

CONTENTS

Corporate Profile	2
Notice of Annual General Meeting	3
Operating Result	4
Directors, Officers and Professional Advisers	5
Chairman's Statement	6 - 9
Managing Director's Report	10 - 11
Key Performance Indicators	12 - 14
Corporate Governance Report	15 - 17
Board of Directors	18 - 19
Directors' Report	20 - 23
Statement of Directors Responsibilities in relation to the Financial Statements	24
Report of the Audit Committee	25
Report of the External Consultants on the Board appraisal of Sterling Bank Plc	26
Independent Auditors' Report	28
Statement of Significant Accounting Policies	29 - 41
Consolidated Profit and Loss Accounts	42
Consolidated Balance Sheets	43
Statements of Cash Flow	44
Notes to the Consolidated Financial Statements	45 - 109
Group Value Added Statements	110
Bank Value Added Statements	111
Group Five-year Financial Summaries	112 - 113
Bank Five-year Financial Summaries	114 - 115
Share Capital History	116
Senior Executives	119
Subsidiaries and Affiliates	120
Branch Network	121 - 122
Proxy Form/Admission Card	123

CORPORATE PROFILE

Sterling Bank Plc, a full-service financial institution, is a product of the merger of five banks, which created a multi-competent organization with complementary range of services. The banks include NAL Bank, Magnum Trust Bank, NBM Bank, Trust Bank of Africa and Indo-Nigeria Bank (INMB). The bank has emerged a financial supermarket offering wide range of banking services with footprint in major cities in the country. Sterling Bank Plc has over 100 branches and serves a vibrant community of customers and clients in the corporate, retail and consumer banking space.

The bank's subsidiaries and affiliate companies are strategically positioned to leverage unique opportunities within the financial services market of Nigeria and to complement the effort of the bank in its innovative service offerings. The subsisting subsidiaries and affiliate companies are as listed below:

Subsidiaries	Business
Sterling Capital Markets Ltd	Investment Banking
Sterling Asset Management & Trustees Ltd	Asset Management and Trustees Services
SBG Insurance Brokers Ltd	Insurance Brokers
Sterling Registrars Ltd	Corporate Registrar Services

Affiliates	Business
Crusader Sterling Pensions Ltd	Pension Funds Administration
Nigerian Stockbrokers Ltd	Broker Dealer and Portfolio Management Services
■ Sterling Bank enjoys an international affiliation with the State Bank of India, which is a significant shareholder of the Bank, and a virile correspondent banking relationships with a number of reputable local and international banks.	
■	
■	
■	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 49th Annual General Meeting of Sterling Bank Plc will be held at Golden Gate Complex, 25B, Glover Road, Ikoyi, Lagos on Tuesday, the 31st day of May, 2011 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the period ended 31st December, 2010, together with the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To elect/ re-elect Directors.
3. To approve the remuneration of the Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To elect members of the Audit Committee.

SPECIAL BUSINESS

To consider and if thought fit to pass the following as a Special Resolution:

6. "That pursuant to the Articles of Association of the Company, Messrs Ernst & Young be appointed as Auditors of the Company in place of Messrs KPMG Professional Services who have indicated that they will not continue in office as Auditors having served the mandatory ten (10) years stipulated by the Central Bank of Nigeria Guidelines"

NOTES

1. PROXY

A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, the Proxy form must be duly stamped at the Stamp Duties office and returned to the Registrar, Sterling Registrars Limited, Akuro House (8th floor), 24 Campbell Street, Lagos not less than 48 hours prior to the time of the meeting.

2. AUDIT COMMITTEE

The Audit Committee consists of three Shareholders and three Directors. In accordance with section 359(5) of the Companies and Allied Matters Act 1990, any shareholder may nominate a shareholder for appointment to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty-one (21) days before the Annual General Meeting.



The Central Bank of Nigeria in its Code of Corporate Governance for banks stipulates that members of the Audit Committee should be knowledgeable in internal control processes.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'J Lewa'.

Justina Lewa
Company Secretary
20 Marina
Lagos

Dated this 28th day of April, 2011

OPERATING RESULT

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

	Group Dec 2010 N'000	Group Dec 2009 N'000	Bank Dec 2010 N'000	Bank Dec 2009 N'000
Gross Earnings	34,341,616	46,717,490	30,386,957	43,464,716
Profit/(Loss) before taxation	4,954,843	(11,632,428)	3,688,251	(9,072,908)
Taxation	89,700	2,612,826	490,242	2,412,502
Profit after taxation	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Non-controlling interest	-	-	-	-
Profit/(Loss) attributable to Equity holders	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Transfer to statutory reserve	-	-	-	-
Transfer to general reserve	5,044,543	(9,019,602)	4,178,493	(6,660,406)
	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Total non-performing loan	12,888,439	22,842,806	11,639,975	22,289,082
Total non-performing loan as % of gross loan	12%	24%	11%	23%
Earnings per share (kobo) - Basic	40k	(72)k	33k	(53)k

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Alhaji (Dr.) S.A Adegunwa, OFR Mr. Yemi Adeola Mr. Rajiv Pal Singh (Indian) Captain Harrison Kuti Alhaji Bashir M. Borodo, MFR Mr. Yemi Idowu Mr. Yinka Adeola Mr. Rasheed Kolarinwa Mr. Musibau Fashanu Mr. Lanre Adesanya Mallam Garba Imam Mr. Devendra Puri (Indian)	Chairman Group Managing Director/CEO Director Director Director Director Director Independent Director Independent Director Executive Director Executive Director Executive Director
COMPANY SECRETARY:	Justina Lewa	
REGISTERED OFFICE:	20, Marina, Lagos Tel: 2690380-8	
REGISTRATION NUMBER:	2392	
AUDITORS:	Ernst & Young 2A, Bayo Kuku Road Ikoyi Lagos	
REGISTRARS:	Sterling Registrars Limited Akuro House (8th floor) 24, Campbell Street Lagos.	
FINANCIAL ADVISERS:	Sterling Capital Markets Limited Block 12, Plot 1B, Frajend Close Osborne Foreshore Estate Ikoyi, Lagos	
STOCKBROKERS:	Nigerian Stockbrokers Limited Akuro House (8th Floor) 24, Campbell Street Lagos	

CHAIRMAN'S STATEMENT

My Fellow Shareholders,

It is with great pleasure that I welcome you to the 49th Annual General Meeting (AGM) of our Bank to present the performance for the financial year ended December 31st 2010.

Permit me to begin with a summary update on the progress we made towards implementing the strategic growth plan outlined in the 2009 annual report. After this, I will discuss the broad economic environment at international and domestic levels, outlining key factors that influenced our business over the period. You will recall that in last year's report, I had listed six main points that would drive our efforts to place Sterling Bank on a firmer footing in 2010.

First, I had assured you of our commitment to strengthen the Bank's core capital position through an injection of capital. I am glad to inform you that the Bank continues to explore options of doing this to support the accretion from our operations in 2010. Second, I had cited the need to improve the efficiency of the Bank's capital structure by raising long-term debt. On this score, we have received strong interest from first class institutions willing to take up the Bank's securities at an attractive rate. Third, I spoke of our intention to increase Sterling Bank's current market share for loan assets through a significant growth in the corporate loan book. We have achieved remarkable progress in this respect across target sectors. Fourth, I stressed our desire to strengthen risk management within the Bank to improve credit quality and an accurate understanding of all the Bank's exposures. During the year, we continued a process we had begun in 2009 of automating hitherto manual processes, improving risk governance and developing staff skills through training. Fifth, I had stated our desire to recover troubled loans and clean up our balance sheet. We have made appreciable progress on these with our own internal debt recovery actions and the sale of distressed risk assets to the Asset Management Corporation of Nigeria (AMCON). Finally, I spoke of our determination to improve the efficiency of our operations by adopting specific strategic cost management initiatives. I am pleased to announce that we are making good progress on that front as attested to by our current year performance.

Next, I will discuss the economic conditions that served as a backdrop for our operating performance to provide the necessary context for the period's remarkable achievements.

Global Economy

Global economic recovery was driven by recovery in Asia, Latin America, the Middle East and Africa. Due to the size of their financial sectors and the extent of damage suffered as a result of 2007/2008 crisis, European and North American economies recorded significantly lower output growth over the period. Unemployment



continued to present a clear challenge in developed markets, reaching a high of 8.3% during the year, compared to 5.8% in 2008.

According to statistics published by the International Monetary Fund, the global economy grew by 4.6% in 2010. In the main, emerging and frontier economies were the engines for growth, fuelled mostly by domestic demand. For instance, sub-Saharan Africa witnessed a near full recovery with growth reaching 5.8% in 2010, after a low of 2.9% in 2009, for a near return to 2008 levels of 6%.

International banking reforms championed by central bankers, local and transnational regulators were another focal point of attention in 2010. The Basel Committee on Banking Supervision released a new set of requirements, known as the Basel III Accord, which raises the Tier 1 capital requirements for banks, sets a higher benchmark for acceptable liquidity and new thresholds for leverage.

Domestic Economy

Muted growth among its advanced economy trading partners impacted the Nigerian economy which grew by 7.85% in 2010. As expected, the drivers of domestic economic activity were Agriculture and Oil & Gas exports, driven largely by increased output and improved prices. Broad money supply increased at a significantly slower rate in 2010 compared with 2009 as aggregate credit to the domestic economy rose by 6.1% compared to 59.6% in the prior year. Some progress was recorded in curbing inflation, which fell from 13.9% to 11.8% during the year. In a bid to improve the accuracy of domestic price movement tracking, the National Bureau of Statistics changed the base date for the computation of the inflation rate from May 2003 to November 2009.

Spot and forward prices for Bonny Light, the country's high grade crude oil, reached US\$90, a level not witnessed since 2008. In spite of higher oil earnings, the country's foreign reserves dropped 24% to US\$32.38 billion. As at year-end, the official exchange rate stood at N149/\$1, which was within the (+/-)3% volatility band set by the CBN. In recognition of the need to establish clear processes in the operation of the country's Excess Crude Account, the Ministry of Finance proposed the creation of a Sovereign Wealth Fund to address institutional gaps in its disbursement among the three tiers of government.

On the international front, a major milestone for the country was the conclusion of arrangements to launch a US\$500 million Eurobond issue with a 10-year tenor. The bond was highly anticipated by local private companies seeking to tap international debt markets on the basis of a transparent benchmark yield.

For 2010, the Federal Government proposed a budget of N4.07 trillion, a reduction of N0.98 trillion from the previous year's budget, with recurrent expenditure at N2.01 trillion (50%) and capital expenditure at 1.37 trillion (34%). The lower allocation to new spending on capital projects sparked policy debates on the government's commitment to addressing the gaps in this crucial area. The budget was predicated on the following key assumptions: benchmark oil price of \$57 per barrel (later raised to \$67); crude oil production of 2.35 million barrels per day; projected GDP growth of 6.1%; and exchange rate of N150/\$1.

The domestic capital market performed well with the All Share Index closing the year at 24,770.52 points, rising 18.9% from the 20,827.20 level recorded at the end of 2009.

Similarly, market capitalization closed the year at N7.914 trillion, 58% higher than the N4.989 trillion recorded in the previous year. The Building & Construction sector recorded the highest appreciation (44.98%) for the year owing to the listing of Dangote Cement, which is now weighted at over 28% of total market capitalization. The positive growth in the equities market may be attributed to increased confidence as a result of the takeoff of AMCON, the various reforms introduced by the new leadership of the Securities & Exchange Commission, and strong earnings performance by a majority of the listed companies on the Nigerian Stock Exchange.

