STERLING BANK PLC
LAGOS, NIGERIA

REPORTS OF THE DIRECTORS AND STATUTORY AUDIT COMMITTEE AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

STERLING BANK PLC

REPORT OF THE DIRECTORS AND STATUTORY AUDIT COMMITTEE

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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STERLING BANK PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors have pleasure in presenting to the members of Sterling Bank Plc (the Bank) their report together with the audited consolidated and separate financial statements for the year ended 31 December 2016.

CORPORATE STRUCTURE AND BUSINESS

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 limited liability company, and was converted to a public limited liability company in April 1992.

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

Legal form

Following the consolidation reforms introduced and driven by the Central Bank of Nigeria (CBN) 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 3 January 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.

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

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

The Bank has 173 branches and cash centres as at 31 December 2016.

STERLING BANK PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

OPERATING RESULTS

Highlights of the Group and Bank's operating results for the year ended are as follows:

	Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
Gross earnings	111,439,833	111,237,607	110,193,835
Profit before income tax	5,999,880	6,018,479	11,016,301
Income tax expense	(837,515)	(837,515)	(723,724)
Profit after income tax	5,162,365	5,180,964	10,292,577
Profit attributable to equity holders	5,162,365	5,180,964	10,292,577
Appropriation:			
Transfer to statutory reserve	774,355	777,145	3,087,773
Transfer to retained earnings	4,388,009	4,403,820	7,204,804
	5,162,365	5,180,964	10,292,577
Total non-performing loans as % of gross loans	9.9%	9.9%	4.8%
Earnings per share (kobo) – Basic	18k	18k	36k
Earnings per share (kobo) – Diluted	18k	18k	36k

STERLING BANK PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

Directors who served during the year

The following Directors served during the year and as at the date of this report:

Name	Designation	Date appointed/retired	Interest represented
Mr. Asue Ighodalo	Chairman		
Mr. Yemi Adeola	Managing Director/CEO		
Mr. Lanre Adesanya	Executive Director		
Mr. Kayode Lawal	Executive Director		
Mr. Abubakar Suleiman	Executive Director		
Mr Yemi Odubiyi	Executive Director		
Mr Grama Narasimhan (Indian)	Executive Director		State Bank of India
Mr. Yinka Adeola	Non-Executive Director	(Retired 19/04/2016)	Concept Features Limited
			Alfanoma Nigeria Limited Plural Limited
			Plural Limited
			Reduvita Investment Limited
			Quaker Intergrated Services Limited
Mrs. Egbichi Akinsanya	Non-Executive Director		SNNL/ Asset Management Corporation of Nigeria- Main
Mr. Michael Jituboh	Non-Executive Director		Dr. Mike Adenuga
Mr. Olaitan Kajero	Non-Executive Director		Eban Odan Industrial & Commercial Company
			STB Building Society Limited
			Eltees Properties
			Rebounds Integrated Services Limited
			L.A Kings Limited
Mrs. Tairat Tijani	Non-Executive Director		Ess-ay Investments Limited
Mr. Rasheed Kolarinwa	Independent Director		
Ms. Tamarakare Yekwe (MON)	Independent Director		
Dr. (Mrs.) Omolara Akanji	Independent Director		

Going concern

The Directors assess the Group and the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Group will not be a going concern in the next twelve months from the date of this report. For this reason, these consolidated and seperate financial statements are prepared on a going-concern basis.

Director's interests in shares

Interest of Directors in the issued share capital of the Bank as recorded in the Register of members and/or as notified by them for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, were as follows:

		31-Dec-16	31-Dec-16	31-Dec-15	31-Dec-15
	Names	Direct	Indirect	Direct	Indirect
1	Mr. Asue Ighodalo	-	57,578,743	-	60,208,687
2	Mr. Yinka Adeola	-	-	17,494,903	795,294,189
3	Mr. Rasheed Kolarinwa	-	-	-	-
4	Mr Michael Jituboh	-	1,620,376,969	-	1,620,376,969
5	Dr. (Mrs.) Omolara Akanji	-	-	-	-
6	Ms. Tamarakare Yekwe (MON)	-	-	-	-
7	Mr. Raghavan Karthikeyan	-	-	-	2,549,505,026
8	Mr. Olaitan Kajero	-	1,582,687,059	-	1,532,687,059
9	Mrs. Tairat Tijani	-	1,444,057,327	-	1,394,955,380
10	Mrs. Egbichi Akinsanya	-	1,684,449,539	-	1,683,280,753
11	Mr. Yemi Adeola	25,535,555	-	25,535,555	-
12	Mr. Lanre Adesanya	5,827,937	-	5,827,937	-
13	Mr. Kayode Lawal	10,003,576	-	4,399,530	-
14	Mr. Abubakar Suleiman	18,725,780	-	14,090,619	-
15	Mr. Grama Narasimhan	-	2,549,505,026	-	-
16	Mr. Yemi Odubiyi	10,735,044	-	6,099,883	-

Director's interests in contracts

For the purpose of Section 277 of the Company and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, none of the current Directors had direct or indirect interest in contracts or proposed contracts with the Group during the year.

Beneficial ownership

The Bank is owned by Nigerian citizens, corporate bodies and foreign investors.

STERLING BANK PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2016 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	31,810	36.39%	14,415,056	0.05%
1001 - 5,000	26,695	30.54%	60,462,419	0.21%
5,000 - 10,000	9,133	10.45%	61,604,705	0.21%
10,001 - 20,000	7,370	8.43%	99,446,883	0.35%
20,001 - 50,000	5,178	5.92%	160,018,529	0.56%
50,001 - 100,000	2,830	3.24%	194,643,557	0.68%
100,001 - 200,000	2,146	2.46%	302,456,529	1.05%
200,001 - 500,000	1,332	1.52%	425,869,774	1.48%
500,001 - 10,000,000	1,165	1.33%	1,895,323,783	6.58%
Above 10,000,001	118	0.13%	14,940,780,484	51.89%
Foreign shareholding	5	0.01%	10,635,396,407	36.95%
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	87,409	100%	28,790,418,126	100.00%
	======	======	============	======

The following shareholders have shareholding of 5% and above as at 31 December 2016:

	31 December 2016 % holding	31 December 2016 Unit	31 December 2015 % holding	31 December 2015 Unit
Silverlake Investments Limited	25.00	7,197,604,531	25.00	7,197,604,531
State Bank of India	8.86	2,549,505,026	8.86	2,549,505,026
SNNL/Asset Management Corporation of Ni	5.85	1,684,449,539	5.85	1,683,280,753
Dr. Mike Adenuga	5.63	1,620,376,969	5.63	1,620,376,969
Ess-ay Investments Limited	5.02	1,444,057,327	-	-

STERLING BANK PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2016

Donations and Charitable Gifts

The Bank during the year ended 31 December 2016 donated a total sum of N212,264,475 (for the year ended 31 December 2015: N92,106,000) to various charitable organizations in Nigeria, details of which are shown below. No donation was made to any political organization.

Details of Donation	Purpose	Amount (N'000)
Lagos State Waste Management Authority	Corporate Social Responsibility	84,000
Ogun state Investors forum	Sponsorship	35,000
Made in Nigeria Festival	Sponsorship	13,700
Wesley University	Donation	12,500
Nigerian Economic Summit	Sponsorship	10,800
Ogun State Environmental Protection Agency	Corporate Social Responsibility	8,166
Kwara State Environmental Protection Agency	Corporate Social Responsibility	7,168
Abia State Environmental Protection Agency	Corporate Social Responsibility	6,400
Entrepreneurship Competition	Corporate Social Responsibility	6,000
Kaduna State Investors Forum	Sponsorship	5,000
Lagos State Ministry of Wealth Creation and Employment	Corporate Social Responsibility	4,000
LEAP Africa Chief Executive Officer's forum	Sponsorship	3,000
Oyo Waste Management Agency	Corporate Social Responsibility	2,600
Clean Nigeria Waste Management Conference	Sponsorship	2,300
Abuja Environmental Protection Board	Corporate Social Responsibility	1,300
Refuse Management and Sanitation Board, Kano	Corporate Social Responsibility	1,300
Osun State Waste Management Authority	Corporate Social Responsibility	1,300
Rivers State Waste Management Agency	Corporate Social Responsibility	1,300
Anambra State Waste Management Authority	Corporate Social Responsibility	1,300
Girl Guild Concerns	Corporate Social Responsibility	1,000
International Women Society	Corporate Social Responsibility	1,000
Nigeria Manufacturing Expo	Sponsorship	1,000
Indian Professional Forum	Sponsorship	750
Stefanos Foundation IDP camp, Jos	Corporate Social Responsibility	700
Parenting Series Education initiative	Corporate Social Responsibility	682

		212,265

Gender Analysis of Staff

Analysis of women employed by the Bank during the year ended 31 December 2016

DESCRIPTION	NUMBER	% TO TOTAL STAFF
Female new hire	94	4.16
Male new hire	139	6.15
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Total new hire	233	10.31
	====	====
Female as at 31 December 2016	913	40.38%
Male as at 31 December 2016	1,348	59.62%
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Total staff	2,261	100
	====	====

Gender Analysis of Staff – continued

Analysis of top management positions by gender as at 31 December 2016:

GRADE	FEMALE	MALE	NUMBER
Senior Management (AGM –GM)	10	40	50
Middle Management (DM – SM)	58	153	211
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TOTAL	68	193	261
	===	===	===

Analysis of Executive and Non-Executive positions by gender as at 31 December 2016:

GRADE	FEMALE	MALE	NUMBER
Executive Director	-	5	5
Managing Director	-	1	1
Non-Executive Director	4	4	8
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TOTAL	4	10	14
	===	===	===

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2016 (2015: Nil).

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 23 to the consolidated and seperate financial statements.

Employment and employees

Employment of disabled persons:

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

Health, safety and welfare of employees:

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

Employee training and development:

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

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

Events after the reporting date

Note 35 to the consolidated and separate financial statements disclose no events after the reporting date,that could have a material effect on the consolidated and seperate financial position of the Bank as at 31 December 2016 or its profit for the year then ended.

Auditors

Messrs. Ernst & Young have indicated their willingness to continue in office as auditors of the Group in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD:

Justina Lewa
Company Secretary
FRC/2013/NBA/00000001255
20 Marina, Lagos, Nigeria
07 March 2017

STERLING BANK PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Bank complies with the relevant provisions of the Securities & Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) Codes of Corporate Governance.

Board of Directors

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

Attendance at Board meetings for the year ended 31 December 2016 are as follows:

	Director		Attendance	No. of Meetings
1	Mr. Asue Ighodalo	Chairman	4	4
2	Mr. Yinka Adeola (Retired 19/04/16)	Non-Executive	2	2
3	Mr. Rasheed Kolarinwa	Non-Executive	4	4
4	Dr. (Mrs.) Omolara Akanji	Non-Executive	4	4
5	Ms. Tamarakare Yekwe (MON)	Non-Executive	4	4
6	Mr. Olaitan Kajero	Non-Executive	4	4
7	Mrs. Tairat Tijani	Non-Executive	4	4
8	Mrs. Egbichi Akinsanya	Non-Executive	4	4
9	Mr. Michael Jituboh	Non-Executive	2	4
10	Mr. Yemi Adeola	Managing Director/CEO	4	4
11	Mr. Lanre Adesanya	Executive Director	4	4
12	Mr. Kayode Lawal	Executive Director	4	4
13	Mr. Abubakar Suleiman	Executive Director	4	4
14	Mr. Grama Narasimhan (Indian)	Executive Director	4	4
15	Mr. Yemi Odubiyi	Executive Director	4	4

Board Committees

The Board carries out its oversight functions through its various committees each of which has a clearly defined terms of reference and a charter which has been approved by the Central Bank of Nigeria. The Board has five (5) standing committees, namely: Board Credit Committee, Board Finance & General Purpose Committee, Board Audit Committee, Board Risk Management Committee and Board Governance & Remuneration Committee. In line with best practice, the Chairman of the Board is not a member of any of the Committees. The composition and responsibilities of the committees are set out below:

Board Credit Committee

The Committee acts on behalf of the Board of Directors on credit matters, and reports to the Board for approval/ ratification.

Terms of reference

- Consider credit proposals for approval on the recommendation of the Management Credit Committee (MCC).
- Recommend to the Board assignment of credit approval authority limits on the recommendation of the MCC.

Board Credit Committee- continued

- Review the Credit Policy Guidelines of the Bank as and when required by the dictates of the market and/or the corporate strategic intent on the recommendation of the MCC.
- Approve credit facility requests above the limits set for Management, within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities.
- Review periodic credit portfolio reports and assess portfolio performance.
- Ensure compliance with the Bank's Credit Policies and statutory requirements prescribed by the regulatory/supervisory authorities.
- Recommend credit facility requests above the Committee's limit to the Board.
- Review and recommend to the Board for approval/ratification Management proposals on full and final settlements on non performing loans.
- Review and approve the restructure of credit facilities in line with the Credit Policy Guidelines.
- Review and approve credit proposals in line with the Bank's Risk Policy Guidelines.
- Review and recommend to the Board for approval proposals on Write-offs.
- Periodic review of the recovery process to ensure compliance with the Bank's recovery policies, applicable laws and statutory requirements.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Dr. (Mrs.) Omolara Akanji	Chairman	4	4
2	Mr. Yinka Adeola (Retired 19/04/16)	Member	1	1
3	Mr. Rasheed Kolarinwa	Member	4	4
4	Mr. Olaitan Kajero	Member	4	4
5	Mr. Michael Jituboh	Member	2	4
6	Mr. Yemi Adeola	Member	4	4
7	Mr. Lanre Adesanya	Member	4	4
8	Mr. Kayode Lawal	Member	4	4
9	Mr. Grama Narasimhan (Indian)	Member	4	4

Board Finance and General Purpose Committee

The Committee acts on behalf of the Board of Directors on all matters relating to financial management, and reports to the Board for approval/ratification.

Terms of reference

- Establish the Bank's financial policies in relation to the operational plan, capital budgets, and the reporting of results.
- Monitor the progress and achievement of the Bank's financial targets.
- Review significant corporate financing and liquidity programs and tax plans.
- Recommend major expenditure approvals to the Board.
- Review and consider the financial statements and make appropriate recommendation to the Board.
- Review the integrity of the financial reporting.
- Oversee the independence of the external auditors.
- Review annually the Bank's financial projections, as well as capital and operating budgets, and review on a quarterly basis with management, the progress of key initiatives including actual financial results against targets and projections.
- Review and recommend for Board approval, the Bank's capital structure, including but not limited to, allotment of new capital, debt limits and any changes to the existing capital structure.
- Recommend for Board approval, the Bank's dividend policy, including amount, nature and timing.
- Review and make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investment portfolio.
- Ensure that an appropriate internal control framework is established and maintained over the financial reporting process.
- Approve a comprehensive framework for delegation of authority on financial matters and enforce compliance with financial manual of authorities.
- Ensure cost management strategies are developed and implemented to monitor and control costs.
- Review major expense lines periodically and approve expenditure within the limit of the Committee as documented in the financial manual of authorities.
- Review contract awards for significant expenditure above EXCO limit.
- Review significant transactions and new business initiatives for the Board's approval.
- To perform any other duties assigned by the Board from time to time.

Board Finance and General Purpose Committee- continued

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

			Attendance	No. of Meetings
1	Mrs. Egbichi Akinsanya	Chairman	4	4
2	Mr. Yinka Adeola (Retired 19/04/16)	Member	1	1
3	Ms. Tamarakare Yekwe	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mr. Michael Jituboh	Member	2	4
6	Mr. Yemi Adeola	Member	4	4
7	Mr. Lanre Adesanya	Member	4	4
8	Mr. Abubakar Suleiman	Member	4	4
9	Mr. Yemi Odubiyi	Member	4	4

Board Risk Management Committee

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

Terms of reference

- Review and recommend to the Board the risk management policy including risk appetite, risk limits, tolerance and risk strategy.
- Review and recommend to the Board for approval the Bank's Enterprise-wide Risk Management Policy and other specific risk policies.
- Monitor the Bank's plan and progress in meeting regulatory risk based supervision requirements.
- Monitor implementation and migration to Basel II, III, and IV and other local and international risk management bodies as approved by the regulators.
- Review the organization's risk-reward profiles including credit, market and operational risk-reward profiles and where necessary, recommend strategies for improvement.
- Evaluate the risk profile and risk management plans drafted for major projects, acquisitions, new products and new ventures or services to determine the impact on the risk reward profile.
- Oversight of management's process for the identification of significant risks and the adequacy of prevention, detection and reporting mechanisms.
- Receive reports on, and review the adequacy and effectiveness of the Bank's risk and control processes to support its strategy and objectives.
- Endorse definition of risk and return preferences and target risk portfolio.
- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Bank's risk profile.

STERLING BANK PLC

CORPORATE GOVERNANCE REPORT - continued

FOR THE YEAR ENDED 31 DECEMBER 2016

Board Risk Management Committee- continued

- Ensure compliance with the Bank's credit policies, applicable laws and statutory requirements prescribed by the regulatory/supervisory authorities.
- Review the effectiveness of the risk management system on an annual basis.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Mr. Olaitan Kajero	Chairman	4	4
2	Mr. Rasheed Kolarinwa	Member	4	4
3	Dr. (Mrs.) Omolara Akanji	Member	4	4
4	Mrs. Tairat Tijani	Member	4	4
5	Mr. Yemi Adeola	Member	4	4
6	Mr. Lanre Adesanya	Member	4	4
7	Mr. Kayode Lawal	Member	4	4
8	Mr. Yemi Odubiyi	Member	4	4

Board Audit Committee
The Committee acts on behalf of the Board of Directors on all audit matters. Decisions and actions of the Committee are presented to the Board for approval/ratification.

Terms of reference

- Review the appropriateness of accounting policies.
- Review the appropriateness of assumptions made by Management in preparing the financial statements.
- Review the significant accounting and reporting issues, and understand their impact on the financial statements;
- Review the quarterly and annual financial statements and consider whether they are complete, consistent with prescribed accounting and reporting standards.
- Obtain assurance from Management with respect to the accuracy of the financial statements.
- Review with management and the external auditors the results of external audit, including any significant issues identified.
- Review the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review the adequacy of the internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Review the relevant policies and procedures in place and ensure they are up to date, and are complied with.
- Review and ensure the financial internal controls are operating efficiently and effectively.

Board Audit Committee-continued

- Review the Bank's compliance with the performance management and reporting systems;
- Review and ensure the performance reporting and information uses appropriate targets and benchmarks.
- Review the Internal Audit operations manual, budget, activities, staffing, skills and organizational structure of the Internal Audit;
- Review and approve the Internal Audit plan, its scope and any major changes to it, ensuring that it covers the key risks and that there is appropriate co-ordination with the Bank's External Auditors;
- Review and concur in the appointment, replacement, or dismissal of the Chief Internal Auditor;
- Resolve any difficulties or unjustified restrictions or limitations on the scope of Internal Audit work;
- Resolve any significant disagreements between Auditors and Management;
- Review significant findings and recommendations by Internal Audit and Management responses thereof;
- Review implementation of Internal Audit recommendations by Management;
- Review the performance of the Chief Internal Auditor;
- Review the effectiveness of the Internal Audit function, including compliance with acceptable International Standards for the Professional Practice of Internal Auditing.
- Review the external auditors' proposed audit scope, approach and audit fees for the year;
- Review the findings and recommendations by External Auditors and Management responses thereof;
- Review implementation of External Auditors' recommendations by Management;
- Review the performance of External Auditors;
- Ensure that there is proper coordination of audit efforts between Internal and External Auditors.
- Review the effectiveness of the system for monitoring compliance with laws and regulations;
- Review the findings of any examinations by regulatory agencies, and audit observations;
- Regularly report to the Board of Directors on Committee activities;
- Perform other duties as may be assigned by the Board of Directors;

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

			Attendance	No. of Meetings
1	Mr. Rasheed Kolarinwa	Chairman	4	4
2	Mr. Yinka Adeola (Retired 19/04/16)	Member	4	4
3	Dr. (Mrs.) Omolara Akanji	Member	4	4
4	Ms. Tamarakare Yekwe (MON)	Member	4	4
5	Mrs. Tairat Tijani	Member	4	4
6	Mrs. Egbichi Akinsanya	Member	4	4
7	Mr. Michael Jituboh	Member	2	4

Statutory Audit Committee

The Committee is established in line with Section 359(6) of the Companies and Allied Matters Act, 1990 CAP C20 Laws of the Federation of Nigeria. The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) Non-Executive Directors. The Committee meets every quarter, but could also meet at any other time, as the need arise

All members of the Committee are financially literate.

The membership of the Committee is as follows:

Shareholders' Representative

1 Alhaji Mustapha Jinadu
2 Mr. Idongesit Udoh
3 Ms. Christie Vincent

Non-Executive Directors

4 Mrs. Egbichi Akinsanya
5 Ms. Tamarakwe Yekwe (MON)
6 Mr. Olaitan Kajero

Terms of reference

- To meet with the independent Auditors, Chief Financial Officer, Internal Auditor and any other Bank executives both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine:

- To review the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under Management's Controls Report and the independent auditors' report, in advance of publication.
- To review the performance and results of the external and internal audits, including the independent auditor's management letter and management's responses thereto.
- To review the effectiveness of the Bank's system of internal controls and security; any recommendations by the independent auditors and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports.
- To review such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the committee shall deem appropriate.

- To prepare the Committee's report for inclusion in the Bank's annual report;

- To report to the entire Board at such times as the Committee shall determine necessary

Board Governance & Remuneration Committee

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

Board of Governance and Remuneration Committee performs the following functions

- Monitoring, reviewing and approving employee relations' issues such as compensation matters/bonus programs and profit sharing schemes.
- Advise the Board on recruitment, promotions and disciplinary issues affecting top management of the Bank from Assistant General Manager grade and above.
- Appraise the Managing Director & Chief Executive and Executive Directors annually for appropriate recommendation to the Board.
- Approve training programmes for Non-Executive Directors.
- The Committee shall review the need for appointments and note the specific experience and abilities needed for each Board Committee, consider candidates for appointment as either Executive or Non-Executive Directors and recommend such appointments to the Board.
- The Committee shall review the tenor of both Executive and Non-Executive Directors on the Board and Board Committees.
- The Committee shall recommend any proposed change(s) to the Board.
- Recommend to the Board renewal of appointment of Executive and Non-Executive Directors based on the outcome of review of Directors performance.
- To make recommendations on experience required by Board Committee Members, Committee Appointments and Removal, Reporting and other Committee Operational matters.
- To ensure that the Board evaluation is carried out on an annual basis.
- To review and make recommendations to the Board for approval of the Bank's Organisational structure and any proposed amendments.
- Review and make recommendations on the Bank's succession plan for Directors and other senior management staff from Assistant General Manager grade and above.
- Regular monitoring of compliance with Bank's Code of Ethics and Business Conduct for Directors and Staff.
- The Committee shall determine the incentive arrangements and benefits of the Executive and Non-Executive Directors of the Bank for recommendation to the Board.
- Review and submit to the full Board, recommendations concerning Executive Directors Compensation plans, salaries and perquisites ensuring that the compensation packages are competitive.
- Review and submit to the full Board, recommendations concerning Non-Executive Directors remuneration.
- Review and recommend for Board approval stock-based compensation, share option, incentive bonus, severance benefits and perquisites for Executive Directors and employees.
- Ensure that the level of remuneration is sufficient to attract, retain and motivate Executive Directors and all employees of the Bank while ensuring that the Bank is not paying excessive remuneration.
- Recommend to the Board compensation payable to Executive Directors and Senior Management employees for any loss of office or termination of appointment.

Board Governance & Remuneration Committee- continued

- Develop, review and recommend the remuneration policy to the Board for approval.
- The Committee may engage a remuneration consultant at the expense of the Bank for the purpose of carrying out its responsibilities. Where such a consultant is engaged by the Committee, the consultant must be independent.
- To perform any other duties assigned by the Board from time to time.

