

**Sterling Bank Plc**

**Unaudited IFRS Interim Financial Statements for the  
Period ended 30 June 2016**

**Condensed Statement of Comprehensive Income**  
**For the period ended 30 June 2016**

In thousands of Naira	Notes	YEAR TO DATE		QUARTER	
		June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Interest income	3	41,540,914	39,834,242	21,487,523	20,596,436
Interest expense	4	(15,910,040)	(20,407,268)	(7,271,040)	(10,319,626)
<b>Net interest income</b>		<b>25,630,874</b>	<b>19,426,974</b>	<b>14,216,483</b>	<b>10,276,810</b>
Fees and commission income	5	6,008,060	9,010,785	2,333,295	4,004,023
Net Trading income	6	1,733,364	3,857,368	196,159	1,645,937
Other operating income	7	772,687	2,339,745	544,222	1,569,876
<b>Operating income</b>		<b>34,144,985</b>	<b>34,634,872</b>	<b>17,290,159</b>	<b>17,496,646</b>
Impairment charges	8	(3,664,777)	(4,402,341)	(2,224,467)	(3,468,593)
<b>Net operating income after impairment</b>		<b>30,480,208</b>	<b>30,232,531</b>	<b>15,065,692</b>	<b>14,028,053</b>
Personnel expenses	9	(5,681,924)	(5,712,494)	(2,853,271)	(2,733,535)
Other operating expenses	10 (a)	(7,568,664)	(5,837,184)	(4,527,031)	(2,996,487)
General and administrative expenses	10 (b)	(8,356,410)	(8,060,130)	(4,023,490)	(4,020,087)
Other property, plant and equipment cost	10(c)	(2,471,460)	(2,676,403)	(1,084,461)	(1,309,863)
Depreciation and amortisation	19(b)&20	(2,021,002)	(1,890,698)	(1,003,413)	(954,327)
<b>Total expenses</b>		<b>(26,099,460)</b>	<b>(24,176,909)</b>	<b>(13,491,666)</b>	<b>(12,014,299)</b>
<b>Profit before income tax</b>		<b>4,380,748</b>	<b>6,055,622</b>	<b>1,574,026</b>	<b>2,013,754</b>
Income tax expense	11(a)	(359,989)	(630,119)	(96,363)	(500,562)
<b>Profit for the period</b>		<b>4,020,759</b>	<b>5,425,503</b>	<b>1,477,663</b>	<b>1,513,192</b>
<b>Other comprehensive income</b>					
Fair value gain/(loss) on available for sale investments		(11,716,041)	(1,134,225)	(9,194,657)	232,547
Fair value gain/(loss) on available for sale securities sold included in profit or loss		(1,153,571)	1,131,739	-	-
<b>Other comprehensive income for the period; net of tax</b>		<b>(12,869,612)</b>	<b>(2,486)</b>	<b>(9,194,657)</b>	<b>232,547</b>
<b>Total comprehensive income/(Loss)</b>		<b>(8,848,853)</b>	<b>5,423,017</b>	<b>(7,716,994)</b>	<b>1,745,739</b>
Earnings per share - basic (in kobo)	12	14k	19k		
Earnings per share - diluted (in kobo)	12	14k	19k		

**Condensed Statement of Financial Position**  
**As at 30 June 2016**

<i>In thousands of Naira</i>	Notes	June 2016	December 2015
<b>Assets</b>			
Cash and balances with Central Bank of Nigeria	13	146,893,257	115,924,016
Due from banks	14	38,828,148	68,798,839
Pledged financial assets	15	169,282,544	69,338,406
Loans and advances to Customers	16	462,316,348	338,726,271
<b>Investment securities:</b>			
- Held for trading	17(a)	1,396,795	4,692,636
- Available-for-sale	17(b)	39,122,438	119,478,644
- Held to maturity	17(c)	53,391,136	45,360,372
Other assets	18	25,527,298	13,902,609
Property, plant and equipment	19	14,651,450	15,258,217
Intangible assets	20	845,828	1,000,262
Deferred tax assets	11(c)	6,971,145	6,971,145
<b>Total Assets</b>		<u>959,226,389</u>	<u>799,451,417</u>
<b>Liabilities</b>			
Deposits from Banks	21	79,356,929	-
Deposits from Customers	22	627,886,506	590,889,216
Current income tax liabilities	11(b)	727,071	780,232
Other borrowed funds	23	79,317,310	60,285,736
Debt securities issue	24	4,555,385	4,563,568
Other liabilities	25	83,257,431	47,366,918
<b>Total Liabilities</b>		<u>875,100,632</u>	<u>703,885,670</u>
<b>Equity</b>			
Share capital	26	14,395,209	14,395,209
Share premium	26	42,759,214	42,759,214
Retained earnings		10,868,587	10,042,079
Equity reserves		16,102,747	28,369,245
<i>Total equity</i>		<u>84,125,757</u>	<u>95,565,747</u>
<b>Total liabilities and equity</b>		<u>959,226,389</u>	<u>799,451,417</u>

