DIAMOND BANK PLC

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017

Directors, officers and professional advisors

Directors

Dr. Chris Ogbechie	Chairman
Mr. Uzoma Dozie	Group Managing Director/Chief Executive Officer
Mrs. Caroline Anyanwu	Deputy Managing Director
Mrs Chizoma Okoli	Executive Director
Mr. Chiugo Ndubisi	Executive Director/Chief Financial Officer
Mr. Ian Greenstreet	Independent Director
Mr. Rotimi Oyekanmi	Independent Director
Mr. Kabir Alkali Mohammed	Non-executive Director
Mr Damian Dolland	Non-executive Director
Mr. Dele Babade	Non-Executive Director

Company Secretary

Uzoma Uja	Company Secretary/Legal Adviser

Corporate Head Office

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DIAMOND BANK PLC
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
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1. Reporting entity

Diamond Bank Plc (the "Bank") was incorporated in Nigeria as a private limited liability company on 20 March 1990. In February 2005, following a highly successful private placement share offer which substantially raised the Bank's equity base, Diamond Bank became a public limited liability company. The address of its corporate office is PGD's Place, Plot 4, Block V,BIS Way, Oniru Estate, Lekki, Lagos.

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Diamond Bank provides a full range of financial services including investment, commercial and retail banking, securities dealing and custodian services.

Diamond Bank Plc operates through subsidiaries, including Diamond Pension Fund Custodians, Diamond Bank du Benin SA, Diamond Bank Cote D'voire, Diamond Bank Senegal, Diamond Bank Togo, and Diamond Bank UK Limited.

In addition, Diamond Bank Nigeria Plc incorporated two structured entities, Stitching Diamond Finance and Diamond Finance BV, for the purpose of facilitating foreign currency borrowing arrangements.

The consolidated and separate financial statements of the Bank for the period ended 30 June 2017 were authorised for issue on 20 July, 2017 by the Board of Directors.

2. **Summary of significant accounting policies**

2.1 ***Introduction to summary of significant accounting policies***

The principal accounting policies which have been adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 ***Basis of preparation***

a. Statement of compliance
These financial statements are the separate and consolidated financial statements of the Bank, and its subsidiaries (together, "the Group").The Group's consolidated financial statements for the period ended 30 June 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). The financial statements comply with the Companies and Allied Matters Act, Banks and Other Financial Institution Act, Financial Reporting Council of Nigeria Act 2011, and relevant Central Bank of Nigeria circulars.

b. Functional and presentation currency
These financial statements are presented in Naira, which is the Bank's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

c. Basis of measurement
These consolidated and separate financial statements have been prepared on the historical cost basis except for the following items:
- derivative financial instruments are measured at fair value.
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- investment properties held for sale are measured at fair value.
- loans and receivables classified as held to maturity are measured at amortized cost using effective interest rate.
- loans to customers and loans to banks are measured at amortized cost using effective interest rate.
- held to maturity financial assets are carried at amortized cost less impairment losses.
- other financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

d. Use of estimates and judgements
The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.3 Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for changes/amendments highlighted below. As at the reporting date, there are two new amendments to Standards with effective date of 1 Janauary 2017.

Standards, amendments and interpretations issued with effective date of 1 January 2017
IAS 12 - Income Taxes, prescribes the basis and method for accounting for income taxes. The Comprehensive balance sheet method accounts for both the current and future tax consequencies of an entity's transactions. Current tax consequencies of transactions give rise to income tax expenses while future recoveries and settlement of an entities assets and liabilities give rise to deferred tax assets or liabilities. Differred tax assets or liabilities refers to the differences between the carrying amount and tax base of assets and liabilities as well as carried forward tax losses and tax credits multiplied by the tax
IAS 7 - Statement of Cashflows, was amended on 29 January 2016 with effective date of 1 January 2017. The amendment (disclosure initiative) was predicated on the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising

Standards, amendments and interpretations issued but not yet effective
A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

IFRS 9: Financial Instruments
On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9

Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

The standard is also expected to change the manner in which the Group classifies its financial assets. Depending on the business model of the Group and the cash flow characteristics of the financial asset, the Group may choose to classify the financial asset as Fair Value or Amortised Cost. The Group can also elect to present changes in the fair value of equity investments in the "Profit or Loss" or Other Comprehensive Income"

IFRS 15: Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS15.
IFRS 16: Leases
This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as required by IAS 17 and introduces a single lease accounting model. Applying that model, a lessee is required to recognise:
. *assets and liabilities for leases with a term of more than 12 months, unless the underlying assets is of low value;
. *depreciation of lease assets separately from interest on lease liabilities in profit or loss.
For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases or finance leases, and to account for these two types of leasers differently. The Group is currently in the process of assessing the impact that the initial application would have on its business and will adopt the standard for the year ending 31 December 2019.

Newly effective standards
The following new or amended standards became effective during the year, and are not expected to have a significant impact on the Group's consolidated financial statements:

New or Amended Standards
. Disclosure Initiatives (Amendments to IAS 7)
. Recognition of Deferred Tax Assets from Unrealized Losses (Amendments to IAS 12).
. Annual Improvements to IFRSs 2012 - 2014 Cycle - various standards.

2.4 Consolidation

(a) Subsidiaries
Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, 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. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

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The financial statements of subsidiaries are consolidated from the date on which control is acquired by the Group. They are de-consolidated from the date on which control ceases. The results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(b) Business combinations:

The Group applies IFRS 3 Business Combinations in accounting for business combinations.
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which the Group obtains control. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately.

The Group measures goodwill at the acquisition date as the total of:
. the fair value of the consideration transferred, which is generally measured at fair value; plus
. the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

. the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is measured at cost less accumulated impairment losses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

In the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost.

(c) Transactions eliminated on consolidation
Intra-group transactions, balances and any unrealised incomes and expenses on transactions between companies within the Group (except for foreign currency transactions gains or losses) are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Acquistion from entities under common control
Common control transactions are business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and such control acquired is not transitory.
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(e) Non controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(f) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(g) Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. This is generally represented by a shareholding of between 20% and 50% or other qualitative factors.

Investments in associates are accounted for using the equity method of accounting. They are initially recognised at cost, which includes transaction costs. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Subsequent to initial recognition, the Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated profit or loss; its share of post-acquisition movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intra-group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra-group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated profit or loss.

In the separate financial statements of the Bank, investments in associates are accounted for at cost.

(h) Structured Entities
A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
The financial statements of structured entities are included in the Group's financial statements where the substance of the relationship is that the Group controls the special purpose entity. The Group established two structured entities, Stitching Diamond Finance and Diamond Finance BV, for the purpose of facilitating foreign currency borrowing arrangements through the issuance of loan notes to borrowers. Accordingly the financial statements of Diamond Finance B.V. have been consolidated as the Group has control over the relevant activities of the entity.

2.5 Foreign currency translation

(a) Foreign transactions and balances
Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured (i.e. spot exchange rate).

The local currency (Nigerian Naira) is the reporting currency for the Group's financial statement, thus foreign currency balances are translated by using the current exchange rate at the reporting date. The translation rate applied by the Bank is the rate per the Nigerian Inter-bank Foreign exchange market (NIFEX) as published by the FMDQ OTC. The translation rates for third currencies are derived by multiplying the interbank rate (i.e. the USDollar/Naira) with applicable cross rates of those currencies.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the carrying amount of the asset or liability in the functional currency at the beginning of the year, adjusted for any movements during the year due to effective interests, payments, additions, fair value changes etc. and the carrying amount in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the spot exchange rate at the date on which the fair value was determined. Non-monetary items that are measured based on historical cost denominated in a foreign currency are translated with the spot exchange rate as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity instruments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedge is effective.