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

			Attendance	No. of Meetings
1	Ms. Tamarakare Yekwe (MON)	Chairman	6	6
2	Mr. Rasheed Kolarinwa	Member	6	6
3	Dr. (Mrs) Omolara Akanji	Member	6	6
4	Mr. Olaitan Kajero	Member	6	6
5	Mrs. Egbichi Akinsanya	Member	6	6
6	Mrs. Tairat Tijani	Member	6	6

Dates for Board and Board Committee meetings held in 2016 financial year:

Board	2/3/2016		11/04/16		28/07/16	20/10/16
Board Credit Committee	8/3/2016		3/2/2016		20/09/16	18/11/16
Board Finance & General Purpose Committee	18/02/16		23/06/16		7/10/2016	15/11/16
Board Audit Committee	24/02/16		22/06/16		20/09/16	22/11/16
Board Risk Management Committee	16/02/16		15/06/16		27/09/16	21/11/16
Board Governance & Remuneration Committee	17/02/16	11/5/16	21/06/16	29/08/16	28/09/16	23/11/16
Audit Committee	25/02/16		14/06/16		6/10/2016	14/11/16

The Company Secretary

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

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

The Company Secretary is responsible for designing and implementing a framework for the Bank's compliance with the listing rules of the Nigrian Stock Exchange, including advising Management on prompt disclosure of material information.

The Company Secretary attends and prepares the minutes for all Board meetings. As Secretary for all Board Committees, she assists in ensuring coordination and liaison between the Board, the Board Committees and Management. The Company Secretary also assists in the development of the agendas for the various Board and Board Committee meetings.

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

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 Asset 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’s 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 loans 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 unit was set-up in the Human Resource Management Group to implement, amongst others, a Succession Plan for the Bank.

Successors are nominated based on experience, skills and competencies through an automated process by current role holders in conjunction with the Human Resource 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 behaviour of its staff, in the staff handbook. It is a requirement that all staff should sign a confirmation that they have read and understood the document upon employment.

Succession Planning- continued

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 Resource Management is responsible for the implementation and compliance to the “Code of Ethics”.

Whistle Blowing Process

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

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

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

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

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

The Bank has a Whistle Blowing channel via the Bank’s website, dedicated telephone hotlines and e-mail address in compliance with the guidelines for whistle blowing for Banks and Other Financial Institutions issued by the Central Bank of Nigeria (CBN) .

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

Further disclosures are stated in Note 43 of the consolidated and separate financial statements.

Compliance Statement on Securities Trading by Interested Parties

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

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

STERLING BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

(b) the Group keeps accounting records which disclose with reasonable accuracy the financial position and performance of the Group and which ensure that the consolidated and separate financial statements comply with the International Financial Reporting Standards and the relevant requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011, and relevant Central Bank of Nigeria circulars;

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

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

The Directors are of the opinion that the consolidated and separate financial statements present fairly, in all material respects, the financial position and the financial performance of the Group and the Bank as of and for the year ended 31 December 2016.

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

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

Signed on behalf of the Directors by:

Yemi Adeola	Abubakar Suleiman
Managing Director/CEO	Executive Director, Finance & Strategy
FRC/2013/CIBN/00000001257	FRC/2013/CIBN/00000001275

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

7 March 2017

STERLING BANK PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2016

TO THE MEMBERS OF STERLING BANK PLC:

In accordance with the provision of Section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Statutory Audit Committee of Sterling Bank Plc and its subsidiary hereby report as follows:

- We are of the opinion that the accounting and reporting policies of the Group are in accordance with International Financial Reporting Standards and legal requirements and agreed ethical practices.
- We believe that the scope and planning of both the external and internal audits for the year ended 31 December 2016 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from Management in the course of their audit and we are satisfied with Management's response to the External Auditors' recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of Management and staff in the conduct of these responsibilities.

We are satisfied that the Bank has complied with the provision of the Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Directors' related credits in the consolidated and separate financial statements of banks". We have reviewed insider-related credits of the Bank and found them to be as analysed in the consolidated and separate financial statements. The status of performance of these facilities is disclosed in Note 34 to the financial statements.

Mrs. Egbichi Akinsanya
Chairman, Statutory Audit Committee
FRC/016/ICAN/00000015714

24 February 2017

Members of the Statutory Audit Committee are:

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

In attendance:
Justina Lewa — Secretary

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STERLING BANK PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sterling Bank Plc ("the Bank") and its subsidiary (collectively "the Group") set out on pages 29 to 138 which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

STERLING BANK PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matters	How the matter was addressed in the audit
Impairment of loans and advances Loans and advances to customers make up a significant portion of the total assets of the Group. The impairment thereof is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions including the financial condition of the counterparty, expected future cash flows, and collateral valuation, particularly on individually significant exposures that either continued to be, have become, or were at risk of being impaired. Due to the significance of loans and advances which represent 56% (2015: 42%) of total assets of the Group and the related estimation process, this is considered a key audit matter. The policies, credit risks and details relating impairment of loans and advances to customers are provided in Notes 2.2.8, 37 and 20 to the consolidated and separate financial statements.	Our procedures included, amount others, the following: We assessed the effectiveness of key controls over the impairment calculation process. We evaluated the accuracy of underlying data that was drawn from the Group's systems. For loan loss provisions calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification, including the financial condition of the borrower, expected future cash flows, valuation of underlying collateral and estimates of recovery on default. For loan loss provisions calculated on a collective basis we tested the underlying model for appropriateness. We also considered the reasonability of the assumptions included in these models such as recovery and default rates. We also checked the adequacy of the group's disclosure regarding loan impairment and related risks such as credit risk and aging of the loans to customers.
Change of core banking application The Bank's accounting records and financial reporting processes rely on the effectiveness of the IT platform used. During the financial year, the Bank implemented a new core banking application (T24) which involved a migration of data from the legacy system (BANKS) to the new application. IT implementations are complex by nature and increase the likelihood of risks relating to data integrity (pre and post implementation), and the operating effectiveness of key controls in the core processes of the Bank that may have a significant effect on the financial statements. The change in core banking application is disclosed in Note 24 to the consolidated and separate financial statements.	Our procedures included, amount others, the following: We involved IT Audit specialists to assist in performing procedures on the system implementation. - We assessed management's project plan and appropriateness of key governance controls pertaining to pre-implementation, go-live, and post implementation activities - We performed testing on the data of ledgers before and after the implementation to ensure their completeness and accuracy of data. This included performing reconciliations between the two systems, and checking whether the data moved across to the new core banking application had received appropriate approvals - We tested the design and implementation of overall change management and access controls as well as relevant application controls in the new core banking application to evaluate the adequacy of controls to support the new environment post go-live - We reviewed of the setup of user access and the segregation of duties enforced in the new core banking application, and - We reviewed of the system security settings on the operating system and database for the new core banking application.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

STERLING BANK PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and the Report of the Statutory Audit Committee as required by the Companies and Allied Matters Act, CAP C20 Laws of Federation of Nigeria (CAMA), the Statement of Value Added and the Five-Year Financial Summary as required by CAMA and the Financial Reporting Council of Nigeria, and the Corporate Governance Report as required by the Central Bank of Nigeria and Securities and Exchange Commission which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditors' report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

STERLING BANK PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

STERLING BANK PLC - Continued

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

ii) In our opinion, proper books of account have been kept by the Group and the Bank, in so far as it appears from our examination of those books;

iii) The Group and the Bank's consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by the Central Bank of Nigeria:

i) Related party transactions and balances are disclosed in Note 34 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

ii) As disclosed in Note 40 to the consolidated and separate financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria.

iii) Customer complaints are disclosed in Note 41 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

Dayo Babatunde, FCA, FRC/2013/ICAN/00000000702
For: Ernst & Young
Lagos, Nigeria
7 March 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0124804

STERLING BANK PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Group 2016 ₦'000	Bank 2016 ₦'000	Bank 2015 ₦'000
Interest income	6	99,103,751	98,901,525	80,908,705
Interest expense	7	(43,114,607)	(42,894,282)	(41,367,022)
Net interest income		55,989,144	56,007,243	39,541,683
Fees and commission income	8	10,788,144	10,788,144	15,522,299
Net trading income	9	234,938	234,938	10,649,973
Other operating income	10	1,313,000	1,313,000	3,112,858
Operating income		68,325,226	68,343,325	68,826,813
Impairment charges	11	(11,713,968)	(11,713,968)	(8,151,338)
Net operating income after impairment charge		56,611,258	56,629,357	60,675,475
Personnel expenses	12	(11,521,854)	(11,521,854)	(12,101,326)
Other operating expenses	13.1	(12,701,253)	(12,700,753)	(11,675,436)
General and administrative expenses	13.2	(16,996,813)	(16,996,813)	(16,427,336)
Other property, plant and equipment costs	13.4	(5,195,775)	(5,195,775)	(5,590,409)
Depreciation and amortisation	23&24	(4,195,683)	(4,195,683)	(3,864,667)
Total expenses		(50,611,378)	(50,610,878)	(49,659,174)
Profit before income tax		5,999,880	6,018,479	11,016,301
Income tax expense	14	(837,515)	(837,515)	(723,724)
Profit after income tax		5,162,365	5,180,964	10,292,577
Other comprehensive income to be reclassified to profit or loss in subsequent period:				
Fair value (loss)/gain on available for sale investments*		(11,323,381)	(11,323,381)	1,153,571
Loss on available for sale securities sold incuded in profit or loss		(1,153,571)	(1,153,571)	1,131,739
Other comprehensive (loss)/gain for the year, net of tax		(12,476,952)	(12,476,952)	2,285,310
Total comprehensive (loss)/income for the year, net of tax		(7,314,587)	(7,295,988)	12,577,887
Profit attributable to:				
Total equity holders of the Bank		5,162,365	5,180,964	10,292,577
Total comprehensive (loss)/ income attributable to:				
Total equity holders of the Bank		(7,314,587)	(7,295,988)	12,577,887
Earnings per share - basic (in kobo)	15	18k	18k	36k
Earnings per share - diluted (in kobo)	15	18k	18k	36k

*Income from these instruments is exempted from tax.

The accompanying notes in pages 36 to 138 form part of these consolidated and separate financial statements.

STERLING BANK PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
ASSETS				
Cash and balances with Central Bank of Nigeria	16	107,859,229	107,859,229	115,924,016
Due from banks	17	31,288,712	31,288,712	68,798,839
Pledged assets	18	86,863,911	86,863,911	69,338,406
Derivative financial assets	19	8,120	8,120	-
Loans and advances to customers	20	468,249,870	468,249,870	338,726,271
Investments in securities:				
- Held for trading	21(a)	1,652,863	1,652,863	4,692,636
- Available for sale	21(b)	34,866,586	34,866,586	119,478,644
- Held to maturity	21(c)	58,112,628	54,724,402	45,360,372
Investment in subsidiary	21(e)	-	500	-
Other assets	22	21,675,823	21,675,823	13,902,609
Property, plant and equipment	23	14,604,187	14,604,187	15,258,217
Intangible assets	24	2,036,876	2,036,876	1,000,262
Deferred tax assets	14(f)	6,971,145	6,971,145	6,971,145
TOTAL ASSETS		834,189,950	830,802,224	799,451,417
LIABILITIES				
Deposits from banks	25	23,768,555	23,768,555	-
Deposits from customers	26	584,733,896	584,733,896	590,889,216
Derivative financial liabilities	19	7,846	7,846	-
Current income tax payable	14(b)	941,992	941,992	780,232
Other borrowed funds	27	82,450,494	82,450,494	60,285,736
Debt securities issued	28	15,381,913	11,975,588	4,563,568
Other liabilities	29	41,245,231	41,245,231	47,366,918
TOTAL LIABILITIES		748,529,927	745,123,602	703,885,670
EQUITY				
Share capital	30	14,395,209	14,395,209	14,395,209
Share premium		42,759,214	42,759,214	42,759,214
Retained earnings		6,226,096	6,241,905	10,042,079
Other components of equity	32	22,279,504	22,282,294	28,369,245
Total equity		85,660,023	85,678,622	95,565,747
TOTAL LIABILITIES AND EQUITY		834,189,950	830,802,224	799,451,417

The consolidated and separate financial statements were approved by the Board of Directors on 7 March 2017 and signed on its behalf by:

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

Abubakar Suleiman
Executive Director, Finance & Strategy
FRC/2013/CIBN/00000001275

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

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

The accompanying notes in pages 36 to 138 form part of the consolidated and separate financial statements.

STERLING BANK PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP

	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
			EQUITY RESERVES							
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2016	14,395,209	42,759,214	1,153,571	5,276,423	5,070,015	234,503	16,634,733	28,369,245	10,042,079	95,565,747
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	5,162,365	5,162,365
Net changes in fair value of available for sale investment securities	-	-	(12,476,952)	-	-	-	-	(12,476,952)	-	(12,476,952)
Transactions with equity holders, recorded directly in equity:										
Dividends to equity holders (Note 31a)	-	-	-	-	-	-	-	-	(2,591,138)	(2,591,138)
Transfer to regulatory risk and statutory risk reserve (Notes 32a &32c)	-	-	-	-	5,612,856	-	774,355	6,387,211	(6,387,211)	-
Balance at 31 December 2016	14,395,209	42,759,214	(11,323,381)	5,276,423	10,682,871	234,503	17,409,088	22,279,504	6,226,096	85,660,023

The accompanying notes in pages 36 to 138 form part of these consolidated and separate financial statements

STERLING BANK PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

BANK

EQUITY RESERVES

	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2016	14,395,209	42,759,214	1,153,571	5,276,423	5,070,015	234,503	16,634,733	28,369,245	10,042,079	95,565,747
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	5,180,964	5,180,964
Net changes in fair value of available for sale investment securities	-	-	(12,476,952)	-	-	-	-	(12,476,952)	-	(12,476,952)
Transactions with equity holders, recorded directly in equity:										
Dividends to equity holders (Note 31a)	-	-	-	-	-	-	-	-	(2,591,138)	(2,591,138)
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	5,612,856	-	777,145	6,390,001	(6,390,001)	-
Balance at 31 December 2016	14,395,209	42,759,214	(11,323,381)	5,276,423	10,682,871	234,503	17,411,878	22,282,294	6,241,905	85,678,622

The accompanying notes in pages 36 to 138 form part of these consolidated and separate financial statements

STATEMENT OF CHANGES IN EQUITY - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

BANK	Share capital	Share premium	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total equity reserves	Retained earnings	Total
			EQUITY RESERVES							
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2015	14,395,209	42,759,214	(1,131,739)	5,276,423	3,880,738	234,503	13,546,960	21,806,885	5,753,977	84,715,285
Comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	-	-	10,292,577	10,292,577
Net changes in fair value of available for sales investment securities	-	-	2,285,310	-	-	-	-	2,285,310	-	2,285,310
Transactions with equity holders, recorded directly in equity:										
Dividends to equity holders (note 31b)	-	-	-	-	-	-	-	-	(1,727,425)	(1,727,425)
Transfer to regulatory risk and statutory risk reserve (Notes 32a & 32c)	-	-	-	-	1,189,277	-	3,087,773	4,277,050	(4,277,050)	-
Balance at 31 December 2015	14,395,209	42,759,214	1,153,571	5,276,423	5,070,015	234,503	16,634,733	28,369,245	10,042,079	95,565,747

The accompanying notes in pages 36 to 138 form part of these consolidated and separate financial statements

STERLING BANK PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

		GROUP	BANK	BANK
		2016	2016	2015
		₦'000	₦'000	₦'000
Profit before income tax		5,999,880	6,018,479	11,016,301
Adjustments for non cash items:				
Impairment charges on financial assets	11	11,713,968	11,713,968	8,151,338
Depreciation and amortisation	23 & 24	4,195,683	4,195,683	3,864,667
Fair value changes recognised in profit or loss		(1,153,571)	(1,153,571)	1,131,739
Dividend income	10	(93,221)	(93,221)	(102,634)
Gain on disposal of property and equipment	10	(79,615)	(79,615)	(1,312,314)
Loss on bond held for trading		2,424,947	2,424,947	687,424
Net unrealised profit on sale of investments	10	(149)	(149)	(63,980)
Foreign exchange gain		(1,118,591)	(1,118,591)	(30,157)
		21,889,331	21,907,930	23,342,384
Changes in operating assets:				
Deposits with the Central Bank of Nigeria		(10,071,928)	(10,071,928)	48,910,980
Pledged assets		(17,525,505)	(17,525,505)	9,412,454
Loans and advances to customers		(122,238,307)	(122,238,307)	24,244,345
Other assets		(7,780,465)	(7,780,465)	358,666
		(135,726,874)	(135,708,275)	106,268,829
Changes in operating liabilities:				
Deposit from banks		23,768,555	23,768,555	-
Due to customers		(6,155,320)	(6,155,320)	(65,054,911)
Other liabilities		(6,181,872)	(6,181,872)	15,113,611
Cash generated from operations		(124,295,511)	(124,276,912)	56,327,529
Income tax paid	14b	(615,570)	(615,570)	(1,635,518)
Net cash flows (used) in/from operating activities		(124,911,081)	(124,892,482)	54,692,011
Investing activities				
Purchase of property, plant and equipment	23	(3,175,549)	(3,175,549)	(5,036,652)
Purchase of intangible assets	24	(1,515,345)	(1,515,345)	(470,383)
Proceeds from sale of property, plant and equipment		192,240	192,240	1,469,689
Proceeds from sale of investment securities		76,257,610	76,257,610	285,443
Purchase of investment securities		(39,384,948)	(35,997,223)	(72,716,312)
Dividends received	10	93,221	93,221	102,634
Net cash flows from/ (used in) investing activities		32,467,229	35,854,954	(76,365,582)
Financing activities:				
Proceeds from other borrowed funds		63,974,353	63,974,353	15,293,250
Proceeds from debts & commercial papers issued		10,806,566	7,400,241	-
Repayments of other borrowed funds		(41,715,050)	(41,715,050)	(3,406,750)
Dividends paid	31	(2,591,138)	(2,591,138)	(1,727,425)
Net cash flows from financing activities		30,474,732	27,068,407	10,159,075
Effect of exchange rate changes on cash and cash equivalents		6,322,278	6,322,278	3,058,296
Net decrease in cash and cash equivalents		(61,969,120)	(61,969,121)	(11,514,496)
Cash and cash equivalents at 1 January		100,312,904	100,312,904	108,769,104
Cash and cash equivalents at 31 December	36	44,666,062	44,666,062	100,312,904
Operational cash flows from interest:				
Interest received		99,103,751	98,901,525	79,232,038
Interest paid		(43,114,607)	(42,894,282)	(41,650,942)

The accompanying notes in pages 36 to 138 form part of these consolidated and separate financial statements

STERLING BANK PLC

STATEMENT OF PRUDENTIAL ADJUSTMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The regulatory body, Central Bank of Nigeria/Nigeria Deposit Insurance Corporation, stipulates that impairment charges recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS impairment should be compared with impairment determined under the prudential guidelines as prescribed by CBN and the expected impact/changes in General Reserve should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the General Reserve to a non-distributable Regulatory Reserve.

(ii) Prudential Provisions is less than IFRS provisions, the excess charges should be transferred from the Regulatory Risk Reserve account to the General Reserve to the extent of the non-distributable reserve previously recognized.

Transfer to Regulatory Risk Reserve	Note	As of 31 December 2016 ₦'000	As of 31 December 2015 ₦'000
Prudential provision		20,568,380	22,387,216
Total Prudential provision		20,568,380	22,387,216
IFRS provision			
Individual impairment allowance for loans & advances	20b	4,187,291	11,566,682
Collective impairment allowance for loans & advances	20c	4,276,002	4,181,903
Allowances for impairment for other assets	22.1	879,575	1,053,309
Allowances for impairment for investment securities	21d	247,096	247,096
Provisions for litigation	29.2	295,545	268,211
		9,885,509	17,317,201
Difference in impairment provision balances		10,682,871	5,070,015
Movement in the Regulatory Risk Reserve:			
Balance at the beginning of the year		5,070,015	3,880,738
Transfer to Regulatory Risk Reserve		5,612,856	1,189,277
		10,682,871	5,070,015

1. Corporate information

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

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

The consolidated and separate financial statements of Sterling Bank Plc and its subsidiary for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 7 March 2017.

2. Accounting Policies

2.1 Basis of preparation and statement of compliance

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

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

The consolidated and separate financial statements are presented in Nigerian Naira and all values are rounded to the nearest thousand (₦'000) except when otherwise indicated.

(a) Presentation of financial statements

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 to the consolidated and seperate financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate 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 Group.

2. Accounting Policies - continued

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2016. Sterling Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its financial statements:

2. Accounting Policies - continued

2.2.1 Interest income and interest expense

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

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

Interest income and expense presented in the profit or loss 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 Group's **trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.**

Non-interest income and non -interest expense

Sharia income

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

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

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

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.2 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.

2.2.3 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, dividends and foreign exchange differences.

2.2.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income. Dividend income on available-for-sale securities are recognised as a component of other operating income.

2.2.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.6 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the period determined in accordance with the Companies Income Tax Act (CITA), using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporaray differences:
- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects profit or loss;and

- deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they have been enacted or substantively enacted by the reporting date.

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

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

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

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

Tax assessments are recognized when assessed and agreed to by the Group with the Tax authorities, or when appealed, upon receipt of the results of the appeal.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities

Below are classes of items in the consolidated and separate statement of financial position that are categorized under financial assets and liabilities.

(i) Initial recognition

The Group initially recognises cash and bank balances, loans and advances, deposits, debt securities issued and liabilities on the date that they are originated. All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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 net of 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:

1. 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 held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

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

- 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 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. Government Treasury bills are classified as assets held for trading.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities - continued

(ii) Subsequent measurement - continued

2. Available-for-sale

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

Interest income on available-for-sale debt instrument is recognised in profit or loss using the effective interest method. Dividend income is recognised in the profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon 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 Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

3. Held-to-maturity

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

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

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

- sales or reclassifications after the Group has collected substantially all of the asset's **original principal; and**

- sales or reclassifications attributable to non-recurring isolated events beyond the Group's **control that could not have been reasonably anticipated.**

Federal Government Bonds are mainly classified as held to maturity.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities - continued

(ii) Subsequent measurement - continued

4 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the 'underlying').

b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes, in market factors.

c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

These transactions are settled in cash before the close of the business day, the balances are no longer recognised on the balance sheet as an asset or liability. Changes in the fair value of derivatives are included in net trading income in foreign exchange trading income.

5 Loans and advances

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

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

Loans and advances include loans granted to customers and corporate entities.

(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.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities - continued

(ii) Subsequent measurement - continued

(iv) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

(v) Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

The rights to receive cash flows

Tl **Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a** 'pass-through' **arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's **continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.**

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities - continued

(v) Derecognition of financial instruments *- continued*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group enters into transactions whereby it transfers assets recognised on its consolidated and seperate statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of the financial position. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(vii) Debts issued and other borrowed funds

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under debts securities issued and other borrowed funds, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debts securities issued and other borrowed funds are subsequently measured at amortised cost using the (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(viii) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a future date at a fixed price or an amount that is based on a lender's return is not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within Cash collateral on securities lent and repurchase agreements, reflecting the transaction's **economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities and the securities are not derecognised by the Group, the Group reclassifies those securities in the statement of financial position to financial assets held for trading pledged as collateral or to financial investments available for sale pledged as collateral as appropriate.**

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.7 Financial assets and liabilities - continued

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated and seperate statement of financial position, within Cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's **economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in Net interest income and is accrued over the life of the agreement using the EIR.**

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income.

2.2.8 Impairment of financial assets

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 37.

(i) Assets carried at amortised cost

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

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

whether the customer is more than 90 days past due;

the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated material forgiveness of debt or postponement of scheduled payments; or

there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.8 Impairment of financial assets- continued

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.The interest income is recorded as part of Interest and similar income.

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 Group'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 would be recognised as other income in the income statement.

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.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

Available-for-sale financial assets - continued

Where an available-for-sale asset, which has been re-measured 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 occuring after the impairment loss was recognized 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.

Federal government securities, corporate and Euro bonds are classified as Available for sale debt instruments , while investment in equity are also classifed under this category

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, calculated using the loan's original EIR.

(iv) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, and other non-financial assets such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and then revalued on periodic basis as deemed necessary, however, some collateral, for example, cash or securities relating to margin requirements, are valued daily.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.9 Cash and cash equivalents

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

2.2.10 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 -Noncurrent Assets Held for Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

Leasehold land	**over the lease period**
Leasehold buildings	**50 years**
Computer equipment	**3 years**
Furniture, fittings & equipment	**5 years**
Motor vehicles	**4 years**
Leasehold improvements	**10 years**

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if applicable.