Signed on behalf of the Board of Directors by:

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Adebimpe Olambiwonnu  
Finance Controller  
FRC/2013/ICAN/00000001253

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

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

**Condensed Statement of changes in equity**

For the period ended 30 June 2016

	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>											
<b>Balance at 1 January 2016</b>	14,395,209	42,759,214	-	16,634,733	1,153,571	5,070,015	5,276,423	234,503	-	10,042,079	95,565,747
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	4,020,759	4,020,759
Other comprehensive income net of tax	-	-	-	-	(12,869,612)	-	-	-	-	-	(12,869,612)
Realised during the period	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	603,114	-	-	-	-	-	(603,114)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(2,591,138)	(2,591,138)
<b>Balance at 30 June 2016</b>	<b>14,395,209</b>	<b>42,759,214</b>	<b>-</b>	<b>17,237,847</b>	<b>(11,716,041)</b>	<b>5,070,015</b>	<b>5,276,423</b>	<b>234,503</b>	<b>-</b>	<b>10,868,587</b>	<b>84,125,757</b>

	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>											
<b>Balance at 1 January 2015</b>	14,395,209	42,759,214	-	13,546,960	(1,131,739)	3,880,738	5,276,423	234,503	-	5,753,977	84,715,285
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	5,425,503	5,425,503
Other comprehensive income net of tax	-	-	-	-	(2,486)	-	-	-	-	-	(2,486)
Realised during the year	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	1,627,651	-	(1,582,871)	-	-	-	(44,780)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(1,727,425)	(1,727,425)
Additions during the year	-	-	-	-	-	-	-	-	-	-	-
Share issuance cost	-	-	-	-	-	-	-	-	-	-	-
Transfer to regulatory reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>14,395,209</b>	<b>42,759,214</b>	<b>-</b>	<b>15,174,611</b>	<b>(1,134,225)</b>	<b>2,297,867</b>	<b>5,276,423</b>	<b>234,503</b>	<b>-</b>	<b>9,407,275</b>	<b>88,410,877</b>

## Condensed Statements of Cash Flow

For the period ended 30 June 2016

<i>In thousands of Naira</i>	Notes	June 2016	June 2015
<b>Operating activities</b>			
Profit before tax		4,380,748	6,055,622
Adjustment for:			
Net impairment on loan	8	3,821,203	4,482,622
Impairment loss on other assets	8	(156,426)	(80,281)
Depreciation and amortisation	19(b)&20	2,021,002	1,890,698
Net impairment on investment securities		-	-
Loss/(Gain) on disposal of property and equipment	7&10(a)	(10,681)	(1,298,759)
Gain on sale of investment	7	-	(64,506)
Movement in debt capital		(8,183)	(1,607)
Dividend received	7	(38,324)	(56,737)
Foreign exchange gain/loss		(13,587,603)	(8,114,989)
Net gain on investment securities at fair value through profit or loss		53,205	329,094
Net changes in other comprehensive income		12,869,612	1,131,739
		<b>9,344,554</b>	<b>4,272,896</b>
<b>Changes in</b>			
Change in pledged assets		(115,431,418)	4,140,468
Change in loans and advances to customers		(121,047,745)	(13,394,904)
Change in due from Central Bank of Nigeria		-	-
Change in restricted balance with Central bank		(18,053,961)	7,722,075
Change in other assets		(13,173,420)	(3,670,557)
Change in deposits from customers		31,911,290	(17,611,950)
Change in other liabilities		24,750,513	18,921,487
		<b>(201,700,187)</b>	<b>379,515</b>
Income tax paid	11(b)	(369,343)	(1,095,213)
<b>Net cash flows from operating activities</b>		<b>(202,069,530)</b>	<b>(715,698)</b>
<b>Investing activities</b>			
Net sale/(purchase) of investment securities		75,621,283	(32,883,383)
Purchase of property and equipment	19	(1,286,754)	(2,124,715)
Purchase of intangible assets	20	-	(326,461)
Proceeds from the sale of property and equipment		37,498	1,438,693
Dividend received	7	38,324	56,737
<b>Net cash flows from/(used in) investing activities</b>		<b>74,410,352</b>	<b>(33,839,129)</b>
<b>Financing activities</b>			
Proceeds from borrowing		47,116,203	10,872,126
Repayment of long term borrowing		(28,084,629)	(5,900,765)
Dividends paid to equity holders		(2,591,138)	(1,727,425)
<b>Net cash flows from/(used in) financing activities</b>		<b>16,440,436</b>	<b>3,243,936</b>
Effect of exchange rate changes on cash and cash equivalents		14,806,402	8,114,989
Net increase/(decrease) in cash and cash equivalents		(111,218,742)	(31,310,891)
Cash and cash equivalents at 1 January		100,312,904	108,769,104
Cash and cash equivalents at 30 June	27	<b>3,900,564</b>	<b>85,573,202</b>
<b>Operational cash flow from Interest</b>			
Interest Received		37,358,222	44,776,702
Interest Paid		(16,016,964)	(15,938,813)

## Notes to the Financial Statements

For the period ended 30 June 2016

### 1 Corporate information

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

The Bank is engaged in retail, commercial and corporate banking, and also licenced to operate in the Non Interest banking window.