On the political scene, the unfortunate demise of President Umaru Yar'Adua led to the appointment of Goodluck Jonathan, his vice-president, as the country's substantive President after acting in the same capacity for a few months. While there were a number of security flashpoints across Nigeria during the year, including socio-religious outbreak of ethnic violence in Jos, bomb blasts and politically motivated crimes, these were on a smaller scale when compared to previous years. Furthermore, the preparedness of law enforcement agents to restore normalcy and security in affected areas has boosted the confidence of citizens. Together with the success of the Niger Delta amnesty program, foreign investors' faith in the country's political stability has returned.

CHAIRMAN'S STATEMENT CONT'D

FINANCIAL INDUSTRY

Considerable progress was made towards stabilizing the Nigerian financial industry. Notably, the incorporation of AMCON and its subsequent purchase of the distressed loans of banks, valued at over N1.2 trillion in December 2010 served as a fillip to market confidence. The asset management company was established to purchase toxic assets from banks, including margin and non-margin loans.

Also during the year, the CBN launched a number of highly commended policy initiatives to boost vital sectors of the real economy through the establishment of various intervention funds. Beneficiary sectors include agriculture, textiles, manufacturing, power, aviation and medium and small scale industries.

The table below gives a snapshot of major reforms undertaken in the banking sector in 2010:

Date	Key Policies Implemented
Jan '10	Extension of interbank guarantee till December 31, 2010 Introduction of 10-year tenure limit for bank CEOs
Feb '10	Unveiling of 4-pillar banking sector reform agenda
Mar '10	Review of Universal Banking Model Signing of a knowledge sharing memorandum of understanding with Malaysian Central Bank
Apr '10	Granting of liquidity status to bonds issued by State Governments Requirement for banks to establish data sharing agreements with at least 2 credit bureaus
May '10	Extension of inter-bank guarantee till June 30, 2011 Review of Prudential Guidelines for deposit money banks Issuance of new guidelines for Margin Trading
July '10	Signing of AMCON Bill by the President Introduction of 10-year tenure limit for banks' auditors
Sept '10	Approval of the Revised Banking Model (cessation of Universal Banking) CBN signals desire to tighten Monetary Policy and focus on inflation
Nov '10	AMCON commences operations

In other areas within the financial industry, the National Pension Commission (PENCOM) issued a new set of regulations to guide the investment of pension fund assets. Essentially, the new guidelines provide greater latitude in the selection criteria for allowable instruments in pension funds' assets under management.

Finally, the Securities & Exchange Commission (SEC) introduced a new Code of Corporate Governance for publicly listed entities with a view to improving the standards of transparency, accountability and shareholder responsibility. The SEC further proposed new capital requirements for stock broking firms and issuing houses. Under the new

capital requirement proposals, stockbrokers are required to have a minimum capital of N1billion, up from N70million, while the minimum capital requirement for issuing houses will be raised from N150million to N2billion.

Operating Performance Highlights

It is with great pleasure that I inform you that your bank returned impressive profits in 2010 as after-tax profits rose to N5.04 billion, in contrast to a loss of N7.22 billion in the prior year. This translated to an enviable RoAE of 21%, one of the best in the Industry.

Future Outlook

Global Economy

Our expectations for global growth in 2011 are cautiously optimistic. We anticipate that any gains will continue to be highly dependent on government-initiated stimuli such as higher spending, low interest rates and stabilization packages and not private sector driven. Across regions, the prognosis is for the current divergence in recovery rates to persist with emerging and frontier markets expected to display stronger, more sustained growth than developed nations. This will be underpinned by a rise in domestic consumer demand, resurgent capital inflows, favourable terms-of-trade for commodity exporters, and hopefully better economic management. However, growth in these regions may yet engender such risks as inflation.

Nigerian Economy

The outlook for Nigeria in 2011 is projected to be generally positive in view of the sustained improvement in the international oil market, with benchmark price of US\$75, and expansion of the nation's non-oil sector, especially agriculture, building and construction, wholesale & retail trade, real estate, telecoms

and the full recovery of banks. It is expected that the rise in foreign capital inflows into emerging and frontier markets will benefit Nigeria as the country becomes an increasingly important part of most regionally focused fund managers' portfolios. The inflation rate however remains prone to upside risks particularly in view of higher government spending towards the 2011 general elections, food price pressures and fiscal injections related to AMCON's operations. Risks stemming from internal disturbances could pose a threat pending the conclusion of the 2011 general elections. The equities market is expected to maintain its positive performance, in view of noticeable improvements in investor confidence especially in bank stocks and new issues for fresh and seasoned listings.

Regarding the banking sector, banks are likely to increase lending activity as asset quality and liquidity concerns reduce. Sweeping regulatory reforms introduced in 2010 are expected to entrench stronger risk management practices in banks and promote more robust corporate governance frameworks. Mergers and acquisitions within the sector will be heightened in the post-election period, as a fresh consolidation wave gathers.

In response to the regulations repealing the universal banking regime, and sequel to your resolution at the Extra-Ordinary General Meeting held on February 2nd 2011, your Bank has applied for a National Commercial Banking License in order to achieve compliance with CBN requirements. The Board is confident that the Bank has all the necessary resources to enable it compete effectively under the emerging dispensation.

BOARD CHANGES

I am pleased to welcome on your behalf Mr. Rasheed A. Kolarinwa and Mr. Musibau A. Fashanu who have both joined the board as independent directors. Both gentlemen bring with them distinguished banking backgrounds and a record of success across their previous sectors of engagement. Also, Mr. Rajiv Pal Singh was appointed a Director following our last Annual General Meeting, to replace Mr. Abhay Kumar Singh. During the past year, we welcomed a new executive director, Mr. Devendra Nath Puri, who replaced Mr. T. P. Nageswara Rao. On your behalf, I welcome all the new directors to the board and wish them a successful tenure.

In accordance with the Company's Articles of Association, Alhaji Bashir M. Borodo, MFR and Mr. Yemi Idowu retire by rotation and being eligible, offer themselves for re-election.

APPRECIATION

I take this opportunity to thank the management and staff for their commitment and sacrifice. I would also like to thank my colleagues on the board of directors without whose support the achievements of the past twelve months would not have been possible. I believe that we have largely succeeded in addressing the difficulties that the Bank and indeed the entire sector faced in 2009. Our financial performance of 2010 supports this view. I am extremely grateful to our customers for the loyalty that they have shown to the institution. These savers, entrepreneurs and businesses have reinforced our stated commitment of putting the needs of our clients first in all our engagements.

To all my fellow shareholders, I would like to emphasize how far we have come in turning

the bend and reaffirm our commitment to building a profitable institution that assures you a sustainable stream of income well into the future.

Finally, I would like to use this opportunity to express my appreciation to our various regulatory authorities including the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), The Nigerian Stock Exchange (NSE) and the Securities & Exchange Commission (SEC) for their support.

I thank you for your attention.



Alhaji (Dr) S.A. Adegunwa, OFR
Chairman

MANAGING DIRECTOR'S REPORT

Distinguished Shareholders,

It gives me great pleasure to address you on this wonderful occasion, the 49th Annual General Meeting of our Bank. As always, this forum affords me the opportunity to address you directly on our activities over the past year and our plans for the current one. As you are aware, 2010 was bound to be a challenging year for the domestic banking sector coming on the heels of the significant capital losses of 2009 and the stabilization measures introduced by the CBN. Added to this, was the difficult global macro-economic environment that emerged as the various government sponsored economic stimulus programs were unwound with concerns turning to stimulating weak consumer demand. Despite these challenges, the banking sector continued on its path to recovery, propelled by a number of regulator-led initiatives. Rather unfortunately, overall business confidence remained low with private sector loan growth only picking up marginally in the third quarter but this dropped again in the final quarter of the year as a result of the purchase by the Asset Management Corporation of Nigeria (AMCON) of the first tranche of bad loan assets across the sector.

Despite this challenging environment, we were able to improve key performance metrics in 2010 compared with the previous year. Our capital position grew through an improvement in operating

performance, strong earnings, improved asset quality and strengthened institutional liquidity. The Bank's performance measured by Return on Average Equity (RoAE) remains one of the best in the sector, serving as a testament to the commitment of our staff and the support we have enjoyed from our customers.

In 2010, we initiated a number of specific measures to increase the Bank's market share, improve operating efficiency, enhance deposit generation, lower funding costs, and strengthen our capital position. I am pleased to report that we have made reasonable progress on all fronts and have already attained our set targets for others.

Financial Highlights for 12-Month Period ended December 31, 2010

Income Statement

- Gross earnings declined 8% to N34.3 billion from N37.4 billion in 2009 (annualized) as a result of the low interest rate regime that obtained for the greater part of the year
- Funding costs declined 33% to N11.1 billion from N16.5 billion in 2009 (annualized) feeding through a 32% improvement in Net Interest Margins
- Operating expenses reduced by 11% to N15.8 billion from N17.7 billion in 2009 (annualized) reflecting progress in the Bank's cost discipline and efficiency programs introduced in 2009
- Profit after Tax rose to N5.0 billion from the previous year's net loss of N(7.2) billion (annualized)

Balance Sheet

- Total Assets grew 25% to N277.1 billion from N221.3 billion, spurred by slightly improved economic conditions
- Deposits grew 26% to N203.1 billion from N161.3 billion in 2009 reflecting slight market share gains
- Net Loans & Advances (including Advances under Finance Lease) grew 25% to N103.8 billion from N82.9 billion in 2009
- Non-performing loans reduced by 44% from N22.8 billion in 2009 to N12.9 billion resulting from progress in loan recovery and the transfer of delinquent assets to AMCON

Human Capital

As at the end of 2010, the Bank had 1,558 full-time staff under its employment, with 36 new hires and 26 departures. Our ability to attract and retain the highest quality talent available in the industry demonstrates the appeal of Sterling Bank Plc as an employer of choice across all professional cadres. As an organization, we measure employee satisfaction through the conduct of periodic employee satisfaction surveys. I am pleased to report that this pulse check has consistently revealed satisfactory levels of professional fulfillment across all ranks. Our commitment to training the next rung of leaders served as the inspiration for starting the Sterling Bank Mentoring Program in 2010. The program was conceived and developed to strengthen succession planning and build managerial capacity amongst middle-level managers. The overall feedback to date has been quite positive.

MANAGING DIRECTOR'S REPORT CONT'D

Strategic Growth Plan

Sterling Bank's business fundamentals provide reassurance on the validity of our business model and execution capabilities on the strategy, albeit tempered by exogenous factors including low interest rates and lower asset yields. Refining our strategy and strengthening our capital position through the infusion of long-term debt were also major items on our management agenda in 2010. Leveraging that improved capital position as a basis for supporting institutional profitability is a key priority for our management team in the coming months and we expect to see the payoff in 2011.

To achieve these goals, the Bank has set four inter-related targets for 2011 in furtherance of our drive for excellence: to grow profits with a disciplined balance sheet; to improve cost efficiency without neglecting sound investment in people and assets; to strengthen the Bank's operational and credit risk framework; and to provide a competitive return on equity for shareholders.

Executing our strategy, despite the setbacks we experienced in 2009, has demanded commitments from all stakeholders and we are sincerely grateful to our shareholders for your unwavering faith.

On behalf of our management team, I wish to express our appreciation for your steadfast loyalty and faith in Sterling Bank, the "One Customer" Bank.

I thank you for your kind attention.