(iv) De-recognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

2.2.11 Intangible assets

Software

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

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:
'- The technical feasibility of completing the intangible asset so that the asset will be available for use.
- How the asset will generate future economic benefits
-The availability of resources to complete the asset
-The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

2.2.12 Leased assets

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.12 Leased assets - conntinued

Group as a lessee
Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Group as a lessor
Leases where the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Rents are recognised as revenue in the period in which they are earned.

2.2.13 Impairment of non-financial assets
The carrying amounts of the Group's **non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any** such indication exists then the asset's recoverable amount is estimated.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's **recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.**

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's **carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.**

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.15 Financial guarantee contracts

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the amount received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with IAS 18. Crystallised financial guarantees are included within Other liabilities.

2.2.16 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The Group operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8%, respectively of the qualifying employee's monthly basic, housing and transport allowance. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

(ii) Short-term benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.2.17 Contingencies

(i) Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.17 Contingencies- continued

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

(ii) Contingent liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

2.2.18 Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the proceeds of the equity instruments.

(ii) Share premium

Any excess of the fair value of the consideration received over the par value of shares issued is recognised as share premium.

(iii) Dividend on ordinary shares

Dividends on the Group's **ordinary shares are recognised in equity in the period in which they are** approved and declared by the Group's shareholders.

(iv) Treasury shares

Where the Group purchases its shares, the consideration paid is deducted from the shareholders' **equity as treasury shares until they are cancelled. Where such shares are subsequently sold or** reissued, any consideration received is included in shareholders' equity.

2.2.19 Equity 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 derecognized or impaired.

(ii) Share capital reserve

The share capital reserve represents the surplus nominal value of the shares of the Group which were reconstructed in June 2006 after the merger.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

(iii) Regulatory risk reserve

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

(iv) SMEEIS reserve

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.

(vi) Statutory reserve

This represents regulatory appropriation to statutory reserves of 30% of profit after tax if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

2.2.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.2.21 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The Group segment reporting is based on the following operating segments: Corporate banking, Retail/Commercial banking, Treasury and Non-Interest Banking.

2.2.22 Foreign currency translation

The Group's functional and presentation currency is Nigerian Naira ("N"). Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange at the reporting date. Differences arising from translation of monetary items are recognised in other operating income in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.22 Foreign currency translation-continued

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

2.2.23 Pledged financial assets

Financial assets pledged as collateral are classified separately from other assets when the counterparty has the right to sell or re-pledge the collateral (by custom or contract) and so financial assets held for trading, as available-for-sale and held to maturity are shown separately in the statement of financial position if they can be sold or pledged by the transferee.

Financial investments available for sale pledged as collateral are measured at fair value while financial investments held to maturity are measured at amortised cost.

2.2.24 Fair value definition and measurement

The Group measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

Disclosures for valuation methods, significant estimates and assumptions are in Note 3.

Quantitative disclosures of fair value measurement hierarchy are in Note 39.
Financial instruments (including those carried at amortised cost) are in Note 39.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: In the principal market for the asset or liability and in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Accounting Policies - continued

2.2 Summary of significant accounting policies - continued

2.2.25 Non interest banking

Brief explanation for each type of sharia financing is as follows:
Mudharabah financing is a co-operation for certain project between first party (Malik, Shahibul or mal) as owner of fund and second party (Amil, Mudharib or debtors) as fund manager whereas the profit will be shared in accordance with percentage as stated in the agreement, meanwhile losses will be borne by the Bank except if the second party does negligence, error or violate the agreement. Mudharabah financing is stated at the outstanding financing balance less allowance for incurred losses.

Ijarah receivables are the financing on the availability of fund in relation to transferring the right to use and benefit of a good and service based on rental transaction which was not followed by transfer of the goods ownership to the lessee. Ijarah muntahiyah bittamlik is an agreement on the availability of fund in relation to transferring the use right and benefit of a good or service based on rental transaction with an option to transfer the ownership title of goods to the lessee. Ijarah receivables are recognised at due date at the amount of it lease income not yet received and presented at its net realisable value, which is the outstanding balance of the receivables.

Finance facilities are classified as financial assets in loans and receivables. Refer to Note 2.2.7 for the accounting policy of loans and receivables.

(i) Deposit Liabilities

Deposits liabilities on non-interest banking are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquistion of deposits on non-interest banking are included in the amount of deposits and amortised over the expected life of the deposits. Refer to Note 2.2.7(iii) for the accounting policy for financial liabilities at amortised cost above.

Included in the deposits liabilities are non interest banking deposits in form of *hajj deposits, trust* **deposits, and Certificates Mudharabah Investment Bank (SIMA). SIMA is an investment certificate issued by the bank which adopts profit sharing practice and in form of placement. SIMA financing period ranges from over one year.**

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated and seperate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

3.1 Estimates and Assumptions

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

(ii) Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(iii) Determination of collateral value

Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterparty. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however some collateral, for example, cash or securities relating to margin requirements, is valued daily.To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers,housing price indices, audited financial statements, and other independent sources.

3. Significant accounting judgements, estimates and assumptions - continued

(iv) Allowances for impairment of loans and advances

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 2.2.8.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

(v) Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy Note 2.2.24. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(vi) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that the future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely. See Note 14 for further information on judgment and estimates relating to deferred tax assets.

3.2 Judgments

Judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be resonable under the circumstances. In the process of applying the Group's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

(i) Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in the business for the next 12 months from issuance of this report. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated and seperate financial statements continue to be prepared on the going concern basis.

4 New standards and interpretations

4.1 New standards and interpretation issued but not yet effective

New standards have been issued but are not yet effective for the year ended 31 December 2016; thus, it has not been applied in preparing these financial statements. The Group intends to adopt the standards below when they become effective:

(i) IFRS 15 - Revenue from Contracts with Customers

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

(ii) IFRS 9 - Financial instruments

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

(iii) 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. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

(iv) 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 asset for unrealized losses. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

4 New standards and interpretations - continued

4.1 New standards and interpretation issued but not yet effective- continued

(v) Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' **liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.**

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.

4.2 New Standards and Improvements issued and effective

New standards, interpretations and amendments issued and adopted by the Bank

The accounting policies adopted in the preparation of the 2015 financial statements are consistent with those followed in the preparation of the Group's 2016 financial statements. The new standards and improvement did not have any impact on **the consolidated and seperate financial statements of the Group.**

Improvement to IFRSs

Amendments resulting from annual improvements to IFRSs to the following standards will not have any impact on the accounting policies, financial position or performance of the Group for the year.

The following new standards and amendments became effective as of 1 January 2016:

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

5 Segment Information

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

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

(b) *Reportable segment*

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

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

- **Corporate banking provides banking solutions to multinationals companies and other financial institutions.**
- **Retail and Commercial banking provides banking solutions to individuals, small businesses , partnerships and commercial entities among others.**
- **Treasury conducts the Group's financial advisory and securities trading activities.**
- **Non-Interest banking provides solutions that are consistent with Islamic laws and guided by Islamic economics**

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

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

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2016 (2015: none).

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

Group

(i) *31 December 2016*

	Retail Banking N'000 12 MONTHS	Commercial & Institutional Banking N'000 12 MONTHS	Corporate & Investment Banking N'000 12 MONTHS	Non-interest Banking N'000 12 MONTHS	SPV N'000 12 MONTHS	Total N'000 12 MONTHS
Interest and Non - interest income	20,233,384	28,111,928	50,061,462	494,751	202,226	99,103,751
Interest and Non - interestexpense	(11,844,165)	(11,826,669)	(18,985,655)	(237,793)	(220,325)	(43,114,607)
Net interest and Non - interest margin	8,389,219	16,285,260	31,075,807	256,958	(18,100)	55,989,144
Net fees and commission income	3,854,087	5,723,019	1,195,654	15,384	-	10,788,144
Net impairment charge	(1,325,653)	(4,989,421)	(5,364,414)	(34,480)	-	(11,713,968)
Depreciation and Amortization	(603,633)	(1,841,491)	(1,750,559)	-	-	(4,195,683)
Operating Expenses	(9,752,689)	(12,365,564)	(23,019,714)	(277,137)	(500)	(45,415,603)
Segment profit/(loss)	561,431	1,811,611	3,684,712	(39,275)	(18,599)	5,999,880
Assets as at 31 December 2016						
Capital expenditure: Additions during the year						
Property, plant and equipment & Intangible assets	1,502,887	60,386	1,611,837	438	-	3,175,549
Other intangible assets	41,136	1,434,568	-	39,641	-	1,515,345
Total Assets	129,376,841	275,131,760	416,576,575	9,717,048	3,387,726	834,189,950
Total Liabilities	116,362,888	246,853,953	367,747,467	9,013,164	8,552,455	748,529,927

31 December 2015

Bank	Retail Banking N'000	Commercial & Institutional Banking N'000	Corporate & Investment Banking N'000	Non-interest Banking N'000	Total N'000
Interest and Non - interest income	15,014,023	27,339,458	38,205,440	349,784	80,908,705
Interest and Non - interest expense	(1,639,280)	(10,054,561)	(29,467,128)	(206,054)	(41,367,022)
Net interest and Non - interest margin	13,374,743	17,284,898	8,738,312	143,730	39,541,683
Net fees and commission income	7,217,317	5,931,137	2,338,807	35,038	15,522,299
Net impairment charge	(2,205,918)	(5,328,746)	(581,386)	(36)	(8,116,085)
Depreciation and Amortization	(1,530,636)	(2,243,787)	(47,892)	(42,352)	(3,864,667)
Operating Expenses	(18,728,923)	(14,368,362)	(10,853,529)	(117,951)	(44,068,765)
Segment profit	1,239,441	1,275,141	8,483,290	18,430	11,016,301
Assets as at 31 December 2015					
Capital expenditure: Additions during the year					
Property, plant and equipment & Intangible assets	3,893,892	897,208	43,791	201,761	5,036,652
Other intangible assets	470,383				470,383
Total Assets	120,579,567	128,115,185	540,196,981	10,559,684	799,451,417
Total Liabilities	121,934,277	128,115,185	443,721,613	10,114,594	703,885,670

	Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
6 Interest income			
Loans and advances to customers	76,334,060	76,334,060	58,598,825
Investment securities	21,530,847	21,328,621	20,079,554
Interest on impaired loans	873,914	873,914	1,011,873
Cash and cash equivalents	364,930	364,930	1,218,453
	99,103,751	98,901,525	80,908,705
Interest from investment securities were derived from:			
Held to maturity	11,067,771	10,865,545	15,804,542
Available for sale	10,463,076	10,463,076	4,275,012
	21,530,847	21,328,621	20,079,554
7 Interest expense			
Deposits from customers	28,494,415	28,494,415	37,594,270
Deposits from banks	8,100,863	8,100,863	301,649
Debt securities issued and other borrowed funds	6,519,329	6,299,004	3,471,103
	43,114,607	42,894,282	41,367,022
8 Fees and commission income			
Commissions and similar income	3,500,671	3,500,671	1,441,105
Facility management fees	1,578,936	1,578,936	2,901,436
Account maintenance fees	1,449,532	1,449,532	1,419,334
Commissions on letter of credit transactions	791,582	791,582	3,163,111
Other fees and commissions (Note 8.1)	3,467,423	3,467,423	6,597,313
	10,788,144	10,788,144	15,522,299

8.1 Other fees and commission includes mostly advisory fees of (N3,245,008,422) (2015:N4,478,297,954).

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.

	Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
9 Net trading income			
Foreign exchange trading	1,118,591	1,118,591	5,011,758
Treasury bills	2,424,947	2,424,947	1,471,051
Bonds	(3,308,600)	(3,308,600)	4,167,164
	234,938	234,938	10,649,973

Included in foreign exchange trading income is gain of N929,194 (2015:Nil) on the derivative financial instruments.
The net trading loss on bonds is as a result of decline in the fair value of Federal Government of Nigeria securities.

	Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
10 Other operating income			
Gains on disposal of property, plant and equipment	79,615	79,615	1,312,314
Cash recoveries on previously written off accounts	446,912	446,912	805,203
Other sundry income (note 10.1)	522,423	522,423	640,487
Rental income	170,680	170,680	185,565
Dividends on available-for-sale equity securities	93,221	93,221	102,634
Net gain on sale of investment securities	149	149	63,980
Net foreign exchange gain	-	-	2,675
	1,313,000	1,313,000	3,112,858

10.1 Other sundry income includes income from cashless policy. Cashless policy was introduced by the Central Bank of Nigeria in 2015. The policy stipulates 3 per cent charge would be administered by banks for daily individual cumulative or single cash withdrawals in excess of N500,000, and 5 per cent charge on daily cumulative or single cash withdrawals in excess of N3million.

	Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
11 Impairment charges			
(i) Loan impairment			
- Individual impairment (note 20b)	11,328,595	11,328,595	9,972,473
- Collective impairment (note 20c)	94,099	94,099	1,035,229
Bad debt written off	1,003,702	1,003,702	52,202
Allowances no longer required (note 20b)	(719,679)	(719,679)	(2,784,247)
	11,706,717	11,706,717	8,275,657
(ii) Charge/ (write back) on other assets (note 22.1)	7,251	7,251	(124,319)
	7,251	7,251	(124,319)
	11,713,968	11,713,968	8,151,338
12 Personnel expenses			
Wages and salaries	10,252,343	10,252,343	10,840,507
Defined contribution plan	1,269,511	1,269,511	1,260,819
	11,521,854	11,521,854	12,101,326
13.1 Other operating expenses			
Contract services	4,109,241	4,109,241	2,812,880
AMCON sinking fund contribution (see note (a) below)	4,035,462	4,035,462	4,127,863
Insurance	3,475,996	3,475,996	3,659,930
Other professional fees	1,080,554	1,080,054	1,074,763
	12,701,253	12,700,753	11,675,436

(a) AMCON sinking fund contribution

This represents the Bank's contribution to a fund established by the Asset Management Corporation of Nigeria (AMCON) for the year ended 31 December 2016. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2015: 0.5%) of its total assets plus 0.5% of 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. This contribution is meant to be for 10 years from the effective date of December 2010.

		Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
13.2	**General and administrative expenses**			
	Advertising and business promotion	3,100,529	3,100,529	2,174,742
	Administrative expenses	2,757,982	2,757,982	2,458,507
	Office expenses	2,755,283	2,755,283	2,690,720
	Cash handling and cash processing expenses	1,994,856	1,994,856	1,395,494
	E-business expense	1,539,677	1,539,677	1,294,930
	Communication cost	1,269,910	1,269,910	1,249,562
	Seminar and conferences	448,802	448,802	514,324
	Transport, travel, accomodation	410,662	410,662	493,120
	Security	487,739	487,739	334,049
	Branding expenses	396,552	396,552	1,362,273
	Annual general meeting expenses	240,000	240,000	240,000
	Stationery and printing	215,305	215,305	220,158
	Directors other expenses	303,966	303,966	198,103
	Audit fees	198,500	198,500	198,500
	Membership and subscription	153,277	153,277	114,414
	Rents and rates	81,372	81,372	157,359
	Directors fee	49,576	49,576	43,500
	Fines and penalties	14,371	14,371	100,419
	Newspapers and periodicals	4,091	4,091	8,968
	Other general expenses (Note 13.3)	574,363	574,363	1,178,194
		16,996,813	16,996,813	16,427,336

13.3 Included in the amount of other general expenses are loan recoveries expense, custodial services debt capital expenses, and miscellaneous office expenses etc.

13.4 **Other property, plant and equipment cost**

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

		Group 2016 N'000	Bank 2016 N'000	Bank 2015 N'000
14	**Income tax**			
a	Current income tax expense:			
	Income tax (note 14d)	777,330	777,330	613,561
		777,330	777,330	613,561
	Information Technology levy (note 14c)	60,185	60,185	110,163
		837,515	837,515	723,724
	Deferred tax expense:			
	Origination of temporary differences (note 14g)	-	-	-
	Total income tax expense	837,515	837,515	723,724
b	Current income tax payable			
	The movement on this account during the year was as follows:			
	Balance, beginning of the year	780,232	780,232	1,802,189
	Estimated charge for the year (see (14a) above)	777,330	777,330	613,561
	Payments during the year	(615,570)	(615,570)	(1,635,518)
	Balance, end of the year	941,992	941,992	780,232

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

c **Reconciliation of total tax charge**

		Group 2016 ₦'000		Bank 2016 ₦'000		Bank 2015 ₦'000
	%		%		%	
Profit before income tax	100%	5,999,880	100%	6,018,479	100%	11,016,301
Income payable @ statutory tax rate of 30%	30%	1,799,964	30%	1,805,544	30%	3,304,890
Tax effect of:						
Non - deductible expenses	77%	4,623,418	77%	4,623,418	28%	3,100,372
Tax- exempt Income	-128%	(7,675,365)	-128%	(7,680,944)	-77%	(8,501,307)
Info. Tech. Dev. Levy (NITDA)	1%	60,185	1%	60,185	1%	110,163
Minimum tax	0%	-	0%	-	6%	613,561
Unrecognised tax loss	21%	1,251,983	21%	1,251,983	19%	2,096,045
Tax on dividend paid basis	13%	777,330	13%	777,330	0%	-
Effective tax rate/ Income tax expense		837,515	14%	837,515	7%	723,724

d The basis of income tax is 30% of N2,591,137,620 was dividend paid to shareholders in 2016 and relating to the 2015 financial year results. This is in compliance with Section 15A of Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.The Bank was assessed based on the minimum tax legislation for the year ended 31 December 2015 in compliance with Section 33(2) of the Company Income Tax Act.

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

f The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years.

14 Income tax

g. Deferred tax assets and liabilities

31 December 2016

	Balance at 31 December 2015	Recognised in profit or loss	Balance at 31 December 2016
	₦'000	₦'000	₦'000
Accelerated depreciation of Property, plant and equipment	2,188,824	409,621	2,598,445
Unutilised tax credit (capital allowance)	(4,192,037)	(495,208)	(4,687,245)
Tax loss	(4,926,576)	(103,873)	(5,030,449)
Deductible temporary differences	(41,356)	189,460	148,104
	(6,971,145)	-	(6,971,145)

31 December 2015

	Balance at 31 December 2014	Recognised in profit or loss	Balance at 31 December 2015
	₦'000	₦'000	₦'000
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 loss	(4,225,436)	(701,140)	(4,926,576)
Deductible temporary differences	(233,438)	192,082	(41,356)
	(6,971,145)	-	(6,971,145)

The Bank has unutilized capital allowance of N3,414,510,454(2015: ₦11,405,624,589) , unused tax losses carried forward available of N3,664,523.815 (2015: ₦13,404,143,421) and deductible temporary differences of N107,889,270 (2015: ₦112,519,823) to be offset against future taxable profits. However no deferred tax asset has been recognised in respect of these items due to uncertainties regarding the timing and amount of future taxable profits. There is no expiry date for the utilization of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years. The expiry date of the circular would be in year 2021 and this trend would continue until the expiration of the tax holiday. Thus, the Bank has applied caution by not recognizing additional deferred tax assets which is not considered capable of recovery. The management's judgment is that the deferred tax recognized in the book is recoverable after the expiration of exemption granted on Government securities. The Bank will have taxable profit upon this expiration.

15 Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2016 was based on the profit attributable to ordinary shareholders of N5,162,365,000 (2015: N10,292,577,000) and weighted average number of ordinary shares outstanding calculated as follows:

	Group 2016	Bank 2016	Bank 2015
	Unit ('000)	Unit ('000)	Unit ('000)
a Issued ordinary shares as at 1 January	28,790,418	28,790,418	28,790,418
Weighted average of shares during the year	-	-	-
Weighted average number of ordinary shares	28,790,418	28,790,418	28,790,418
b Profit for the year attributable to equity holders of the Bank	5,162,365	5,180,964	10,292,577
Basic earnings per share	18k	18k	36k
Diluted earnings per share	18k	18k	36k

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
16 Cash and balances with Central Bank of Nigeria			
Cash and foreign monies	11,779,781	11,779,781	16,232,082
Unrestricted balances with Central Bank of Nigeria	1,597,569	1,597,569	15,281,983
Deposits with the Central Bank of Nigeria	94,481,879	94,481,879	84,409,951
	107,859,229	107,859,229	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, it does not form part of cash and cash equivalents in the statement cash flows.

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
17 Due from banks			
Balances held with local banks	6,937,148	6,937,148	20,736,098
Balances held with banks outside Nigeria	12,807,044	12,807,044	29,488,213
Money market placements	11,544,520	11,544,520	18,574,528
	31,288,712	31,288,712	68,798,839

Included in balances with banks outside Nigeria is the Naira equivalent of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (see Note 29). These balances are not available for the day to day operations of the Bank.

Money market placements are placement for varying periods between one day to three months, depending on the immediate cash requirements of the Bank and earning interest at the prevailing market rate.

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
18 Pledged assets			
Treasury bills AFS (see note (a) below)	10,015,000	10,015,000	4,569,601
Government bonds HTM (see note (b) below)	50,605,000	50,605,000	30,581,082
Euro Bond AFS (see note (b) below)	23,321,100	23,321,100	29,011,422
Other pledged assets (see note (c) below)	2,922,811	2,922,811	5,176,301
	86,863,911	86,863,911	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, inter bank takings with Central Bank of Nigeria, FSDH clearing activities with First Bank of Nigeria Limited and loan facility from Bank of Industry and Secured bond takings under repurchase agreements.

c) Included in other pledged assets are cash collateral for letters of credit and visa card through Zenith Bank Plc. The deposits are not part of the funds used by the Bank for day to day activities.

19 Derivative financial instruments	Notional Amount	Fair value
31 December 2016	₦'000	₦'000
Foreign exchange derivatives		
Total derivative assets	159,169	8,120
Total derivative liabilities	159,443	7,846

Derivative fianancial instruments consist of foreign exchange derivatives held for trading purposes and held at fair value. The contracts have intended settlement dates of between 90 days and 180 days.

The Bank's foreign exchange derivatives do not qualify for hedge accounting, therefore all gains and losses from changes in their fair values are recognised immediately in the profit or loss and are reported in 'Net gains/(losses) on financial instruments classified as held for trading.

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
20 Loans and advances to customers	₦'000	₦'000	₦'000
Loans to individuals	17,249,527	17,249,527	40,357,710
Loans to corporate entities and other organizations	459,463,636	459,463,636	314,117,146
	476,713,163	476,713,163	354,474,856
Less:			
Individual impairment allowance (note 20(b))	(4,187,291)	(4,187,291)	(11,566,682)
Collective impairment allowance (note 20(c))	(4,276,002)	(4,276,002)	(4,181,903)
	468,249,870	468,249,870	338,726,271

Loans and advances are granted at different interest rates across the various products.

20 Loans and advances to customers - continued

		Group	Bank	Bank
		31 December 2016	31 December 2016	31 December 2015
		₦'000	₦'000	₦'000
(b)	Impairment allowance on loans and advances to customers			
	Individual impairment allowance			
	Balance, beginning of year	11,566,682	11,566,682	6,531,453
	Impairment for the year (note 11)	11,328,595	11,328,595	9,972,473
	Reversal for the year (note 11)	(719,679)	(719,679)	(2,784,247)
	Write-offs	(17,988,307)	(17,988,307)	(2,152,997)
	Balance, end of year	4,187,291	4,187,291	11,566,682
(c)	Collective impairment allowance			
	Balance, beginning of year	4,181,903	4,181,903	3,146,674
	Impairment for the year (note 11)	94,099	94,099	1,035,229
	Balance, end of year	4,276,002	4,276,002	4,181,903

(d) Central Bank of Nigeria stipulates that provisions for loans recognized 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 provision is greater than IFRS impairment provision - transfer the difference from the Retained earnings to a non-distributable Regulatory risk reserve.

(ii) Prudential impairment provision is less than IFRS impairment provision - the excess charge resulting should be transferred from the Regulatory risk reserve account to the Retained earnings to the extent of the non-distributable reserve previously recognized.