### 2 Accounting policies

#### 2.1 (a) Basis of preparation

The condensed financial statements for the six months ended 30 June, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

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

#### (b) Seasonality of operations

The impact of seasonality or cyclical 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

The devaluation of Naira Currency from N199 to \$283 in second quarter has largely affected the revaluation of Foreign currency denominated balances thus resulting in significant Exchange loss in the current period.

#### (d) Changes in accounting estimates

There were no changes to the accounting estimates applied by the Bank. 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 Bank'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 were no issuance of debt or equity that resulted in an external inflow into the Bank.

#### (f) Dividends

The dividend declared on the audited results of the Bank for the year ended December 31, 2015 was approved by the Shareholders, and paid. However, the Directors did not recommend the payment of any dividend for the Bank's interim results to 30 June 2016.

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

There were no significant events that occurred after 30 June 2016 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 financial statements as at year ended 31 December 2015. Overleaf 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 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 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 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.

**(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 Bank 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 Bank 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 Bank 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 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
- 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 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 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 Bank 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**

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.

**(i) Assets carried at amortised cost**

The Bank 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 Bank 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 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 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 Bank in the management of its short-term commitments.

## 2.3 Standards issued but not yet effective

Standards and improvement that are issued but not yet effective up to the period ended 30 June 201 are disclosed below. The Bank intends to adopt the standards and improvements below, if applicable when it becomes effective.

**IFRS 15: Revenue from Contract with Customers**

IFRS 15 - Revenue from Contract 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 and 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 of equipment.

**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.

**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 Bank.

**IAS 12 Income Taxes- Amendment to Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments to IAS 12 clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The amendment was issued 19 January 2016, the standard clarifies the requirements on recognition of deferred tax assets for unrealised losses. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted. Management is assessing what the likely impact will be on the Bank.

#### **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.

IFRS 5, Non current Asset Held for Sale and Discontinued operations

IFRS 7 Financial Instruments: Disclosures

IAS 19 Employee Benefits

#### **2.4 Segment Information**

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

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

(b) Reportable segment

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

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

- o Commercial and Corporate Banking provides banking solutions to corporate and commercial enterprises.
- o Retail Banking provides banking solutions to individuals, small businesses and partnerships among others.
- o Treasury conducts the Bank's financial advisory and securities trading activities.
- o Non Interest Banking provides specialised banking services that are Sharia compliant.

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 activity of the segments are centrally financed, thus the cash flow for the entity is presented in the Statement of Cash Flows.

**Segment Information continued**

**In thousands of Naira**

**For the period ended 30 June 2016**

	<b>Retail Banking</b>	<b>Commercial &amp; Institutional</b>	<b>Corporate &amp; Investment</b>	<b>Non-Interest Banking</b>	<b>Total</b>
Interest income and NIB income	4,453,703	15,348,292	21,520,906	218,014	41,540,914
Interest expenses and NIB expense	(2,372,348)	(5,916,138)	(7,545,782)	(75,773)	(15,910,040)
<b>Net interest income NIB margin</b>	<b>2,081,355</b>	<b>9,432,154</b>	<b>13,975,124</b>	<b>142,241</b>	<b>25,630,874</b>
Fees and Commission income	2,147,227	2,573,783	1,282,410	4,639	6,008,060
Depreciation of property & Equipment IMPAIRMENT	(185,550) (683,833)	(702,607) (2,479,154)	(1,111,130) (483,994)	(21,714) (17,796)	(2,021,002) (3,664,777)
<b>Segment Profit (loss)</b>	<b>(479,606)</b>	<b>1,331,661</b>	<b>3,499,330</b>	<b>29,363</b>	<b>4,380,748</b>

**For the period ended 30 June 2016**

**Assets:**

Capital expenditure					
Property, plant and equipment/Intangible Intangible segment assets	373,637 -	368,330 -	544,605 -	182 -	1,286,754 -
<b>Total Assets</b>	<b>360,391,537</b>	<b>200,425,685</b>	<b>394,487,523</b>	<b>3,921,643</b>	<b>959,226,389</b>
<b>Total Liabilities</b>	<b>367,218,632</b>	<b>266,712,958</b>	<b>238,011,895</b>	<b>3,157,147</b>	<b>875,100,632</b>

