June 2013	June 2012
Weighted average number of ordinary shares	<u>15,703,863</u>	<u>15,703,863</u>
<i>In thousands of Naira</i>	June 2013	June 2012
Profit for the year attributable to equity holders of the Bank	5,922,041	3,005,723
Basic earning per share	0.38k	0.19k
Diluted earning per share	0.38k	0.19k

13 Cash and balances with Central Bank

<i>In thousands of Naira</i>	June 2013	December 2012
Cash and foreign monies	6,921,825	7,982,952
Unrestricted balances with Central Bank of Nigeria	49,128	7,331,943
Deposits with the Central bank of Nigeria	54,339,712	48,307,121
	<u>61,310,665</u>	<u>63,622,016</u>

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

<i>In thousands of Naira</i>	June 2013	December 2012
Balances held with local banks	7,909,702	7,862,084
Balances held with banks outside Nigeria	41,277,051	16,817,941
Money market placements	10,131,299	9,198,646
	<u>59,318,052</u>	<u>33,878,671</u>

15 Pledged Assets

<i>In thousands of Naira</i>	June 2013	December 2012
Pledged Treasury bills	7,767,567	-
Pledged Bonds	49,616,696	47,662,159
Other pledged assets	15,394,546	9,749,894
	<u>72,778,809</u>	<u>57,412,053</u>

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.

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

Pledged as security for long term loan from Citibank International, clearing activities with First Bank Plc and loan facility from Bank of Industry.

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 Loan and Advances to Customers

<i>In thousands of Naira</i>	June 2013	December 2012
Loans to individuals	33,447,703	28,125,950
Loans to corporate entities and other organizations	246,930,904	208,005,322
	<u>280,378,607</u>	<u>236,131,272</u>
Less:		
Specific impairment allowance	(5,668,709)	(5,834,100)
Collective impairment allowance	(1,960,017)	(876,298)
	<u>272,749,881</u>	<u>229,420,874</u>

Impairment allowance on loans and advances to customers

Specific impairment

<i>In thousands of Naira</i>	June 2013	December 2012
Balance, beginning of year	5,834,100	5,319,677
Impairment charge for the period	1,184,289	4,260,231
Reversal for the period	(1,361,867)	(1,438,219)
Write-offs/Reclass	12,187	(2,307,589)
Balance, end of period	<u>5,668,709</u>	<u>5,834,100</u>

Portfolio impairment

<i>In thousands of Naira</i>	June 2013	December 2012
Balance, beginning of year	876,298	4,084,444
Impairment charge for the period	1,083,719	-
Reversal for the period	-	(3,208,146)
Balance, end of period	<u>1,960,017</u>	<u>876,298</u>

17 Investment securities:

<i>In thousands of Naira</i>	June 2013	December 2012
(a) Held for Trading (HFT)		
- Bonds	1,528,100	1,998,860
- Treasury bills	4,831,278	-
	<u>6,359,378</u>	<u>1,998,860</u>
(b) Available for Sale (AFS)		
Government bond	3,090,284	8,979,265
Equity securities	1,982,447	1,955,974
Euro bond	325,100	4,604,456
Treasury bills	4,345,027	2,172,801
	<u>9,742,858</u>	<u>17,712,496</u>
Impairment on AFS instruments	(554,936)	(854,935)
	<u>9,187,922</u>	<u>16,857,561</u>

Fair value of unquoted equity securities has not been disclosed, their fair value cannot be measured reliably. These are investments in small and medium scale enterprises with a carrying cost of N1.9 billion (2012:N1.9billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. These investments are recouped through redemption rather than disposal.

(c) **Held to maturity (HTM)**

Government bonds	129,089,233	149,995,434
Corporate bonds	2,119,970	2,125,929
Treasury bills	52,053,885	3,814,611
	<u>183,263,088</u>	<u>155,935,974</u>

Total Investment securities

<u>198,810,388</u>	<u>174,792,395</u>
--------------------	--------------------

Specific allowance for impairment on AFS

In thousands of Naira

	June 2013	December 2012
Balance, beginning of year	854,935	542,278
Charge for the period	229,849	312,657
Amounts written off	(529,848)	-
Balance, end of period	<u>554,937</u>	<u>854,935</u>

18 Other Assets

Other assets comprise:

In thousands of Naira

	June 2013	December 2012
Accounts receivable	3,309,437	2,945,667
Prepayments and other receivables	8,021,443	4,839,039
Stock of cheque books and admin	193,626	195,599
	<u>11,524,506</u>	<u>7,980,305</u>
Impairment on other assets	(1,553,933)	(1,848,300)
	<u>9,970,573</u>	<u>6,132,005</u>