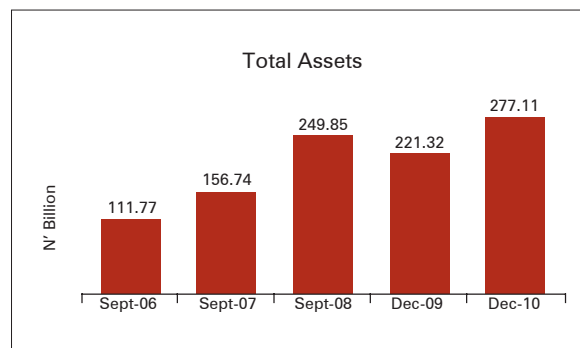


Yemi Adeola
Group Managing Director/Chief Executive Officer

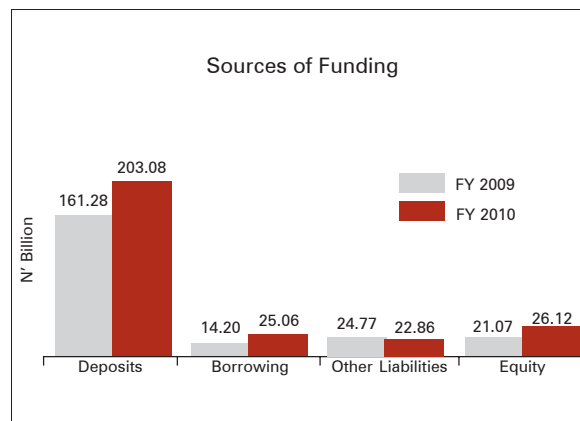


KEY PERFORMANCE INDICATORS

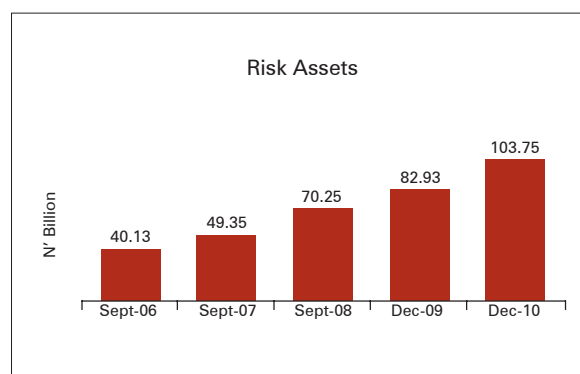
The Group operated a liquid, flexible balance sheet structured to adapt swiftly to changing operating conditions. Total assets grew at a compound annual growth rate of 20% (CAGR: 2006-2010). In 2010 alone, total assets grew 25% against 11% decline in 2009. The growth in 2010 reflected a gradual improvement in economic conditions given that the banking sector was still recovering from the difficult operating conditions of 2009.



We achieved a diversified funding base with deposits as the major funding source. Deposits were used to fund 73% of total assets in 2010 (2009: 73%). To keep funding costs low, deposit mobilization was skewed in favour of stable low cost deposits. Equity and long-term borrowings (representing facilities from Citibank International and Bank of Industry) funded 9% of total assets respectively.

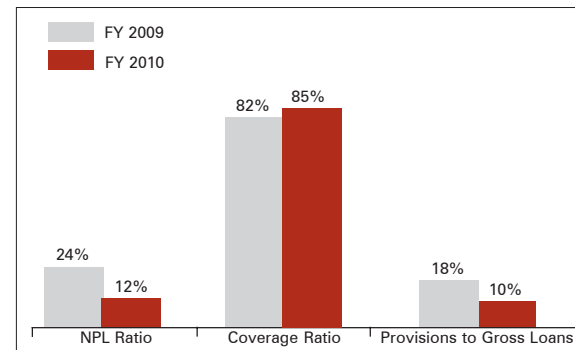


Risk assets grew at a compound annual growth rate of 21% (CAGR: 2006-2010). In 2010, net loans & advances (including advances under finance lease) increased 25% to N103.8 billion against 18% growth recorded in 2009, while gross loans increased 13% to N114.8 billion (2009: N101.3 billion). The growth reflected the gradual return of risk appetite limited, however by fewer lending opportunities. We had a well diversified loan book with focus on the oil & gas and real estate & construction sectors.

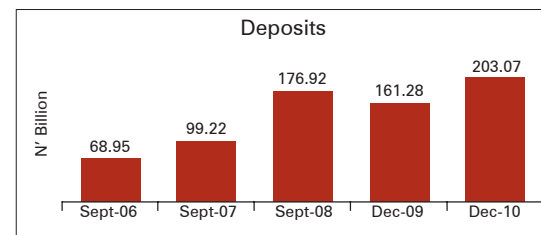


KEY PERFORMANCE INDICATORS CONT'D

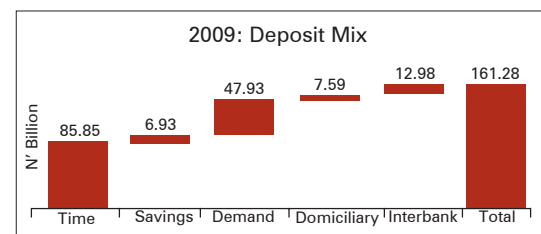
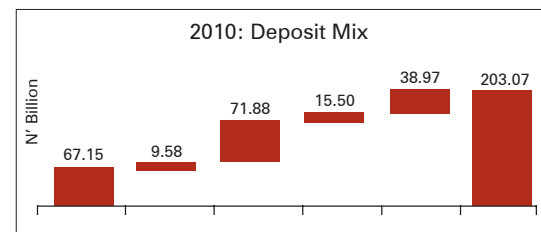
The Group also recorded significant improvement in asset quality. Non-performing loan (NPL) ratio, was halved in 2010 to 12%. This was driven by 44% reduction in NPLs resulting from loan recovery efforts and sale of bad loans to Asset Management Corporation of Nigeria (AMCON). We expect to achieve <5% NPL ratio by end of 2011. Coverage ratio also improved from 82% in 2009 to 85% in 2010, while provisions to gross loans stood at 10%.



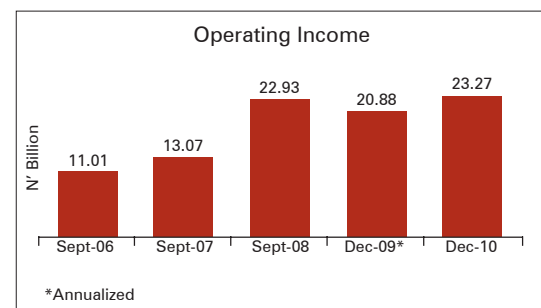
Deposits increased at a compound annual growth rate of 24% (CAGR: 2006-2010). While in 2009 it declined by 9% to N161.28 billion, it rose 26% to N203.07 billion in 2010. The decline in 2009 was a reflection of Management's focus on balance sheet efficiency given the challenging lending environment.



Deposit mix improved significantly in favour of stable low cost deposits. Demand deposits increased by 50% to N71.9 billion, domiciliary account balances doubled at N15.5 billion, while savings deposits grew 38% to N9.6 billion. Overall, low cost deposits accounted for 48% of total deposits (2009: 39%). The improvement in deposit mix coupled with the low interest rate regime that obtained for the greater part of the year had a positive impact on funding costs, which declined 33% to N11.1 billion resulting in an improvement in net interest margins.

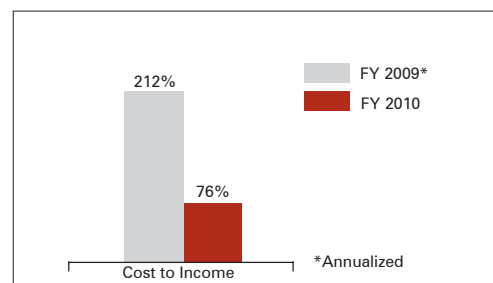
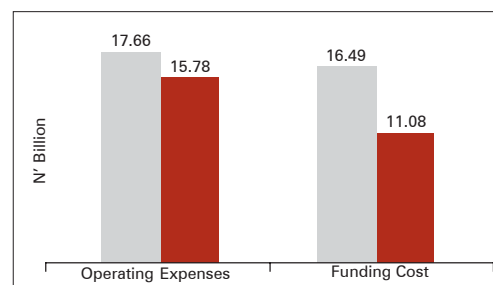


Earnings potential was constrained during the year due to the low interest rate regime and fewer profitable outlets to invest excess liquidity. Despite the 8% decline in gross earnings, operating income rose by 11% to N23.3 billion against 9% decline in 2009. The compound annual growth rate stood at 16% (CAGR: 2006-2010). The growth in operating income was driven by the improvement in net interest margins (NIM), which rose to 56% from 39% achieved in 2009.

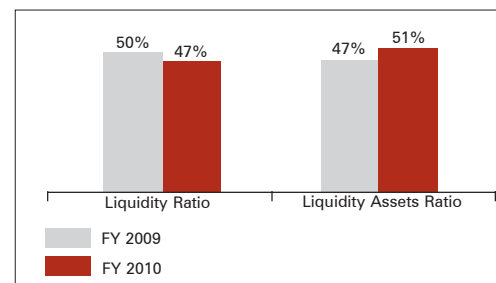


KEY PERFORMANCE INDICATORS CONT'D

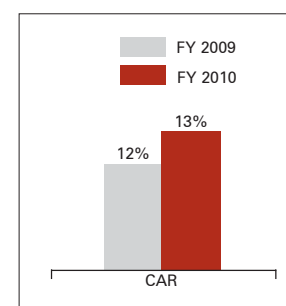
The Group also recorded significant improvements on key efficiency measures. Cost-to-income (including allowances for risk assets) improved from 212% of operating income in 2009 to 76% on the back of lower provisioning and reduction in operating expenses. Our goal for 2011 is to achieve a cost-to-income ratio of 65%. Operating expenses declined 11% from N17.7 billion in 2009 (annualized) to N15.8 billion evidencing progress in cost discipline and efficiency programs introduced in 2009 such as process automation.



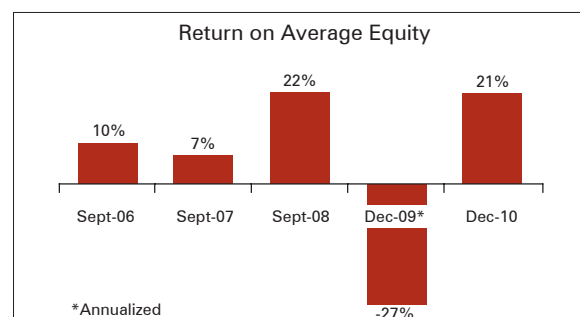
We maintained strong liquidity and capital positions above regulatory minimum requirements. Liquidity ratio was 47% (1,700 basis points above the regulatory benchmark of 30%). Liquid assets constituted 51% of total assets with treasury bills (TBs) and bonds as the major components (77%). Sterling Bank has remained a net placer of funds in the interbank market.



Capital adequacy ratio was 300 basis points above the regulatory benchmark of 10%, while the growth in capital was driven by profit accretion. Having reached the internally defined capital adequacy trigger, Sterling Bank has commenced the process for introducing a tier 2 capital instrument to strengthen its capital position while also pursuing various options to strengthen tier 1 capital. We are confident that these initiatives will bear fruits in the current financial year.



Our goal for the year was to achieve 20% return on average equity (ROAE). We are pleased to note that this target was exceeded by 100 basis points. Our goal for 2011 is to ensure that this competitive ROAE level is maintained.