	<b>Retail Banking &amp; Commercial Banking</b>	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Non-Interest Banking</b>	<b>Total</b>
<b>In thousands of Naira</b>					
<b>For the period ended 30 June 2015</b>					
Interest income and NIB income	23,175,082	11,068,194	5,513,547	77,419	39,834,242
Interest expenses and NIB expense	(14,903,010)	(1,840,242)	(3,630,280)	(33,736)	(20,407,268)
<b>Net interest income NIB margin</b>	<b>8,272,072</b>	<b>9,227,952</b>	<b>1,883,267</b>	<b>43,683</b>	<b>19,426,974</b>
Fees and Commission income	4,546,851	3,215,902	1,239,518	8,514	9,010,785
Depreciation of property & Equipment IMPAIRMENT	(1,844,659) (3,997,215)	(20,765) (405,126)	(5,583) -	(19,691) -	(1,890,698) (4,402,341)
<b>Segment Profit (loss)</b>	<b>859,050</b>	<b>2,164,595</b>	<b>3,053,240</b>	<b>(21,263)</b>	<b>6,055,622</b>

**For the period ended 30 June 2015**

**Assets:**

Capital expenditure					
Property, plant and equipment Intangible segment assets	2,035,403 326,461	28,115 -	13,344 -	47,853 -	2,124,715 326,461
<b>Total Assets</b>	<b>387,845,752</b>	<b>220,480,221</b>	<b>222,758,275</b>	<b>2,964,967</b>	<b>834,049,215</b>
<b>Total Liabilities</b>	<b>536,422,034</b>	<b>126,459,396</b>	<b>80,474,900</b>	<b>2,282,008</b>	<b>745,638,338</b>

**For the period ended 31 December 2015**

**Assets:**

	<b>Retail Banking</b>	<b>Commercial &amp; Institutional</b>	<b>Corporate &amp; Investment</b>	<b>Non-Interest Banking</b>	<b>Total</b>
Capital expenditure					
Property, plant and equipment/Intangible Intangible segment assets	4,084,569 470,383	897,208 -	43,791 -	11,084 -	5,036,652 470,383
<b>Total Assets</b>	<b>126,137,094</b>	<b>128,115,185</b>	<b>540,196,981</b>	<b>5,002,157</b>	<b>799,451,417</b>
<b>Total Liabilities</b>	<b>127,965,813</b>	<b>128,115,185</b>	<b>443,721,613</b>	<b>4,083,058</b>	<b>703,885,669</b>

**3 Interest income**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Cash and cash equivalent	230,248	774,543	116,996	344,629
Loan and advances to customers	29,986,970	29,819,733	16,314,925	15,468,920
Investment securities	10,565,604	8,599,455	4,948,459	4,443,544
Interest on impaired loans	758,092	640,511	107,143	339,343
	<u>41,540,914</u>	<u>39,834,242</u>	<u>21,487,523</u>	<u>20,596,436</u>
Interest from Investment securities were derived from:				
Available-for-sale	5,577,465	3,043,575	1,983,945	1,241,851
Held to maturity	4,988,139	5,555,880	2,964,514	3,201,693
	<u>10,565,604</u>	<u>8,599,455</u>	<u>4,948,459</u>	<u>4,443,544</u>

**4 Interest expense**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Deposits from banks	1,019,101	475,871	975,964	318,240
Deposits from customers	13,587,068	18,718,912	6,201,677	9,440,358
Debt issued and other borrowed funds	1,303,871	1,212,485	93,399	561,028
	<u>15,910,040</u>	<u>20,407,268</u>	<u>7,271,040</u>	<u>10,319,626</u>

**5 Fees and commission income**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Facility management fees	1,136,336	953,854	314,128	471,500
Commission on turnover	692,848	726,170	314,128	321,716
Commissions and similar income	1,600,842	2,074,815	534,547	706,680
Commission on letter of credit and Off Balance Sheet transactions	412,711	760,950	199,709	390,465
Other fees and commission (See note below)	2,165,323	4,494,996	970,783	2,113,662
	<u>6,008,060</u>	<u>9,010,785</u>	<u>2,333,295</u>	<u>4,004,023</u>

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.

Included in other fees and commission above is advisory fees. The drop in other fees and commission arose mostly from stringent FX regulation

**6 Net trading income**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Foreign exchange trading	1,645,497	3,256,149	1,192,961	1,412,162
Securities trading	87,867	601,219	(996,802)	233,775
	<u>1,733,364</u>	<u>3,857,368</u>	<u>196,159</u>	<u>1,645,937</u>

**7 Other operating income**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Rental income	81,342	101,571	43,260	43,458
Other sundry income	436,227	308,610	320,100	61,795
Foreign exchange gain	-	-	-	-
Dividends on available-for-sale equity securities	38,324	56,737	6,177	56,737
Gains on disposal of property, plant and equipment (See note below)	10,681	1,298,759	1,968	1,269,074
Gain on sale of investment securities	-	64,506	-	-
Cash recoveries on previously written off accounts	206,113	509,562	172,717	138,812
	<u>772,687</u>	<u>2,339,745</u>	<u>544,222</u>	<u>1,569,876</u>

The huge difference/variance in gain on disposal of property, plant and equipment relates to sale of Abuja Land in 2015.