Movement in impairment on other assets

In thousands of Naira

	June 2013	December 2012
Balance, beginning of year	1,848,300	1,511,788
impairment on other assets (note 8)	13,425	(255,783)
Reclassification	-	592,295
Write-offs	(307,792)	-
Balance, end of period	<u>1,553,933</u>	<u>1,848,300</u>

19 Property, plant and equipment

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
<i>In thousands of Naira</i>						
(a) Cost						
Balance as at 1 January, 2012	6,290,403	1,678,021	8,225,301	6,118,410	4,493,435	26,805,570
Additions for the period	50,811	928,318	960,103	520,957	734,796	3,194,985
Disposals	(292,139)	-	(736,760)	(836,372)	(1,063,947)	(2,929,218)
Reclassification	425,821	(2,232,664)	958,342	815,647	32,854	-
Balance as at 31 December 2012	<u>6,474,898</u>	<u>373,674</u>	<u>9,406,986</u>	<u>6,618,643</u>	<u>4,197,138</u>	<u>27,071,338</u>
Beginning at 1 January 2013	6,474,898	373,674	9,406,986	6,618,643	4,197,138	27,071,338
Additions	36,747	865,853	402,988	256,014	409,098	1,970,699
Disposals	(33,930)	-	(14,726)	(10,660)	(319,781)	(379,097)
Reclassification	117,278	(229,462)	58,791	34,136	19,257	-
Balance at 30 June 2013	<u>6,594,994</u>	<u>1,010,065</u>	<u>9,854,039</u>	<u>6,898,132</u>	<u>4,305,712</u>	<u>28,662,940</u>
(b) Depreciation and impairment losses						
Balance as at 1 January, 2012	2,960,517	-	5,917,903	5,513,198	3,483,139	17,874,757
Charge for the period	377,828	-	1,107,102	445,642	559,978	2,490,550
Impairment Losses	-	-	-	-	-	-
Disposals	(7,846)	-	(79,637)	(66,537)	(933,263)	(1,087,283)
Balance at 31 December 2012	<u>3,330,499</u>	<u>-</u>	<u>6,945,368</u>	<u>5,892,303</u>	<u>3,109,853</u>	<u>19,278,023</u>
Beginning at 1 January 2013	3,330,499	-	6,945,368	5,892,303	3,109,853	19,278,023
Charge for the period	182,126	-	561,742	232,583	263,131	1,239,583
Impairment losses	-	-	-	-	-	-
Disposals	(303)	-	(14,584)	(10,557)	(285,937)	(311,381)
Balance at 30 June 2013	<u>3,512,322</u>	<u>-</u>	<u>7,492,526</u>	<u>6,114,330</u>	<u>3,087,047</u>	<u>20,206,225</u>
Carrying amounts						
Balance at 30 June 2013	<u>3,082,672</u>	<u>1,010,065</u>	<u>2,361,513</u>	<u>783,802</u>	<u>1,218,664</u>	<u>8,456,716</u>
Balance at 31 December 2012	<u>3,144,399</u>	<u>373,674</u>	<u>2,461,618</u>	<u>726,340</u>	<u>1,087,285</u>	<u>7,793,316</u>
Balance at 1 January 2012	<u>3,329,886</u>	<u>1,678,021</u>	<u>2,307,398</u>	<u>605,212</u>	<u>1,010,296</u>	<u>8,930,813</u>

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N13,533,416,229 (2012: N13,649,207,174)

20 Intangible asset

Purchased Software

In thousands of Naira

Cost

	June 2013	December 2012
Beginning of year	1,445,084	1,307,415
Additions	318,123	137,669
Transfers	-	-
Balance end of period	1,763,208	1,445,084

Amortisation and impairment losses

Beginning of year	1,241,620	1,164,300
Amortisation for the period	50,075	77,320
Impairment losses	-	-
Transfers	-	-
Balance end of period	1,291,695	1,241,620

Carrying amounts

	471,513	203,464
--	---------	---------

21 Deferred tax assets and liabilities

June 2013

	Balance at 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 June 2013
<i>In thousands of Naira</i>				
Property, plant and equipment	1,833,346	-	-	1,833,346
Tax loss carry forward	3,807,077	-	-	3,807,077
Allowances for loan losses	1,330,722		-	1,330,722
Net tax assets/(liabilities)	6,971,145	-	-	6,971,145