CORPORATE GOVERNANCE

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

Board Composition and Committee

Board Credit Committee

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

			Attendance	No. of Meetings
1.	Captain Harrison Kuti	Ag. Chairman	4	4
2.	Mr. Yemi Idowu	Member	1	4
3.	Mr. Yinka Adeola	Member	4	4
4.	Mr Yemi Adeola	Member	4	4
5.	Mr. T.P.N. Rao	Member	1	4
6.	Mr. Devendra Nath Puri	Member	3	4
7.	Mr. Lanre Adesanya	Member	3	4
8.	Malam Garba Imam	Member	3	4

Board Finance and General Purpose Committee

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

			Attendance	No. of Meetings
1.	Captain Harrison Kuti	Chairman	4	4
2.	Alhaji Bashir M. Borodo, MFR	Member	4	4
3.	Mr. Yemi Adeola	Member	4	4
4.	Mr T.P.N. Rao	Member	1	4
5.	Mr. Devendra Nath Puri	Member	3	4

Board Establishment Committee

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

			Attendance	No. of Meetings
1.	Alhaji Bashir M. Borodo, MFR	Chairman	3	3
2.	Captain Harrison Kuti	Member	3	3
3.	Mr. Yemi Adeola	Member	3	3
4.	Mr. Lanre Adesanya	Member	3	3

Board Risk Management Committee

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

			Attendance	No. of Meetings
1.	Mr. Yemi Idowu	Chairman	3	3
2.	Mr. Yinka Adeola	Member	3	3
3.	Mr. Yemi Adeola	Member	3	3
4.	Mallam Garba Imam	Member	2	3
5.	Mr. T.P.N Rao	Member	1	3
6.	Mr. Devendra Nath Puri	Member	2	3

CORPORATE GOVERNANCE CONT'D

Audit Committee

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

		Attendance	No. of Meetings	
1.	Alhaji Mustapha Jinadu	Chairman	5	5
2.	Mr. Idongesit Udoh	Member	3	5
3.	Ms. Christie Vincent	Member	3	5
4.	Captain Harrison Kuti	Member	5	5
5.	Mr. Yemi Idowu	Member	3	5
6.	Alhaji Bashir M. Borodo, MFR	Member	5	5

Board Meetings

Attendance at Board meetings for the year ended 31 December 2010

Director

	Attendance	No of Meetings
Alhaji (Dr) S. A. Adegunwa, OFR	5	5
Mr Yemi Adeola	5	5
Mr. Rajiv Pal Singh (Appointed 16/06/10)	0	5
Mr. Yemi Idowu	3	5
Captain Harrison Kuti	5	5
Alhaji Bashir M. Borodo, MFR	5	5
Mr. Yinka Adeola	5	5
Mr Lanre Adesanya	5	5
Mallam Garba Imam	5	5
Mr. T.P.N. Rao (Resigned 16/06/10)	2	5
Mr. Devendra Puri	4	5
Mr. Rasheed Kolarinwa (Appointed 16/06/10)	0	5
Mr. Musibau Fashanu (Appointed 16/06/10)	1	5

Management Committees

1. Executive Committee (EXCO)

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

2. Assets and Liability Committee (ALCO)

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

3. Management Credit Committee (MCC)

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

4. Management Performance Review Committee (MPR)

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

5. Criticised Assets Committee (CAC)

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

6. Computer Steering Committee (CSC)

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

7. Management Risk Committee (MRC)

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

Succession Planning

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

The policy identifies 298 critical positions in respect of which there is a formal succession plan.

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

Code of Ethics

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

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

Whistle Blowing Process

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

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

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

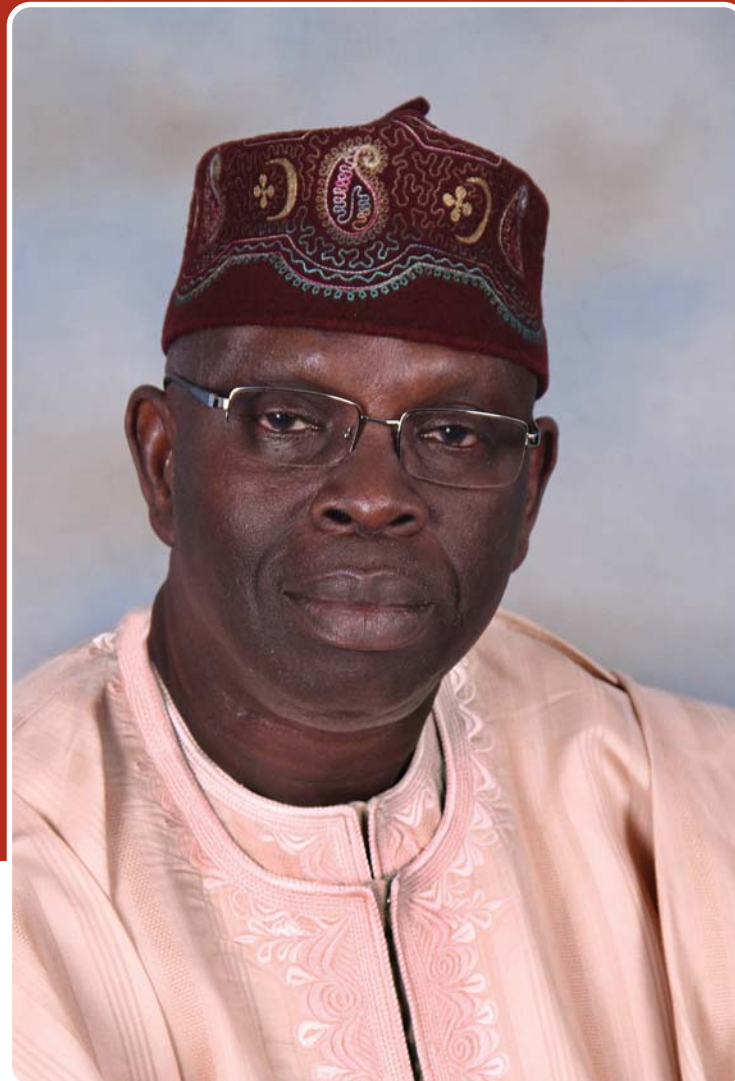
The reputation of the bank is of utmost importance and every staff of the bank has a responsibility to protect the bank from any persons or act that might jeopardize its reputation. Staff are encouraged to speak up when faced with information that would help protect the bank's reputation.

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

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

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

BOARD OF DIRECTORS



Alh.(DR).S.A Adegunwa, (OFR)
Chairman



Mr. Yemi Adeola
GMD/CEO



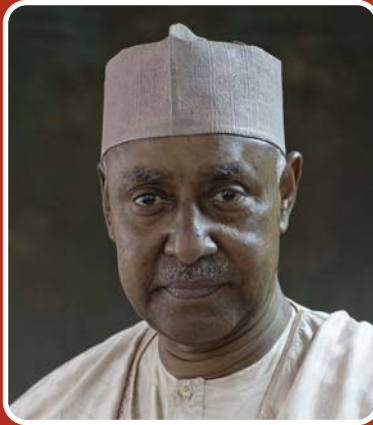
Mallam Garba Imam
Executive Director



Mr. Rasheed Kolarinwa
Director



Capt. Harrison Kuti
Director



Alh Bashir Borodo (MFR)
Director



Mr. Yinka Adeola
Director



Mr. Lanre Adesanya
Executive Director



Mr. Musibau Fashanu
Director



Mr. Devendra Puri
Executive Director



Mr. Yemi Idowu
Director

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the members their report together with the audited financial statements for the year ended December 31, 2010.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

Sterling Bank Plc is engaged in universal banking with emphasis on consumer banking, trade services, investment banking and capital market activities. It also provides wholesale banking services including the granting of loans and advances, letter of credit transactions, equipment leasing, money market operations, electronic banking products and other banking activities. Asset management services, insurance broking, stock broking, issuing house, underwriting, security registration and custodial services are provided through its subsidiaries.

Legal form

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

The Bank has four (4) non-bank subsidiaries; Sterling Asset Management and Trustees Limited, which is engaged in investment and trusteeship business, Sterling Capital Markets Limited, engaged in investment banking, financial advisory and asset management services. Sterling Registrars Limited, which acts as registrars to public companies, and SBG Insurance Brokers Limited, engaged in insurance brokerage business. The financial results of these entities have been consolidated in these financial statements.

OPERATING RESULTS

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

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Gross Earnings	34,341,616	46,717,490	30,386,957	43,464,716
Profit/(Loss) before taxation	4,954,843	(11,632,428)	3,688,251	(9,072,908)
Taxation	89,700	2,612,826	490,242	2,412,502
Profit/(loss) after taxation	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Non-controlling interest	-	-	-	-
Profit/(Loss) attributable to Equity holders	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Transfer to statutory reserve	-	-	-	-
Transfer to general reserve	5,044,543	(9,019,602)	4,178,493	(6,660,406)
	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Total non-performing loan	12,888,439	22,842,806	11,639,975	22,289,082
Total non-performing loan as % of gross loan	12%	24%	11%	23%
Earnings/loss per share (kobo) - Basic	40k	(72)k	33k	(53)k

Directors who served during the year

The following directors served during the year under review:

Name	Designation	Date appointed /resigned	Interest represented
Alh.(DR).S.A Adegunwa,(OFR)	Chairman		Ess-ay Investments Limited
Mr.Yemi Adeola	Group Managing Director	-	
Mr.Lanre Adesanya	Executive Director	-	
Mallam Garba Imam	Executive Director	-	
Mr. T. P. N. Rao	Executive Director	Resigned 16/06/2010	-
Mr. Devendra Nath Puri (Indian)	Executive Director	-	
Mr. Rajiv Pal Singh (Indian)	Non-Executive Director	Appointed 16/06/2010	State Bank of India
Capt. Harrison Kuti	Non-Executive Director		Hak Air Limited
Mr. Yemi Idowu	Non-Executive Director		Eban Odan Industrial & Commercial Company
			STB Building Society Limited
			Eltees Properties
			Rebounds Integrated Services Limited
			L.A Kings Limited
Alh Bashir Borodo (MFR)	Non-Executive Director		Dantata Investment & Securities Company Limited
Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited
			Alfanoma Nigeria Limited
			Plural Limited
			Reduvita Investment Limited
			Quaker Intergrated Services Limited
Mr. Rasheed A. Kolarinwa	Independent Director	Appointed 16/06/2010	-
Mr. Musibau A. Fashanu	Independent Director	Appointed 16/06/2010	-

Directors' interests in shares

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

	December 2010	December 2010	December 2009	December 2009
	Direct	Indirect	Direct	Indirect
Alh.(DR).S.A Adegunwa,(OFR)		900,962,953		900,962,953
Mr. Rajiv Pal Singh	-	1,854,185,474	-	1,854,185,474
Capt. Harrison kuti	-	704,149,559	-	704,149,559
Mr. Yemi Idowu	-	937,313,460	-	937,313,460
Alh. Lawal Kankia Ibrahim	-	-	-	121,615,633
Alh Bashir Borodo (MFR)	22,401	274,730,110	22,401	268,298,525
Mr. Yinka Adeola	12,723,566	687,337,465	12,723,566	687,337,465
Mr.Yemi Adeola	15,229,487	-	15,229,487	-
Mr.Lanre Adesanya	2,888,664	-	2,888,664	-
Mallam Garba Imam	1,052,631	-	1,052,631	-
Mr. Devendra Nath Puri	-	-	-	-
Mr. Rasheed A. Kolarinwa	-	-	-	-
Mr. Musibau A. Fashanu	-	-	-	-

REPORT OF THE DIRECTORS CONT'D

Beneficial ownership

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

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2010 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,636	35.90	14,855,267	0.12
1001 - 5,000	28,028	30.83	62,874,909	0.50
5,000 - 10,000	10,013	11.02	66,877,250	0.53
10,001 - 20,000	8,037	8.84	107,866,989	0.86
20,001 - 50,000	5,584	6.14	169,870,327	1.35
50,001 - 100,000	2,889	3.18	192,495,606	1.53
100,001 - 200,000	1,571	1.73	218,861,897	1.74
200,001 - 500,000	1,063	1.17	330,238,668	2.63
500,001 - 10,000,000	985	1.08	1,610,676,726	12.82
Above 10,000,001	89	0.10	6,838,092,062	54.43
Foreign shareholding	5	0.01	2,950,381,842	23.48
	90,900	100.00	12,563,091,543	100.00

The following shareholders have shareholdings of 5% and above as at 31 December 2010:

	December 2010 % holding	December 2009 % holding
State Bank of India	14.76	14.76
Ess-ay Investments Ltd	7.17	7.17
HAK Air Limited	5.6	5.6

Retirement of directors

In accordance with Articles 92 of our Articles of Association, Alhaji Bashir Borodo, MFR and Mr. Yemi Idowu retire by rotation and being eligible, offer themselves for re-election.