**8 Net impairment**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Credit losses				
- Specific impairment allowance (see note 16)	3,936,259	3,801,062	2,284,540	2,592,792
- Collective impairment (see note 16)	8,582	772,353	5,324	772,353
Bad debt written off	52,384	4,610	13,014	1,267
Allowances no longer required	(176,022)	(95,403)	(117,082)	(38,421)
	<u>3,821,203</u>	<u>4,482,622</u>	<u>2,185,796</u>	<u>3,327,991</u>
Other financial asset impairment				
- Impairment charge/(writeback) on other assets (see note 18)	(156,426)	(80,281)	38,671	140,602
- Impairment reversal on other assets	-	-	-	-
	<u>3,664,777</u>	<u>4,402,341</u>	<u>2,224,467</u>	<u>3,468,593</u>

**9 Personnel expenses**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Wages and salaries	5,105,418	5,043,080	2,554,933	2,361,703
Defined contribution plan	576,506	669,414	298,338	371,832
	<u>5,681,924</u>	<u>5,712,494</u>	<u>2,853,271</u>	<u>2,733,535</u>

**10 (a) Other operating expenses**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
AMCON surcharge (see note (i) below)	2,017,731	2,063,931	1,005,334	1,032,869
Contract Services	2,023,448	1,188,504	1,081,073	640,196
Insurance	1,717,675	1,790,148	894,000	896,806
Other Professional Fees	446,592	458,727	297,335	355,478
Net foreign exchange loss (see note (ii) below)	1,218,799	6,780	1,229,719	7,222
Loss on disposal of property, plant and equipment	-	-	-	-
Non-interest banking operation	11	-	11	-
Net loss on trading securities	144,408	329,094	19,559	63,916
	<u>7,568,664</u>	<u>5,837,184</u>	<u>4,527,031</u>	<u>2,996,487</u>

**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 2016. 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.

(ii) The huge loss on foreign exchange is as a result the devaluation of the Naira against other currencies.

**(b) General and administrative expenses**

<i>In thousands of Naira</i>	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
Administrative expenses	1,561,768	1,570,319	680,279	550,193
Audit fees	120,000	100,000	60,000	45,000
Office expenses	1,318,241	1,353,442	690,835	691,095
Advertising and business promotion	1,302,265	1,416,232	244,102	721,948
E-business expense	368,005	618,452	162,763	282,455
Cash handling and processing expense	575,929	761,588	123,132	472,997
Branding expenses	94,882	-	57,292	-
Communication cost	603,085	624,048	315,681	307,293
Transport, travel, accommodation	210,368	248,877	123,166	104,806
Seminar and conferences	307,983	215,893	144,607	101,768
Rents and rates	49,516	89,265	23,073	41,765
Security	172,622	153,911	90,187	81,404
Other general expenses	1,218,309	432,650	1,090,804	317,947
Annual general meeting expenses	120,000	120,000	60,000	60,000
Stationery and printing	104,544	85,735	49,124	41,169
Directors other expenses	128,992	94,175	64,235	68,531
Membership and subscription	68,440	66,576	25,634	34,941
Fines and penalties	8,195	84,416	7,568	84,416
Directors fee	20,500	20,500	10,250	10,250
Newspapers and periodicals	2,766	4,051	758	2,109
	<u>8,356,410</u>	<u>8,060,130</u>	<u>4,023,490</u>	<u>4,020,087</u>

**(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 thousands of Naira*

	June 2016	June 2015	Quarter 2 2016	Quarter 2 2015
(a) Income tax	316,182	512,789	52,556	383,232
Education tax	-	56,774	-	56,774
Capital gains tax	-	-	-	-
Information Technology levy	43,807	60,556	43,807	60,556
Total income tax expense	<u>359,989</u>	<u>630,119</u>	<u>96,363</u>	<u>500,562</u>

**(b) Current income tax liabilities**

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

*In thousands of Naira*

	June 2016	December 2015
Balance, beginning of the year	780,232	1,802,189
Income tax and education tax for the period.	316,182	613,561
payments during the period	(369,343)	(1,635,518)
	<u>727,071</u>	<u>780,232</u>

**(c) Deferred tax**

30 June 2016

*In thousands 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	2,188,824		2,188,824
Unutilised tax credit (capital allowance)	(4,192,037)		(4,192,037)
Tax losses	(4,926,576)		(4,926,576)
Deductible temporary difference	(41,356)		(41,356)
	<u>(6,971,145)</u>	-	<u>(6,971,145)</u>