(b) Foreign Operations
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities including goodwill and fair value adjustments arising on acquisition, are translated to Naira at the closing spot exchange rate at the reporting date;
- income and expenses of each foreign operation are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income (OCI) and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

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If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

2.6 Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities - which include derivative financial instruments - have to be recognised in the statement of financial position and measured in accordance with their assigned category.

A) Initial recognition and measurement
The Group initially recognises the loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, (for an item not at fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue.

The Group does not currently apply hedge accounting.

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

C) Classification and related measurement
Management determines the classification of its financial instruments at initial recognition, see Note 7 for details. Reclassification of financial assets are permitted in certain instances as discussed below.

i) Financial assets
The Group classifies its financial assets in terms of the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, financial assets designated by the Group as fair value through profit or loss upon initial recognition (the "fair value option"). At the reporting dates covered by these financial statements, financial assets at fair value through profit or loss comprise financial assets classified as held for trading only. Management did not apply the fair value option to any financial assets existing at these dates.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

Financial instruments included in this category are initially recognized in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are reocgnized as part of net trading income in profit or loss. Interest income and dividend income on financial assets held for trading are included in 'interest income' and 'other operating income' respectively.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortized cost using effective interest method. Interest income is included in 'interest income' in the statement of profit or loss.

c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-tomaturity 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 financial years. However, sales and reclassification 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 that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest income', with dividend income included in 'other operating income'. When available-for-sale financial assets are sold or impaired, the cumulative gain or loss recognised in a separate reserve in equity are reclassified to profit or loss from the Other Comprehensive income.

ii) Financial liabilities
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as detailed below;

a) Financial liabilities at fair value through profit or loss
The Group has designated financial liabilities at fair value through profit or loss in either of the following circumstances;
- the assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b) Other financial liabilities
Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'interest expense' in the statement of profit or loss,

D) Reclassification of financial assets
The Group may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

E) Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial 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.

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F) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures the assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to date.

The Group recognises transfers between levels of the fair value heirachy as of the end of the reporting period during which the change has occurred.

G) Derecognition
i) Financial Assets
Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gains or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers asset recognised on its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transcations are sale and repurchase transactions.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, 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.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

ii) Financial Liabilities
Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.
iii) Pledge of assets as collateral
Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.
Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as available for sale or held to maturity. Where assets pledged as collateral are designated as available for sale, subsequent measurement is at fair value through other comprehensive income. Assets pledged as collateral designated as held to maturity are measured at amortised cost.

2.7 Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:
- the host contract is not itself carried at fair value through profit or loss;
- the terms of embedded derivative would meet the definition of a derivative if they were contained in a separate contract and;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

2.8 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and loss arising from a group of similar transactions such as in the Group's trading activity

2.9 Revenue recognition

i) Interest income and expense
Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income and expense presented in the profit or loss include :

- interest on financial assets and financial 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.

ii) Fees and commission income
Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. If it is unlikely that the loan will be drawn down, the commitment fee is recognised on a straight line basis over the commitment period. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

iii) Income from bonds or guarantees and letters of credit
Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee.

iv) Dividend income
Dividend income is recognised when the entity's right to receive payment is established. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other opertaing income based on the underlying classification of the equity investments.

v) 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, interest, dividends and foreign exchange differences.

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

2.10 Identification and measurement of impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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.

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Objective evidence that financial assets are impaired include:
· Contractual payments of principal or interest are past due by 90 days or more;
· Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
· Breach of loan covenants or conditions;
· Deterioration of the borrower's competitive position;
· Deterioration in the value of collateral;
· Significant financial difficulty of the issuer or obligor;
· A breach of contract, such as a default or delinquency in interest or principal payments;
· The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
· It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
· The disappearance of an active market for that financial asset because of financial difficulties; and
· Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

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.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised 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.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows;
· If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
· If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is discounted from the expected date of derecognition to the reporting date, using the original interest rate of the existing financial asset.

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 that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by 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 contractual cash flows of the assets in the group and 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 currently exist.

Estimates of changes in future cash flows for groups of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.
The Group writes off a loan or an investment in debt securities, either partially or in full, and any related allowance for impairment losses when the Group determines that there is no realistic prospect of recovery.
Impairment charges on financial assets are included in profit or loss within 'net impairment loss on financial assets'.

2.11 Impairment of non-financial assets

At each reporting date, the carrying amount of non-financial assets (other than investment properties held for sale and deferred tax assets) are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Additionally, assets that have an indefinite useful life (including goodwill) and are not subject to amortisation are tested annually for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Value in use is based on the estimated future cash flows, 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 or cash generating unit (CGU).
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synegies of the combination. The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. 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. An impairment loss in respect of goodwill is not reversed.

2.12 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the Group (issuer) 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 original or modified terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. 'Loan commitments' are firm commitments to provide credit under prespecificed terms and conditions.

Liabilities arising from financial guarantee or commitments to provide a loan at a below-market interest rate are initially recognised at fair value and the initial fair value is amortised over the life of the financial guarantee or commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability, when a payment under the guarantee has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

2.13 Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with central banks, loans to banks and other short term investments with original maturities of 3 months or less. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.14 Statement of cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.
The cash flows from operating activities are determined by using the indirect method. Profit for the year is therefore adjusted by income/expense and non-cash items, such as measurement gains or losses, changes in impairment allowances, as well as changes from operating assets. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.
The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach). Interest and dividends received on investment securities are classified as investing activities; interest paid on customer deposits are classified as operating cash flows, while dividends paid to shareholders are included in financing activities.

2.15 Leases

Leases are divided into finance leases and operating leases.

(a) The group is a lessee

(i) Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'Deposits from banks' or 'Deposits from customers' depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

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(b) The group is a lessor

(i) Operating lease
When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

(ii) Finance lease
When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.16 Investment properties held for sale
Investment properties held for sale represent investment properties which are held for long-term rental yields or for capital appreciation or both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Recognition of these properties takes place only when it is probable that the future economic benefits that are associated with the properties will flow to the entity and the cost can be measured reliably.

Investment properties held for sale are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing Investment property held for sale at the time the cost was incurred if the recognition criteria are met; and excludes the costs of dayto-day servicing of such properties. Subsequent to initial recognition, properties held for sale are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of these properties are included in the profit or loss in the period in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Any gain or loss on disposal of these properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

The fair value of these properties is based on the nature, location and condition of the specific asset. The fair value is obtained from professional third party valuers contracted to perform valuations on behalf of the Group. The fair value of these properties do not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.
When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.16 Property and equipment
(i) Recognition and measurement
The cost of an item of property and equipment is initially recognized by the Group if and only if it is probable that future economic benefits associated with the item will flow to the Group; and the cost of the item can be measured reliably. All property and equipment used by the Group is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. If significant parts of a property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs
Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'other operating expenses' during the financial period in which they are incurred.

(iii) Depreciation
Freehold land is not depreciated. Depreciation of items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:
- Land (Leasehold): not depreciated

The assets' residual values, depreciation methods and useful lives are reviewed annually, and adjusted if appropriate.
(iv) De-recognition

Software
Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.
Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:
· it is technically feasible to complete the software product so that it will be available for use;
· management intends to complete the software product and use or sell it;
· there is an ability to use or sell the software product;
· it can be demonstrated how the software product will generate probable future economic benefits;
· adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
· the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and the cost can be measured reliably. All other expenditure is expensed when incurred. Software is amortised on a straight line in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three years. Software under development which are not available for use are tested for impairment annually.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate An intangible asset shall be derecognized by the Group on disposal; or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (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 recognised.