Donations

The Group during the year donated a total sum of N16,318,000 (2009: N25,355,000) to various charitable organizations and higher education institutions in the country details of which are shown below. No donation was made to any political organization.

Details of Donations	Purpose	N'000
Lagos State Waste Management Authority	Donation For Uniforms	7,800
Lagos Highway Managers	Corporate Social Responsibility	4,255
Howzat Cricket Foundation	Corporate Social Responsibility	1,250
Lagos Ministry of Education	Corporate Social Responsibility	1,000
Indian Fine Arts Society	Corporate Social Responsibility	900
Women In Management And Business	Corporate Social Responsibility	500
Nigeria Conservation Foundation	Corporate Social Responsibility	375
Police Community Relations	Corporate Social Responsibility	188
Rotary International - District 911	Corporate Social Responsibility	50
		16,318

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 31 December 2010 (2009: Nil).

Property, plant and equipment

Information relating to changes in tangible assets is given in note 22 to the financial statements.

Employment and employees

Employment of disabled persons:

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

Health, safety and welfare of employees:

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

Employee involvement and training:

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

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

Post balance sheet event

There were no post balance sheet events which could have had a material effect on the state of affairs of the Bank as at 31 December 2010 or the profit for the year ended on that date which have not been adequately provided for or disclosed.

Auditors

Messrs Ernst & Young were appointed as Auditors on 8 October 2010 and having indicated their willingness will continue in office as auditors of the Bank in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. A resolution will be proposed at the Annual General Meeting to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD:



Justina Lewa
Company Secretary
20 Marina, Lagos, Nigeria.
22 March 2011

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and Sections 24 and 28 of the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Group and the Bank, and of the financial performance for the period. The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities;
- (b) the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, Nigerian Accounting Standards and relevant Circulars issued by the Central Bank of Nigeria;
- (c) the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Bank and its subsidiaries will not continue in business.

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

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

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

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

Signed on behalf of the Directors by:



Alhaji (Dr) S.A. Adegunwa, OFR
22 March 2011



Yemi Adeola
22 March 2011

REPORT OF THE AUDIT COMMITTEE

FOR THE PERIOD ENDED 31 DECEMBER 2010
TO THE MEMBERS OF STERLING BANK PLC:

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

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria 2004 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audit for the year ended 31 December 2010 were satisfactory and reinforce the Group's internal control systems
- We are satisfied that the Bank has complied with provision of Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of directors' related credits in the financial statements of banks", we reviewed insider-related credits of the Bank and found them to be as analysed in the financial statements. The status of performance of these facilities are disclosed in note 37.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.



Alhaji Mustapha Jinadu
Chairman, Audit Committee

10 March 2011

Members of the Audit Committee are:

- | | |
|---------------------------------|----------|
| 1. Alhaji Mustapha Jinadu | Chairman |
| 2. Mr. Idongesit Udoh | Member |
| 3. Ms. Christie Vincent | Member |
| 4. Captain Harrison Kuti | Member |
| 5. Mr. Yemi Idowu | Member |
| 6. Alhaji Bashir M. Borodo, MFR | Member |

In attendance:

Justina Lewa	Secretary
--------------	-----------



"X KPMG HOUSE"
One King Ologunkutere Street,
Park View, Ikoyi, Lagos,
P.O. Box 75429, Victoria Island, Lagos.
Tel: 234-1-8181381 Telefax: 234-1-2701137
E-mail: jkrandleco@21cct.com, jkrandleintuk@gmail.com
Website: www.jkrandleandco.co.uk

REPORT OF THE EXTERNAL CONSULTANT ON THE APPRAISAL OF THE BOARD OF STERLING BANK PLC

The Board of Sterling Bank Plc ("The Bank") mandated the firm of J.K. Randle International to carry out the Appraisal of the performance of the Board of the Bank for the year ended December 31, 2010 in conformity with its governance practice. The conduct of the exercise was guided by the provisions of the CBN Code and other recognised codes of Best Practices.

The Board of the Bank is composed of many members who possess requisite financial background and business experience considered adequate for directing the affairs of the Bank. The composition reflects balance of power with a clear separation of responsibilities between the executives and non-executives as well as the Chairman vis-a-vis the GMD. Neither the Chairman nor the GMD chairs any of the Board committees while the number of non-executives exceeds the executives. The composition of the Board was enlarged and rejuvenated during the year under review with the appointment of two independent directors to give impetus to the governance policy of the Board and its status of compliance with the CBN Code. The appointment of the new directors has been approved by CBN.

We observed that the operations and processes of the Board were well managed within the context of the provisions of the CBN Code and other recognised Best Practices. Accordingly, the Board met five times during period. The meetings were well attended and the required quorum was met. The conduct of meetings followed due process while the agenda was comprehensive containing all the issues that were meant for the Board. Executive management provided the Board with complete information in respect of developments within the Bank, the financial services subsector together with their impact on the business of the Bank. Also, the Board was well informed about the operating performance of the Bank along with trends as well as status of the financial position of the organisation. All of these gave the Board a clear view of the challenges faced by the Bank as well as the measures which management took in order to mitigate their adverse impact or maximise the benefits arising therefrom.

The Board performed its key oversight responsibilities of monitoring the affairs of the Bank, the activities and performance of management, the committees and the subsidiaries, status of legal and regulatory compliance as well as charting a strategic direction that would ensure the survival of the Bank. Accordingly, it carried out quarterly review of operating performance, approved the annual budget, approved the succession plan of executive management, approved the credit facilities within its limits as well as other statutory responsibilities including appointment of directors and reconstitution of the Board committees in order to achieve a better balance.

The strategic issue of recapitalisation assumed a larger dimension following the advice of CBN in respect of the issue having regard to the financial position of the Bank. The Board considered several recapitalisation options in the context of their feasibility as well as meeting the timeline set by the CBN and mandated management to proceed with identifying a core investor with whom to engage in serious negotiations. The Board demonstrated genuine interest in the recapitalisation by putting the interest of the Bank above other considerations. The two parties – the Bank and core investors-have executed a Memorandum of Understanding (MOU) as at the year ended December 31st, 2010 with the expectation that they would consummate the partnership in due course.

Following the conclusion of the exercise we urged the Board to accelerate the on-going negotiation in respect of re-capitalisation as the resolution of other performance issues is anchored on its success; and monitor closely the Risk Asset Portfolio of the Bank.

Bashorun J.K. Randle, OFR
Chairman/Chief Executive
Dated: March 31, 2011

J K R

FINANCIALS

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF STERLING BANK PLC

FOR THE PERIOD ENDED 31 DECEMBER 2010

Report on the financial statements

We have audited the accompanying financial statements of Sterling Bank Plc ("the Bank") and its subsidiaries ("the Group") which comprise the group and separate balance sheet as at 31 December, 2010, the group and separate profit and loss accounts, group and separate statement of cash flows for the year then ended, summary of significant accounting policies and other explanatory notes, and the director's report as set out on pages 17 to 131.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Nigerian Accounting Standards Boards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria, and relevant Central Bank of Nigeria circulars and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements give a true and fair view of the financial position of Sterling Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2010, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with the relevant standards issued by Nigeria Accounting Standards Boards and provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on other legal and regulatory requirements

In compliance with the requirements of Schedule 6 (Section 359) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, in our opinion, proper books of accounts have been kept by the Bank and its subsidiaries, so far as appears from our examination of those books and the group and separate balance sheets and profit and loss accounts are in agreement with the books of accounts.

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria and Central Bank of Nigeria circular BSD/1/2004

- i. The Bank contravened the provisions of Money Laundering (Prohibition) Sections 3(1) of the Act (MLPA) of 2004 on Opening of accounts with inadequate documentation.
- ii. Related party transactions and balances are disclosed in Note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.


Lagos, Nigeria
22 March 2011



STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding periods, is set out below:

(a) Basis of preparation

These financial statements are the consolidated financial statements of Sterling Bank Plc., a company incorporated in Nigeria, and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention modified by the revaluation of certain investment securities, and comply with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board (NASB).

The preparation of financial statements in conformity with the generally acceptable accounting principles requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Goodwill

The excess of the cost of the combination over the value of the net identifiable assets acquired is recognized as an asset in the Bank's balance sheet as goodwill arising on combination. Effective 1 January, 2008, the Nigerian Accounting Standards Board introduced the Statement of Accounting Standard No. 26 on Accounting for Business Combinations. This Standard provides that goodwill arising from a business combination be recognised as an asset and tested periodically for impairment. Impairment losses are to be charged to the profit and loss account.

(c) Basis of consolidation

Subsidiaries

Subsidiary undertakings, which are those companies in which the Bank, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over their operations, have been consolidated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Separate disclosure is made for minority interest.

The accounting policies of the subsidiaries are consistent with the policies adopted by the Bank and all intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

(c) Basis of consolidation - Continued

The consolidated financial statements combine the financial statements of Sterling Bank Plc ("the Bank") and its subsidiaries ("the Group") wherein there is majority shareholding and/or control of the Board of Directors and management. The consolidated subsidiaries are Sterling Asset Management and Trustees Limited, Sterling Registrars Limited, Sterling Capital Markets Limited and Sterling Insurance Brokers Limited.

Unrealised gain/losses on intergroup transactions

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Investments in subsidiaries are recognised in the separate financial statements of the Bank at cost.

Associates and joint ventures

Associates are those entities in which the Bank has significant influence but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Investments in associates and joint ventures are accounted for using the equity method of accounting and are recognised at cost less impairment in the Bank's separate financial statements.

The Group's share of the associates and joint ventures' post acquisition profits or losses are recognised in the profit and loss account. Its share of pre-acquisition reserves is recognised in reserves. The cumulative reserves are adjusted against the carrying amount of the investments.

When the Group's share of losses equals or exceeds its interest in an associate/joint venture including any other unsecured receivables, the Group's carrying amount is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. Distributions received from an associate are applied to reduce the carrying amount of the investment. Adjustments are also made to the carrying amount of the investment for changes in the Bank's proportionate interest in the associate arising from changes in equity that have not been recognized in the associate's profit and loss account. Such changes include those arising from the revaluation of properties, plant and equipment and from foreign exchange translation differences. The Bank's share of those reserves is recognized directly in the equity of the Bank.