31 December 2015

*In thousands of Naira*

	Balance as at 1 January 2014	Recognised in profit or loss	Recognised deferred tax liability/(asset)
Accelerated depreciation of property, plant and equipment	1,299,207	889,617	2,188,824
Unutilised tax credit (capital allowance)	(3,811,478)	(380,559)	(4,192,037)
Tax losses	(4,225,436)	(701,140)	(4,926,576)
Deductible temporary difference	(233,438)	192,082	(41,356)
	<u>(6,971,145)</u>	-	<u>(6,971,145)</u>

**12 Earning per share (basic and diluted)**

The calculation of basic earnings per share as at 30 June 2016 was based on the profit attributable to ordinary shareholders of N4064,566,000 and weighted average number of ordinary shares outstanding of 28,790,418,124 calculated as follows:

*In thousands of Unit*

	June 2016	June 2015
Weighted average number of ordinary shares	<u>28,790,418</u>	<u>28,790,418</u>

*In thousands of Naira*

	June 2016	June 2015
Profit for the period attributable to equity holders of the Bank	4,020,759	5,425,503
Basic earning per share	14k	19k
Diluted earning per share	14k	19k



**13 Cash and balances with Central Bank**

<i>In thousands of Naira</i>	June 2016	December 2015
Cash and foreign monies	12,413,524	16,232,082
Unrestricted balances with Central Bank of Nigeria	32,015,821	15,281,983
Deposits with the Central bank of Nigeria	102,463,912	84,409,951
	146,893,257	115,924,016

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 2016	December 2015
Balances held with local banks	12,093,165	20,736,098
Balances held with banks outside Nigeria	16,627,122	29,488,213
Money market placements	10,107,861	18,574,528
	38,828,148	68,798,839

**15 Pledged Assets**

<i>In thousands of Naira</i>	June 2016	December 2015
Pledged Treasury bills (see note (a) below)	4,615,000	4,569,601
Pledged Bonds - FGN (see note (b) below)	89,883,519	30,581,082
Pledged Bonds - State Government (see note (b) below)	11,279,961	-
Pledged Euro Bonds (see note (b) below)	42,454,678	29,011,422
Other pledged assets (see note (c) below)	21,049,386	5,176,301
	169,282,544	69,338,406

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) 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 2016	December 2015
Loans to individuals	113,877,574	40,357,710
Loans to corporate entities and other organizations	360,660,027	314,117,146
	474,537,601	354,474,856
Less:		
Specific impairment allowance	(8,030,768)	(11,566,682)
Collective impairment allowance	(4,190,485)	(4,181,903)
	462,316,348	338,726,271

**Impairment allowance on loans and advances to customers**

**Specific impairment**

<i>In thousands of Naira</i>	June 2016	December 2015
Balance, beginning of year	11,566,682	6,531,453
Impairment charge for the period (see note 8)	3,936,259	9,972,473
Reversal for the period	(176,022)	(2,784,247)
Write-offs	(7,296,151)	(2,152,997)
	8,030,768	11,566,682

**Collective impairment**

*In thousands of Naira*

	June 2016	December 2015
Balance, beginning of year	4,181,903	3,146,674
Impairment charge for the period (see note 8)	8,582	1,035,229
Balance, end of period	<u>4,190,485</u>	<u>4,181,903</u>

**17 Investment securities:**

*In thousands of Naira*

**(a) Held for Trading (HFT)**

	June 2016	December 2015
- Bonds	191,164	-
- Treasury bills	1,205,631	4,692,636
	<u>1,396,795</u>	<u>4,692,636</u>

**(b) Available for Sale (AFS)**

	June 2016	December 2015
Government bond	18,510,619	88,796,811
Equity securities	2,704,134	2,062,751
Euro bond	9,956,731	6,420,787
Corporate bonds	-	2,166,647
Treasury bills	8,198,050	20,278,744
	<u>39,369,534</u>	<u>119,725,740</u>
Impairment on AFS instruments (see note 17b (1))	(247,096)	(247,096)
	<u>39,122,438</u>	<u>119,478,644</u>

Unquoted available for sale equity securities are carried at cost, their fair value cannot be measured reliably. These are investments in small and medium scale enterprises with a carrying cost of N2.7 billion (2015: N2.1 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.

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

	June 2016	December 2015
Government bonds	53,391,136	44,056,582
Corporate bonds	-	1,303,790
	<u>53,391,136</u>	<u>45,360,372</u>

**Total Investment securities**

	<u>93,910,369</u>	<u>169,531,652</u>
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**(b) 1 Specific allowance for impairment on AFS**

*In thousands of Naira*

	June 2016	December 2015
Balance, beginning of year	247,096	387,715
Charge for the period	-	-
Writeback	-	-
Amounts written off	-	(140,619)
Balance, end of period	<u>247,096</u>	<u>247,096</u>

**18 Other Assets**

Other assets comprise:

*In thousands of Naira*

	June 2016	December 2015
Accounts receivable	9,562,475	1,297,193
Prepayments (see note (a) below)	13,891,905	10,535,917
Prepaid staff cost	2,265,769	2,386,358
Stock of cheque books and stationery	533,558	736,450
	<u>26,253,707</u>	<u>14,955,918</u>
Impairment on other assets	(726,409)	(1,053,309)
	<u>25,527,298</u>	<u>13,902,609</u>

Movement in impairment on other assets

*In thousands of Naira*

	June 2016	December 2015
Balance, beginning of year	1,053,309	4,377,760
impairment on other assets (note 8)	-	-
Writeback (note 8)	(156,426)	(124,319)
Write-offs	(170,474)	(3,200,132)
Balance, end of period	<u>726,409</u>	<u>1,053,309</u>

(a) Included in prepayments are mostly Bank premises rent, NDIC insurance premium and AMCON surcharge.

**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
<b>In thousands of Naira</b>						
<b>(a) Cost</b>						
Balance as at 1 January, 2015	6,598,403	2,667,477	10,035,461	6,480,610	4,668,356	30,450,307
Additions for the period	701,736	1,287,990	1,562,822	486,813	997,293	5,036,653
Disposals	(178,896)	-	(408,913)	(6,144)	(620,125)	(1,214,078)
Reclassification	828,438	(1,553,997)	688,673	23,761	13,125	-
Balance as at 31 December 2015	<u>7,949,681</u>	<u>2,401,470</u>	<u>11,878,042</u>	<u>6,985,040</u>	<u>5,058,649</u>	<u>34,272,882</u>
Balance as at 1 January, 2016	7,949,681	2,401,471	11,878,042	6,985,040	5,058,649	34,272,882
Additions for the period	65,892	537,304	319,770	166,814	196,974	1,286,754
Disposals	0	-	(63,860)	(6,230)	(376,778)	(446,868)
Adjustment	(4,203)	-	4,203	-	-	-
Reclassification	434,830	(584,660)	93,782	31,897	24,150	0
Balance as at 30 June 2016	<u>8,446,201</u>	<u>2,354,115</u>	<u>12,231,937</u>	<u>7,177,521</u>	<u>4,902,994</u>	<u>35,112,767</u>
<b>(b) Depreciation and impairment losses</b>						
Balance as at 1 January, 2015	2,610,760	-	5,820,570	5,260,192	2,806,759	16,498,281
Charge for the period	455,728	-	1,468,506	792,107	856,748	3,573,089
Audit Journal	-	-	-	-	-	-
Disposals	(70,117)	-	(398,325)	(5,643)	(582,619)	(1,056,703)
Balance as at 31 December 2015	<u>2,996,371</u>	<u>-</u>	<u>6,890,751</u>	<u>6,046,656</u>	<u>3,080,889</u>	<u>19,014,667</u>
Balance as at 1 January, 2016	2,996,370	-	6,890,751	6,046,657	3,080,887	19,014,666
Charge for the period	227,894	-	802,269	398,525	437,881	1,866,569
Adjustment	-	-	133	-	-	133
Disposals	-	-	(58,852)	(6,058)	(355,140)	(420,051)
Balance as at 30 June 2016	<u>3,224,265</u>	<u>-</u>	<u>7,634,302</u>	<u>6,439,124</u>	<u>3,163,627</u>	<u>20,461,317</u>
Carrying amounts						
<b>Balance as at 30 June 2016</b>	<u>5,221,936</u>	<u>2,354,115</u>	<u>4,597,635</u>	<u>738,397</u>	<u>1,739,367</u>	<u>14,651,450</u>
<b>Balance as at 31 December 2015</b>	<u>4,953,310</u>	<u>2,401,470</u>	<u>4,987,292</u>	<u>938,384</u>	<u>1,977,761</u>	<u>15,258,217</u>
<b>Balance as at 1 January, 2015</b>	<u>3,987,643</u>	<u>2,667,477</u>	<u>4,214,892</u>	<u>1,220,418</u>	<u>1,861,596</u>	<u>13,952,027</u>

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N12.134billion (2015: N11.22billion).