		Group	Bank	Bank
		31 December 2016	31 December 2016	31 December 2015
(e)	Classification of loans and advances by category	₦'000	₦'000	₦'000
	1. Individually Impaired	8,121,512	8,121,512	15,262,706
	2. Past due but not impaired	39,278,298	39,278,298	1,709,518
	3.Neither past due nor impaired	429,313,353	429,313,353	337,502,632
		476,713,163	476,713,163	354,474,856
(f)	Classification of loans and advances by rating			
	Rating			
	RR1-RR2	58,284,654	58,284,654	40,257,570
	RR3-RR4	300,125,934	300,125,934	221,120,417
	RR5-RR6	70,902,764	70,902,764	76,124,645
	RR7	39,255,406	39,255,406	1,396,823
	RR8	2,072,902	2,072,902	3,088,353
	RR9	6,071,503	6,071,503	12,487,048
		476,713,163	476,713,163	354,474,856
(g)	Classification of loans and advances by security			
	Cash	52,733,329	52,733,329	20,850,943
	Real estate	212,533,116	212,533,116	146,573,268
	Stocks/shares	3,273,387	3,273,387	4,137,429
	Debentures	132,071,474	132,071,474	63,400,182
	Other securities	62,658,556	62,658,556	116,326,957
	Unsecured	13,443,302	13,443,302	3,186,076
		476,713,163	476,713,163	354,474,856

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

20 Loans and advances to customers - continued

(h) Classification of loans and advances per performance

31 December 2016

Rating	INDIVIDUALLY IMPAIRED ₦'000	PAST DUE BUT NOT IMPAIRED ₦'000	NEITHER PAST DUE NOR IMPAIRED ₦'000	TOTAL ₦'000
RR1	-	-	37,149,909	37,149,909
RR2	-	-	21,134,746	21,134,746
RR3	-	-	223,398,692	223,398,692
RR4	-	-	76,727,242	76,727,242
RR5	-	-	70,846,224	70,846,224
RR6	-	-	56,541	56,541
RR7	1,099,801	38,155,605	-	39,255,406
RR8	1,994,164	78,738	-	2,072,902
RR9	5,027,548	1,043,955	-	6,071,503
	8,121,512	39,278,298	429,313,353	476,713,163

31 December 2015

Rating	INDIVIDUALLY IMPAIRED ₦'000	PAST DUE BUT NOT IMPAIRED ₦'000	NEITHER PAST DUE NOR IMPAIRED ₦'000	TOTAL ₦'000
RR1	-	-	27,093,950	27,093,950
RR2	-	-	13,163,619	13,163,619
RR3	-	-	191,936,846	191,936,846
RR4	-	-	29,183,571	29,183,571
RR5	-	-	75,232,417	75,232,417
RR6	-	-	892,229	892,229
RR7	1,112,315	284,508	-	1,396,823
RR8	2,251,260	837,093	-	3,088,353
RR9	11,899,130	587,917	-	12,487,048
	15,262,706	1,709,518	337,502,631	354,474,855

(i) Classification of loans and advances by sector	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
Agriculture	14,488,937	14,488,937	13,145,738
Capital Market	58,134	58,134	78,493
Communication	17,577,747	17,577,747	29,313,878
Consumer	6,656,549	6,656,549	4,605,758
Education	902,363	902,363	941,007
Finance and insurance	12,606,745	12,606,745	12,769,743
Government	34,481,939	34,481,939	35,022,567
Manufacturing	8,251,970	8,251,970	8,003,380
Mining & quarrying	13,887,081	13,887,081	353,155
Mortgage	10,242,360	10,242,360	12,010,735
Oil and gas	233,040,687	233,040,687	141,683,330
Others	34,749,042	34,749,042	24,451,089
Power	24,031,253	24,031,253	14,919,910
Real estate & construction	45,998,335	45,998,335	40,217,211
Transportation	13,363,766	13,363,766	16,480,160
Non-interest banking	6,376,255	6,376,255	478,703
	476,713,163	476,713,163	354,474,856

21 Investment securities:

(a) *Held for trading*			
Treasury bills	1,652,863	1,652,863	4,692,636
	1,652,863	1,652,863	4,692,636
(b) *Available for sale*			
Equity securities	2,837,033	2,837,033	2,062,751
Allowance for impairment on AFS (see (d) below)	(247,096)	(247,096)	(247,096)
	2,589,937	2,589,937	1,815,655
Treasury bills	1,088,628	1,088,628	20,278,744
Government bonds	22,981,020	22,981,020	88,796,811
Euro bonds	8,207,001	8,207,001	6,420,787
Corporate bonds	-	-	2,166,647
	34,866,586	34,866,586	119,478,644

Unquoted available for sale equity securities are carried at cost because their fair value cannot be measured reliably. These are investments in other companies with a carrying cost of N2.8billion (2015: N2.1billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. The Bank does not have significant influence on these entities.

(c) *Held to maturity*	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
Government bonds	55,193,813	51,805,587	44,056,582
Corporate bonds	2,918,815	2,918,815	1,303,790
	58,112,628	54,724,402	45,360,372
Total Investment securities	94,632,077	91,243,851	169,531,652

	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
(d) Allowance for impairment on AFS			
Balance, beginning of year	247,096	247,096	387,715
Written off during the year	-	-	(140,619)
Balance, end of year	247,096	247,096	247,096

21e Investment in Subsidiary	31 December 2016	31 December 2016	31 December 2015
	Ownership/	₦'000	₦'000
Name of company	*Percecntage interest*		
Sterling Investment Management Plc	99.9 percent	500	-

Condensed Statement of profit or loss for the Year ended 31 December 2016	Sterling Group ₦'000	Elimination Entries ₦'000	Sterling SPV ₦'000
Interest income	202,226	(367,130)	569,356
Interest expense	(587,455)	-	(587,455)
Net interest income	(385,230)	(367,130)	(18,100)
Operating expenses	(500)	-	(500)
Loss for the year	(385,730)	(367,130)	(18,600)

Condensed statement of financial position

As At 31 Decemeber 2016

Assets:			
Investments in securities	3,388,226	(5,146,130)	8,534,356
	3,388,226	(5,146,130)	8,534,356
Liabilities & Equity			
Debt securities in issue	3,406,325	(5,146,130)	8,552,455
Equity and reserves	(18,100)		(18,100)
	3,388,226	-	8,534,356

During the year, Sterling Bank Plc registered Sterling Investment Management Plc (the SPV) with the Corporate Affairs Commission as a public limited liability company limited by shares with authorised capital of N2,000,000 @ N1.00 per share. Total number of issued share capital is 500,000, with 499,999 shares held by Sterling Bank Plc and 1 share held by the managing director Mr. Yemi Adeola. The main objective of setting up the SPV is to raise or borrow money by the issue of bonds or other debt instruments. The approval of Central Bank of Nigeria was obtained.

	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
22 Other assets			
Other assets comprise:			
Accounts receivable	6,288,105	6,288,105	1,297,193
Prepayments and other receivables	12,902,395	12,902,395	10,535,917
Prepaid staff cost	2,817,601	2,817,601	2,386,358
Stock of cheque books and administrative stationeries	547,297	547,297	736,450
	22,555,398	22,555,398	14,955,918
Allowance for impairment on other assets (note 22.1)	(879,575)	(879,575)	(1,053,309)
	21,675,823	21,675,823	13,902,609

Included in accounts receivable are forex deliverables due from CBN for the Bank's customers.

Included in prepayments are Bank premises rent and insurance.

	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
22.1 Movement of allowance for impairment on other assets			
Balance, beginning of year	1,053,309	1,053,309	4,377,760
Charge/ (reversal) on other assets (note 11)	7,251	7,251	(124,319)
Write offs	(180,985)	(180,985)	(3,200,132)
Balance, end of year	879,575	879,575	1,053,309

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

GROUP & BANK

23 Property, plant and equipment

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

31 December 2016	Leasehold land and Buildings	Capital work-in-progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
(a) Cost						
Beginning at 1 January 2016	7,949,681	2,401,470	11,878,042	6,985,040	5,058,649	34,272,882
Additions	135,008	823,698	670,559	972,649	573,635	3,175,549
Reclassifications	572,087	(1,092,961)	443,893	52,831	24,150	-
Disposals	(2,279)	-	(165,230)	(9,804)	(958,656)	(1,135,969)
Balance at 31 December 2016	8,654,497	2,132,208	12,827,264	8,000,716	4,697,778	36,312,462
(b) Accumulated depreciation and impairment						
Beginning at 1 January 2016	2,996,371	-	6,890,750	6,046,656	3,080,888	19,014,666
Charge for the year	445,978	-	1,634,117	752,819	884,039	3,716,953
Disposals	(2,279)	-	(96,910)	(9,553)	(914,601)	(1,023,344)
Balance at 31 December 2016	3,440,070	-	8,427,957	6,789,922	3,050,325	21,708,275
Net book value						
Balance at 31 December 2016	5,214,427	2,132,208	4,399,307	1,210,794	1,647,453	14,604,187
Balance at 31 December 2015	4,953,310	2,401,470	4,987,292	938,384	1,977,761	15,258,217

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N12,463,345,505 (2015: N11,220,926,802.21)

23 Property, plant and equipment - Continued

31 December 2015	Leasehold land and Buildings	Capital work-in-progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
(a) Cost						
Beginning at 1 January 2015	6,598,403	2,667,477	10,035,461	6,480,610	4,668,356	30,450,307
Additions	701,736	1,287,990	1,562,822	486,813	997,293	5,036,652
Reclassifications	828,438	(1,553,997)	688,673	23,761	13,125	-
Disposals	(178,896)	-	(408,913)	(6,144)	(620,125)	(1,214,078)
Balance at 31 December 2015	7,949,681	2,401,470	11,878,042	6,985,040	5,058,649	34,272,882
(b) Accumulated depreciation and impairment						
Beginning at 1 January 2015	2,610,760	-	5,820,569	5,260,192	2,806,759	16,498,281
Charge for the year	455,728	-	1,468,506	792,107	856,748	3,573,089
Disposals	(70,117)	-	(398,325)	(5,643)	(582,619)	(1,056,703)
Balance at 31 December 2015	2,996,371	-	6,890,750	6,046,656	3,080,888	19,014,667
Net book value						
Balance at 31 December 2015	4,953,310	2,401,470	4,987,292	938,384	1,977,761	15,258,217
Balance at 31 December 2014	3,987,643	2,667,477	4,214,892	1,220,418	1,861,596	13,952,027

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N11,220,926,802.21 (2014: N10,107,430,081.87)

	GROUP & BANK	31 December 2016 ₦'000	31 December 2015 ₦'000
24	Intangible assets		
	Purchased Software		
(a)	Cost		
	Balance at beginning	2,355,998	1,885,615
	Additions (See Note (i) below)	1,515,345	470,383
	Balance end of year	3,871,343	2,355,998
(b)	Accumulated amortisation and impairment		
	Beginning of year	1,355,736	1,064,158
	Amortisation for the year	478,731	291,578
	Balance end of year	1,834,467	1,355,736
	Balance as at 31 December	2,036,876	1,000,262

i In 2016, the Bank changed its core banking application from BANKS to Temenos T24, this cost has been included in the additions during the year.

		Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
25	Deposits from banks			
	Money Market	23,768,555	23,768,555	-

		Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
26	Deposits from customers			
	Current accounts	322,277,605	322,277,605	361,705,580
	Savings accounts	52,357,379	52,357,379	41,728,342
	Term deposits	201,845,063	201,845,063	186,614,792
	Pledged deposits	8,253,849	8,253,849	840,502
		584,733,896	584,733,896	590,889,216

Pledged deposits represent contracted cash deposits with the Bank that are held as security for loans granted to customers by the Bank.

	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
27 Other borrowed funds			
Due to Standard Chartered Bank (see (i) below)	24,458,448	24,458,448	4,866,773
Due to CBN-Agric-Fund (see (ii) below)	18,396,338	18,396,338	14,750,039
Due to Citibank (see (iii) below)	15,268,049	15,268,049	19,137,956
Due to CBN-State ECA secured loans (see (iv) below)	9,761,312	9,761,312	-
Due to Islamic Corporation (see (v) below)	9,282,909	9,282,909	5,971,500
Due to Bank of Industry - manufacturing (see (vi) below)	2,226,558	2,226,558	3,049,351
Due To Nigeria Mortgage Refinance Company (See (vii) below)	1,659,948	1,659,948	-
Due to CBN - MSME (see (viii) below)	1,005,757	1,005,757	135,247
Due to Bank of Industry - power and aviation (see (ix) below)	391,176	391,176	1,147,694
Due to Goldman Sachs International (see (x) below)	-	-	8,261,331
Due to AFREXIM (see (xi) below)	-	-	2,965,845
	82,450,494	82,450,494	60,285,736

i **Due to Standard Chartered Bank**

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

ii **Due to CBN-Agric Fund**

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

iii **Due to Citibank International Plc**

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 Bank repaid $45,000,000 during the year reducing the loan balance to $50,000,000. The loan is secured with pledged financial assets as indicated in Note 18b.The effective interest rate of the loan is 6.9% per annum. Principal shall be payable at maturity.

iv **Due to CBN-State ECA secured loans**

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

v **Due to Islamic Corporation**

This represents a $30 million Murabaha financing facility granted by Islamic Corporation for the development of the private sector for a period of 5 years commencing 12 October 2015. The profit on the facility shall be the aggregate of the cost price multiplied by 3 months USD Libor + 600 per annum multiplied by deferred period (in days) divided by 360 days. Profit plus the principal shall be payable at maturity.

vi **Due to Bank of Industry - Manufacturing**

This is a facility made available to the Bank on May 2014 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. The managing agent (BOI) is entitled to a 1% management fee and the Bank a 6% spread. Loans have a maximum tenor of 15 years and/or working capital facility of 1 year with provision for roll over. Principal and interest shall be payable quarterly.

27 Other borrowed funds - continued

vii Due to Nigeria Mortgage Refnance Company

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

viii Due to Central Bank of Nigeria - Micro, Small and Medium Enterprises (MSME)

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

ix Due to Bank of Industry - Power and Aviation

This is a facility from Bank of Industry under Central Bank of Nigeria N500billion Intervention Fund for the refinancing and restructuring of banks' existing loan portfolios to Nigeria Power and Aviation sectors which was made available to the Bank on 8 November 2012. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. The managing agent (BOI) is entitled to a 1% management fee and the Bank a 6% spread. Loans have a maximum tenor of fifteen years and/or working capital facility of one year with provision for roll over. The tenor of refinancing is 15 years not exceeding 31 July 2025. The effective interest rate of the loan is 7.2% per annum. Principal and interest shall be payable quarterly.

x Due to Goldman Sachs International

This represents a USD50,000,000 facility granted by Goldman Sachs International, London for a period of two years commencing 4 April 2014 to mature on 4 April 2016. Interest is payable quarterly at the rate of 3% per annum while the Principal is payable at maturity. The loan is secured with pledged financial assets as indicated in Note 18b. The effective interest rate of the loan is 3.4% per annum. This has been fully repaid at maturity.

xi Due to AFREXIM

This represents a $14.9 million uncommitted short term line of credit facility granted by African Export- Import Bank for a period of 180 days commencing 2 November 2015 to mature on 24 April 2016. The facility attracts a fixed margin of 5.5% per annum plus libor. Interest payable under the agrrement is calculaed based on the actual number of days elapsed in a year. The Bank will also pay a one - off facility fee charge of 0.5% flat upon facility signing.The facility is made available for drawing up to 180 days from the facility signature date while the amounts repaid can be redrawn to the maximum availability period. This has been fully repaid at maturity.

	Group	Bank	Bank
	31 December 2016 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
28 Debt securities issued			
13% Debt securities carried at amortised cost (See (i) below)	4,575,347	4,575,347	4,563,568
18.86% Debt securities carried at amortised cost (See (ii) below)	8,552,455	5,146,130	-
Commercial Paper (See (iii) below)	2,254,111	2,254,111	-
	15,381,913	11,975,588	4,563,568

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

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

28 Debt securities issued - continued

iii This Represents N2.2 billion short-term unsecured promissory notes issued by Sterling Bank Plc in three tranches during the year. The Bank issued 3 separate tranches of commercial paper during the year, the aggregate face value of the commercial papers in issue (N2.2billion) did not exceed the CBN approved limit of N100billion or its equivalent in any other specified currency. These notes were issued at an average coupon rate of 20%.

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
29 Other liabilities			
Other credit balances (note 29.1)	18,195,622	18,195,622	30,526,723
Customers' deposits for foreign trade	9,558,866	9,558,866	3,065,623
Certified cheques	4,545,355	4,545,355	5,841,190
Creditors and accruals	8,589,289	8,589,289	7,554,859
Provision for litigation (note 29.2)	295,545	295,545	268,211
Information Technology Levy	60,185	60,185	110,163
Defined contribution obligations	369	369	149
	41,245,231	41,245,231	47,366,918

29.1 Other credit balances includes mostly deposit secured with bonds of N10.8billion and ATM unsettled transactions of N3.3billion. It also includes upfront fees on financial guarantee contract such as Advance Payment Guarantee and Bid bond, etc. The upfront fees are amortised using the maturity date of the guarantees.

	Group	Bank	Bank
	31 December 2016	31 December 2016	31 December 2015
	₦'000	₦'000	₦'000
29.2 Movement in provision for litigation			
Balance, beginning of year	-	268,211	268,211
Additions	295,545	27,334	-
	295,545	295,545	268,211

29 Other liabilities - continued

29.2 Provision for litigations: This is a provision for litigations and claims against the Bank as at 31 December 2016. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that this provision is adequate for liability that have crystalized from these claims. There is no expected reimbursement in respect of this provision.

		31 December 2016	31 December 2015
30	**Capital and equity reserves**	**₦'000**	**₦'000**
	Share capital		
(a)	**Authorised:**		
	32,000,000,000 Ordinary shares of 50k each	**16,000,000**	**16,000,000**
(b)	**Issued and fully-paid:**		
	28.79 billion (2015: 28.79 billion) Ordinary shares of 50k each	**14,395,209**	**14,395,209**

(i) Ordinary shareholding:

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.

(ii)	**Movement in nominal share capital in numbers**	**31 December 2016**	**31 December 2015**
		Unit'000	**Unit'000**
	Balance at beginning of the year	**28,790,418**	**28,790,418**
		-	**-**
	Balance at the end of the year	**28,790,418**	**28,790,418**

31 Dividends

a) On 19 April 2016, the annual general meeting of shareholders of the Bank declared dividend comprising of 9 kobo per ordinary share based on the 2015 audited financial result. Payment of the total N2,591,137,620 was made on the same day.

b) On 30 April 2015, the annual general meeting of shareholders of the Bank declared dividend comprising of 6 kobo per ordinary share based on the 2014 audited financial result. Payment of the total ₦1,727,425,087 was made on the same day.

32 Other components of equity

	Fair value reserve	Share capital reserve	Regulatory risk reserve	SMEEIS reserve	Statutory reserve	Total other components of equity
	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2016	1,153,571	5,276,423	5,070,015	234,503	16,634,733	28,369,245
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	(12,476,952)	-	-	-	-	(12,476,952)
Transfers for the year	-	-	5,612,856	-	774,355	6,387,211
31 December 2016	(11,323,381)	5,276,423	10,682,871	234,503	17,409,088	22,279,504
Balance at 1 January 2015	(1,131,739)	5,276,423	3,880,738	234,503	13,546,960	21,806,885
Other comprehensive income net of tax						
Net changes in fair value of AFS financial assets	2,285,310	-	-	-	-	2,285,310
Transfers for the year	-	-	1,189,277	-	3,087,773	4,277,050
31 December 2015	1,153,571	5,276,423	5,070,015	234,503	16,634,733	28,369,245

a. Statutory reserve

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.

32 Equity reserves - continued

b. **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. The Group 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.

c. **Regulatory Risk Reserve: The Central Bank of Nigeria stipulates that impairment provisions recognized in the profit or loss account shall be determined based on the requirements of International Financial Reporting Standards** ("IFRS"). **The IFRS impairment provisions should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in Retained Earnings should be treated as follows:**

- Prudential impairment provision is greater than IFRS impairment provision: transfer the difference from the Retained Earnings to a non-distributable Regulatory Risk Reserve.

- Prudential impairment provision is less than IFRS impairment provision: the excess charges resulting should be transferred from the Regulatory Risk Reserve account to the Retained Earnings to the extent of the non-distributable reserve previously recognized.

Refer to Note 2.2.19 on accounting policies on fair value and equity reserves.

33 Commitments and Contingencies

a. **Litigations and claims**

There are litigations and claims against the Bank as at 31 December 2016. These claims arose in the normal course of business and are being contested by the Group. The Directors, having sought advice of professional counsels, are of the opinion that no significant liability will crystalise from these claims. Provisions of N296million at 31 December 2016 (2015: ₦268million) have been made in these financial statements on crystalised claims.

b **Contingent liabilities and commitments**

The Group 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.

33 Commitments and Contingencies - continued

b Contingent liabilities and commitments - continued

Nature of instruments:
To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. These consist of financial guarantees and letters of credits. These obligations are not recognised on the statement of financial position because the risk has not crystallised and we have not identiified any factor to suggest the probability the the risk will crystallise.

Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

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

	31 December 2016 ₦'000	31 December 2015 ₦'000
Bonds, guarantees and indemnities	59,647,214	85,081,762
Letters of credit	18,233,459	58,238,001
Others	33,379,154	22,925,485
	111,259,827	166,245,248

Above balances represent contingent liabilities for which the customers have not defaulted to give rise to the Bank being liable to settle the counter party. As stated in note 2.2.15, any portion that is due for which the Group has become liable are recognised in Other Liabilities (note 29).

34 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes directors and key management personnel among others.

		31 December 2016	31 December 2015
		₦'000	₦'000
(i)	Transactions with the related parties of the Group		
	Loans and advances		
a.	Secured loans and advances (Note 34 (v))	6,889,428	20,206,089
b.	Contingent liabilities	9,014,882	3,538,532

		31 December 2016	31 December 2015
c.	Transactions and balances with the Bank's subsidiary Sterling Investment Management Plc	₦'000	₦'000
	Debt instrument issued by the Bank	5,146,130	-
	Interest expense	367,130	-

(ii) Transactions with key management personnel

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

	31 December 2016	31 December 2016
	₦'000	₦'000
Secured loans and advances	273,447	483,310
Deposit liabilities (related parties and key management personnel)	21,220,306	37,608,255

(iii) Compensation of key management personnel:

The amounts disclosed in the table below are the amounts recognised as an expense during the year related to key executive directors.

	31 December 2016	31 December 2015
	₦'000	₦'000
Executive compensation	157,099	156,365
Pension contributions	13,879	13,879
	170,978	170,244

(iv) Directors' remuneration below relates to payment made to non-executive directors and charged as expense during the year.

	31 December 2016	31 December 2015
Directors' remuneration	₦'000	₦'000
Fees as directors	85,000	43,500
Other emoluments	50,740	51,295
	135,740	94,795

(v) Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are secured. For the year ended 31 December 2016, the related parties facilities are performing and the Group has not made any provision for impairment on the facilities. (2015: Nil).

34 Related party transactions - Continued

Further disclosure of related party's transactions is reflected below in compliance with Central Bank of Nigeria circular BSD/1/2004.