December 2012

	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2012
<i>In thousands of Naira</i>				
Property, plant and equipment	1,833,346	-	-	1,833,346
Tax loss carry forward	3,807,077	-	-	3,807,077
Allowances for loan losses	1,330,722		-	1,330,722
Net tax assets/(liabilities)	6,971,145	-	-	6,971,145

22 Deposits from Banks

<i>In thousands of Naira</i>	June 2013	December 2012
Money Market	12,642,750	3,118,775
	12,642,750	3,118,775

23 Deposits from customers

<i>In thousands of Naira</i>	June 2013	December 2012
Current accounts	362,107,656	284,103,953
Savings accounts	21,936,490	20,698,460
Term deposits	168,244,158	158,923,912
	552,288,304	463,726,325

24 Other borrowed Funds

<i>In thousands of Naira</i>	June 2013	December 2012
Due to Citibank (See (i) below)	15,452,974	14,672,844
Due to BOI (see (ii) below)	9,743,730	8,657,020
Due to CBN-Agric-Fund (See (iii) below)	11,134,074	7,026,175
Due to NEXIM	407,978	-
	36,738,756	30,356,039

- (i) This represents the Naira equivalent of a USD95,000,000 facility granted to the Bank by Citibank International Plc payable in 4 years commencing October 2008 and interest is payable quarterly at a LIBOR plus a margin of 475 basis point. The facility was renegotiated to mature in September 2014 at a fixed rate of 7.5% annually. The loan is secured with pledged assets as indicated in Note 15.
- (ii) This is a facility from Bank of Industry under Central Bank of Nigeria N200billion intervention fund for refinancing and restructuring of banks' existing loan portfolios to Nigeria SME/Manufacturing sector. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. Specifically, the managing agent (BOI) shall be 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 1 year with provision for roll over.
- (iii) This represents a facility granted by the Central Bank of Nigeria (CBN) in Ref DFD/PMO/GEN/001/273. This was granted in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA &WR) by establishing a Commercial Agricultural Scheme (CACS) to promote commercial agricultural enterprise in Nigeria. All facilities approved by the participating banks under the scheme is for a maximum period of 7 years while overdraft facilities approved are for a period of 1 year. The loans are at all-in-interest rate of 9%.
- (iv) Also included therein are facilities granted by the Bank, under The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) scheme. This is an initiative of the Central Bank of Nigeria (CBN), the Bankers Committee (BC) and the Federal Ministry of Agriculture & Rural Development (FMA&RD). Facilities are approved by the participating Bank at commercial rate, and the Customer enjoys an interest rebate of 35% to 50% on the rate depending on the category of the project. NIRSAL also sells Credit Risk Guarantee, at a cost of 3% of the facility amount, to give coverage of 40%-75% of the facility amount depending on the category of the project.

25 Debt securities in issue

<i>In thousands of Naira</i>	June 2013	December 2012
Debt securities carried at amortised cost	4,562,006	4,563,612
	<u>4,562,006</u>	<u>4,563,612</u>

This represents N4.562billion (1 January 2011:4.562billion) 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 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.

26 Other liabilities

<i>In thousands of Naira</i>	June 2013	December 2012
Creditors and accruals	3,290,944	2,615,062
Certified cheques	8,711,618	10,602,333
Defined contribution obligations	75,126	98,759
Customers' deposits for foreign trade	16,561,006	13,066,151
Provisions	1,711,478	2,339,275
Information Technology Levy	74,997	74,997
Other credit balances	4,312,543	2,218,796
	<u>34,737,712</u>	<u>31,015,373</u>

27 Capital and reserves

(a) Share capital

<i>In thousands of Naira</i>	June 2013	December 2012
Authorised:		
24,000,000,000 Ordinary shares of 50k each	<u>12,000,000</u>	<u>12,000,000</u>
Issued and fully-paid:		
15.704 billion (2012: 15.704 billion) Ordinary shares of 50k each	<u>7,851,931</u>	<u>7,851,931</u>

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

(b) Share premium

<i>In thousands of Naira</i>	June 2013	December 2012
Share premium	<u>18,689,788</u>	<u>18,689,788</u>

(c) Other regulatory reserves

(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 regulatory risk reserve warehouses the difference between total provision on financial assets computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRSs.

(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.

28 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.

<i>In thousands of Naira</i>	June 2013	December 2012
Cash and foreign monies	6,921,825	7,982,952
Unrestricted balances with Central Bank of Nigeria	49,128	7,331,943
Balances held with local banks	7,909,702	7,862,084
Balances held with banks outside Nigeria	41,277,051	16,817,941
Money market placements	10,131,299	9,198,646
	66,289,005	49,193,566