<b>20</b>	<b>Intangible asset</b>		
	Purchased Software		
	<i>In thousands of Naira</i>	June 2016	December 2015
	<b>Cost</b>		
	<b>Beginning of year</b>	2,355,998	1,885,615
	Additions	-	470,383
	Disposals	-	-
	Balance end of period	<u>2,355,998</u>	<u>2,355,998</u>
	<b>Amortisation and impairment losses</b>		
	Beginning of year	1,355,736	1,064,158
	Amortisation for the period	154,433	291,578
	Disposals	-	-
	Balance end of period	<u>1,510,169</u>	<u>1,355,736</u>
	<b>Carrying amounts</b>	<u>845,828</u>	<u>1,000,262</u>
<b>21</b>	<b>Deposits from Banks</b>	June 2016	December 2015
	Money Market Deposits	79,356,929	-
		<u>79,356,929</u>	<u>-</u>
<b>22</b>	<b>Deposits from customers</b>		
	<i>In thousands of Naira</i>	June 2016	December 2015
	Current accounts	347,521,637	361,705,580
	Savings accounts	46,617,179	41,728,342
	Term deposits	231,639,340	186,614,792
	Pledged deposits	2,108,350	840,502
		<u>627,886,506</u>	<u>590,889,216</u>
<b>23</b>	<b>Other borrowed Funds</b>		
	<i>In thousands of Naira</i>	June 2016	December 2015
	<b>Foreign Funds</b>		
	Due to Citibank (See (i) below)	26,808,407	19,137,956
	Due to Standard Chartered Bank	-	4,866,773
	Due to African Export/Import Bank	-	2,965,845
	Due to Goldman Sachs Int'l	-	8,261,331
	Due to Islamic Corporation Development Bank (See (ii) below)	8,866,202	5,971,500
	Due to State Bank of India (See (iii) below)	11,467,998	-
		<u>47,142,607</u>	<u>41,203,405</u>
	<b>Local Funds</b>		
	Due to BOI (see (iv) below)	2,565,201	4,197,045
	Due to CBN-Agric-Fund (See (v) below)	4,391,202	14,750,039
	Due to CBN - MSME Fund (See (vi) below)	25,218,299	135,247
		<u>32,174,703</u>	<u>19,082,331</u>
		<u>79,317,310</u>	<u>60,285,736</u>

(i) This represents the Naira equivalent of a 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 \$30 million Murabaha financing facility granted by Islamic Corporation for the Development of the Private Sector (ICD) for a period of 365 days 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.

(iii) This represents the Naira equivalent of a \$40 million short term credit facility from State Bank of India for a period of 178 days commencing 5th of April, 2016 to mature 30th September, 2016. The rate of interest on the loan is the aggregate of applicable margin (4% + 3 months USD Libor). Interest on the loan is payable quarterly.

(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) 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 Credit Scheme (CACs) to promote commercial agricultural enterprise in Nigeria. All facilities approved by the participating banks under the scheme are for a maximum period of seven years while overdraft facilities approved are for a period of one year. The loans are at all-in-interest rate of 9% per annum.

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 banks at commercial rate, and the Customer enjoys an interest rebate of 35% - 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.

(vi) This is a fund initiated by the Central Bank of Nigeria to support, promote and deepen access to finance for Micro, Small and Medium Enterprises (MSME). The fund is administered at an all in rate of 9% (fees inclusive).

#### 24 Debt securities in issue

<i>In thousands of Naira</i>	June 2016	December 2015
Debt securities carried at amortised cost	4,555,385	4,563,568
	<u>4,555,385</u>	<u>4,563,568</u>

This represents N4.56billion seven year 13% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 29 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.

#### 25 Other liabilities

<i>In thousands of Naira</i>	June 2016	December 2015
Creditors and accruals	7,664,382	7,554,859
Certified cheques	5,401,899	5,841,190
Defined contribution obligations	154	149
Customers' deposits for foreign trade (See note (i) Below)	23,642,569	3,065,623
Provisions	266,058	268,211
Information Technology Levy	43,807	110,163
Other credit balances (See note (ii) Below)	46,238,562	30,526,723
	<u>83,257,431</u>	<u>47,366,918</u>

(i) Included in customers' deposits for foreign trade is amount deposited for FX forward purchase from Central Bank of Nigeria (CBN).

(ii) Included in Other credit balances is amount pledged as collateral for loans.

#### 26 Capital and reserves

##### (a) Share capital

<i>In thousands of Naira</i>	June 2016	December 2015
Authorised:		
32,000,000,000 Ordinary shares of 50k each	<u>16,000,000</u>	<u>16,000,000</u>
Issued and fully-paid:		
28.79 billion (2014: 28.79 billion) Ordinary shares of 50k each	<u>14,395,209</u>	<u>14,395,209</u>

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at shareholders 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 2016	December 2015
Share premium	<u>42,759,214</u>	<u>42,759,214</u>

**(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.

**27 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 2016	December 2015
Cash and foreign monies (See note 13)	12,413,524	16,232,082
Unrestricted balances with Central Bank of Nigeria (See note 13)	32,015,821	15,281,983
Balances held with local banks (See note 14)	12,093,165	20,736,098
Balances held with banks outside Nigeria (See note 14)	16,627,122	29,488,213
Money market placements (See note 14)	10,107,861	18,574,528
Money Market Deposits	(79,356,929)	-
	<u>3,900,564</u>	<u>100,312,904</u>

**28 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:

<i>In thousands of Naira</i>	June 2016	December 2015
Bonds, guarantees and indemnities	114,516,380	85,081,762
Letters of credit	50,662,323	58,238,001
Others	17,124,633	22,925,485
	<u>182,303,336</u>	<u>166,245,248</u>