2.19 Non-current assets classified as held for sale and discontinued operations
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated inventories, financial assets, deferred tax assets, employee benefit analysis or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distrubition and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

2.20 Income taxation.

The tax expense for the period comprises current and deferred tax. It is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(a) Current income tax
The current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date in the respective jurisdiction. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

(b) Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible differences can be utilised.
Such deferred tax assets and liabilities are not recognised if:
- the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- the temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and where the Group is able to control the reversal of the temporary difference; and
- the taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties held for sale that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through the sale unless the presumption is rebutted. The presumption is rebutted when the investment properties held for sale is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Management has reviewed the Group's investment properties held for sale portfolio and concluded that none of the Group's investment properties held for sale are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Although, Management has determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted, the Group has elected to recognise deferred tax on changes in fair value of the investment properties held for sale as the Group is subject to capital gains taxes on disposal of its investment properties.

DIAMOND BANK PLC
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
As at 30th June 2017

2.21 Employee benefits

(a) Defined contribution scheme
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Group contributes 12% of basic salary, rent and transport allowances, with the employee contributing a further 8% in line with the provisions of the Pension Reforms Act 2014. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

(c) Other employee benefits
Other employee benefits are expensed when they are incurred. Other personnel expenses relate to one-off discretionary payments and other benefits paid to staff of the Group. There is no other constructive or contractual obligations on the Group aside from the actual amount incurred.

2.22 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(b) Bank levies
A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

2.23 Share capital

(a) Share issue costs
Incremental costs that are directly attributable to the issue of an equity instrument are dedcuted from the initial measurement of the equity instruments.

(b) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the period that are declared after the date of the statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act of Nigeria.

(c) Treasury shares
Where the Company or other members of the Group purchase the Bank's equity share capital, the consideration paid is deducted from total 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.

2.24 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 that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise options to convert the outstanding notional amount of borrowing with conversion options.

2.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

2.26 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through Diamond Pension Fund Custodian Limited, a subsidiary company that results in the holding of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The carrying value of the assets under custody were determined as follows:
- Real estate and real estate investment trust, equity and equity fund are carried at fair value.

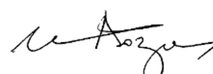
Fees and commissions earned from providing such services are generally recognised on an accrual basis in line with the agreement between the Group and the party for which the Group holds its assets.

DIAMOND BANK PLC
STATEMENT TO THE NIGERIAN STOCK EXCHANGE AND THE SHAREHOLDERS ON THE EXTRACT OF UNAUDITED IFRS RESULTS
FOR THE PERIOD ENDED JUNE 30, 2017

Statement of Comprehensive Income for the Period ended June 30, 2017		**GROUP 6M 30 Jun. 2017 N'000**	**GROUP 6M 30 Jun. 2016 N'000**	**BANK 6M 30 Jun. 2017 N'000**	**BANK 6M 30 Jun. 2016 N'000**
Interest and similar income	1	89,083,306	67,763,120	76,350,451	59,075,472
Interest and similar Expense	2	(27,393,084)	(17,795,872)	(22,539,440)	(13,537,205)
Net interest income		**61,690,222**	**49,967,248**	**53,811,011**	**45,538,267**
Impairment charge for credit losses	3	(20,312,100)	(18,998,498)	(18,941,271)	(18,654,282)
Net interest income after impairment charge for credit losses		**41,378,122**	**30,968,750**	**34,869,740**	**26,883,985**
Fee and Commission income	4	21,864,322	21,320,689	18,968,477	19,331,769
Fee and Commission Expense	4	(3,416,301)	(4,002,916)	(3,474,364)	(3,967,686)
Net Fee and Commission Income		**18,448,021**	**17,317,773**	**15,494,113**	**15,364,083**
Net trading income	5	2,804,305	7,763,422	2,074,742	7,338,684
Other income	6	309,256	1,392,062	96,799	1,078,403
Net operating income		**62,939,704**	**57,442,007**	**52,535,394**	**50,665,155**
Personnel expenses	7	(16,340,047)	(16,891,918)	(12,425,280)	(14,626,076)
Depreciation and amortization		(4,786,411)	(4,285,983)	(3,964,900)	(3,800,255)
Operating lease expenses		(550,289)	(574,393)	(480,126)	(516,237)
Other operating expenses	8	(30,485,318)	(25,203,887)	(26,418,878)	(22,555,545)
Total expenses		**(52,162,065)**	**(46,956,181)**	**(43,289,184)**	**(41,498,113)**
Profit before income tax		**10,777,639**	**10,485,826**	**9,246,210**	**9,167,042**
Income tax expense		(1,454,714)	(1,432,039)	(1,386,932)	(1,375,056)
Profit for the year		**9,322,925**	**9,053,787**	**7,859,278**	**7,791,986**
Other comprehensive income net of income tax:					
Foreign currency translation differences for foreign operations		2,057,086	7,360,149	-	-
Fair value (loss) / gain on available-for-sale investments		57,589	(87,840)	6,900	(87,840)
Other comprehensive (loss)/gain for the year		**2,114,675**	**7,272,309**	**6,900**	**(87,840)**
Total comprehensive income for the year		**11,437,600**	**16,326,096**	**7,866,178**	**7,704,146**
Profit attributable to:					
Owners of the Bank		9,291,857	8,987,064	7,859,278	7,791,986
Non controlling interest		31,068	66,723	-	-
Profit for the year		**9,322,925**	**9,053,787**	**7,859,278**	**7,791,986**
Total comprehensive income attributable to:					
Owners of the Bank		11,370,488	16,128,565	7,866,178	7,704,146
Non controlling interest		67,112	197,531	-	-
Total comprehensive income for the year		**11,437,600**	**16,326,096**	**7,866,178**	**7,704,146**
Earnings per share-continuing operations					
Basic earnings per share (in kobo)		40	39	34	34
Diluted earnings per share (in kobo)		34	28	29	24

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Chiugo Ndubisi
Chief Financial Officer
FRC/2013/ICAN/00000001565



Uzoma Dozie
Group Managing Director
FRC/2015/CIBN/00000011214

DIAMOND BANK PLC

Statement of Financial Position as at June 30, 2017

	Note	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Assets					
Cash and balances with central banks	9	334,674,628	329,906,916	291,698,768	289,663,505
Financial assets held for trading	10	12,361,079	6,870,235	12,361,079	6,870,235
Derivative assets		-	2,088,208	-	1,925,777
Loans to banks	11	92,790,219	100,342,964	67,952,286	88,553,151
Loans and advances to customers	12	984,345,468	995,334,118	758,700,261	804,635,641
Investments Securities:	13				
- Available-for-sale investments		25,812,349	23,119,904	12,354,818	9,169,048
- Held to maturity investments		182,727,858	212,444,985	119,186,249	151,141,809
Assets pledged as collateral	14	220,610,691	221,898,226	162,829,243	170,623,817
Investment in subsidiaries	15	-	-	15,841,882	15,841,882
Investment properties		3,885,082	3,870,200	3,715,082	3,701,500
Property and equipment	16	69,385,978	67,146,137	61,927,001	60,948,266
Intangible assets		5,805,561	5,646,005	4,626,243	4,521,189
Deferred tax asset		4,984,388	4,984,388	4,984,388	4,984,388
Other assets	17	128,350,260	76,146,470	104,785,753	49,928,617
Total assets		**2,065,733,561**	**2,049,798,756**	**1,620,963,053**	**1,662,508,825**
Liabilities					
Deposits from banks	18	136,440,117	103,409,297	43,273,617	13,365,314
Deposits from customers	19	1,398,790,233	1,424,689,527	1,079,126,158	1,134,861,466
Derivative liabilities		201,742	2,187,779	200,609	2,126,386
Current income tax liability		1,733,282	2,027,948	1,665,499	1,598,861
Deferred tax liabilities		5,049	6,958	-	-
Other liabilities	20	72,964,248	60,263,158	47,713,531	40,267,095
Borrowings	21	154,694,565	169,182,279	167,021,791	197,644,942
Long term debt		62,758,761	61,323,847	62,758,761	61,307,852
Total liabilities		**1,827,587,997**	**1,823,090,793**	**1,401,759,966**	**1,451,171,916**
EQUITY					
Share capital	22	11,580,195	11,580,195	11,580,195	11,580,195
Share premium	23	134,532,974	134,532,974	134,532,974	134,532,974
Retained earnings	23	21,334,374	12,042,517	14,223,788	6,364,510
Other reserves					
- Statutory reserve	23	23,541,079	23,541,079	23,292,842	23,292,842
- Regulatory risk reserve		29,098,571	29,098,571	29,098,571	29,098,571
- Small scale industries (SSI) reserve	23	3,966,628	3,966,628	3,966,628	3,966,628
- Fair value reserve	23	2,513,963	2,456,373	2,508,089	2,501,189
- Foreign currency translation reserve	23	11,085,561	9,064,519	-	-
Total equity attributable to owners of the Bank		237,653,345	226,282,856	219,203,087	211,336,909
Non-controlling interest		492,219	425,107	-	-
Total shareholders equity		**238,145,564**	**226,707,963**	**219,203,087**	**211,336,909**
Total equity and liabilities		**2,065,733,561**	**2,049,798,756**	**1,620,963,053**	**1,662,508,825**
		-	-	-	-