SMIEES Investments

Due to the effective percentage holding of the Bank in Small and Medium Enterprise Equity Investment Scheme (SMIEES), some of the entities qualify as associates. However, equity method of accounting for associates are not applied as they are held for sale. The investment in SMIEES are recognised at cost less impairment in the financial statements.

(d) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

Segment information is presented in respect of the Group's business segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Group's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(e) Foreign currency items

i) Reporting currency

The consolidated financial statements are presented in Nigerian Naira, which is the Bank's reporting currency.

ii) Transactions and balances

Transactions denominated in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

Exchange losses on long term monetary assets and liabilities arising from significant currency devaluations are deferred and amortized to the profit and loss account over the remaining life of the asset/liability where it is reasonable to expect that similar currency devaluations affecting the items will not recur on the items in future.

(f) Income recognition

Credits to the profit and loss account are recognised as follows:

- i. Interest is recognised on accrual basis except for interest on non-performing credit facilities, which is recognised on a cash basis.
- ii. Credit-related fee income constituting at least 10% of the projected annual yield of the related facility is deferred and amortised over the life of the related credit in proportion to the outstanding balance. Otherwise it is recognised at the time the credit is granted.
- iii. Non - credit related fees are recognised when the successful outcome of the assignment can be determined and the assignment is considered substantially completed.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

- iv. Income from advances under finance lease is recognised on a basis that provides a constant yield on the outstanding principal over the lease term.
- v. Commissions and fees charged to customers for services rendered are recognised at the time the service or transaction is effected.
- vi. Investment income is recognised on an accrual basis and credited to the profit and loss account.
- vii. Dividend income is recognised when the right to receive the dividend is established.
- viii. Brokerage income is recognised on an accrual basis.

(g) Loans and advances

Loans and advances are stated net of allowance for doubtful accounts. Allowances are determined in accordance with the Central Bank of Nigeria's Prudential Guidelines for Licensed Banks for specific assessment of each customer's account as stated below:

Period principal or interest has been outstanding	Classification	% Provision required
90 days but less than 180 days	Substandard	10
180 days but less than 360 days	Doubtful	50
Over 360 days	Lost	100

In the Revised Prudential Guideline, the classifications and provisioning for specialized loans such as Agricultural finance, Project finance, Object finance, Real estate Finance, SME finance and Mortgage finance takes into considerations the cash flows and gestation periods of the different loan types. Below are basis of provision for specialized loans.

Agricultural finance - Short term financing

Category	Classification	Days past due	% of Provision
1	Watchlist	Where mark-up/interest or principal is overdue (past due) by 90 days from the due date	0% of total outstanding balance
1A	Substandard	Where mark-up/interest or principal is overdue (past due) by 90 days to 1 year from the due date	25% of total outstanding balance
2	Doubtful	Where mark-up/interest or principal is overdue (past due) by 1 year to 1.5 year from the due date	50% of total outstanding balance
3	Very Doubtful	Where mark-up/interest or principal is overdue (past due) by 1.5 year to 2 years from the due date	75% of total outstanding balance
4	Lost	Where mark-up/interest or principal is overdue (past due) by more than 2 years from the due date	100% of total outstanding balance

Agricultural finance - Long-term financing

Category	Classification	Days past due	% of Provision
1	Watchlist	Where mark-up/interest or principal is overdue (past due) by 90 days from the due date	0% of total outstanding balance

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

1A	Substandard	Where mark-up/interest or principal is overdue (past due) by 90 days to 1 year from the due date	25% of total outstanding balance
2	Doubtful	Where mark-up/interest or principal is overdue (past due) by 1 year to 2 years from the due date	50% of total outstanding balance
3	Very Doubtful	Where mark-up/interest or principal is overdue (past due) by 2 years to 3 years from the due date	75% of total outstanding balance
4	Lost	Where mark-up/interest or principal is overdue (past due) by more than 3 years from the due date	100% of total outstanding balance

Project Financing

Category	Classification	Days past due	Treatment of Income	% of Provision
1	Watchlist	Where the repayment on outstanding obligations is between 60% and 75% of the amount due and/ or aggregate instalments thereof are overdue by more than 180 days.	Unrealized mark-up /interest to be put in Suspense Account and not to be credited to Income Account except when realized in cash	0% of total outstanding balance
1A	Substandard	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 180 days to 2years.	As above	25% of total outstanding balance
2	Doubtful	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 2 years to 3 years.	As above	50% of total outstanding balance

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3	Very Doubtful	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 3 years to 4 years.	As above	75% of total outstanding balance
4	Lost	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by more than 4 years	As above	100% of total outstanding balance

Object Financing, Income Producing Real Estate and Commercial Real Estate Financing

Category	Classification	Days past due	Treatment of Income	% of Provision
1	Watchlist	Where the repayment on outstanding obligations is between 60% and 75% of the amount due and/ or aggregate instalments thereof are overdue by more than 180 days.	Unrealized mark-up /interest to be put in Suspense Account and not to be credited to Income Account except when realized in cash	0% of total outstanding balance
1A	Substandard	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 180 days to 1years.	As above	25% of total outstanding balance
2	Doubtful	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 1 years to 2years.	As above	50% of total outstanding balance
3	Very Doubtful	Where the repayment on outstanding obligations is less than 60% of the amount due and/ or aggregate instalments thereof are overdue by 2 years to 3 years.	As above	75% of total outstanding balance

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

4	Lost	Where the repayment on outstanding obligations is less than 60% of the amount due and/or aggregate instalments thereof are overdue by more 3 years.	As above	100% of total outstanding balance
---	------	---	----------	-----------------------------------

SME - Short-term financing facilities

Category	Classification	Days past due	% of Provision
1	Watchlist	Where mark-up/interest or principal is overdue (past due) by 90 days from the due date	0% of total outstanding balance
1A	Substandard	Where mark-up/interest or principal is overdue (past due) by 90 days to 1 year from the due date	25% of total outstanding balance
2	Doubtful	Where mark-up/interest or principal is overdue (past due) by 1 year to 1.5 year from the due date	50% of total outstanding balance
3	Very Doubtful	Where mark-up/interest or principal is overdue (past due) by 1.5 year to 2 years from the due date	75% of total outstanding balance
4	Lost	Where mark-up/interest or principal is overdue (past due) by more than 2 years from the due date	100% of total outstanding balance

SME - Long-term financing facilities

Category	Classification	Days past due	% of Provision
1	Watchlist	Where mark-up/interest or principal is overdue (past due) by 90 days from the due date	0% of total outstanding balance
1A	Substandard	Where mark-up/interest or principal is overdue (past due) by 90 days to 1 year from the due date	25% of total outstanding balance
2	Doubtful	Where mark-up/interest or principal is overdue (past due) by 1 year to 2 years from the due date	50% of total outstanding balance
3	Very Doubtful	Where mark-up/interest or principal is overdue (past due) by 2 years to 3 years from the due date	75% of total outstanding balance
4	Lost	Where mark-up/interest or principal is overdue (past due) by more than 3 years from the due date	100% of total outstanding balance



STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Mortgage Loans

Category	Classification	Days past due	Treatment of Income	% of Provision
1	Watchlist	Where mark-up/interest or principal is overdue (past due) by 90 days from the due date	Unrealized mark-up /interest to be put in Suspense Account and not to be credited to Income Account except when realized in cash	0% of total outstanding balance
1A	Substandard	Where mark-up/interest or principal is overdue (past due) by 180 days from the due date	As above	10% of total outstanding balance
2	Doubtful	Where mark-up/interest or principal is overdue (past due) by more than 1 year from the due date	As above	Unprovided balance should not exceed 50% of the estimated net realisable value of the security
3	Lost	Where mark-up/interest or principal is overdue (past due) by 1.5 year to 2 years from the due date	As above	75% of total outstanding balance

Upon classification of facility as non-performing, interest previously accrued and not received are reversed from revenue account and credited into interest in suspense account. Future interest charged on the account is credited to the same account until such facilities becomes performing.

A minimum of 1% general allowance is made on all loans and advances not specifically provided for. In the current year, the Nigerian Accounting Standards Board (NASB) via its publication dated 21 March 2011 granted a waiver for financial statements ended 31 December 2010 of the 1% general provision required by paragraph 55 of "Statement of Accounting Standards - SAS 10 on Accounting for Banks and Non-bank financial institutions". Accordingly, the Bank did not make a general provision on loans and advances.

Margin facilities are classified as either performing or non-performing loans. Allowance for losses on non performing margin facilities are determined by writing down the outstanding balance of the loans to the net realisable value of the underlying securities. The excess of the loan amount above the net realisable value of the underlying securities is charged to the profit and loss account. Bad debts are written off when the extent of the loss has been determined. Recoveries are written back to profit and loss account on a cash basis.

When a loan in respect of which a provision for impairment has already been made is deemed not collectible, it is written off against the related provision for impairments and subsequent recoveries are credited to the profit and loss account.

Loan in respect of which a previous provision was not made are written off directly to profit and loss account when they are deemed to be not collectible.

Advances to customers under finance leases are stated net of unearned income. Lease finance income is recognised in a manner, which provides a constant yield on the outstanding net investment over the lease period.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

In accordance with Revised Prudential Guidelines for licensed banks, specific allowance is made, as applicable to loans and advances, on leases that are past due for 90 days or more.

For facilities classified as Lost, we apply haircut adjustment for those that met the required criteria stated in the Revised Prudential Guideline. The haircuts adjustment provisions are derived using this formula:

$$\text{Required Provision} = E - \{VC \times (1 - HW)\}$$

Where,

E = Total Exposure, HW = haircut weightings, VC = Value of Collateral

If $\{VC \times (1 - HW)\}$ is greater than E then no provision is required.

(h) Other assets

Prepayments, receivables and other sundry debit balances are classified as other assets and are stated at cost net of allowances for amounts doubtful of recovery.

Allowances for doubtful accounts are made in line with the provisions of the CBN Prudential Guidelines for receivables whose collection has been identified by management as doubtful. When a receivable is deemed not collectible, it is written off against the related allowance and subsequent recoveries are credited to the profit and loss account.

(i) Investment

The Group classifies its investments into the following categories: short-term investments, long-term investments and investments in subsidiaries. Investment securities (short-term and long-term investments) are initially recognized at cost and classified upon initial recognition. Debt and equity securities intended to be held for a period not exceeding one year or with tenor to maturity not exceeding one year, and investments held for trading are classified as short-term investments.

i. Short-term investments

Short-term investments are investments held temporarily in place of cash and which can be converted into cash when current financing needs make such conversion desirable. In addition, such investment is to be held for not more than one year.

Investments held-for-trading are those investments that the Group acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit taking.

Investments held-for-trading and other marketable securities are stated at net realisable value. The gain/ loss on revaluation is credited/ charged to profit and loss account during the year/period.

Treasury bills are presented net of unearned discount. Unearned discount is deferred and amortised as earned. Investments in treasury bills held for trading are carried at net realizable value. Gains or losses resulting from market valuation are recognised in the profit and loss account.

ii. Long-term investments

Long-term investments are investments held over a long period of time to earn income. Long-term investments may include debt and equity securities.

Long-term investments in marketable securities are stated at the lower of cost and net realizable value. Long-term investments in sovereign and sub-sovereign bonds held to maturity are stated at face value net of discount or premium.

Any discount or premium arising on acquisition of debt is included in the original cost of the investment and is amortised over the period of purchase to maturity.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

iii. Investments in subsidiaries

Investments in subsidiaries are carried in the Bank's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the Directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

iv. Investments in associates

Investments in associates are carried in the Bank's balance sheet at cost less impairment.