The Group granted various credit facilities to related companies of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N6.8billion (2015: N20.2billion) relating to the Directors only was outstanding on these facilities at the end of the period/year. Details of these related party loans are:

31 December 2016

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'000)	OUTSTANDING CREDIT/PERFORMING (N'000)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
AIRCOM NIG.LTD.	Related to a Director	Olaitan Kajero	15-Feb-16	14-Feb-17	450,000	190,157	PERFORMING	Legal Mortgage	Overdraft
CONOIL PLC	Related to a Director	Michael Jituboh	18-May-15	6-Jan-17	15,500,000	4,686,078	PERFORMING	Negative Pledge	Overdraft
FTA ASSOCIATES LIMITED	Related to a Director	Michael Jituboh	6-Oct-15	23-Jun-17	15,864	12,788	PERFORMING	Legal Mortgage	Term Loan
OSUNSADE OLUFUNMILOLA	Related to a Director	Michael Jituboh	16-Jul-15	28-Jul-17	2,000	364	PERFORMING	Personal Guarantee	Overdraft
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	875,000	784	PERFORMING	Legal Mortgage and Debenture	Overdraft
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000,000	968,680	PERFORMING	Legal Mortgage	Other Loans
TOUCHPOINTS NIGERIA LIMITED	Related to a Director	Olaitan Kajero	26-Oct-16	23-Feb-17	46,556	9,338	PERFORMING	Legal Mortgage	Other Loans
MARGARET OLUYEMISI LABINJO	Related to a Staff	Bukola Awosanya	11-Aug-16	7-Feb-17	15,000	11,222	PERFORMING	Cash	Overdraft
COMMERCIAL STAFF LOAN	Employees	Employees			1,290,640	1,009,816	PERFORMING	Lien on entitlements/indemnity	Other Loans
	TOTAL				19,195,060	6,889,227			

34 Related party transactions - Continued

31 December 2015

NAME OF BORROWERS	RELATIONSHIP TO REPORTING INSTITUTION	NAME OF THE RELATED INTEREST	DATE GRANTED	EXPIRY DATE	FACILITY LIMIT (N'000)	OUTSTANDING CREDIT/PERFORMING (N'000)	STATUS	PERFECTED SECURITY/NATURE	FACILITY TYPE
AIRCOM NIG.LTD.	Related to a Director	Olaitan Kajero	8-May-13	8-May-17	2,000,000	621,732	Performing	Equitable Mortgage,	TERM LOAN
AMALYA BUREAU DE CHANGE LTD	Related to a Director	Jituboh Michael	10-Feb-15	29-Aug-16	10,417	7,832	Performing	Legal Mortgage	LEASES
CONOIL PLC	Related to a Director	Jituboh Michael	30-Jun-15	8-Sep-16	16,500,000	15,965,114	Performing	Negative Pledge	OVERDRAFT
FINA TRUST MICROFINANCE BANK	Related to a Director	Asue Ighodalo	2-Dec-13	1-Dec-16	4,963	1,831	Performing	Legal Mortgage	LEASES
FTA ASSOCIATES LIMITED	Related to a Sharehold	Jituboh Michael	29-Jun-15	23-Jun-17	15,864	14,051	Performing	Legal Mortgage	TERM LOAN
LEYLAND BUSAN MOTOR CO. LTD	Related to a Director	Olaitan Kajero	13-Oct-15	13-Sep-16	600,000	12,838	Performing	Legal Mortgage	INTERNATIONAL FINANCE FACILITY
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	31-Jul-14	30-Jun-21	1,000,000	952,976	Performing	Legal Mortgage	TERM LOAN
RITE FOODS LIMITED	Related to a Director	Tairat Tijani	30-Sep-15	13-Jan-16	500,000	450,541	Performing	Legal Mortgage	OVERDRAFT
SAFETRUST MORTGAGE BANK LTD	Director	Yinka Adeola	28-Jan-13	28-Jan-20	1,399,087	1,232,139	Performing	Equitable Mortgage	TERM LOAN
SAFETRUST MORTGAGE BANK LTD	Director	Yinka Adeola	16-Jan-15	28-Dec-16	320,000	203,466	Performing	Equitable Mortgage	OVERDRAFT
SHEKEL BUREAU DE CHANGE	Related to a Director	Jituboh Michael	31-Dec-14	29-Aug-16	17,290	7,815	Performing	Legal Mortgage	LEASES
SMA BUREAU DE CHANGE LIMITED	Related to a Director	Jituboh Michael	28-Aug-14	29-Aug-16	82,253	50,225	Performing	Legal Mortgage	TERM LOAN
Commercial Staff Loan					1,106,503	685,529	Performing	Lien on entitlements/indemnity	TERM LOAN
	T0TAL				23,556,377	20,206,089			

35 Events after reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Group as at 31 December 2016 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

36 Cash and cash equivalents	Group 31 December 2016	Bank 31 December 2016	Bank 31 December 2015
	₦'000	₦'000	₦'000
Cash and foreign monies	11,779,781	11,779,781	16,232,082
Unrestricted balances with Central Bank of Nigeria	1,597,569	1,597,569	15,281,983
Balances held with local banks	6,937,148	6,937,148	20,736,098
Balances held with banks outside Nigeria	12,807,044	12,807,044	29,488,213
Money market placements	11,544,520	11,544,520	18,574,528
	44,666,062	44,666,062	100,312,904

37 Financial risk management

(a) Introduction and overview

Risks are inherent in the lending, trading and all other intermediation activities of the Group. In managing these risks, the Group has adopted an Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Group has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Group is exposed to Credit Risk, Liquidity Risk, and Market Risk, both in the trading book, banking book and Operational Risk. The Group has put in place approved policies, procedures and guidelines for identifying, measuring, management and control of these risks.

Risk management framework

The Group has adopted Enterprise Risk Management philosophy of building a sound, safe and stable financial institution through efficient management of risks.

The Group's risk management framework consists of the governance structure, policies, strategy, processes and techniques for the management of risks faced by the Group. The risk governance structure is modelled according to the three lines of defense. The Board and its committees oversee the risk management framework and approve the corresponding risk management policies and strategies. Senior management provides oversight across the Group to ensure that all material risks are properly identified, measured, mitigated and monitored in order to minimize the impact of adverse events. The Chief Risk Officer (CRO) coordinates the process of monitoring and reporting identified risks. The Risk Management division is complemented by Finance and Performance Management Department, Compliance and Strategy Department and the Internal Control Group in the management of strategic, regulatory compliance and reputational risks. Internal Audit department provides assurance to Management and Board that instituted controls are effective in mitigating identified and emerging risks.

To achieve its risk management objectives, the Group has a risk management framework that comprises the following elements:

- **Risk management objectives and philosophy**
- **Governance structure**
- **Roles and responsibilities for managing risks**
- **Risk management process**

37 Financial risk management - continued

1.2 Three Lines of Defense

The philosophy of three lines defense have been adopted in the Group for proactive and efficient identification and management of risks inherent in the Group's activities, processes, system, products and external events as follows:

First line of defence – Strategic Business Functions

This consists of business units and line functions with primary responsibilities for risk management. The first line of defense includes business owners who execute transactions in the Bank with the following risk management responsibilities;

Identify emerging risks at the transaction/business unit level and conduct material risk assessments at least annually;

 Imbibe risk culture in order to align risk

Implement controls to reduce the likelihood and impact of risks.

Second line of defense – Independent Risk and Control Oversight

This consists of functions responsible for providing independent oversight over key risks like credit, market, liquidity and operational risk and facilitate the implementation of risk controls to ensure that the business and process owners operate within the defined risk appetite and align with approved policies and procedures. They establish risk management policies, processes and controls, provide guidance and coordination of activities of all other monitoring functions within the Group and identify enterprise trends, synergies and opportunities for change.

Third line of defense – Independent Assurance

This consists of all functions with primary responsibilities for evaluating and providing independent assurance on the adequacy, appropriateness and effectiveness of the risk management process and policy. This function is performed by internal and external audit.

(b) Risk Management Structure

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

The Board Risk Management Committee (BRMC) is designated with the responsibility of managing the overall risk exposure of the Group. The Committee reviews and recommends risk management policies and procedures for Board approval.

The Board Credit Committee (BCC) acts on behalf of the Board of Directors on all credit matters. It considers and approves lending exposures, treasury investments exposures, as well as other credit exposures that exceed the mandated approval limit of Management.

The Management Risk Committee (MRC) is responsible for planning and management of the Group's overall risk profile; including the determination of the Group's risk philosophy, appetite, limits and policies.

The Management Credit Committee (MCC) is designated with the responsibility of credit policy articulation and credit approval that falls within the mandated approval limit. It reviews and recommends credit policy direction to the BCC.

The Assets and Liability/Market Risk Committee ensures that the Group has adequate liquidity to meet the funding need of the Group, and also manages the interest rate and foreign exchange risk of the Group. The Committee also reviews the economic outlook and its likely impact on the Group's current and future performance.

The Criticised Assets Committee (CAC) reviews the non-performing loans and recommends strategies for recovery of bad loans. The Committee also reviews the Group's loan portfolio and validates collateral documentation. The Enterprise Risk Management Group is saddled with the responsibility of implementing and supervising all risk management policies, guidelines, and procedures.

37 Financial risk management - continued

(b) Risk Management Structure - continued

The Internal Control Department monitors compliance with risk principles, polices and limits across the Group. Exceptions are reported on a daily basis to management and appropriate action are taken to address the threats.

The Internal Audit Department as part of its annual audit programme, examines the adequacy and level of compliance with the procedures. Result of assessments, findings and recommendations are discussed with the relevant departments, and reported to the Board Audit Committee.

(c) Risk measurement and reporting systems

Quantitative and qualitative assessment of credit risks is carried out through a rigorous internal ratings system. The Group also carries out scenario analysis as stated in the Group's **credit policy guide and stress testing to identify potential exposure under stress market situations.**

Monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limit reflects both the quantitative and qualitative risk appetite of the Group. Particular emphasis is placed on the Risk Acceptance Criteria (RAC). Furthermore, the Group's **policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.**

Risk Information compiled from all business activities of the Group is analyzed and processed on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Group through regular risk reports.

(d) Risk mitigation

The Group has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plans and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

a. Acceptable collateral for each credit product.

b. Required documentation/perfection of collaterals

c. Conditions for waiver of collateral requirement and approval of collateral waiver.

d. Acceptance of cash and other forms of collateral denominated in foreign currency.

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

(e) Risk Appetite

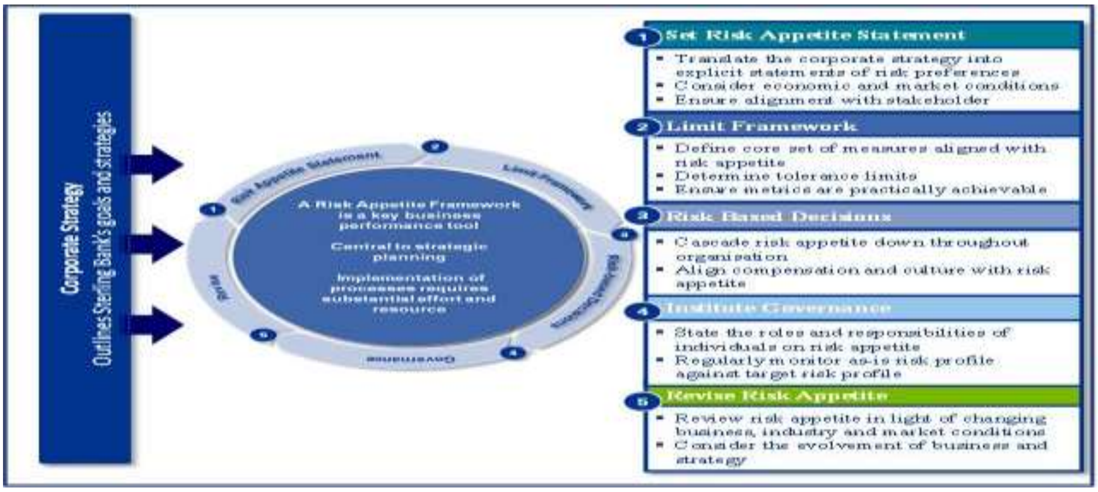
Sterling Bank's **risk appetite is an expression of the maximum level of risk Sterling Bank is willing and able to accept in pursuit of its strategic and financial objectives expressed in the strategic plan.**

The risk appetite statement expresses the degree of risk acceptable to Sterling Bank in achieving its strategic plan. Sterling Bank shall consider the following in defining the Risk Appetite Statement:

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

The methodology described below is used in updating Sterling Bank's risk appetite framework.

37 Financial risk management - continued



(f) Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's **performance to developments affecting a particular industry or geographical location.**

In order to avoid concentrations risk, credit concentration limits are set and monitored along industries and sectors, geography, collaterals and products. The ultimate objective of managing credit portfolio concentration risk is to ensure proper diversification of the risk assets portfolio. Concentration limits are also in place to manage Investment Portfolio and customer deposit concentration in the management of liquidity risk.

(g) Credit Risk Management

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

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

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

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still make sufficient profit.

Credit risks are examined for all credit-related transactions including investments and trading transactions. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

37 Financial risk management - continued

(h) Risk management architecture

Credit risks are managed such that loan quality and the Group's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.
Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

a. Acceptable collateral for each credit product.

b. Required documentation/perfection of collaterals

c. Conditions for waiver of collateral requirement and approval of collateral waiver.

d. Acceptance of cash and other forms of collateral denominated in foreign currency.

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

(i) Organization Structure

Sterling Bank is a national bank having divested its subsidiaries and affiliates following its new national commercial banking license in 2011 financial year. Sterling Bank has restructured its business activities along business lines with primary focus on the following market segments:

- Corporate and Investment Banking,
- Commercial and Institutional Banking, and
- Retail Banking

Corporate and Investment Banking – The Corporate and Investment Banking Group provides services to corporate entities with annual turnover greater than N5 billion. The target market covers the following sectors: oil and gas, public sector, manufacturing, power and utilities, telecommunications and financial institutions.

Commercial and Institutional Banking –. The Commercial and Institutional Banking Group provides services to to businesses with turnover above N600 million and below N5 Billion and public sector entities.

The Retail Banking –Retail Banking Group serves individuals consisting of mass market, affluent, youths and high net worth. The Retail Banking Group customer segmentation consist of:

- High net-worth individuals who earn N30 million (thirty million naira) and above annually or have net investable assets of $150,000 (one hundred and fifty thousand US dollars) and above

· Mass affluent professionals who earn between N6 million (six million naira) and N30million (thirty million naira) annually

· Mass market professionals who earn less than N6 million (six million naira) annually

· Youth below 25 years of age

The Bank's products include: savings accounts, current accounts, fixed deposit accounts, e-banking, local and international funds transfer, trade finance, project finance, mortgage finance, bankers' acceptances and commercial paper.

In addition to the business segments, the Bank is also supported by the activities of the following Strategic Resource Functions:

- Enterprise Risk Management
- Internal Audit
- Strategy and Communication
- Finance and Performance Management
- General Internal Services
- Human Resource Management
- Channel Operations
- Trade Services
- Information Technology
- Customer Experi
- Compliance
- Legal
- Internal Control
- Centralised Processing
- Health, Safety and Environment
- Enterprise Quality Assurance

37 Financial risk management - continued

(j) Methodology for risk rating

The Group has a credit rating and scoring system developed for rating exposures. They were developed in line with international best practice. Exposures are created by Corporate, Commercial and Retail business segments. The credit risk rating system assigns scores using various risk parameters based on the information provided by the borrower.
The rating is derived by adding the scores from all the risk parameters and the outcome of the rating is important for approval / rejection of the loan request.

Retail loans:
Retail loans are governed by standard credit product programs and categorized as Consumer & MSME loans. Consumer loans are availed to individuals while MSME loans are granted to unstructured businesses. Unstructured businesses are small and medium scale businesses that rarely keep proper accounting records. Retail and SME scorecards are used for assessing Consumer and MSME loans respectively.

Commercial and corporate Loans:
Commercial and Corporate Customers are rated using risk rating models. Depending on the underlying business transaction, Specialized Lending Models are also used for assessing specialized loans to Corporate and Commercial Customers. The rating methodology is based on both quantitative and qualitative factors. Quantitative factors are mainly the financial ratios, account conduct among others. Qualitative factors are based on the following risk categories: a. Business Risk b. Industry Risk c. Management Risk

Credit Scoring System:
The Group's credit scoring system assigns value to various factors. They are added and averaged to determine a credit score for applications. The scoring system either recommends for approval or decline, or refers the application for further analysis.

The risk rating methodology is based on the following fundamental analyses (financial analysis and non- financial analysis):

• **Structured Businesses:**

1. Quantitative factors are basically the financial ratios which include:

a. Leverage ratios
b. Liquidity ratios
c. Profitability ratios
d. Interest Coverage ratios

2. Qualitative factors considered are

a. Business Industry
I. Size of the business
II. Industry growth
III. Market Competition
IV. Entry/Exit barriers

b. Management:
I. Experience of the management team
II. Succession Planning
III. Organizational structure

c. Security:
i. Collateral type
ii. Collateral coverage
iii. Guarantee i.e. the worth of Personal Guarantee/Corporate Guarantee pledged as support.

d. Relationship with the Bank:
i. Account turnover (efficiency ratio)
ii. Account conduct
iii. Compliance with covenants/conditions
iv. Personal deposits with the bank.

37 Financial risk management - continued

- **Unstructured Businesses:**

These are customers that rarely keep proper accounting records hence the maximum limit that can be availed to them has been

The factors to be considered are:

1. **Quantitative factors:**
   Relationship:

i) Contract related transactions

a) Net Profit Margin

b) Counterparty – Nature/Financial capacity of the Principals

ii) Other Facilities

a) Account turnover

b) Repayment history

2. Qualitative factors:

Management:

i. Experience/Technical competence with evidence

ii. Succession Planning

Business Industry

i. Industry growth

ii. Share of the market

iii. Regulations: Whether the industry is regulated or not

iv. Entry/Exit

(v) Character

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Group lends directly or who manage the enterprises to which the Group lends. Character is the single most important factor in the credit decision.

(vi) Capacity

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment.

(vii) Capital

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities.

(viii) Cash Collaterised Facilities

Cash collaterised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected. For cash collaterised facilities, the key issue is safety margin. Local cash deposits shall provide 110% coverage for the Bank's **exposure. Foreign currency deposits pledged shall provide minimum 120%** coverage for the Bank's exposure.

37 Financial risk management - continued

(j) Methodology for risk rating - continued

(ix) Pricing

The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the Group. The average score computed often determines the minimum level of interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by Asset and Liability Management Department and other rates are either above or below it. The average score computed often determine the minimum level of interest chargeable. This interest rate determined would be a guide.

(x) Collateral/Security

Collateral often referred to as credit risk mitigant, is an important means of adding assurance of recovery of the Bank's loan. The pledged collateral is documented and continuously reviewed as to its value and marketability.

Collaterals are reviewed and scored based on the following parameters:
- Whether secured or not secured
-If secured, what type of security
-Perfectible legal mortgage
-Equitable mortgage
-Chattel mortgages
-Location of security/collateral
-Loan to value ratio of collateral offered
-Marketability of security/collateral
-Whether collateral is a specialised asset or general purpose-type asset.
-Depreciating or appreciating value over time.

(i) Credit risk

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

The Group manages credit risks, which has been defined as the potential for a counterparty to default on financial obligations leading to financial losses. Credit risk is the principal source of risk to the Bank arising from loans and advances extended to customers under the corporate, commercial, and retail business lines.

There is also credit risk in off-balance sheet financial instruments. The credit risk is managed by two departments - Credit Risk Assessment and Credit Administration Departments. They report to the MD/Chief Executive Officer who in turn reports to the Board of Directors.

37 Financial risk management - continued

(j) Methodology for risk rating - continued

Enterprise risk review - continued

Purpose: Main Characteristics and Elements of Credit Risk Management;

(i) Risk Portfolio Planning

In line with the Bank's planning cycle, risk portfolio plans shall be developed and approved at the overall Bank and individual business unit level.

Risk portfolio planning entails definition and agreement of target risk asset threshold for different sectors, definition of target markets and criteria for risk acceptance at the corporate level and across each risk creating business unit in the Bank.

(ii) Exposure Development and Creation

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

(iii) Exposure Management

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

(v) Delinquency Management/Loan Workout

In the undesired event of decline in risk asset quality, prompt identification and management of delinquent loans significantly reduces credit risk losses in the Bank. The delinquency management/loan workout module of the integrated risk management framework outlines the approach for identification and management of declining credit quality. This also covers loan workout where all activities are geared towards resuscitating non-performing loans, and the first stage in the process of recognizing possible credit loss i.e. loan loss provisioning (general and specific).

(vi) Credit Recovery

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

The Group's Risk Management Objectives and Policies

The Group's risk management objectives and policies for credit risk include the following:

1. To ensure optimal earnings through high quality risk portfolio.
2. Clear articulation of criteria for decision making
3. Description of specific activities and tasks with respect to the creation and management of risk assets.
4. Description of specific activities and tasks in respect of the creation and management of risk assets.
5. Definition of Past-due loans as those with interest and principal repayment outstanding for 90 days or more.
6. Other criteria are also defined for determining impaired loans. These include:

- Borrower's business recording consistent losses which might impair the cash flow, and loan repayment.
- Borrower's networth being grossly eroded due to some macroeconomic incidents.

37 Financial risk management - continued

(j) Methodology for risk rating - continued

Enterprise risk review - continued

- Incommunicado of the Borrower
- Security offered has deteriorated in value and full payment cannot be guaranteed from normal operating sources
- Where the Bank consents to loan restructuring, resulting in diminished financial obligation
- Demonstrated material forgiveness of debt or postponement of scheduled payment

Categorization of collaterals to determine the acceptable security for the mitigation of impairment impact on the Statement of Profit or Loss.

(vi) Risk Management Architecture
Credit risks are managed such that loan quality and the Bank's reputation are aligned with the Group's objective of conservative risk appetite, balanced against a desire for reasonable returns.

(ii) Credit risk measurement
Before a sound and prudent credit decision can be made, the credit risk of the borrower or counterparty must be accurately assessed. Each application is analyzed and assigned one of 9 (nine) grades using a credit rating system developed by the Bank for all exposures to credit risk. Each grade corresponds to a borrower's or counterparty's probability of default.

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

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

The Bank's risk policy allows its personnel take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Group's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

(iii) Credit granting process

Credit granting decisions are based first and foremost on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Gropu's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management teams and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risk.

a) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects the following components:

(i) the character and capacity of the client or counterparty to pay down on its contractual obligations;
(ii) current exposures to the counterparty and its likely future development;
(iii) credit history of the counterparty and ,
(iv) the likely recovery ratio in case of default obligations -using value of collateral and other ways out.

The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The risk rating scale and the external rating equivalent is detailed below:

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

37 Financial risk management - continued

(j) Methodology for risk rating - continued

Enterprise risk review - continued

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Agusto rating or their equivalents are used by Treasury department primarily to manage their liquidity risk exposures.

(iv) Credit Risk Control & Mitigation policy

The Bank manages concentration risks to counterparties, groups, sectors and countries. The level of credit risk undertaken is controlled by setting limits on exposures to individuals, groups, geographical and sectoral segments and facilitate continuous monitoring of adherence to set limits. The limits set are reviewed periodically and approved by the Board of Directors.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and sectoral segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by industry sector and by geography are reviewed and approved quarterly by the Board of Directors.

The exposure to any borrower including banks and brokers is further restricted by sub-limits covering on- and off balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

Authority level	Approval limit
Full Board	Above 1,500,000,000
Board, Credit Committee	1,500,000,000
Management Credit Committee	750,000,000
Managing Director	500,000,000
Executive Director	250,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances demand. Some other specific control and mitigation measures are outlined below:

(a) Collateral Acceptability

The guiding principles behind collateral acceptability are adequacy and marketability. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

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

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

The fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

37 Financial risk management - continued

Enterprise risk review - continued

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Group & Bank	Loans and advances	
	31 December 2016	31 December 2015
	₦'000	₦'000
Against individually impaired	6,826,497	12,368,245
Against Past due but not impaired	61,424,575	4,812,557
Against neither past due nor impaired	440,946,044	407,392,385
Total	509,197,116	424,573,187
Against individually impaired:		
Secured against real estate	6,826,497	11,931,825
Debenture	-	435,799
Stocks/shares	-	621
	6,826,497	12,368,245
Against Past due but not impaired:		
Secured against real estate	14,975,517	4,224,473
Debenture	46,449,058	550,000
Stocks/shares	-	38,084
	61,424,575	4,812,557
Against neither past due nor impaired:		
Cash	26,554,481	30,829,221
Secured against real estate	257,745,489	257,978,521
Debenture	152,549,479	112,341,769
Stocks/shares	4,096,595	6,242,874
	440,946,044	407,392,385

(b) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if default occurs, all amounts with the counterparty are settled on net basis.

The following gross amounts are subject to a master netting arrangement between the Bank and counter parties.