DIAMOND BANK PLC

Summarized Consolidated Statement of Cashflows for the period ended June 30, 2017

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Net cash flow (used in)/generated from operating activities	**(34,425,572)**	**(77,983,226)**	**(53,615,468)**	**(123,987,381)**
Investing Activities				
Net sale/(purchase) of investment securities	27,057,755	39,540,922	28,696,588	80,546,002
Dividend received	-	71,761	-	186,827
Purchase of investment property	(14,882)	(253,127)	(13,582)	(253,127)
Purchase of property and equipment	(6,995,265)	(13,065,561)	(3,995,595)	(9,342,826)
Proceeds from sale of property and equipment	21,741	477,910	21,741	497,457
Purchase of intangible assets	(1,081,342)	(2,218,138)	(737,106)	(1,981,755)
Net Cash From Investing Activities	**18,988,007**	**24,553,767**	**23,972,046**	**69,652,578**
Financing Activities				
Proceeds from new borrowings	51,262	46,656,315	51,262	46,656,315
Repayment of borrowings	(4,667,560)	(22,797,202)	(4,667,560)	(22,797,202)
Repayment of long term borrowings	(1,516,903)	(3,848,424)	(1,516,903)	(3,847,459)
Dividend paid	-	-	-	-
Net Cash From Financing Activities	**(6,133,201)**	**20,010,689**	**(6,133,201)**	**20,011,654**
Increase/(decrease) in cash and cash equivalents	(21,570,766)	(33,418,772)	(35,776,623)	(34,323,150)
Effect of exchange rate fluctuations on the balance of cash held by foreign operations	2,021,042	11,275,855	-	-
Cash and cash equivalents at beginning of period	**195,002,414**	**217,145,331**	**153,909,974**	**188,233,124**
Cash and cash equivalents at end of period	**175,452,690**	**195,002,414**	**118,133,351**	**153,909,974**

DIAMOND BANK PLC

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

(All amounts in thousands of Nigeria Naira unless otherwise stated)

GROUP	Attributable to equity holders of the parent										Non-controlling interest	Total equity
	Share capital	Share premium	Retained earnings	Statutory reserve	Regulatory risk reserve	SSI reserve	Fair value reserve	Contingency reserve	FCTR	Total		
Balance at 1 January 2017	11,580,195	134,532,974	12,042,517	23,541,079	29,098,571	3,966,628	2,456,373	-	9,064,519	226,282,856	425,107	226,707,963
Issue of new shares (Right issues)	-	-	-	-	-	-	-	-	-	-	-	-
Profit	-	-	9,291,857	-	-	-	-	-	-	9,291,857	31,068	9,322,925
Foreign currency translation differences	-	-	-	-		-	-	-	2,021,042	2,021,042	36,044	2,057,086
Fair value gains on available-for-sale financial assets, net of tax	-	-	-	-	-	-	57,590	-	-	57,590	-	57,590
Total comprehensive income	-	-	9,291,857	-	-	-	57,590	-	2,021,042	11,370,489	67,112	11,437,601
Pre-acquisition Reserve of Foreign Sub. (DBUK)	-	-	-	-		-	-	-	-	-	-	-
Dividends	-	-	-	-		-	-	-	-	-	-	-
Transfer from/ (to) retained earnings	-	-	-	-		-	-	-	-	-	-	-
Balance as at 30 June 2017	**11,580,195**	**134,532,974**	**21,334,374**	**23,541,079**	**29,098,571**	**3,966,628**	**2,513,963**	**-**	**11,085,561**	**237,653,345**	**492,219**	**238,145,564**

BANK	Share capital	Share premium	Retained earnings	Statutory reserve	Regulatory risk reserve	SSI reserve	Fair value reserve	Contingency reserve	FCTR	Total	Non-controlling interest	Total equity
Balance at 1 January 2017	11,580,195	134,532,974	6,364,510	23,292,842	29,098,571	3,966,628	2,501,189	-	-	211,336,909	-	211,336,909
Issue of new shares (Right issues)	-	-	-	-	-	-	-	-	-	-	-	-
Profit	-	-	7,859,278	-	-	-	-	-	-	7,859,278	-	7,859,278
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
Fair value gains on available-for-sale financial assets, net of tax	-	-	-	-	-	-	6,900	-	-	6,900	-	6,900
Total comprehensive income	**-**	**-**	**7,859,278**	**-**	**-**	**-**	**6,900**	**-**	**-**	**7,866,178**	**-**	**7,866,178**
Dividends	-	-	-	-		-	-	-	-	-	-	-
Transfer from/ (to) retained earnings	-	-	-	-		-	-	-	-	-	-	-
Non controlling interest of subsidiary disposed	-	-	-	-		-	-	-	-	-	-	-
Balance as at 30 June 2017	**11,580,195**	**134,532,974**	**14,223,788**	**23,292,842**	**29,098,571**	**3,966,628**	**2,508,089**	**-**	**-**	**219,203,087**	**-**	**219,203,087**