(j) Investment properties

Investment properties are carried in the balance sheet at valuation amount and revalued periodically on a systematic basis not exceeding three years. An increase in the carrying amount of investment arising from the revaluation is credited directly to owner's equity as revaluation surplus.

A permanent decline in the value of the investment is charged to the income statement while a reduction in the carrying amount of the investment is reversed when there is an increase, other than temporary, in the value of the investment, or if the reasons for the reduction no longer exist.

(k) Property, plant and equipments

All property, plant and equipments are initially recorded at cost or valuation less accumulated depreciation. They are subsequently stated at historical cost/revalued amount less depreciation. Historical/revalued amount includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs 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 asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Construction cost in respect of offices is carried at cost as capital work-in-progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment.

Depreciation is calculated on a straight line basis to write down the cost of the property and equipment to their residual values over their estimated useful lives as follows:

Leasehold properties	-	2%
Leasehold improvements	-	10%
Furniture, fittings and equipment	-	20%
Computer software and equipment	-	331/3%
Motor vehicles	-	25%
Capital work-in-progress is not depreciated.		

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less cost to sell or the value in use.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit and loss account for the year.

(l) Leases

The Group classifies a lease as finance lease if the following conditions are met:

- (a) Lease is non-cancelable, and
- (b) Any of the following is applicable
 - i. the lease term covers substantially (80% or more) the estimated useful life of the asset or,
 - ii. the net present value of the lease at its inception using the minimum lease payments and implicit interest rate is equal to or greater than the fair value of the leased asset or,
 - iii. the lease has a purchase option which is likely to be exercised.

A lease that does not qualify as a finance lease as specified above is treated as an operating lease.

A Group company can be a lessor or a lessee in either a finance lease or an operating lease.

i. Where a Group Company is the lessor

When assets are held subject to a finance lease, the transactions are recognized in the books of the Group at the net investments in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment is the sum of the minimum lease payments plus any residual value payable on the lease. The discount on lease is defined as the difference between the gross investment and the present value of the asset under the lease.

The discount is recognized as unearned in the books of the Group and amortized to income as they are earned over the life of the lease at a basis that reflects a constant rate of return on the Group's net investment in the lease.

Finance lease are treated as risk assets and the net investment in the lease are subject to the provisioning policy listed in note (h) above.

When assets are held subject to an operating lease, the assets are recognized as property and equipment based on the nature of the asset and the Group's normal depreciation policy for that class of asset applies. Lease income is recognized on a straight line over the lease term.

All indirect costs associated with the operating lease are charged as incurred to the profit and loss account.

ii. Where a Group Company is the lessee

When the assets leased are subject to operating lease, the total payments made under operating leases are charged to profit and loss on a systematic basis in line with the time pattern of the Group's benefit.

When the assets are subject to a finance lease, the Group accounts for it by recording the lease as an acquisition of an asset and the incurrence of a liability.

At the beginning of the lease term, the Group records the initial asset and liability at amounts equal to the fair value of the leased asset less the present value of an un-guaranteed or partially guaranteed residual value which would accrue to the lessor at the end of the term of the lease. The discount factor to apply in calculating the present value of the un-guaranteed residual value accruing to the lessor is the interest rate implicit in the lease.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Where the Group cannot determine the fair value of the leased asset at the inception of the lease or is unable to make a reasonable estimate of the residual value of the lease without which the interest rate implicit in the lease could not be computed, the initial asset and liability are recorded at amounts equal to the present value.

The leased asset is depreciated or the rights under the leased asset are amortized in a manner consistent with the Group's own assets.

The minimum lease payment in respect of each accounting period is allocated between finance charge and the reduction of the outstanding lease liability. The finance charge is determined by applying the rate implicit in the lease to the outstanding liability at the beginning of the year.

(m) Cash and cash equivalents

(i) Cash and balances with CBN

Cash comprises cash in hand denominated in Naira and foreign currencies and cash balances held with Central Bank of Nigeria (CBN). Cash equivalents are short-term, highly liquid investments which are:

- readily convertible into cash, whether in local or foreign currency; and
- so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates.

(ii) Due from other banks

Due from other banks represents cash held in other banks in Nigeria and banks outside Nigeria.

(n) 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.

(o) Off balance sheet transactions/contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligations; or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate.

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

A contingent asset is never recognised rather they are disclosed in the financial statements when they arise.

Transactions to which there are no direct balance sheet risks to the Group are reported and accounted for as off balance sheet transactions and comprise:

Acceptances

Acceptances are undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers.

Acceptances, which meet the conditions, set out in Central Bank of Nigeria (CBN) Guidelines on the treatment of bankers acceptances and commercial papers are accounted for and disclosed as contingent liabilities. The income and expense relating to these acceptances are recognised and reported net in the financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

Guarantees and performance bonds

The Bank provides financial guarantees and bonds to third parties on the request of customers in the form of bid and performance bonds or advance payment guarantees. These agreements have fixed limits and generally do not extend beyond the period stated in each contract.

The uncollateralized portion of bonds and guarantees are disclosed in financial statements. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognized at the time the services or transactions are effected.

Commitments

Commitments to extend credit or deliver on sales or purchases of foreign exchange in future are recognized as off balance sheet engagements. Commissions and fees charged to customers for services rendered in respect of commitments are recognized at the time the service or transaction is effected.

Letters of credit

The Bank provides letters of credit to guarantee the performance of customers to third parties. Confirmed letters of credit for which the customer has not provided cash cover are reported off balance sheet.

(p) Retirement benefits

Pension costs

The Bank operates a defined contributory pension scheme. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic upon commencement of duties at the Bank. The employee and the Bank contributes 7.5% and 15% respectively of the employee's annual basic salary as well as housing and transport allowances to the scheme. Employer's contributions to this scheme are charged to profit and loss account in the period to which they relate.

Employee's contributions are funded through their payroll.

(q) Deferred taxation

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is fully provided for on timing differences, which are expected to reverse at the rate of tax likely to be in force at the time of reversal. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

Deferred tax assets are reduced to the extent that it is no longer possible that the related tax benefit will be realised.

(r) Taxation

Income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date.

(s) Borrowings

Borrowings are recorded at face value less amount repaid. Direct issue cost are capitalised and amortized over the tenor of the underlying instrument. Interest costs are recognised in the income statement over the duration of the instrument.

(t) Ordinary share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

(u) Dividends

Dividends on ordinary shares are appropriated from retained earnings and recognised as a liability in the period in which they are declared. Dividends that are proposed but not yet declared are disclosed in the notes to the financial statements.

(v) Sale of loans or securities

A sale of loans or securities without recourse to the seller is accounted for as a disposal and the asset excluded from the balance sheet.

Profits or a loss on sale of loans and securities without recourse to the seller is recognized by the seller when the transaction is completed.

The Group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse.

- control over the economic benefit of the asset must be passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there must not be any repurchase obligations

A sale or transfer of loans or securities with recourse where there is an obligation to, or an assumption of, repurchase is not treated as a sale, and the asset remains in the Group's balance sheet, with any related cash received recognised as a liability.

Profit arising from the sale or transfer of loans or securities with recourse to the seller is amortized over the remaining life. However, losses are recognised as soon as they can be reasonably estimated.

Where there is no obligation to or assumption of repurchase, the sale is treated as a disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

(w) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(x) Funds under management

Funds under management represent cash deposits made by customers. Funds under management are accounted for at cost plus accrued interest. Interests earned by customer are reported as interest expenses in the profit and loss account.

(y) Earnings per share

The Group's presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit and loss attributable to ordinary shareholders of the Group by the weighted number of ordinary shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted number of ordinary shares adjusted for any bonus shares issued.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Notes	Group Dec. 2010 12months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12months N'000	Bank Dec. 2009 15 months N'000
GROSS EARNINGS		34,341,616	46,717,490	30,386,957	43,464,716
Interest and similar income	3	25,187,507	34,009,601	24,471,489	32,587,287
Interest and similar expenses	4	(11,076,183)	(20,613,620)	(10,002,583)	(20,134,503)
Net interest margin		14,111,324	13,395,981	14,468,906	12,452,784
Fee and commission income	5	6,099,369	6,085,807	4,406,501	5,599,130
Fee and commission expenses		-	-	-	-
Net fee and commission income		6,099,369	6,085,807	4,406,501	5,599,130
Foreign exchange earnings/loss		(11,804)	994,697	(11,804)	994,697
Income from investments	6a	671,266	2,668,755	390,464	2,071,836
Other income	6b	2,395,279	2,958,630	1,130,307	2,211,766
Operating income		23,265,434	26,103,870	20,384,374	23,330,213
Operating expenses	7	(15,782,914)	(22,068,318)	(15,162,982)	(19,434,227)
Loan loss expenses	13g	(2,100,524)	(12,532,003)	(1,759,721)	(11,513,630)
Diminution in value of other risk assets	8	(491,288)	(3,024,310)	226,580	(1,455,264)
Group's share of post tax result of associates and joint ventures		64,135	(111,667)	-	-
PROFIT/(LOSS)ON ORDINARY ACTIVITIES		4,954,843	(11,632,428)	3,688,251	(9,072,908)
Taxation	9	89,700	2,612,826	490,242	2,412,502
PROFIT/(LOSS)ON ORDINARY ACTIVITIES AFTER TAXATION		5,044,543	(9,019,602)	4,178,493	(6,660,406)
Non-controlling interest	32	-	-	-	-
PROFIT/(LOSS)ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		5,044,543	(9,019,602)	4,178,493	(6,660,406)
APPROPRIATIONS					
Transfer to statutory reserve ³¹			-		-
Transfer to general reserve	31	5,044,543	(9,019,602)	4,178,493	(6,660,406)
		5,044,543	(9,019,602)	4,178,493	(6,660,406)
Earnings/(Loss) per share (kobo) - Basic	36	40k	(72)k	33k	(53)k


The accounting policies on pages 29 to 41 and financial statements and notes on page 45 to 109 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2010

	Notes	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
ASSETS					
Cash in hand and balances with CBN	10	6,660,349	8,573,674	6,660,320	8,573,234
Treasury bills	11	6,023,587	9,607,738	6,023,587	9,607,738
Due from other banks	12	25,098,603	57,833,221	21,832,593	56,592,146
Loans and advances to customers	13	100,641,020	78,035,834	99,312,070	78,140,098
Other facilities	14(a)	-	350,000	-	350,000
Advances under finance lease	15	3,112,998	4,548,757	2,624,572	3,917,488
Investment securities	16	104,322,487	27,505,802	96,593,620	25,738,514
Investment in subsidiaries	17	-	-	2,467,622	2,467,622
Investment in associates	18	106,204	43,377	260,093	260,093
Investment properties	19	5,443,303	12,584,288	-	60,000
Other assets	20	15,918,279	12,421,527	14,628,832	10,762,879
Deferred tax assets	21(a)	5,256,884	4,601,074	4,759,491	4,081,815
Property, plant and equipment	22	4,527,335	5,212,873	4,416,723	5,089,200
Equipment on lease	23	-	-	-	-
TOTAL ASSETS		277,111,049	221,318,165	259,579,523	205,640,827
LIABILITIES					
Customers' deposits	24	203,074,678	161,276,895	199,274,284	160,470,381
Due to other banks	25	195,748	2,650,000	-	150,000
Current income tax payable	9	680,890	1,026,117	368,489	393,405
Other liabilities	26	21,920,642	20,674,674	8,507,091	7,878,686
Other facilities	14(b)	-	350,000	-	350,000
Defined contribution obligations	27	51,071	54,945	51,071	54,811
Deferred tax liabilities	21(b)	11,820	10,428	-	-
Long-term borrowing	28	25,058,101	14,201,550	25,058,101	14,201,550
TOTAL LIABILITIES		250,992,950	200,244,609	233,259,036	183,498,833
NET ASSETS		26,118,099	21,073,556	26,320,487	22,141,994
CAPITAL AND RESERVES					
Share capital	29	6,281,545	6,281,545	6,281,545	6,281,545
Share premium	30	12,314,019	12,314,019	12,314,019	12,314,019
Share reserve	31	5,276,423	5,276,423	5,276,423	5,276,423
Retained earnings	31	(2,277,193)	(7,321,736)	(2,036,115)	(6,214,608)
Other reserves	31	4,523,305	4,523,305	4,484,615	4,484,615
Attributable to equity holders of the Bank		26,118,099	21,073,556	26,320,487	22,141,994
Non-controlling interest	32	-	-	-	-
		26,118,099	21,073,556	26,320,487	22,141,994
Guarantees and other commitments on behalf of customers	33(b)	48,908,173	25,198,318	48,908,173	25,198,318

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:


Alhaji (Dr) S.A. Adegunwa, OFR
Chairman


Yemi Adeola
Group MD/CEO

Approved by the Board of Directors on 22 March 2011

The accounting policies on pages 29 to 41 and financial statements and notes on page 45 to 109 form an integral part of these financial statements.