	31 December 2016	31 December 2015
Financial assets:	₦'000	₦'000
Loans and advances	52,733,329	13,294,940
Financial liabilities:		
Collaterised deposits	26,554,481	18,955,884

37 Financial risk management - continued

Enterprise risk review - continued

These amounts are currently not presented net on the statement of financial position due to the performing status of the facilities; If the items were to be netted, the following net liability will be presented on the statement of financial position:

Net financial assets/ liabilities:	31 December 2016	31 December 2015
	₦'000	₦'000
Loans and advances	26,178,848	-
Collaterised deposit	-	5,660,944

(c) Credit-related commitments

The primary purpose of these instruments is to create other avenues for lending. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(d) Credit concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Breakdown of Exposures by Geographic Areas
31 December 2016

S/N	Region	Amount N'000
1	Abuja	5,321,402
2	Lagos	394,556,028
3	North Central	860,252
4	North East	2,122,209
5	North West	2,542,451
6	South East	1,109,456
7	South South	48,765,405
8	South West	21,435,960
	Grand Total	476,713,163

31 December 2015

S/N	Region	Amount N'000
1	Abuja	5,865,475
2	Lagos	276,779,532
3	North Central	1,431,823
4	North East	2,501,560
5	North West	3,308,328
6	South East	1,675,626
7	South South	48,427,042
8	South West	14,485,470
	Grand Total	354,474,856

37 Financial risk management - continued

Enterprise risk review - continued

Group 31 December 2016	Cash and bank balances ₦'000	Due from banks ₦'000	Pledged assets ₦'000	Loans and advances ₦'000	Investment securities ₦'000
Carrying amount, net of allowance for impairment	96,079,448	31,288,712	86,863,911	468,249,870	92,042,140
Concentration by sector:					
Corporate	-	-	-	-	2,918,815
Agriculture	-	-	-	14,240,060	-
Capital Market	-	-	-	57,579	-
Communication	-	-	-	17,373,081	-
Consumer	-	-	-	6,423,984	-
Education	-	-	-	551,688	-
Finance and Insurance	-	31,288,712	86,863,911	12,470,699	-
Government	96,079,448	-	-	34,166,730	89,123,325
Manufacturing	-	-	-	7,286,035	-
Mining & Quarrying	-	-	-	13,754,642	-
Mortgage	-	-		9,754,126	-
Oil & Gas	-	-	-	230,282,751	-
Other Public Utilities		-	-	-	-
Others	-	-	-	33,442,216	-
Power	-	-	-	23,801,551	-
Real Estate & Construction	-	-	-	45,036,365	-
Transportation	-	-	-	13,268,481	-
Non-Interest Banking	-	-	-	6,339,883	-
	96,079,448	31,288,712	86,863,911	468,249,870	92,042,140
Concentration by location:					
Nigeria	96,079,448	11,570,548	86,863,911	468,249,870	92,042,140
America	-	11,377,535	-	-	-
Europe	-	8,316,736	-	-	-
Africa	-	23,740	-	-	-
Asia	-	153	-	-	-
	96,079,448	31,288,712	86,863,911	468,249,870	92,042,140

37 Financial risk management - continued

Enterprise risk review - continued

Bank 31 December 2016	Cash and bank balances ₦'000	Due from banks ₦'000	Pledged assets ₦'000	Loans and advances ₦'000	Investment securities ₦'000
Carrying amount, net of allowance for impairment	96,079,448	31,288,712	86,863,911	468,249,870	88,653,914
Concentration by sector:					
Corporate	-	-	-	-	2,918,815
Agriculture	-	-	-	14,240,060	-
Capital Market	-	-	-	57,579	-
Communication	-	-	-	17,373,081	-
Consumer	-	-	-	6,423,984	-
Education	-	-	-	551,688	-
Finance and Insurance	-	31,288,712	86,863,911	12,470,699	-
Government	96,079,448	-	-	34,166,730	85,735,099
Manufacturing	-	-	-	7,286,035	-
Mining & Quarrying	-	-	-	13,754,642	-
Mortgage	-	-		9,754,126	-
Oil & Gas	-	-	-	230,282,751	-
Other Public Utilities		-	-	0	-
Others	-	-	-	33,442,216	-
Power	-	-	-	23,801,551	-
Real Estate & Construction	-	-	-	45,036,365	-
Transportation	-	-	-	13,268,481	-
Non-Interest Banking	-	-	-	6,339,883	-
	96,079,448	31,288,712	86,863,911	468,249,870	88,653,914
Concentration by location:					
Nigeria	96,079,448	11,570,548	86,863,911	468,249,870	88,653,914
America	-	11,377,535	-	-	-
Europe	-	8,316,736	-	-	-
Africa	-	23,740	-	-	-
Asia	-	153	-	-	-
	96,079,448	31,288,712	86,863,911	468,249,870	88,653,914

37 Financial risk management - continued

Enterprise risk review - continued

Bank 31 December 2015	Cash and bank balances ₦'000	Due from banks ₦'000	Pledged assets ₦'000	Loans and advances ₦'000	Investment securities ₦'000
Carrying amount, net of allowance for impairment	99,691,934	68,798,839	69,338,406	338,726,271	167,715,997
Concentration by sector:					
Corporate	-	-	-	-	3,470,437
Agriculture	-	-	-	12,619,513	-
Capital Market	-	-	-	77,314	-
Communication	-	-	-	28,716,877	-
Consumer	-	-	-	4,241,732	-
Education	-	-	-	798,333	-
Finance and Insurance	-	68,798,839	69,338,406	12,585,319	-
Government	99,691,934	-	-	34,677,479	164,245,560
Manufacturing	-	-	-	7,259,135	-
Mining & Quarrying	-	-	-	349,717	-
Mortgage	-	-		11,810,399	-
Oil & Gas	-	-	-	134,971,021	-
Other Public Utilities		-	-	0	-
Others	-	-	-	21,360,720	-
Power	-	-	-	14,696,870	-
Real Estate & Construction	-	-	-	37,941,624	-
Transportation	-	-	-	16,141,515	-
Non-Interest Banking	-	-	-	478,703	-
	99,691,934	68,798,839	69,338,406	338,726,271	167,715,997
Concentration by location:					
Nigeria	99,691,934	19,334,726	67,121,922	338,726,271	167,715,997
America	-	8,014,962	-	-	-
Europe	-	35,517,935	2,216,484	-	-
Africa	-	5,931,117	-	-	-
		100			
	99,691,934	68,798,839	69,338,406	338,726,271	167,715,997

37 Financial risk management - continued

Enterprise risk review - continued

(v) Credit definitions

(i) Impaired loans and securities

Impaired loans and securities are loans and securities that the Bank considers probable and unable to realize principal and interest due according to the contractual terms. These are loans and securities specifically impaired and are graded 7, 8 and 9 in the Bank's internal credit risk grading system.

(ii) Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and /or the stage of collection of amounts owed to the Bank.

(iii) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's **financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.**

(iv) Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individual significant exposures, and a collective loan loss component established for groups of homogeneous assets.

(v) Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Bank Management Credit Committee determines that the loans / securities are not realizable. This decision is reached after considering information such as the occurrence of significant changes in the borrower / issuer's **financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For standardized loans, charge off decisions are generally based on a product specific past due status.**

All loans and advances are categorized as either: Individually impaired, Past due but not impaired and neither past due nor impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subjects to collective impairment.

(vi) **Description of Methods used for determining Impairment**

CBN and NDIC stipulate that impairment charges recognized on the Profit or Loss shall be determined based on the requirements of IFRS.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of 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 assets that can be reliably estimated.**

If there is an objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.**

37 Financial risk management - continued

Enterprise risk review - continued

All loans and advances are categorised as either: Individually impaired, Past due but not impaired and neither past due nor impaired

The impairment allowance includes allowances against financial assets that have been individually impaired and those subjects to collective impairment.

Exposure to credit risk

GROUP & BANK	Loans and advances		Collateral	
	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
Carrying amount, net of allowance for impairment	468,249,870	338,726,271	509,197,116	424,573,188
Assets at amortised cost:				
Individually impaired				
RR 7: Impaired	1,099,801	1,112,315	382,750	1,665,824
RR 8: Impaired	1,994,164	2,251,260	1,683,504	1,465,506
RR 9: Impaired	5,027,548	11,899,130	4,760,243	9,236,916
Gross amount	8,121,512	15,262,706	6,826,497	12,368,246
Allowance for impairment	(4,187,291)	(11,566,682)	-	-
Carrying amount, net of allowance for impairment	3,934,221	3,696,024	6,826,497	12,368,246
Collectively impaired:				
Risk rating 1-4: Low-fair risk	358,410,588	261,377,986	351,557,999	324,684,890
Risk rating 5-6: Watch list	70,902,764	76,124,645	89,388,045	82,707,495
Past due but not impaired				
RR 7	38,155,605	284,508	58,035,678	891,718
RR 8	78,738	837,093	700,000	2,081,900
RR 9	1,043,955	587,917	2,688,897	1,838,939
Gross amount	468,591,651	339,212,150	502,370,619	412,204,943
Allowance for impairment	(4,276,002)	(4,181,903)	-	-
Carrying amount, net of allowance for impairment	464,315,649	335,030,247	502,370,619	412,204,943
Total carrying amount, net of allowance for impairment	468,249,870	338,726,271	509,197,116	424,573,188

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued
Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

Group & Bank	31 December 2016	31 December 2015
	₦'000	₦'000
Bonds, guarantees and indemnities	59,647,214	85,081,762
Letters of credit	18,233,459	58,238,001
Others	33,379,154	22,925,485
	111,259,827	166,245,248

Maturity profile of contingents and commitments

As at 31 December 2016	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Bonds, guarantees and indemnities	-	19,345,235	13,387,213	26,571,183	343,584	59,647,214
Letters of credit	-	18,233,459	-	-	-	18,233,459
Others	-	33,379,154	-	-	-	33,379,154
Total undiscounted financial assets (A)	-	70,957,848	13,387,213	26,571,183	343,584	111,259,827

As at 31 December 2015						
Bonds, guarantees and indemnities	-	25,530,814	23,479,774	34,788,966	1,282,209	85,081,762
Letters of credit	-	58,238,001	-	-	-	58,238,001
Others	-	22,925,485	-	-	-	22,925,485
Total undiscounted financial assets (A)		106,694,300	23,479,774	34,788,966	1,282,209	166,245,248

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

The Standardized Approach has been used in assessing the Bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines. Credit **assessments applied to items in the Bank's book and trading book are assigned in accordance with the regulatory guidelines**

31 December 2016

Assets	carrying values of: Defaulted exposures (N'000)	Non defaulted exposures (N'000)	Allowances/impairments (N'000)	Net values (a+b+c) (N'000)
Loans	47,399,811	429,313,353	(8,463,293)	468,249,871
Debt Securities	-	9,467,525	-	9,467,525
Off Balance sheet exposures	-	111,259,827	-	111,259,827
Total	47,399,811	550,040,705	(8,463,293)	588,977,223

31 December 2016	Neither past due nor Impaired						
	RR1 - RR2	RR3 - RR4	RR5 - RR6	Past due but not impaired	Individually Impaired	Total	Carrying Amount
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balances with Central Bank of Nigeria	96,079,448	-	-	-	-	96,079,448	96,079,448
Due from banks	31,288,712	-	-	-	-	31,288,712	31,288,712
Pledged assets	86,863,911	-	-	-	-	86,863,911	86,863,911
Loans and advances	58,284,654	300,125,934	70,902,764	39,278,298	8,121,512	476,713,163	468,249,870
Held for trading	1,652,863	-	-	-	-	-	1,652,863
Investments securities available for sale	32,276,649	-	-	-	-	-	32,276,649
Investments securities held to maturity	54,724,402	-	-	-	-	-	54,724,402
Other assets- Account Receivables	-	12,902,395	-	-	-	-	12,902,395
Total	361,170,639	313,028,329	70,902,764	39,278,298	8,121,512	690,945,234	784,038,250

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

CREDIT QUALITY OF FINANCIAL ASSETS - continued

The Standardized Approach has been used in assessing the Bank's capital requirement and all corporate exposures were classified as unrated in line with regulatory guidelines.

31 December 2015

Assets	carrying values of: Defaulted exposures (N'000)	Non defaulted exposures (N'000)	Allowances/impairments (N'000)	Net values (a+b+c) (N'000)
Loans	16,972,223	337,502,633	(15,748,585)	338,726,271
Debt Securities	-	2,738,150	-	2,738,150
Off Balance sheet exposures	-	182,697,136	-	182,697,136
Total	16,972,223	522,937,919	(15,748,585)	524,161,557

31 December 2015	Neither past due nor Impaired			Past due but not impaired	Individually Impaired	Total	Carrying Amount
	RR1 - RR2	RR3 - RR4					
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balances with Central Bank of Nigeria	99,691,934	-	-	-	-	99,691,934	99,691,934
Due from banks	68,798,839	-	-	-	-	68,798,839	68,798,839
Pledged assets	69,338,406	-	-	-	-	69,338,406	69,338,406
Loans and advances	40,257,570	221,120,417	76,124,645	1,709,518	15,262,706	354,474,856	338,726,271
Held for trading	4,692,636	-	-	-	-	4,692,636	4,692,636
Investments securities available for sale	119,478,644	-	-	-	-	119,478,644	117,530,595
Investments securities held to maturity	45,360,372	-	-	-	-	45,360,372	45,360,372
Other assets- Account Receivable	-	1,053,309	-	-	-	1,053,309	1,053,309
Total	447,618,401	222,173,726	76,124,645	1,709,518	15,262,706	762,888,996	745,192,362

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

Credit Mitigation Techniques

The Bank has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Bank`s exposure is secured, and to minimize the risk of credit losses to the Bank in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

- Acceptable collateral for each credit product.
- Required documentation/perfection of collaterals
- Conditions for waiver of collateral requirement and approval of collateral waiver.
- Acceptance of cash and other forms of collateral denominated in foreign currency.

31 December 2016

Assets			Exposure unsecure	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
			N'000	N'000	N'000	N'000	N'000
Loans and advances			13,443,302	463,269,862	257,999,959	974,576	974,576
Debt Securities			9,467,525	-	-	-	-
Total			22,910,827	463,269,862	257,999,959	974,576	974,576
of which defaulted			2	47,399,809	39,905,375	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

			Exposures pre CCF and CRM		Exposures post CCF and CRM		
Asset Classes			on balance sheet	off- balance sheet	on balance sheet	off- balance sheet	RWA
Sovereigns and their central Banks			251,069,456	-	251,069,456	-	-
Non-central government public sector entities			48,034,712	1,169,750	33,324,669	584,875	32,516,832
Banks			26,678,666	508,116	26,677,088	-	14,965,884
Corporates			210,435,200	114,630,055	203,523,638	3,646,692	207,170,330
Regulatory retail portfolios			3,393,375	-	3,346,069	-	2,509,552
Secured by residential property			88,407,858	-	88,112,888	-	81,759,523
Secured by commercial real estate			97,503,550	-	95,917,962	-	95,917,962
Past due loans			42,039,993	-	42,039,993	-	60,265,306
Higher –risk categories			2,020,807	-	2,020,807	-	3,031,210
Other assets			55,598,312	33,379,154	55,598,312	16,689,577	54,939,492
Total			825,181,929	149,687,075	801,630,882	20,921,144	553,076,091

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued
Credit Mitigation Techniques

The Group has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plan and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Group`s exposure is secured, and to minimize the risk of credit losses to the Group in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include;

- Acceptable collateral for each credit product.
- Required documentation/perfection of collaterals
- Conditions for waiver of collateral requirement and approval of collateral waiver.
- Acceptance of cash and other forms of collateral denominated in foreign currency.

31 December 2015

Assets			Exposure unsecured	Exposures secured by collateral	Exposures secured by collateral of which: Secured	Exposures secured by financial guarantees	Exposures secured by financial guarantees of which: secured
			N'000	N'000	N'000	N'000	N'000
Loans			3,186,076	351,288,782	200,754,155	5,221,008	5,221,008
Debt Securities			2,738,150	-	-	-	-
Total			5,924,226	351,288,782	200,754,155	5,221,008	5,221,008
of which defaulted			2,362	13,530	12,331	-	-

Credit Risk Exposure and Credit Risk Mitigation (CRM)

			Exposures pre CCF and CRM		Exposures post CCF and CRM		
Asset Classes			on balance sheet	off- balance sheet	on balance sheet	off- balance sheet	RWA
Sovereigns and their central Banks			311,705,299	-	311,705,299	-	-
Non-central government public sector entities			38,362,976	8,381,518	38,362,976	-	38,034,851
Multilateral development Banks			-	-	-	-	-
Banks			54,230,827	28,401,869	53,689,506	249,000	11,423,800
Securities firms			-	-	-	-	-
Corporates			176,287,001	108,093,028	149,397,592	11,888,256	165,627,051
Regulatory retail portfolios			4,797,957	1,870,073	3,748,936	3,239	2,814,131
Secured by residential property			52,825,584	7,161,962	52,463,299	143,816	43,769,832
Secured by commercial real estate			80,015,209	28,788,685	79,875,506	4,197,387	79,875,506
Past due loans			5,386,505	-	5,386,505	-	5,247,196
Higher –risk categories			1,193,120	-	1,193,120	-	1,789,680
Other assets			66,675,532	-	66,675,532	-	21,210,778
Total			791,480,010	182,697,135	762,498,271	16,481,698	369,792,825

37 Financial risk management - continued

Enterprise risk review - continued

Exposure to credit risk - continued

EXPOSURE BY ASSET CLASSES AND RISK WEIGHTS
31 December 2016

Risk weight	0%	20%	50%	75%	100%	150%	Total credit exposure amount (post CCF and post CRM) N'000
Sovereigns	251,069,456	-	-	-	-	-	251,069,456
Non-central government public sector entities (PSEs)	-	388,434	2,163,928	-	31,357,181	-	33,909,543
Multilateral development Banks (MDBs)							0
Banks	-	13,856,223	1,252,450	-	11,568,415	-	26,677,088
Securities Firms							0
Corporates	-	3,646,692	-	-	203,523,638	-	207,170,330
Regulatory retail portfolios		-	-	3,346,069	-	-	3,346,069
Secured by Mortgages on Residential Properties	-	-	-	25,413,461	62,699,428	-	88,112,889
Exposures Secured by Mortgages on Commercial Real Estates	-	-	-	-	95,917,962	-	95,917,962
Past due loans	-	-	1,608,156	-	2,373,054	38,058,782	42,039,992
Higher –risk categories	-	-	-	-	-	2,020,807	2,020,807
Other assets	11,779,781	6,960,771	16,689,577	-	36,857,761	-	72,287,890
Total	262,849,237	24,852,120	21,714,111	28,759,530	444,297,439	40,079,589	822,552,026

COUNTERPARTY CREDIT RISK EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

Risk weight	0%	20%	50%	75%	100%	150%	Total credit exposure amount (pre CCF and pre CRM) N'000
Sovereigns	251,069,456						251,069,456
Non-central government public sector entities (PSEs)	-	388,434	3,333,678	-	45,482,349	-	49,204,461
Multilateral development Banks (MDBs)	-	-	-	-	-	-	0
Banks	-	13,857,801	1,760,566	-	11,568,415		27,186,782
Securities Firms	-	-	-	-	0	-	0
Corporates	38,427,248	18,233,459	57,969,348	-	210,435,200	-	325,065,255
Regulatory retail portfolios	-	-	-	3,393,375	0	-	3,393,375
Secured by Mortgages on Residential Properties	-	-	-	25,650,297	62,757,561	-	88,407,858
Exposures Secured by Mortgages on Commercial Real Estates		-	-	-	97,503,550	-	97,503,550
Past due loans			1,608,156		2,373,054	38,058,782	42,039,992
Higher –risk categories		-	-	-	-	2,020,807	2,020,807
Other assets	11,779,781	6,960,771	33,379,154		36,857,761		88,977,467
Total	301,276,485	39,440,465	98,050,902	29,043,672	466,977,890	40,079,589	974,869,003

37 Financial risk management - continued

Enterprise risk review - continued

Age analysis for financial assets that are past due but not impaired:

Past due days	31 December 2016 ₦'000	31 December 2015 ₦'000
1 - 30 days	2,452,393	618,163
31 - 60 days	680,359	108,213
Above 90 days	36,145,547	983,142
	39,278,298	1,709,517

(e) Liquidity risk

Liquidity risk and funding management: the Group is exposed to two types of liquidity risk;

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

2. **Funding Liquidity Risk;-inability to access sufficient funds to meet payment obligations in a timely manner. The Management of Liquidity risk arising from funding and trading is very critical to the on- going viability of the Group. The Board approved Liquidity Risk Management policy framework and the contingency plan for liquidity risk under crises condition are the policy document in place for managing liquidity risk.**

The Asset & Liability Committee (ALCO) is responsible for managing the liquidity of the Group, this function is delegated to the Asset & Liability Management (ALM) department that manage the day-to-day liquidity requirements of the Group, and also act as secretariat to ALCO. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, also when there is unexpected delay in repayment of loans(term liquidity risk) or un expectedly high payment outflow(withdrawal/call risk).

In line with the Liquidity risk management framework, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short–term **bank placements and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.**

Presented below is the process used in managing liquidity

a. **Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;**

b. **Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;**

c. **Monitoring balance sheets liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting Department).**

37 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk

Group

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

31 December 2016	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Financial assets		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with central bank	16	107,859,229	107,859,229	13,377,350				94,481,879
Due from banks	17	31,288,712	31,288,712	31,288,712	-	-	-	-
Pledged assets	18	86,863,911	120,137,282	5,987,480	6,516,585	8,116,864	51,658,780	47,857,573
Derivative financial assets	19	8,120	8,120	8,120				
Loans and advances to customers	20	468,249,870	639,127,199	74,222,692	55,793,014	109,995,535	362,813,906	36,302,052
Investment securities	21	94,632,077	221,543,266	13,188,568	7,046,576	10,969,736	72,772,114	117,566,272
		788,901,919	1,119,963,807	138,072,922	69,356,175	129,082,134	487,244,801	296,207,775
Financial liabilities								
Deposits from Banks	25	23,768,555	23,768,555	23,768,555	-	-	-	-
Deposits from customers	26	584,733,896	586,015,826	566,097,418	9,370,738	4,923,718	5,150,692	473,260
Derivative financial liabilities	19	7,846	7,846	7,846	-	-	-	-
Debt securities issued & other borrowed funds	27&28	97,832,407	101,334,315	12,009,804	14,786,387	18,021,656	31,822,343	24,694,125
Other liabilities - Customers' deposits for foreign trade	29	9,558,866	9,558,866	9,558,866	-	-	-	-
Creditors & accruals	29	8,589,289	8,589,289	8,589,289	-	-	-	-
		724,490,859	729,274,697	620,031,778	24,157,125	22,945,374	36,973,035	25,167,385
Gap (asset - liabilities)		64,411,060	390,689,110	(481,958,856)	45,199,049	106,136,761	450,271,766	271,040,390
Cumulative liquidity gap				(481,958,856)	(436,759,806)	(330,623,045)	119,648,720	390,689,110

37 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk

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

Bank

31 December 2016	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Financial assets		₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with central bank	16	107,859,229	107,859,229	13,377,350				94,481,879
Due from banks	17	31,288,712	31,288,712	31,288,712	-	-	-	-
Pledged assets	18	86,863,911	120,137,282	5,987,480	6,516,585	8,116,864	51,658,780	47,857,573
Derivative financial assets	19	8,120	8,120	8,120				
Loans and advances to customers	20	468,249,870	639,127,199	74,222,692	55,793,014	109,995,535	362,813,906	36,302,052
Investment securities		91,243,851	221,543,266	13,188,568	7,046,576	10,969,736	72,772,114	117,566,272
		785,513,693	1,119,963,807	138,072,922	69,356,175	129,082,134	487,244,801	296,207,775
Financial liabilities								
Deposits from Banks	25	23,768,555	23,768,555	-	-	-	-	-
Deposits from customers	26	584,733,896	586,015,826	566,097,418	9,370,738	4,923,718	5,150,692	473,260
Derivative financial liabilities	19	7,846	7,846	7,846	-	-	-	
Debt securities issued & other borrowed funds	27&28	94,426,082	95,456,269	11,745,473	14,786,387	17,757,325	29,707,691	21,459,394
Other liabilities - Customers' deposits for foreign trade	29	9,558,866	9,558,866	9,558,866	-	-	-	-
Creditors & accruals	29	8,589,289	8,589,289	8,589,289	-	-	-	-
		721,084,534	723,396,651	595,998,891	24,157,125	22,681,042	34,858,383	21,932,654
Gap (asset - liabilities)		64,429,160	396,567,157	(457,925,969)	45,199,049	106,401,092	452,386,418	274,275,122
Cumulative liquidity gap				(457,925,969)	(412,726,920)	(306,325,827)	146,060,590	420,335,712

37 Financial risk management - continued

Enterprise risk review - continued

(e) Liquidity risk - continued

31 December 2015	Note	Carrying amount	Gross nominal Inflow/(outflow)	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years
Financial assets		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and balances with central bank	16	115,924,016	115,924,016	31,514,065	-	-	-	84,409,951
Due from banks	17	68,798,839	70,944,509	70,944,509	-	-	-	-
Pledged assets	18	69,338,406	69,338,406	9,745,902	-	-	33,307,758	26,284,746
Loans and advances to customers	20	338,726,271	432,200,239	143,253,465	29,338,049	61,715,517	153,012,178	44,881,030
Investment securities	21	169,531,652	293,881,140	15,167,708	10,922,188	26,815,480	121,490,371	119,485,394
		762,319,184	982,288,310	270,625,649	40,260,237	88,530,996	307,810,307	275,061,120
Financial liabilities								
Deposits from customers	26	590,889,216	593,440,115	560,991,027	16,023,956	8,994,780	2,543,003	2,336,450
Debt securities issued & other borrowed funds	27&28	64,849,304	88,596,828	6,217,870	15,849,112	6,754,601	59,775,245	-
Other liabilities - Customers' deposits for foreign trade	29	3,065,623	3,065,623	1,453,963	1,428,860	182,800	-	-
Creditors & accruals	29	7,554,859	7,554,859	7,554,859	-	-	-	-
		666,359,002	692,657,425	576,217,719	33,301,928	15,932,181	62,318,248	2,336,450
Gap (asset - liabilities)		95,960,182	289,630,885	(305,592,070)	6,958,309	72,598,815	245,492,059	272,724,670
Cumulative liquidity gap				(305,592,070)	(298,633,761)	(226,034,946)	19,457,113	292,181,784

While there is a negative cumulative liquidity gap for within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

37 Financial risk management - continued

Enterprise risk review - continued

(f) Market risks

Market risk is the potential for adverse changes in the value of the Firm's assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. Interest Rate Risk both in the banking book and trading book, and foreign exchange risk are the major market risks borne by the Group.