DIAMOND BANK PLC

Notes to the Financial Statements

	GROUP 30 Jun. 2017 N'000	GROUP 30 Jun. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 30 Jun. 2016 N'000
1. Interest and similar income				
Loans and advances to customers	56,988,385	44,910,104	48,687,860	39,458,866
Loans to banks	2,224,587	1,854,490	2,464,352	1,424,722
Investment securities	29,870,334	20,998,526	25,198,239	18,191,884
	89,083,306	**67,763,120**	**76,350,451**	**59,075,472**
2. Interest expense				
Deposits from banks	966,108	2,804,181	52,444	1,137,688
Deposits from customers	17,122,023	13,694,719	13,182,043	11,102,545
Borrowings	5,715,549	1,712,215	5,715,549	1,712,215
Long term debt	3,589,404	(415,243)	3,589,404	(415,243)
	27,393,084	**17,795,872**	**22,539,440**	**13,537,205**
3. Net impairment loss on financial assets				
Collective impairment (credit)/charge on loans and advances to customers	-	-	-	-
Specific impairment charge on loans and advances to customers	21,785,323	18,445,204	20,409,332	18,066,375
Recoveries on loans previously written off	(2,626,977)	(1,212,914)	(2,397,407)	(1,066,851)
Loans written off as uncollectible	587,958	283,016	587,958	283,016
Investment securities:				
Impairment charge on available for sale equities	(15,612)	1,366,679	(15,612)	1,366,679
Investment in associates:				
Impairment charge on investments in associates	-	-	-	-
Other assets:				
Impairment charge on other assets	581,408	116,513	357,000	5,063
	20,312,100	**18,998,498**	**18,941,271**	**18,654,282**
4. Fee and commission income				
Service fees and charges	3,755,747	1,544,542	3,524,506	1,363,873
Card fees and charges	2,252,688	2,892,716	2,252,688	2,892,716
DBXA Product fees	4,035,706	3,055,146	4,035,706	3,055,146
Account Maintenance Fees	2,332,162	1,830,897	2,148,634	1,724,897
Letters of credit commission	878,401	2,107,046	714,070	1,787,973
Advisory Fees	78,475	327,211	52,482	408,420
Funds Transfer Commissions	3,723,577	3,482,410	2,881,918	2,732,097
Short Term Loan Processing Fee	2,839,099	4,767,649	2,819,987	4,757,171
Other fees and commissions	1,968,467	1,313,072	538,486	609,476
Fee and commission income	**21,864,322**	**21,320,689**	**18,968,477**	**19,331,769**
Other fees paid	(3,416,301)	(4,002,916)	(3,474,364)	(3,967,686)
Fee and commission expense	**(3,416,301)**	**(4,002,916)**	**(3,474,364)**	**(3,967,686)**
Net fee and commission income	**18,448,021**	**17,317,773**	**15,494,113**	**15,364,083**
5. Net trading income				
Foreign exchange	2,143,941	8,602,481	1,588,711	8,185,097
Financial assets held for trading	660,364	(839,059)	486,031	(846,413)
	2,804,305	**7,763,422**	**2,074,742**	**7,338,684**
6. Other operating income				
Dividend income on AFS securities	22,716	159,378	22,716	159,378
Gains/Loss on disposal of property and equipment	(115,760)	207,182	(115,760)	207,182
Documentation and telex charges	402,300	1,025,502	189,843	711,843
	309,256	**1,392,062**	**96,799**	**1,078,403**
7. Personnel expenses				
Wages and salaries	15,309,280	14,788,462	11,396,186	12,524,404
Retirement benefit costs	355,844	383,821	354,171	382,037
Productivity Expense	674,923	1,719,635	674,923	1,719,635
	16,340,047	**16,891,918**	**12,425,280**	**14,626,076**

8. Other operating expenses

Security and power	2,728,101	2,161,347	2,715,164	2,152,148
Advertising and promotion expenses	1,398,559	1,471,417	1,388,252	1,464,878
Repairs and maintenance	3,925,922	2,716,631	3,909,554	2,702,931
AMCON resolution fund	4,159,663	3,890,598	4,159,663	3,890,598
NDIC premium	2,746,684	2,469,963	2,746,684	2,469,963
Business travels	437,778	350,469	407,347	331,234
Professional fees	1,976,271	1,661,634	1,753,943	1,608,902
Directors emoluments	135,498	157,150	112,033	140,044
General and admin expenses	6,039,761	4,272,900	2,381,923	1,811,293
Channels Services Expenses	647,634	306,747	647,634	306,747
Contributions/Donations	174,263	90,226	174,263	90,226
Customer Address Verification	160,127	226,123	160,127	226,123
I.T.F Levy	138,840	157,525	138,840	157,525
Medical Expenses	312,306	322,141	312,306	322,141
Office Stationery & Supplies	356,800	298,217	345,277	289,241
Cash-In-Transit Expense	466,928	471,817	466,928	471,817
Insurance Expense	358,525	333,232	323,121	305,266
Leased Circuits And Hosting Fees	560,266	736,101	533,747	717,208
Motor Vehicle Running Expenses	342,783	322,756	339,010	320,251
Auditors remuneration	109,344	104,472	102,000	102,000
Service staff salaries	3,309,265	2,682,421	3,301,062	2,675,009
	30,485,318	**25,203,887**	**26,418,878**	**22,555,545**

9. Cash and balances with central banks	**GROUP 30 Jun. 2017 N'000**	**GROUP 31 Dec. 2016 N'000**	**BANK 30 Jun. 2017 N'000**	**BANK 31 Dec. 2016 N'000**
Cash	37,244,512	41,577,206	29,400,539	31,408,946
Balances with central banks other than mandatory reserve deposits	37,836,522	43,979,305	14,124,544	24,844,938
Included in cash and cash equivalents	75,081,034	85,556,511	43,525,083	56,253,884
Mandatory reserve deposits with central banks	219,645,635	204,402,446	208,225,726	193,461,662
Special intervention reserve deposits with central bank	39,947,959	39,947,959	39,947,959	39,947,959
	334,674,628	**329,906,916**	**291,698,768**	**289,663,505**

10. Financial assets held for trading

Treasury bills	12,050,844	6,660,368	12,050,844	6,660,368
Government bonds	310,235	209,867	310,235	209,867
Total debt securities	**12,361,079**	**6,870,235**	**12,361,079**	**6,870,235**
Listed equity securities	-	-	-	-
Total equity securities	-	-	-	-
Total assets held for trading	**12,361,079**	**6,870,235**	**12,361,079**	**6,870,235**

11. Loans to banks

Current balances with banks	42,658,308	34,546,737	30,604,009	30,516,876
Placements with banks and discount houses	50,131,911	65,796,227	37,348,277	58,036,275
Carrying amount	**92,790,219**	**100,342,964**	**67,952,286**	**88,553,151**

12 Loans and advances to customers

	Group 30 Jun. 2017	Group 31 December 2016	Bank 30 Jun. 2017	Bank 31 December 2016
Loans and advances to customers (see note (a) below)	984,345,468	995,334,118	758,700,261	804,635,641
Other loans and receivebles (see note (b) below)	-	-	-	-
	984,345,468	**995,334,118**	**758,700,261**	**804,635,641**

GROUP

(a) Loans and advances to customers

30 June 2017	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Overdrafts	83,928,711	(11,709,944)	(7,894,572)	(19,604,516)	64,324,195
Term loans	965,541,636	(50,224,624)	(8,436,084)	(58,660,708)	906,880,928
Staff loans	6,024,284	(345,117)	(9,432)	(354,549)	5,669,735
Commercial papers ('CP')	4,959,513			-	4,959,513
	1,060,454,144	**(62,279,685)**	**(16,340,088)**	**(78,619,773)**	**981,834,371**
Advances under finance lease	3,366,396	-	(855,299)	(855,299)	2,511,097
	1,063,820,540	**(62,279,685)**	**(17,195,387)**	**(79,475,072)**	**984,345,468**

Loans and advances to customers

31 December 2016	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
Overdrafts	85,878,539	(14,859,453)	(2,186,631)	(17,046,084)	68,832,455
Term loans	952,825,208	(26,514,519)	(12,694,500)	(39,209,019)	913,616,189
Staff loans	5,224,975	(345,117)	(9,432)	(354,549)	4,870,426
Commercial papers ('CP')	4,814,516	-	-	-	4,814,516
	1,048,743,238	**(41,719,089)**	**(14,890,563)**	**(56,609,652)**	**992,133,586**
Advances under finannce lease (Note 21.2)	4,055,831	-	(855,299)	(855,299)	3,200,532
	1,052,799,069	**(41,719,089)**	**(15,745,862)**	**(57,464,951)**	**995,334,118**