Market Risk Policies and Framework

The Market and Liquidity Risk Management function has approved policy instrument to guide all stakeholders in the process of mitigating Market Risk events

i. Market/ Liquidity Risk Manual
ii. Market and Liquidity Risk Policy
iii. StopLoss policy limits
iv. Bond Trading framework
v. Third Currency Policy
vi. Counterparty limit Framework

Trading Risks

Market Risks on the trading portfolio are extensively monitored and managed using the following tools; Counterparty Trading limits, Dealer limits, Net Open Position, Maturity Cap limits and Stop Loss Limits. The Market Risks Trading risk desk is saddled with the responsibilities of monitoring the Treasury trading desk through the use of Internal and regulatory limits and other metrics earlier stated.
Market risks on the non-trading position are managed and monitored using sensitivity analysis

f(i) Interest Rate Risk

Interest rate risk occurs when there is a mismatch between interest sensitive assets and liabilities. The major objective of interest rate risk management is to minimise reduction in net income and reduction in the Group's economic value of equity resulting from changes in interest rates.

Interest rate risk is managed using static re-pricing gap cumulative analysis, by ensuring that a balanced re-pricing cumulative gap position is maintained in line with the limits set by the board. Re-pricing Gap reports are prepared to monitor level of compliance, in addition to testing the sensitivity of changes in interest rates to Net Interest Income, while duration analysis is used in measuring and managing interest rate risk in the trading book.

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standards and non-standards interest rate scenarios.

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued

Group

			Repricing period					
	Notes	Carrying amount N'000	Less than 3 months N'000	3-6 months N'000	6-12 months N'000	1 - 5 years N'000	More than 5 years N'000	Non Interest Bearing N'000
(a) 31 December 2016								
Non-derivative assets:								
Cash and balances with central bank	16	107,859,229	13,377,350	-	-	-	-	94,481,879
Due from banks	17	31,288,712	31,288,712	-	-	-	-	-
Pledged non trading assets	18	86,863,911	7,197,828	5,559,171	5,529,615	35,120,881	33,457,999	-
Loans and advances to customers	19	468,249,870	61,984,675	42,785,351	80,333,280	259,879,756	23,266,809	-
Investment securities	21	94,632,077	4,773,278	4,822,567	2,310,438	13,374,914	69,350,879	-
		788,893,799	118,621,843	53,167,089	88,173,333	308,375,550	126,075,687	94,481,879
Non-derivative liabilities:								
Deposits from Banks	25	23,768,555	23,768,555					
Deposits from Customers	26	584,733,896	566,754,052	9,067,802	4,508,418	4,225,982	177,643	-
Other borrowed fund & Debt securities issued	27 & 28	97,832,407	11,300,280	14,786,387	16,802,105	27,787,068	27,156,567	-
		706,334,858	601,822,887	23,854,189	21,310,523	32,013,050	27,334,210	-
Total interest sensitivity gap		82,558,941	(483,201,045)	29,312,901	66,862,810	276,362,500	98,741,477	94,481,879

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued

Bank

		Notes	Carrying amount N'000	Less than 3 months N'000	3-6 months N'000	6-12 months N'000	1 - 5 years N'000	More than 5 years N'000	Non Interest Bearing N'000
				Repricing period					
(a)	31 December 2016								
	Non-derivative assets:								
	Cash and balances with central bank	16	107,859,229	13,377,350	-	-	-	-	94,481,879
	Due from banks	17	31,288,712	31,288,712	-	-	-	-	-
	Pledged non trading assets	18	86,863,911	7,196,245	5,559,171	5,529,615	35,120,881	33,457,999	-
	Loans and advances to customers	19	468,249,870	61,984,675	42,785,351	80,333,280	259,879,756	23,266,809	-
	Investment securities	21	91,243,851	4,602,375	4,649,899	2,227,714	12,896,036	66,867,826	-
			785,505,573	118,449,357	52,994,421	88,090,609	307,896,672	123,592,634	94,481,879
	Non-derivative liabilities:								
	Deposits from Banks	25	23,768,555	23,768,555					
	Deposits from Customers	26	584,733,896	566,754,052	9,067,802	4,508,418	4,225,982	177,643	-
	Other borrowed fund & Debt securities issued	27 & 28	94,426,082	11,300,280	14,786,387	16,802,105	27,787,068	23,750,242	-
			702,928,533	601,822,887	23,854,189	21,310,523	32,013,050	23,927,885	-
	Total interest sensitivity gap		82,577,041	(483,373,531)	29,140,232	66,780,087	275,883,622	99,664,750	94,481,879

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued

	Notes	Carrying amount ₦'000	Repricing period Less than 3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1 - 5 years ₦'000	More than 5 years ₦'000	Non Interest Bearing ₦'000
(b) 31 December 2015								
Non-derivative assets:								
Cash and balances with central bank	16	115,924,016	-	-	-	-	-	115,924,016
Due from banks	17	68,798,839	68,798,839	-	-	-	-	-
Pledged non trading assets	18	69,338,406	9,745,902	-	-	33,307,758	26,284,746	-
Loans and advances to customers	20	338,726,271	133,425,251	20,478,417	43,570,581	112,575,733	28,676,289	-
Investment securities	21	169,531,652	7,896,739	9,193,720	15,679,978	57,621,583	79,139,632	-
		762,319,184	219,866,731	29,672,137	59,250,559	203,505,074	134,100,667	115,924,016
Non-derivative liabilities:								
Deposits from customers	26	590,889,216	560,991,027	16,023,956	8,994,780	2,543,003	2,336,450	-
Other borrowed fund & Debt securities issued	27&28	64,849,304	3,871,227	14,823,982	3,035,010	43,119,085	-	-
		655,738,520	564,862,254	30,847,938	12,029,790	45,662,088	2,336,450	-
Total interest sensitivity gap		106,580,664	(344,995,523)	(1,175,801)	47,220,768	157,842,987	131,764,217	115,924,016

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued

Interest Rate Risk – Sensitivity Measurement

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standards and non-standard interest rate scenarios.

Analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position was as follows:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the gap between risk sensitive assets and risk sensitive liabilities for the different maturity Gaps of the Group's **earning assets and liabilities. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the gap position of the the different maturities mismatch.**

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued

Group

RATE SENSITIVITY OF ASSETS AND LIABILITIES

As at 31 December 2016	On demand ₦'000	Less than 3 months ₦'000	3-12 months ₦'000	1-5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Due from other banks	-	31,288,712	-	-	-	31,288,712
Financial assets held for trading	-	490,746	1,162,117	-	-	1,652,863
Loans and advances	-	61,984,675	123,118,630	259,879,756	23,266,809	468,249,870
Investment securities available for sale	-	6,214,412	1,282,851	16,431,870	44,273,553	68,202,686
Investment securities held to maturity.	-	-	20,023,160	22,120,641	66,573,827	108,717,628
Total financial assets (A)	-	99,978,545	145,586,758	298,432,266	134,114,189	678,111,759
Financial Liabilities						
Due to banks	-	23,768,555	-	-	-	23,768,555
Due to customers	32,386,314	534,367,737	13,576,220	4,225,982	177,643	584,733,896
Debt securities issued and other borrowed funds	-	11,300,280	31,588,492	27,787,068	27,156,567	97,832,407
Total financial Liabilities (B)	32,386,314	569,436,572	45,164,711	32,013,050	27,334,210	706,334,858
Net financial assets/ (liabilities)	(32,386,314)	(469,458,027)	100,422,047	266,419,216	106,779,980	(28,223,099)
Net financial assets/(liabilities) excluding AFS	(32,386,314)	(475,672,440)	99,139,196	249,987,347	62,506,426	(96,425,785)

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit (+2%)	Sensitivity on Profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity(-2%)	Annualized Period
On Demand	+/-200bp	(32,386,314)	(32,386,314)	(55,012)	55,012	-	-	One Month
Less than 3 months	+/-200bp	(475,672,440)	(508,058,754)	(2,345,782)	2,345,782	30,646	(30,646)	Three month
3-12 Months	+/-200bp	99,139,196	(408,919,558)	1,982,784	(1,982,784)	25,657	(25,657)	One Year
1-5 Yrs	+/-200bp	249,987,347	(158,932,212)	4,999,747	(4,999,747)	328,637	(328,637)	
Over 5 Yrs	+/-200bp	62,506,426	(96,425,785)	1,250,129	(1,250,129)	218,335	(218,335)	

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interst Rate Risk - continued
Bank

RATE SENSITIVITY OF ASSETS AND LIABILITIES

As at 31 December 2016	On demand ₦'000	Less than 3 months ₦'000	3-12 months ₦'000	1-5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Due from other banks	-	31,288,712	-	-	-	31,288,712
Financial assets held for trading	-	490,746	1,162,117	-	-	1,652,863
Loans and advances	-	61,984,675	123,118,630	259,879,756	23,266,809	468,249,870
Investment securities available for sale	-	6,214,412	1,282,851	16,431,870	44,273,553	68,202,686
Investment securities held to maturity.	-	-	20,023,160	22,120,641	63,185,601	105,329,402
Total financial assets (A)	-	99,978,545	145,586,758	298,432,266	130,725,964	674,723,533
Financial Liabilities						
Due to banks						
Due to customers	32,386,314	534,367,737	13,576,220	4,225,982	177,643	584,733,896
Debt securities issued and other borrowed funds	-	11,300,280	31,588,492	27,787,068	23,750,242	94,426,082
Total financial Liabilities (B)	32,386,314	545,668,017	45,164,711	32,013,050	23,927,885	679,159,978
Net financial assets/ (liabilities)	(32,386,314)	(445,689,472)	100,422,046	266,419,216	106,798,079	(4,436,445)
Net financial assets/(liabilities) excluding AFS	(32,386,314)	(451,903,885)	99,139,196	249,987,347	62,524,526	(72,639,131)

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit (+2%)	Sensitivity on Profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity(-2%)	Annualized Period
On Demand	+/-200bp	(32,386,314)	(32,386,314)	(55,012)	55,012	-	-	One Month
Less than 3 months	+/-200bp	(451,903,885)	(484,290,199)	(2,228,567)	2,228,567	30,646	(30,646)	Three month
3-12 Months	+/-200bp	99,139,196	(385,151,003)	1,982,784	(1,982,784)	25,657	(25,657)	One Year
1-5 Yrs	+/-200bp	249,987,347	(135,163,657)	4,999,747	(4,999,747)	328,637	(328,637)	
Over 5 Yrs	+/-200bp	62,524,526	(72,639,131)	1,250,491	(1,250,491)	218,335	(218,335)	

37 Financial risk management - continued

(f) Market risks - continued

f(i) Interest Rate Risk - continued

As at 31 December 2015	On demand ₦'000	Less than 3 months ₦'000	3-12 months ₦'000	1-5 years ₦'000	Over 5 years ₦'000	Total ₦'000
Financial assets						
Due from other banks	-	68,798,839	-	-	-	68,798,839
Financial assets held for trading	-	247,300	4,445,336	-	-	4,692,636
Loans and advances	-	133,425,251	64,048,998	112,575,733	28,676,289	338,726,271
Investment securities available for sale	-	6,251,836	14,384,771	38,593,284	58,433,098	117,662,989
Investment securities held to maturity.	-	1,654,757	7,503,057	17,977,068	18,225,490	45,360,372
Total financial assets (A)	-	210,377,983	90,382,162	169,146,085	105,334,877	575,241,107
Financial liabilities						
Due to customers	341,425,127	219,565,900	25,018,736	2,543,003	2,336,450	590,889,216
Debt securities issued and other borrowed funds	-	3,871,227	17,858,992	43,119,085	-	64,849,304
Total financial liabilities (B)	341,425,127	223,437,127	42,877,728	45,662,088	2,336,450	655,738,520
Net financial assets/(liabilities)	(341,425,127)	(13,059,144)	47,504,434	123,483,997	102,998,427	(80,497,413)
Net financial assets/(liabilities) excluding AFS	(341,425,127)	(19,310,980)	33,119,663	84,890,713	44,565,329	(198,160,402)

	Increase /Decrease in bp	Net Gap	Cumulative Gap	Sensitivity on Profit (+2%)	Sensitivity on Profit (-2%)	Sensitivity Equity (+2%)	Sensitivity Equity(-2%)	Annualized Period
On Demand	*+/-200bp*	(341,425,127)	(341,425,127)	(579,955.01)	579,955	-	-	One Month
Less than 3 months	*+/-200bp*	(19,310,980)	(360,736,107)	(95,232)	95,232	30,831	(30,831)	Three month
3-12 Months	*+/-200bp*	33,119,663	(327,616,444)	662,393	(662,393)	771,866	(771,866)	One Year
1-5 Yrs	*+/-200bp*	84,890,713	(242,725,731)	1,697,814	(1,697,814)	1,168,662	(1,168,662)	
Over 5 Yrs	*+/-200bp*	44,565,329	(198,160,402)	891,307	(891,307)	-	-	

37 Financial risk management - continued

f(ii) Foreign currency risk

Foreign currency risk is the risk changes in foreign exchange rate would affect the value of the Group's assets and liabilities as well as off balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial Instruments that are exposed to this risk includes; foreign currency denominated loans and advances, foreign currency denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions.

Exposures to currency risk are consistently monitored by limit structures for overnight and intraday spot and forward limits for dealers and the global position. The Net Open Position limit on the Trading Desk and the Group’s Balance Sheet are strictly monitored to ensure strict compliance with regulatory requirements. In order to avoid risk of loss or breaches of the regulatory limits, daily monitoring and reporting of all foreign currency transactions is in place.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates for the gap between foreign currency denominated balances for the different currency gaps of the Group’s assets and liabilities. The sensitivity of the profit or loss is the effect of the assumed changes in exchange rates on the gap position.

37 Financial risk management - continued

f(ii) Foreign currency risk - continued

(a) Foreign currency concentrations risk as at 31 December 2016

Group

Assets	Naira ₦'000	Dollar ₦'000	GBP ₦'000	Euro ₦'000	Others ₦'000	Total ₦'000
Cash and balance with Central Bank	103,462,174	2,246,380	127,200	425,906	-	106,261,660
add un-restricted balance	1,597,569	-	-	-	-	1,597,569
Due from other banks	18,481,668	11,567,529	285,416	954,099	-	31,288,712
Financial assets to maturity pledged as colleteral	63,278,892	23,585,019	-	-	-	86,863,911
Loans and advances to customer	269,536,864	198,574,689	138,316	-	-	468,249,870
Derivative financial assets	-	8,120	-	-	-	8,120
Financial assets held for trading	1,652,863	-	-	-	-	1,652,863
Financial assets available for sale	25,531,994	9,334,592	-	-	-	34,866,586
Financial investment held to maturity	58,112,628	-	-	-	-	58,112,628
Other assets	8,747,225	12,926,871	344	1,507	- 125	21,675,698
Total financial assets (A)	550,401,877	258,243,200	551,276	1,381,513	- 125	810,577,616
Liabilities						
Due to banks	23,768,555	-	-	-	-	23,768,555
Due to customers	391,995,266	188,374,031	3,002,346	1,362,252	-	584,733,896
Derivative financial liabilities	-	7,846	-	-	-	7,846
Debt issued and other borrowed funds	59,709,051	38,123,355	-	-	-	97,832,407
Other financial liabilities	40,784,452	19,283	441,073	423	-	41,245,231
Total financial liabilities (B)	516,257,324	226,524,516	3,443,419	1,362,675	-	747,587,934
Net financial assets/ (liabilities)	34,144,553	31,718,684	(2,892,143)	18,838	(125)	62,989,682

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET				
Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	31,718,684	(2,892,143)	18,838	28,845,379
Closing Exchange Rate(Naira/Currency)	305.25	377.66	322.10	-
1% Currency Appreciation(-)	302.1975	373.8834	318.8790	-
1% Currency Depreciation(+)	308.3025	381.4366	325.3210	-
Effect of 1% appreciation on Profit	(317,187)	28,921	(188)	(288,454)
Effect of 1% depreciation on Profit	317,187	(28,921)	188	288,454

37 Financial risk management - continued

f(ii) Foreign currency risk - continued

(a) Foreign currency concentrations risk as at 31 December 2016

Bank

Assets	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Cash and balance with Central Bank	103,462,174	2,246,380	127,200	425,906	-	106,261,660
add un-restricted balance	1,597,569	-	-	-	-	1,597,569
Due from other banks	18,481,668	11,567,529	285,416	954,099	-	31,288,712
Financial assets to maturity pledged as colleteral	63,278,892	23,585,019	-	-	-	86,863,911
Loans and advances to customer	269,536,864	198,574,689	138,316	-	-	468,249,870
Derivative financial assets	-	8,120	-	-	-	8,120
Financial assets held for trading	1,652,863	-	-	-	-	1,652,863
Financial assets available for sale	25,531,994	9,334,592	-	-	-	34,866,586
Financial investment held to maturity	54,724,402	-	-	-	-	54,724,402
Other assets	8,747,225	12,926,871	344	1,507	- 125	21,675,823
Total financial assets (A)	547,013,652	258,243,200	551,276	1,381,513	-	807,189,516
Liabilities						
Due to banks	23,768,555	-	-	-	-	23,768,555
Due to customers	391,995,266	188,374,031	3,002,346	1,362,252	-	584,733,896
Derivative financial liabilities	-	7,846	-	-	-	7,846
Debt issued and other borrowed funds	56,302,726	38,123,355	-	-	-	94,426,081
Other financial liabilities	40,784,452	19,283	441,073	423	-	41,245,231
Total financial liabilities (B)	512,850,999	226,524,516	3,443,419	1,362,675	-	744,181,609
Net financial assets/ (liabilities)	34,162,653	31,718,684	(2,892,143)	18,838	-	63,007,907

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY BALANCE SHEET

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net On Balance Sheet Position	31,718,684	(2,892,143)	18,838	28,845,379
Closing Exchange Rate(Naira/Currency)	305.25	377.66	322.10	-
1% Currency Appreciation(-)	302.1975	373.8834	318.8790	-
1% Currency Depreciation(+)	308.3025	381.4366	325.3210	-
Effect of 1% appreciation on Profit	(317,187)	28,921	(188)	(288,454)
Effect of 1% depreciation on Profit	317,187	(28,921)	188	288,454

37 Financial risk management - continued

f(ii) Foreign currency risk - continued

(b) Foreign currency concentrations risk as at 31 December 2015

Assets	Naira ₦'000	Dollar ₦'000	GBP ₦'000	Euro ₦'000	Total ₦'000
Cash and balance with Central Bank	94,431,261	5,220,031	489,940	500,801	100,642,033
add un-restricted balance.	15,281,983	-	-	-	15,281,983
Due from other banks	25,343,509	39,194,153	1,564,474	2,696,702	68,798,839
Financial assets to maturity pledged as colleteral	34,099,499	35,238,907	-	-	69,338,406
Loans and advances to customer	207,669,563	130,932,838	123,871	-	338,726,271
Financial assets held for trading	4,692,636	-	-	-	4,692,636
Financial assets available for sale	112,831,162	6,647,482	-	-	119,478,644
Financial investment held to maturity.	45,360,372	-	-	-	45,360,372
Other assets	12,286,965	1,612,010	3,634	-	13,902,609
Total undiscounted financial assets (A)	551,996,949	218,845,421	2,181,920	3,197,503	776,221,793
Liabilities					
Due to customers	398,282,617	189,873,479	2,077,653	655,466	590,889,216
Debt issued and other borrowed funds	32,135,437	21,951,211	10,762,656	-	64,849,305
Other financial liabilities	41,712,485	5,654,433	-	-	47,366,918
Total undiscounted financial liabilities (B)	472,130,540	217,479,123	12,840,310	655,466	703,105,439
Net undiscounted financial assets/(liabilities)	79,866,410	1,366,298	(10,658,390)	2,542,037	73,116,354

SENSITIVITY ANALYSIS OF FOREIGN CURRENCY STATEMENT OF FINANCIAL POSITION				
Currency	Dollar	GBP	Euro	Total
	N'000	N'000	N'000	N'000
Net On Balance Sheet Position	1,366,298	(10,658,390)	2,542,037	(6,750,056)
Effect of 1% appreciation on Profit	(13,663)	106,584	(25,420)	67,501
Effect of 1% depreciation on Profit	13,663	(106,584)	25,420	(67,501)

37 Financial risk management - continued

(g) Operational Risk Management

Operational risk in the Sterling Bank context is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risks but excludes strategic and reputational risks

The Group maintains a dedicated function for managing its operational risks with reporting line to the Executive Management and Board Risk Management Committee through the Chief Risk Officer depicting robust governance culture. The Management Risk Committee consisting of Heads of all business functions review operational risk management reports quarterly and define action plans geared towards managing risks to acceptable levels.

The Operational Risk Management department is open to regular auditing from internal and external auditors, and is taking positive steps towards the implementation of Basel II/III standards.

The specific objectives of Operational Risk Management in the Bank are as follows:

- Creating a minimal surprise environment in the Bank through the reduction of the frequency and impact of operational risk incidents.
- Instituting a systematic process and approach for identification, assessment and management of operational risks inherent in people, processes, systems and external factors.
- Defining appropriate measurement metrics to monitor potential impact of operational risks in the Bank's activities and profitability.
- Monitoring and managing risks to minimize the Bank's exposure and losses arising from operational risks.
- Ensuring that risk ownership is established and responsibilities for the management of operational risk events is clearly documented.
- Constantly reviewing internal processes, procedures, products and policies to address the root causes of operational events.

The management of operational risk at Sterling Bank Plc relies on several key building blocks listed below;

1. Operational Risk Event Data Collection

The systematic capture and monitoring of risk events is one of the most important requirements for effective operational risk management. Data on the bank's historical loss experience provides meaningful information for assessing the Group's exposure to operational risk and developing controls to mitigate risks. Setting up internal risk events database enables Sterling Bank obtain very valuable information in order to improve the effectiveness of internal control systems and to determine the risk profile of the Group. Strict reporting requirements are in place to ensure that critical incidents are escalated for timely decision making.