BANK

Loans and advances to customers

	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
30 June 2017					
Overdrafts	65,628,915	(11,709,944)	(6,107,494)	(17,817,438)	47,811,477
Term loans	756,864,130	(44,512,813)	(8,436,084)	(52,948,897)	703,915,233
Staff loans	4,817,003	(345,117)	(9,432)	(354,549)	4,462,454
Commercial papers ('CP')	-			-	-
	827,310,048	**(56,567,874)**	**(14,553,010)**	**(71,120,884)**	**756,189,164**
Advances under finance lease	3,366,396		(855,299)	(855,299)	2,511,097
	830,676,444	**(56,567,874)**	**(15,408,309)**	**(71,976,183)**	**758,700,261**

Loans and advances to customers

	Gross amount	Specific impairment	Collective impairment	Total impairment	Carrying amount
31 December 2016					
Overdrafts	67,670,780	(9,426,849)	(1,849,078)	(11,275,927)	56,394,853
Term loans	780,076,745	(26,514,519)	(12,694,500)	(39,209,019)	740,867,726
Staff loans	4,527,079	(345,117)	(9,432)	(354,549)	4,172,530
	852,274,604	**(36,286,485)**	**(14,553,010)**	**(50,839,495)**	**801,435,109**
Advances under finannce lease	4,055,831	-	(855,299)	(855,299)	3,200,532
	856,330,435	**(36,286,485)**	**(15,408,309)**	**(51,694,794)**	**804,635,641**

(b) Other loans and receivables	GROUP 30 Jun. 2017	GROUP 31 Dec. 2016	BANK 30 Jun. 2017	BANK 31 Dec. 2016

Other loans and receivables	7,535,232	7,535,232	7,535,232	7,535,232
Less: Specific allowance for impairment	(7,535,232)	(7,535,232)	(7,535,232)	(7,535,232)
	-	-	-	-

DIAMOND BANK PLC

Notes to the Financial Statements

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
13. Investment Securities:				
Available for sale investments				
Debt securities – at fair value:				
– Treasury bills, government bonds and other bonds	19,971,346	17,379,826	6,545,616	3,458,348
Equity securities – at fair value:				
– Unlisted	5,746,726	5,688,720	5,659,342	5,659,342
Equity securities – at cost:				
– Unlisted	5,016,848	4,933,957	5,016,847	4,933,957
Specific impairment for unlisted equity securities at cost	(4,922,571)	(4,882,599)	(4,866,987)	(4,882,599)
Total securities available for sale	**25,812,349**	**23,119,904**	**12,354,818**	**9,169,048**
Held to maturity investments				
Debt securities – at amortised cost:				
– Listed	182,727,858	212,444,985	119,186,249	151,141,809
Total securities held-to-maturity	**182,727,858**	**212,444,985**	**119,186,249**	**151,141,809**
Total investment securities	**208,540,207**	**235,564,889**	**131,541,067**	**160,310,857**

14. Asset pledged as collateral

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Investments - Bonds	134,105,693	129,780,178	56,702,867	58,273,097
Investments - Treasury Bills	85,520,000	91,074,935	85,520,000	91,074,935
Placement with other banks	984,998	1,043,113	20,606,376	21,275,785
	220,610,691	**221,898,226**	**162,829,243**	**170,623,817**

15. Investment in subsidiaries

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Diamond Bank WAMU Zone (DBB) 97.07%	-	-	5,865,622	5,865,622
Diamond Pension Fund Custodian Limited (DPFC) 100%	-	-	2,000,000	2,000,000
Diamond Bank (UK) Plc	-	-	7,976,260	7,976,260
	-	**-**	**15,841,882**	**15,841,882**

16 Property and equipment

GROUP

(a) Reconciliation of carrying amount

In thousands of Naira	Work in progress	Leasehold land	Leasehold improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
Cost									
Balance at 1 January 2017	13,887,738	17,836,740	9,913,270	24,702,041	7,865,738	21,521,242	8,233,036	2,464,380	106,424,185
Additions	4,112,348	-	310,297	753,816	472,041	1,023,097	228,733	95,260	6,995,592
Reclassified from Intangible Assets	-	-	-	-	-	-	-	-	-
Reclassifications	(3,889,594)	1,503,296	(5,936)	960,884	4,319	288,075	12,055	8,724	(1,118,177)
Disposals	(9,988)	-	(107,636)	(106,197)	(489,912)	(77,699)	(9,707)	(31,397)	(832,536)
Write - offs	-	-	-	-	-	-	-	-	-
Exchange difference	97,674	-	464,082	62,887	138,657	35,027	233,539	74,921	1,106,787
Balance as at 30 June 2017	14,198,178	19,340,036	10,574,077	26,373,431	7,990,843	22,789,742	8,697,656	2,611,888	112,575,851
Accumulated depreciation									
Balance at 1 January 2017	-	739,618	5,937,751	5,581,654	5,380,833	13,381,267	6,438,126	1,818,799	39,278,048
Charge for the year	-	-	419,675	498,243	622,405	1,570,385	599,780	179,752	3,890,240
Reclassification	-	-	(3,535)	-	-	-	(495)	-	(4,030)
Disposals	-	-	(78,244)	-	(293,712)	(75,707)	(8,569)	(23,101)	(479,333)
Write-offs	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	227,555	2,916	74,778	24,258	169,956	5,485	504,948
Balance as at 30 June 2017	-	739,618	6,503,202	6,082,813	5,784,304	14,900,203	7,198,798	1,980,935	43,189,873
Net Balance as at 30 June 2017	**14,198,178**	**18,600,418**	**4,070,875**	**20,290,618**	**2,206,539**	**7,889,539**	**1,498,858**	**630,953**	**69,385,978**
Cost									
Balance at 1 January 2016	12,420,919	17,109,520	7,520,837	22,514,457	6,812,329	19,531,576	6,446,745	1,969,115	94,325,498
Additions	7,811,447	94,995	788,645	214,070	1,461,170	1,446,226	1,028,900	220,107	13,065,560
Reclassified from Intangible Assets	(881,768)	(168,063)	(17,335)	-	(229,617)	(53,032)	(71,541)	(8,890)	(1,430,246)
Reclassifications	(5,785,167)	733,627	(7,278)	2,131,892	30,906	1,165,178	165,674	118,908	(1,446,260)
Disposals	-	(10,996)	-	(227,660)	(695,460)	(705,222)	(124,197)	(98,977)	(1,862,512)
Write - offs	-	-	-	-	-	-	-	-	-
Exchange difference	325,008	160,939	1,600,707	-	481,184	137,362	721,577	249,628	3,676,405
Balance as at 31 December 2016	13,890,439	17,920,022	9,885,576	24,632,759	7,860,512	21,522,088	8,167,158	2,449,891	106,328,445
Accumulated depreciation									
Balance at 1 January 2016	-	740,478	4,543,214	4,732,672	4,525,199	11,200,264	4,788,576	1,399,014	31,929,417
Charge for the year	-	-	943,381	945,108	1,385,517	2,800,661	1,108,675	267,647	7,450,989
Reclassification	-	-	(32,772)	-	(205,828)	(48,047)	(64,858)	(8,495)	(360,000)
Disposals	-	(861)	(2,298)	(103,973)	(598,776)	(676,883)	(132,229)	(82,515)	(1,597,535)
Exchange differences	-	17,997	468,551	(41,052)	267,636	94,786	508,167	443,352	1,759,437
Balance at 31 December 2016	-	757,614	5,920,076	5,532,755	5,373,748	13,370,781	6,208,331	2,019,003	39,182,308
Net Book Value as at 31 December 2016	**13,890,439**	**17,162,408**	**3,965,500**	**19,100,004**	**2,486,764**	**8,151,307**	**1,958,827**	**430,888**	**67,146,137**

Property and equipment

BANK

(a) Reconciliation of carrying amount

In thousands of Naira	Work in progress	Leasehold land	Leasehold improvement	Building	Motor vehicles	Office equipment	Computer equipment	Furniture and fittings	Total
Cost									
Balance at 1 January 2017	12,931,865	17,836,740	4,280,663	24,265,567	6,152,679	21,080,158	5,230,975	1,547,378	93,326,025
Additions	2,755,812	-	17,628	87,807	270,670	1,003,446	147,083	39,701	4,322,147
Reclassified from Intangible Assets	-	-	-	-	-	-	-	-	-
Reclassifications	(2,935,902)	1,503,296	36,356	960,884	4,859	288,176	12,988	10,828	(118,515)
Disposals	-	-	(60,720)	-	(328,996)	(77,699)	(9,707)	(31,397)	(508,519)
Write - offs	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2017	12,751,775	19,340,036	4,273,927	25,314,258	6,099,212	22,294,081	5,381,339	1,566,510	97,021,138
Accumulated depreciation									
Balance at 1 January 2017	-	739,618	3,238,817	5,549,627	4,484,037	13,067,622	4,162,968	1,135,071	32,377,760
Charge for the year	-	-	112,439	492,516	443,864	1,546,564	395,250	94,622	3,085,255
Reclassification	-	-	-	-	-	-	-	-	-
Disposals	-	-	(60,719)	-	(200,782)	(75,707)	(8,569)	(23,101)	(368,878)
Write-offs	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2017	-	739,618	3,290,537	6,042,143	4,727,119	14,538,479	4,549,649	1,206,592	35,094,137
Net book value as at 30 June 2017	**12,751,775**	**18,600,418**	**983,390**	**19,272,115**	**1,372,093**	**7,755,602**	**831,690**	**359,918**	**61,927,001**
Cost									
Balance at 1 January 2016	11,734,264	17,109,521	4,199,772	22,159,865	5,849,877	19,223,871	4,706,220	1,410,102	86,393,492
Additions	6,147,037	4,590	52,890	201,470	967,354	1,393,019	459,960	116,507	9,342,827
Reclassified from Intangible Assets	(542,931)	-	28,001	-	-	(4,135)	-	-	(519,065)
Reclassifications	(4,406,504)	733,627	-	2,131,892	30,905	1,172,626	188,992	120,461	(28,001)
Disposals	-	(10,996)	-	(227,660)	(695,460)	(705,222)	(124,197)	(99,690)	(1,863,225)
Write - offs	-	-	-	-	-	-	-	-	-
Balance at 31 December 2016	12,931,866	17,836,742	4,280,663	24,265,567	6,152,676	21,080,159	5,230,975	1,547,380	93,326,028
Accumulated depreciation									
Balance at 1 January 2016	-	740,478	3,021,833	4,718,588	3,964,466	10,985,379	3,499,801	1,029,270	27,959,815
Charge for the year	-	-	216,985	935,014	1,118,335	2,759,613	780,073	187,257	5,997,277
Reclassification	-	-	-	-	-	(627)	-	-	(627)
Disposals	-	(861)	-	(103,974)	(598,763)	(676,744)	(116,906)	(81,455)	(1,578,703)
Balance at 31 December 2016	-	739,617	3,238,818	5,549,628	4,484,038	13,067,621	4,162,968	1,135,072	32,377,762
Net book value at 31 December 2016	**12,931,866**	**17,097,125**	**1,041,845**	**18,715,939**	**1,668,638**	**8,012,538**	**1,068,007**	**412,308**	**60,948,266**

DIAMOND BANK PLC
Notes to the Financial Statements

17. Other assets

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Prepayments and accounts receivable	128,747,714	77,133,427	105,608,780	51,250,042
Other receivables	581,730	1,825,153	116,911	1,456,768
	129,329,444	**78,958,580**	**105,725,691**	**52,706,810**
Less specific allowances for impairment	(979,184)	(2,812,110)	(939,938)	(2,778,193)
	128,350,260	**76,146,470**	**104,785,753**	**49,928,617**

18. Deposits from banks

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Items in the course of collection	9,531,703	7,730,577	7,474,655	6,362,690
Interbank takings	126,908,414	95,678,720	35,798,962	7,002,624
	136,440,117	**103,409,297**	**43,273,617**	**13,365,314**

**Deposit from banks only include financial instruments classified as liabilities at amortised cost.*

19. Deposits from customers

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Demand	697,214,604	726,140,935	538,355,791	587,117,867
Savings	447,697,908	499,763,987	381,623,945	404,284,897
Term	253,877,721	198,784,605	159,146,422	143,458,702
	1,398,790,233	**1,424,689,527**	**1,079,126,158**	**1,134,861,466**

20. Other Liabilities

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Customers deposit for letters of credit	32,876,302	28,369,272	20,669,249	19,016,113
Accounts payable	11,074,932	12,524,303	7,900,265	9,744,575
Accruals	8,618,339	6,906,903	4,370,053	4,046,958
Other current liabilities	20,394,675	12,462,680	14,773,964	7,459,449
	72,964,248	**60,263,158**	**47,713,531**	**40,267,095**

21. Borrowings

Long term borrowing comprise:

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
Foreign financial lístitutions	126,654,306	139,224,082	138,981,532	167,686,745
Local financial institutions	28,040,259	29,958,197	28,040,259	29,958,197
	154,694,565	**169,182,279**	**167,021,791**	**197,644,942**

22. Share capital

Ordinary shares

	GROUP 30 Jun. 2017 N'000	GROUP 31 Dec. 2016 N'000	BANK 30 Jun. 2017 N'000	BANK 31 Dec. 2016 N'000
i. *Authorised:* 30 billion ordinary shares of 50k each	20,000,000	15,000,000	20,000,000	15,000,000
ii. *Issued and fully paid :*				
Beginning and end of period 23,160,388,968 ordinary shares of 50k each	11,580,195	11,580,195	11,580,195	11,580,195

23. Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

Share premium: Premiums from the issue of shares are reported in share premium.

Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

Statutory reserve: Undistributable earnings required to be kept by the nations central bank in accordance with BOFIA Section 16(1). Appropriation of 15% of Profit After Tax is made.

Fair value reserve: The fair value reserve shows the effects from the fair value measurement of equity instruments elected to be presented in other comprehensive income on initial recognition after deduction of deferred taxes. No gains or losses are recognised in the consolidated income statement.

Foreign currency translation reserve: Records exchange movements on the Group's net investment in foreign subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management process

The Group's liquidity management process is primarily the responsibility of the Assets and Liabilities Commitee (ALCO).

Treasury is the executory arm of ALCO and its functions include:

- 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;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with financial control unit); and
- Managing the concentration and profile of debt maturities.

Funding approach

Sources of liquidity are regularly reviewed by Treasury to maintain a wide diversification by currency, geography, provider, product and term.

Management of liquidity risk

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses. Liquidity risk arises when the cushion provided by liquid assets is not sufficient to meet outstanding obligations. The Bank has liquidity and funding risk management process that ensures that all foreseeable funding commitments can be met when due and that access to wholesale market is coordinated and cost effective. Treasury Group manages liquidity on a daily basis while ALCO tracks and reviews the liquidity situation every 2 weeks.

- Ensure that an adequate liquidity cushion is maintained to meet all maturing obligations on an on-going basis.
- Control the Bank's dependence on high cost of funds by building an effective contingency funding plan.
- Set and comply with liquidity risk limits.
- Monitor the gap profile structure and the funding sources.
- Ensure a sufficient liquidity reserve of unencumbered liquid assets and the efficient usage of it.
- Ensure availability of timely information for liquidity management decisions.
- Ensure compliance with regulatory liquidity management and reporting requirements.