2 Development & monitoring of key risk indicators

Key Risk Indicator are metrics set by the Operational Risk Management unit in conjunction with the process owners to monitor key threats to the achievement of strategic goals.

3 Operational Risk Measurement

The Basic Indicator Approach has been used for Operational risk, the bank assesses its capital requirements using the regulatory prescribed calculation method

31 December 2016

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
		Sum (N'000)	Sum (N'000)	Sum (N'000)		
Basic Indicator Approach (BIA)						
Gross Income	15%	68,762,104	67,447,844	68,196,154	204,406,102	30,660,915
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						10,220,305
Calibrated Risk Weighted Amount (BIA)						127,753,814

31 December 2015

Nature of item	capital charge factor	First year	Second year	Third year	Aggregate Gross Income (years 1 to 3)	Capital charges
		Sum (N'000)	Sum (N'000)	Sum (N'000)		
Basic Indicator Approach (BIA)						
Gross Income	15%	57,468,725	68,763,858	68,826,813	195,059,396	29,258,909
Number of years with positive annual gross income						3
Mean Average of Aggregate Capital						9,752,970
Calibrated Risk Weighted Amount (BIA)						121,912,123

37 Financial risk management - continued

(g) Operational Risk Management - continued

4 Risk and Control Self-Assessment

The Risk and Control Self-Assessment exercises provides proper perspective on the dynamics of risks and controls in Strategic Business functions. It provides an avenue for business owners to perform self-assessments and determine vulnerable areas that could be exploited by threats and also assess controls effectiveness.

Scenario Analysis

The Operational Risk Management function utilizes scenario analysis in modelling tail events and determining the impact they could have on the organization.

Definition and Monitoring of Action Plans

Action Plans are designed based on results obtained from risk identification and assessment exercises with timelines and responsibilities defined for prompt resolution of potential issues.

(h) Capital management

(i) Regulatory capital

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

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

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

Tier 2 capital, which includes qualifying subordinated liabilities, allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

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

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

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of the following reserves in the computation of total qualifying capital:

- Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines
- Collective impairment on loans and receivables and other financial assets
- Other Comprehensive Income (OCI) Reserves will be recognized as part of Tier 2 capital subject to

37 Financial risk management - continued

(h) Capital management - continued

(ii) Capital Adequacy Ratio

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

The capital adequacy computation for the year ended 31 December 2016 is in line with revised guidance notes on implementation and the reporting template for capital adequacy ratio issued by Central Bank of Nigeria, referenced BSD/DIR/GEN/BAS/08/031 and dated 24 June 2015. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Sterling Bank, in line with the directives from the Central Bank of Nigeria (CBN), has adopted the following approaches for its Pillar 1 capital calculations:

- Credit Risk – Star
- Market Risk – Star
- Operational Risk – Basic indicator approach, which i:

Constituents of Capital	Note	Group 31 December 2016 ₦'000	Bank 31 December 2016 ₦'000	Bank 31 December 2015 ₦'000
Tier 1 capital				
Paid- up share capital	30	14,395,209	14,395,209	14,395,209
Share premium		42,759,214	42,759,214	42,759,214
General reserve (Retained earnings)		6,226,096	6,241,905	10,042,079
SMEEIS reserve		234,503	234,503	234,503
Statutory reserve		17,409,088	17,409,088	16,634,733
Other reserve		5,276,423	5,276,423	5,276,424
Tier 1 Capital Before Regulatory Deduction		86,300,533	86,316,342	89,342,162
Regulatory Deduction				
Deferred tax asset		(6,971,145)	(6,971,145)	(6,971,145)
Other intangible assets		(2,036,876)	(2,036,876)	(1,000,262)
Total Regulatory Deduction		(9,008,021)	(9,008,021)	(7,971,407)
Tier 1 Capital after Regulatory Deduction		77,292,511	77,308,320	81,370,755
Tier 2 capital: Instruments & Reserves				
Sub- ordinated debt *		9,467,525	6,061,199	2,738,150
Other Comprehensive Income		(11,323,381)	(11,323,381)	1,153,571
Eligible Tier 2 Capital		(1,855,856)	(5,262,182)	3,891,721
Total regulatory capital		75,436,655	72,046,139	85,262,476
Risk-weighted assets		675,917,677	675,917,677	487,486,579
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		11.16%	10.66%	17.49%

*Recognition of capital instrument in Tier 2 capital in its final five years to maturity is amortized on a straight-line basis by 20% per annum.

Description of Tier 2 Capital (Sub-ordinated debt)

Particulars	Place	Place	Date of maturity	Coupon rate	N'000
Non- convertible debenture stock	Nigeria	25 August 2016	2023	18.86%	8,552,455
Non- convertible debenture stock	Nigeria	19 December 2011	2018	13.00%	4,575,347

37 Financial risk management - continued

(h) Capital management - continued

Internal Capital Adequacy Assessment Process (ICAAP).

The Bank has a capital management process in place to measure, deploy and monitor its available capital and assess its adequacy. The framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the bank to meet regulatory requirements for current and future business needs, including under stress scenarios. The framework has been structured in line with CBN requirements to identify the risks inherent in the Bank's business and sets out the Bank's philosophy, processes, and techniques for managing risks across the Bank. Furthermore, it describes the controls management has implemented to reduce the likelihood of occurrence and minimize the the impact of risk events on the business and includes information on the Bank's governance structure, and policies that support risk and capital management systems.

Capital management - continued

Risk Weighted Assets and Capital Requirement per Credit Exposure

S/N	Exposure	Risk Weighted Assets	Capital requirements
1	Credit Rsik		
1.01	Sovereign	-	-
1.02	Public Sector Entities	6,375,338	656,002
1.03	State and Local Government	25,556,619	2,629,697
1.04	Multilateral Development Bank	-	-
1.05	Supervised Institutions	14,965,884	1,539,943
1.06	Corporates	203,523,638	20,941,950
1.07	Retail	2,509,552	258,225
1.08	Residential Mortgages	81,759,523	8,412,801
1.09	Commercial Mortgages	95,917,962	9,869,660
1.1	Past Due	60,265,306	6,201,113
1.11	Higher Risk Exposures	3,031,210	311,902
1.12	Other Balance Sheet Exposures	38,249,915	3,935,797
1.13	Off Balance Sheet Exposures	20,921,144	2,152,721
1.14	Regulatory Adjustment	(10,682,871)	-
2	Market risk		
2.01	Interest Rate Risk	78,836	6,307
2.02	Foreign Exchange Risk	5,691,807	455,345
3	Operational risk		
3.01	Basic Indicator Approach	127,753,814	10,220,305
4	Capital Adequacy Ratio		
4.01	Tier 1 Capital Adequacy Ratio	11.44%	
4.02	Total Capital Adequacy Ratio	11.16%	

37 Financial risk management - continued

(h) Capital management - continued

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.

38 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled

Group

As at 31 December 2016

Maturity analysis of assets and liabilities	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Assets	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with Central Bank of Nigeria	13,377,350	-	-	-	94,481,879	107,859,229
Due from banks	31,288,712	-	-	-	-	31,288,712
Pledged assets	7,196,245	5,559,171	5,529,615	35,120,881	33,457,999	86,863,911
Derivative financial assets	8,120	-	-	-	-	8,120
Loans and advances to Customers	61,984,675	42,785,351	80,333,280	259,879,756	23,266,809	468,249,870
Investment in securities	4,773,278	4,822,567	2,310,438	13,374,914	69,350,879	94,632,077
Other assets	-	-	-	21,675,823	-	21,675,823
Property, plant and equipment	-	-	2,064,368	7,325,391	5,214,428	14,604,186
Intangible assets	-	-	-	2,036,876	-	2,036,876
Deferred tax assets	-	-	-		6,971,144	6,971,144
Total	118,628,380	53,167,089	90,237,701	339,413,640	249,175,940	834,189,948
Deposits from bank	23,768,555	-	-	-	-	23,768,555
Deposits from customers	566,754,052	9,067,802	4,508,418	4,225,982	177,643	584,733,896
Derivative financial liabilities	7,846	-	-	-	-	7,846
Debts issued and other borrowed funds	11,300,280	14,786,387	16,802,105	27,787,068	27,156,567	97,832,407
Current income tax liabilities	-	-	-	941,992	-	941,992
Other liabilities	-	-	-	41,594,634	-	41,594,634
Total	601,830,733	23,854,189	21,310,523	74,549,676	27,334,210	748,879,330
					-	
Net	(483,202,352)	29,312,901	68,927,178	264,863,964	195,936,786	(68,927,178)

37 Financial risk management - continued

(h) Capital management - continued

38 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled

Bank

As at 31 December 2016

Maturity analysis of assets and liabilities	Less than 3 months	3-6 months	6-12 months	1 - 5 years	More than 5 years	Total
Assets	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and balances with Central Bank of Nigeria	13,377,350	-	-	-	94,481,879	107,859,229
Due from banks	31,288,712	-	-	-	-	31,288,712
Pledged assets	7,196,245	5,559,171	5,529,615	35,120,881	33,457,999	86,863,911
Derivative financial assets	8,120	-	-	-	-	8,120
Loans and advances to Customers	61,984,675	42,785,351	80,333,280	259,879,756	23,266,809	468,249,870
Investment in securities	4,602,375	4,649,899	2,227,714	12,896,036	66,867,826	91,243,851
Other assets		-	-	21,675,823	-	21,675,823
Property, plant and equipment	-	-	2,064,368	7,325,391	5,214,428	14,604,186
Intangible assets	-	-	-	2,036,876	-	2,036,876
Deferred tax assets	-	-	-		6,971,144	6,971,144
Total	118,457,477	52,994,421	90,154,977	338,934,762	230,260,085	830,801,723
Deposits from Bank	23,768,555	-	-	-	-	23,768,555
Deposits from customers	566,754,052	9,067,802	4,508,418	4,225,982	177,643	584,733,896
Derivative financial liabilities	7,846	-	-	-	-	7,846
Debts issued and other borrowed funds	11,300,280	14,786,387	16,802,105	27,787,068	23,750,242	94,426,082
Current income tax liabilities	-	-	-	941,992	-	941,992
Other liabilities	-	-	-	41,245,231	-	41,245,231
Total	601,830,733	23,854,189	21,310,523	74,200,273	23,927,885	745,123,602
					-	
Net	(483,373,256)	29,140,232	68,844,455	264,734,489	206,332,201	85,678,121

38 Maturity analysis of assets and liabilities - continued

BANK	Less than 3 months ₦'000	3-6 months ₦'000	6-12 months ₦'000	1 - 5 years ₦'000	More than 5 years ₦'000	Total ₦'000
As at 31 December 2015						
Assets						
Cash and balances with Central Bank of Nigeria	31,514,065	-	-	-	84,409,951	115,924,016
Due from banks	68,798,839	-	-	-	-	68,798,839
Pledged assets	9,745,902	-	-	33,307,758	26,284,746	69,338,406
Loans and advances to customers	133,425,251	20,478,417	43,570,581	112,575,733	28,676,289	338,726,271
Investment in securities	7,896,739	9,193,720	15,679,978	57,621,583	79,139,632	169,531,652
Other assets	-	-	13,902,609	-	-	13,902,609
Property, plant and equipment	10,380	57,185	295,528	9,166,387	5,728,737	15,258,217
Intangible assets	67	-	851	999,344	-	1,000,262
Deferred tax assets	-	-	-	-	6,971,145	6,971,145
Total	251,391,244	29,729,322	73,449,546	213,670,806	231,210,499	799,451,418
Liabilities						
Deposits from customers	560,991,027	16,023,956	8,994,780	2,543,003	2,336,450	590,889,216
Debts issued and other borrowed funds	3,871,227	14,823,982	3,035,010	43,119,085	-	64,849,304
Current income tax liabilities	-	-	-	-	780,232	780,232
Other liabilities	-	-	8,519,234	38,847,684	-	47,366,918
Total	564,862,254	30,847,938	20,549,024	84,509,772	3,116,682	703,885,670
Net	(313,471,011)	(1,118,616)	52,900,522	129,161,033	228,093,817	95,565,748

39 Fair Value of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.2.7. The Group measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using inputs that are not based on observable market data, i.e., unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value measurement hierarchy for assets & liabilities as at 31 December 2016.

GROUP

Assets measured at fair value	NOTE	₦'000	₦'000	₦'000	₦'000
Pledged assets – Available for sale	18	-	33,336,100	-	33,336,100
Financial assets held for trading	21(a)	-	1,652,863	-	1,652,863
Financial assets available for sale	21(b)	-	34,866,586	-	34,866,586
			-		
Assets for which fair value are disclosed			-		
Due from banks	17	-	31,288,712	-	31,288,712
Pledged assets held to maturity		-	50,605,000	-	50,605,000
Loans and advances		-	420,304,519	-	420,304,519
Held to maturity		-	90,538,033	-	90,538,033
			-		
Liabilities for which fair values are disclosed:			-		
Deposits from customers		-	586,015,826	-	586,015,826
Other borrowed funds		-	82,450,494	-	82,450,494
Debt securities issued		-	18,883,822	-	18,883,822

BANK

		Level 1	Level 2	Level 3	Total
Assets measured at fair value	NOTE	₦'000	₦'000	₦'000	₦'000
Pledged assets – Available for sale	18	-	33,336,100	-	33,336,100
Financial assets held for trading	21(a)	-	1,652,863	-	1,652,863
Financial assets available for sale	21(b)	-	34,866,586	-	34,866,586
			-		
Assets for which fair value are disclosed			-		
Due from banks	17	-	31,288,712	-	31,288,712
Pledged assets held to maturity		-	50,605,000	-	50,605,000
Loans and advances		-	420,304,519	-	420,304,519
Held to maturity		-	87,352,033	-	87,352,033
Liabilities for which fair values are disclosed:					
Deposits from customers		-	586,015,826	-	586,015,826
Other borrowed funds		-	82,450,494	-	82,450,494
Debt securities issued		-	13,005,775	-	13,005,775

39 Fair Value of financial instruments - continued

Fair value measurement hierarchy for assets & liabilities as at 31 December 2015

Assets measured at fair value	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Assets measured at fair value				
Pledged assets – Available for sale	-	33,581,023	-	20,716,811
Financial assets held for trading	-	4,692,636	-	1,949,460
Financial assets available for sale	-	117,662,989	-	47,667,982
Assets for which fair value are disclosed				
Due from banks	-	68,798,839	-	67,330,073
Pledged assets held to maturity	-	28,570,690	-	47,270,323
Loans and advances	-	593,848,288	-	438,182,332
Held to maturity	-	40,780,570	-	
Liabilities for which fair values are disclosed:				
Deposits from customers	-	609,899,304	-	637,354,466
Other borrowed funds	-	56,385,754	-	41,141,093
Debt securities issued	-	4,714,633	-	4,894,641

39 Fair Value of financial instruments - continued

Group	Carrying amount	Fair value amount
	31 December 2016 ₦'000	31 December 2016 ₦'000
Financial assets		
Cash and balances with Central Bank of Nigeria	107,859,229	107,859,229
Due from banks	31,288,712	31,288,712
Pledged assets	86,863,911	82,735,908
Derivative financial instruments	8,120	8,120
Loans and advances to customers	468,249,870	420,304,519
Investment in securities:		
- Held for trading	1,652,863	1,652,863
- Available for sale	34,866,586	34,866,586
- Held to maturity	58,112,628	90,538,033
Total	788,901,919	769,253,970
Financial liabilities		
Deposits from banks	23,768,555	23,768,555
Deposits from customers	584,733,896	586,015,826
Derivative financial instruments	7,846	7,846
Other borrowed funds	82,450,494	82,450,494
Debt securities issued	15,381,913	18,883,822
Customer deposits for foreign trade	9,558,866	9,558,866
Creditors and accurals	8,589,289	8,589,289
Total	724,490,859	729,274,697

39 Fair Value of financial instruments - continued

Bank	Carrying amount		Fair value amount	
	31 December 2016 ₦'000	31 December 2015 ₦'000	31 December 2016 ₦'000	31 December 2015 ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	107,859,229	115,924,016	107,859,229	115,924,016
Due from banks	31,288,712	68,798,839	31,288,712	68,798,839
Pledged assets	86,863,911	69,338,406	82,735,908	53,568,936
Loans and advances to customers	468,249,870	338,726,272	420,304,519	593,848,288
Investment in securities:				
- Held for trading	1,652,863	4,692,636	1,652,863	4,692,636
- Available for sale	34,866,586	119,478,644	34,866,586	117,662,989
- Held to maturity	54,724,402	45,360,372	87,352,033	40,780,570
Total	785,505,573	762,319,185	766,059,850	995,276,273
Financial liabilities				
Deposits from banks	23,768,555	-	23,768,555	0
Deposits from customers	584,733,896	590,889,216	586,015,826	609,899,304
Other borrowed funds	82,450,494	60,285,736	82,450,494	56,385,754
Debt securities issued	11,975,588	4,563,568	13,005,775	4,714,633
Customer deposits for foreign trade	9,558,866	3,065,623	9,558,866	3,065,623
Creditors and accurals	8,589,289	7,514,786	8,589,289	7,514,786
Total	721,076,688	666,318,929	723,388,805	681,580,100

39 Fair Value of financial instruments - continued

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value

The management assessed that cash and balances with Central Bank of Nigeria, creditors & accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity; it is assumed that the carrying amounts approximates their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining AFS financial assets are measured using quoted market prices in active markets which are adjusted for using the accrued interest to date.

The fair values of the Bank's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2016 was assessed to be insignificant.

For loans and receivables , a discounted cash flow model is used based on various fair Value of the loan portfolio by discounting the future cash flows on these loans using interest rates on loans and remaining days to maturity of each of the cash flows.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

40 Compliance with banking regulations

Included in fines and penalties are contraventions with certain Central Bank of Nigeria's guidelines and circulars listed below:

Circular	Nature of contravention	Penalty N'000
BSD/AML/CON/MIS/02/031 April 13, 2016	Customer in possession of multiple ATM cards	6,000
Section 3.2 (a) and (c) of the Prudential Guideline	Violation of Section 3.2 (a) and (c) of the Prudential Guidelines as the Bank's total exposure to government and its agencies was in excess of 10% of the Bank's total credit portfolio. Also, the total loans to Bayelsa State Government was in excess of 20% of the Bank's shareholders fund unimpaired by losses.	2,000
BSD/DIR/GEN/LAB/07/011 April 10, 2014	Late rendition of daily returns	25
		8,025

41 Customer Complaints

In line with Circular No: FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2015 is as set out below:

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
FINANCIAL YEAR	2016	2015	2016 ₦'000	2015 ₦'000	2016 ₦'000	2015 ₦'000
PENDING COMPLAINTS B/F	64	66	1,128,647	859,214		-
COMPLAINTS RECEIVED	19,238	5,413	6,745,773	83,112,920		
COMPLAINTS RESOLVED	18,731	5,415	5,060,395	82,843,487	5,060,395	82,843,487
UNRESOLVED COMPLAINTS ESCALATED TO CBN FOR INTERVENTION	9	8	2,737,879	1,079,803		-
UNRESOLVED COMPLAINTS PENDING WITH THE BANK C/F	571	64	2,814,025	1,128,647		-

42 Card Usage data

In line with the Central Bank of Nigeria guidelines for card issuance and usage in Nigeria, Section 11.0, the report on card issuance and usage for the year ended 31 December 2016 is set out below:

	31 December 2016		31 December 2015	
Product	Volume	Value ₦'000	Volume	Value ₦'000
Visa	1,290,146	25,837,158	1,795,813	51,508,379
Verve	22,722,426	100,757,161	9,473,538	75,986,809

43 Whistle Blowing

The Bank complied with CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance from Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2016.

STERLING BANK PLC

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Bank		Bank	
	2016		2016		2015	
	₦'000	%	₦'000	%	₦'000	%
Gross earnings	111,439,833		111,237,607		110,193,835	
Interest expense	(43,114,607)		(42,894,282)		(41,367,022)	
	68,325,225		68,343,325		68,826,813	
Net impairment	(11,713,968)		(11,713,968)		(8,151,338)	
Bought-in-materials and services -local	(34,893,840)		(34,893,341)		(33,693,181)	
Value added	21,717,417	100	21,736,016	100	26,982,294	100
Applied to pay:						
Employee as wages, salaries and pensions	11,521,854	53	11,521,854	53	12,101,326	45
Income taxes	837,515	4	837,515	4	723,724	3
Retained in business:						
Depreciation and amortisation	4,195,683	19	4,195,683	19	3,864,667	14
Profit for the period	5,162,365	24	5,180,964	24	10,292,577	38
	21,717,417	100	21,736,016	100	26,982,294	100

Value added is the wealth created by the efforts of the Bank and its employees. This statement shows the allocation of that wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

STERLING BANK PLC

FIVE-YEAR FINANCIAL SUMMARY

BANK

	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Cash and balances with Central Bank of Nigeria	107,859,229	115,924,016	174,759,962	96,900,562	63,622,016
Due from other banks	31,288,712	68,798,839	67,330,073	85,601,022	33,878,671
Pledged assets	86,863,911	69,338,406	78,750,860	79,771,732	57,412,053
Derivative financial assets	8,120	-	-	-	-
Loans and advances to customers	468,249,870	338,726,271	371,246,273	321,748,748	229,420,874
Investment securities:					
Held for trading	1,652,863	4,692,636	1,949,460	2,200,994	1,998,860
Available for sale	34,866,586	119,478,644	49,039,378	19,496,194	16,857,561
Held to maturity	54,724,402	45,360,372	45,581,835	76,123,934	155,935,974
Investment in subsidiary	500	-	-	-	-
Other assets	21,675,823	13,902,609	14,136,957	9,317,091	6,132,005
Property and equipment	14,604,187	15,258,217	13,952,027	9,069,368	7,793,316
Intangible assets	2,036,876	1,000,262	821,456	-	203,465
Deferred tax assets	6,971,145	6,971,145	6,971,145	6,971,145	6,971,145
TOTAL ASSETS	830,802,224	799,451,417	824,539,426	707,200,790	580,225,940
LIABILITIES					
Deposits from banks	23,768,555	-	-	-	3,118,775
Deposits from customers	584,733,896	590,889,216	655,944,127	570,511,097	463,726,325
Derivative financial liabilities	7,846	-	-	-	-
Current income tax liabilities	941,992	780,232	1,802,189	1,112,289	803,422
Other borrowed funds	82,450,494	60,285,736	45,371,097	38,794,527	30,356,039
Debt securities issued	11,975,588	4,563,568	4,563,584	4,563,598	4,563,612
Other liabilities	41,245,231	47,366,918	32,143,144	29,357,774	31,015,373
TOTAL LIABILITIES	745,123,602	703,885,670	739,824,141	644,339,285	533,583,546
NET ASSETS	85,678,622	95,565,747	84,715,285	62,861,505	46,642,394

FIVE-YEAR FINANCIAL SUMMARY - Continued

BANK	IFRS				
	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
EQUITY					
Share capital	14,395,209	14,395,209	14,395,209	10,796,407	7,851,931
Share premium	42,759,214	42,759,214	42,759,214	27,871,589	18,689,788
Retained earnings	6,241,905	10,042,079	5,753,977	7,785,753	6,019,078
Other components of equity	22,282,294	28,369,245	21,806,885	17,004,147	14,081,597
Attributable to equity holders of the Bank	85,678,622	95,565,747	84,715,285	63,457,896	46,642,394
Other Commitments and Contingencies	111,259,827	166,245,248	203,842,966	201,629,221	127,949,875

PROFIT OR LOSS ACCOUNT	IFRS				
	2016	2015	2014	2013	2012
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings	111,237,607	110,193,835	103,677,466	91,742,770	68,856,815
Profit before income tax	6,018,479	11,016,301	10,747,985	9,310,198	7,499,651
Income tax (expense)/benefit	(837,515)	(723,724)	(1,743,012)	(1,035,334)	(546,112)
Profit after income tax	5,180,964	10,292,577	9,004,973	8,274,864	6,953,539