Liquidity Risk management processes

The Bank has methodology and procedures for the identification, assessment, measurement, monitoring, controlling and reporting of liquidity risks within the Bank. Diamond Bank adopts both qualitative and quantitative approaches to identify and measure liquidity risk, which include:

Funding and liquidity plan

Diamond bank developed and maintains a comprehensive, up-to-date, liquidity contingency plan. The contingency plan includes early warning indicators of potential funding problems, specific action plans to prepare for and manage funding problems, and appropriate monitoring provisions to ensure that prudent levels of contingent or standby liquidity are available at all times.

Ratio analysis (Indicators)

The bank uses liquidity ratios to indicate its ability to meet short term obligations with liquid assets, reveal mismatches between tenured funding sources and uses, review the ability of the Bank to fund loans through customer deposits and allow management to monitor changes in liquidity.

Liquidity Gap analysis

Liquidity gap analysis is used to monitor the current liquidity position of the Bank. It quantifies the cumulative gap in the Bank's business-as-usual environment. The gap for any given tenor bucket represents the borrowings from or placements to the markets required to replace maturing liabilities or assets. The underlying assumptions are documented and used consistently.

Concentration in sources and application of funds

The Bank monitors concentration in the sources and application of funds to ensure that the funding bases are stable and diversified. A well diversified funding base makes the Bank less vulnerable to adverse changes in the perception of a group of depositors/investors, whose actions or inactions could significantly affect the Bank.

Liquidity Ratios

Liquidity ratios are used to monitor changes in the Bank's liquidity in business environment. The ratios are designed to indicate the Bank’s ability to meet short-term obligations with liquid assets.

Liquidity risk monitoring

Trigger points in the form of targets and limits on liquidity positions are monitored and deviations from "normal" ranges of operation reported to management.Trigger points and early warning indicators are based on industry standards. The Bank's liquidity management policies and procedures highlight and escalate exceptions promptly.

Liquidity Risk Reporting

Liquidity risks are communicated to the applicable business units, Senior Management and the Board. The Market Risk Group maintains an independent liquidity risk reporting which effectively and consistently communicate liquidity risk information to ALCO for appropriate decision making.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Nigeria)

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows;

Group

	June 30, 2017	**December 31, 2016**
At the end of the period	38.59%	41.53%
Average for the period	45.11%	42.24%
Maximum for the period	51.27%	47.33%
Minimum for the period	38.59%	39.40%

Bank

	June 30, 2017	**December 31, 2016**
At the end of the period	35.91%	42.28%
Average for the period	42.23%	44.90%
Maximum for the period	47.70%	56.38%
Minimum for the period	34.62%	38.10%

Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

Management of market risk

Market risk is the risk that movements in market factors, including foreign exchange rates and interest rates, credit spreads and equity prices, will reduce the Bank's income or the value of its portfolios. Diamond Bank classifies its market risk into asset & liability management (ALM) risk, investment risk and trading risk.

The objectives of the Bank's market risk management are to protect the Bank's capital and earnings from fluctuations caused by currency rates and interest rate movements, manage and control market risk exposures in order to optimize return while complying with existing regulatory guidelines.

Market risk management process

The Bank has robust methodology and procedures for the identification, assessment, measurement, control, monitoring and reporting of market risks within the Bank's trading portfolio and the rest of the Bank's balance sheet. The Market Risk Management Group is responsible for measuring market risk exposures in accordance with the policies defined by the Board, monitoring and reporting the exposures against the prescribed limits.

Diamond Bank uses a range of tools which include:

Sensitivity analysis

Sensitivity analysis is used to determine the impact of changes in risk factors such as interest rates, foreign exchange rates, equity prices on the earnings or portfolio values. Market risk management compares the potential impact of changes in the risk factors on the Bank's net income and equity against the levels it deems necessary to maintain profitability, remain solvent and comply with banking regulations.

Value at risk (VaR)

VaR measures the worst expected loss the Bank can suffer on risk positions at a given confidence level over a given time interval under normal market condition. Diamond Bank calculates its VaR using market rates and prices with associated volatilities at a 99 percent confidence level and for a one-day holding period time band gives an indication of the Bank's interest rate risk exposure.

Interest rate gap analysis

The Bank manages the impact of interest rate changes within self-imposed parameters set after careful consideration of a range of possible rate environments and business scenarios. These parameters in combination define the Bank's market risk tolerance.

Limits are used to control the Bank's interest rate risk exposure within its risk tolerance. Risk limits are set by product and risk types. They are usually approved by ALCO and endorsed by the Board. Limits are set for position taken, value at risk, stop loss and profit take as well as counter party risks. The overall risk appetite of the Bank, size, complexity and capital adequacy of the Bank, profitability of business/product areas, complexity of products, liquidity of specific markets and volatility of markets are considered while setting the limits.

The market risk is managed by the market risk management function under the Risk management directorate. The monitoring includes establishment and monitoring of treasury limit, rendering market intelligent reports and mark to market valuation of the Bank's trading position.

Duration Gap analysis

Duration Gap Analysis compares the price sensitivity of the Bank's total assets with the price sensitivity of its total liabilities to assess whether the market value of assets or liabilities changes more when rates change. Diamond Bank uses duration gap (DGAP) for managing its value of equity, recognizing the timing of all cash flows for every security on the statement of financial position.

Economic Value of Equity (EVE) sensitivity analysis

Economic Value of Equity sensitivity analysis indicates how much the Bank's economic value of equity will change in different rates environments. The Bank's exposure to changes in net economic value of equity is evaluated for six alternative interest rate shock scenarios and monitored.

Monitoring exposure limits and triggers

The Bank manages the impact of changes in market factors – equity prices, interest rates and currency rates within self-imposed limits and triggers set after careful consideration of a range of possible rate environments and business scenarios. These limits are used to control the Bank's market risk exposures within its risk tolerance.

Risk Reporting

Market Risk Management Group ensures that the Bank maintains an accurate risk reporting framework that effectively and consistently communicates market risk information across the Bank. Market Risk Management uses independently sourced data to generate reports, which provides the Board and Senior management with clear, concise and timely recommendations and supporting information needed to make decisions.

Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs), This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

[Further description of the valuation technique and models used in the fair value measurement of financial assets within the Level 2 and Level 3 fair value heirachy and if there has been any change in the valuation techniques according to IFRS 13.93(d).]

The table below analysis financial instruments measured at fair value at the end of each reporting period, by the level in the fair value hierachy into which the fair value measurement is categorised:

Group
In thousands of Naira

June 30, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	-	-	-
Financial assets held for trading				
- Debt securities	12,361,079	-	-	12,361,079
Available for sale financial assets				
- Investment securities - debt	9,393,865	-	-	9,393,865
- Investment securities - unlisted equities	-	5,746,726	-	5,746,726
Assets pledged as collateral	-	-	-	-
Total assets	**21,754,944**	**5,746,726**	**-**	**27,501,669**
Financial liabilities				
Derivative liability	-	201,742	-	201,742
Total liabilities	**-**	**201,742**	**-**	**201,742**

Bank
In thousands of Naira

June 30, 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	-	-	-
Financial assets held for trading				
- Debt securities	12,361,079	-	-	12,361,079
Available for sale financial assets				-
- Investment securities - debt	6,545,616	-	-	6,545,616
- Investment securities - listed	-	5,659,342	-	5,659,342
- Debt securities	-	-	-	-
- Investment securities - unlisted equities	-	-	-	-
Assets pledged as collateral	-	-	-	-
Total assets	**18,906,695**	**5,659,342**	**-**	**24,566,037**
Financial liabilities				
Derivative liability	-	200,609	-	200,609
Total liabilities	**-**	**200,609**	**-**	**200,609**