STATEMENTS OF CASH FLOW

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Notes	Group Dec. 2010 12months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12months N'000	Bank Dec. 2009 15 months N'000
OPERATING ACTIVITIES					
Net cash flow from operating activities	34	25,868,964	(32,810,525)	20,347,019	(43,406,468)
Income tax paid	9(b)	(872,070)	(1,414,458)	(175,833)	(1,207,789)
Vat paid		(102,954)	-	(102,954)	-
Net cash flow from operating activities		24,893,940	(34,224,983)	20,068,232	(44,614,257)
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipments		54,427	93,156	54,427	87,351
Purchase of property, plant and equipment	22(a)&(b)	(660,886)	(1,637,449)	(623,623)	(1,575,822)
Dividend received		26,817	-	133,149	-
Additions to quoted bonds and equities		(73,995,126)	5,242,729	(70,962,110)	5,150,414
Redemption of investments		70,954	-	80,876	-
Purchase of investment in unquoted equities		(4,793,353)	-	(14,836)	-
Disposal of unquoted equities & SMEEIS		-	(529,130)	-	(138,555)
Proceeds from disposal of investment/trading properties		9,764,616	193,017	787,529	193,017
Additions to investment properties		(2,231,968)	(10,792,913)	(723,000)	-
Proceeds from disposal of investment in SMEEIS		-	-	-	(60,000)
Redemption of promissory notes		-	193,259	-	193,259
Purchase of additional investment in subsidiary	17(a)	-	-	-	(1,000,000)
Proceeds from disposal of subsidiary		-	-	-	93,600
Net cash flows from investing activities		(71,764,519)	(7,237,331)	(71,267,587)	2,943,264
FINANCING ACTIVITIES					
Proceeds from long term borrowings		10,856,551	-	10,856,551	-
Dividend paid to non-controlling interest		-	-	-	-
Dividend paid during the period		-	(1,256,309)	-	(1,256,309)
Net cash flows from financing activities		10,856,551	(1,256,309)	10,856,551	(1,256,309)
Net increase in cash and short-term funds		(36,014,028)	(42,718,623)	(40,342,804)	(42,927,302)
Cash and short-term funds, beginning of year		72,252,330	114,970,953	73,510,815	116,438,117
Cash and short-term funds, end of year	38	36,238,302	72,252,330	33,168,011	73,510,815

The accounting policies on pages 29 to 41 and financial statements and notes on page 28 to 109 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

1 General information

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

Sterling Bank Plc is engaged in universal banking with emphasis on consumer banking, trade services, investment banking and capital market activities. It also provides wholesale banking services including granting of loans and advances, letters of credit transactions, equipment leasing, money market operations, electronic banking products and other banking services. Asset management services, insurance broking, issuing house, underwriting, security registration and custodial services are provided through its subsidiaries.

The Bank has four (4) subsidiaries as shown below:

	Country of Incorporation	Percentage holding
Sterling Capital Markets Limited	Nigeria	100%
Sterling Assets Management and	Nigeria	100%
Sterling Registrars Limited	Nigeria	100%
SBG Insurance Brokers Limited	Nigeria	100%

The Bank has investments in two (2) associates and a joint venture company as shown below:

Associate

Nigerian Stockbrokers Limited	Nigeria	20%
Crusader Sterling Pensions Limited	Nigeria	31%

Joint ventures

Knight Rook Limited	Nigeria	35%
---------------------	---------	-----

2 Segment analysis

(a) By business segment

The Group is divided into seven (7) main business segments.

(i) Retail

Retail and commercial banking incorporates private banking services, private customer current accounts, savings deposits, investment savings products, custody, debit cards, customer loans and mortgages, and provides these services to individuals and medium size companies.

(ii) Corporate banking

Corporate banking incorporates direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities, and foreign currency.

(iii) Treasury

Incorporates financial instrument trading, acquisition and allocation of funds towards achieving optimum liquidity management.

(iv) Insurance brokerage

Provides insurance brokerage services to individual and corporate bodies.

(v) Asset management

Includes portfolio and asset management transactions with individuals and corporate customers.

(vi) Registrar

Provides registrar services to corporate customers.

(vii) Investment banking

Provides capital market and financial advisory services to corporate customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

2 (b) Business segments

	Corporate Banking	Treasury	Retail Banking	Investment Banking	Asset Management	Insurance Brokers	Registrar	Group
	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months	Dec. 2010 N'000 12 months
Gross earnings:								
Derived from external customers	2,834,732	7,840,517	19,436,589	2,180,614	1,406,534	254,062	388,568	34,341,616
Derived from other business segments	-	-	-	-	-	-	-	-
Interest and similar expenses	2,834,732 (1,061,698)	7,840,517 (4,404,843)	19,436,589 (4,506,785)	2,180,614 (544,296)	1,406,534 (558,561)	254,062	388,568	34,341,616 (11,076,183)
Segment results	1,773,034	3,435,674	14,929,805	1,636,318	847,973	254,062	388,568	23,265,434
Profit on ordinary activities before taxation	973,537	2,152,730	695,319	576,643	394,333	33,205	129,075	4,954,843
Taxation	-	-	-	-	-	-	-	89,700
Profit after taxation	-	-	-	-	-	-	-	5,044,542
Other segment information:								
Depreciation	33,114	82,786	1,154,675	21,893	11,948	6,429	10,054	1,320,898
Group's share of post taxation result of associates and joint ventures	-	-	-	-	-	-	-	64,135
Assets and Liabilities:								
Tangible segment assets	16,038,414	105,808,614	128,283,253	7,275,974	10,747,308	431,599	3,269,003	271,854,165
Intangible segment assets	-	-	4,759,491	-	497,393	-	-	5,256,884
Total assets	16,038,414	105,808,614	133,042,744	7,275,974	11,244,701	431,599	3,269,003	277,111,049
Segment liabilities	5,369,042	41,021,905	184,991,785	5,604,495	10,753,986	240,894	3,010,844	250,992,950
Total liabilities	5,369,042	41,021,905	184,991,785	5,604,495	10,753,986	240,894	3,010,844	250,992,950
Net Assets	10,669,372	64,786,709	(51,949,041)	1,671,479	490,716	190,705	258,159	26,118,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

2 (c) Business segments

	Corporate Banking Dec. 2009 N'000 15 months	Treasury Banking Dec. 2009 N'000 15 months	Retail Banking Dec. 2009 N'000 15 months	Investment Management Dec. 2009 N'000 15 months	Asset Brokers Dec. 2009 N'000 15 months	Insurance Dec. 2009 N'000 15 months	Registrar Broking Dec. 2009 N'000 15 months	Stock Dec. 2009 N'000 15 months	Group Dec. 2009 N'000 15 months
Gross earnings:									
Derived from external customers	3,430,375	8,783,163	30,798,264	1,076,079	1,824,176	202,370	451,700	151,363	46,717,490
Derived from other business segments	-	-	-	-	-	-	-	-	-
Interest and similar expenses	3,430,375 (2,095,968)	8,783,163 (4,135,995)	30,798,264 (13,555,617)	1,076,079 (8,354)	1,824,176 (817,686)	202,370	451,700	151,363	46,717,490 (20,613,620)
Fee and commission expenses	-	-	-	-	-	-	-	-	-
	1,334,407	4,647,168	17,242,647	1,067,725	1,006,490	202,370	451,700	151,363	26,103,870
Profit/(Loss) on ordinary activities before taxation	445,493	3,745,028	(13,417,073)	(1,951,889)	110,527	118,048	273,365	(955,927)	(11,632,428)
Taxation	-	-	-	-	-	-	-	-	2,612,826
Loss after taxation	-	-	-	-	-	-	-	-	(9,019,602)
Other segment information:									
Depreciation	33,114	82,786	1,539,807	28,634	20,040	6,879	14,565	-	1,725,825
Group's share of post taxation result of associates and joint ventures	-	-	-	-	-	-	-	-	(111,667)
Assets and Liabilities:									
Tangible segment assets	13,457,322	73,403,500	111,539,699	3,266,997	16,087,031	551,350	3,012,266	-	221,318,165
Intangible segment assets	-	-	-	-	-	-	-	-	-
Unallocated segment assets	-	-	-	-	-	-	-	-	-
Total assets	13,457,322	73,403,500	111,539,699	3,266,997	16,087,031	551,350	3,012,266	-	221,318,165
Segment liabilities	4,418,114	24,069,500	150,749,620	2,554,633	15,502,083	414,082	2,536,577	-	200,244,609
Unallocated liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	4,418,114	24,069,500	150,749,620	2,554,633	15,502,083	414,082	2,536,577	-	200,244,609
Net Assets	9,039,208	49,334,000	(39,209,921)	712,364	584,948	137,268	475,689	-	21,073,556



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
3 Interest and similar income				
(a) Interest and similar income was derived as follows:				
Placements	1,830,589	2,393,296	1,155,585	1,428,038
Treasury bills and investment securities	8,607,689	12,574,860	8,569,889	12,574,860
Loans and advances	14,480,324	18,213,579	14,477,110	17,943,262
Advance under finance lease	268,905	827,866	268,905	641,127
	<u>25,187,507</u>	<u>34,009,601</u>	<u>24,471,489</u>	<u>32,587,287</u>

(b) Interest income by source				
Lending to financial institutions	7,276,219	6,719,402	7,276,219	5,754,144
Lending to non-bank customers	15,473,533	19,041,445	14,757,516	18,584,389
Discount income	2,437,754	8,248,754	2,437,754	8,248,754
	<u>25,187,507</u>	<u>34,009,601</u>	<u>24,471,489</u>	<u>32,587,287</u>

(c) Included in interest and discount income is an amount of N66.6million earned from outside Nigeria. (2009: N29.8 million).

4 Interest and similar expenses

(a) Interest and similar expenses comprise:

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Current account	286,620	567,352	286,620	567,352
Savings accounts	325,660	374,702	325,660	374,702
Time deposits	7,342,083	14,186,950	6,827,044	14,533,873
Inter-bank-takings/borrowings	1,365,274	3,122,982	1,297,794	3,122,982
Borrowed funds	1,756,546	2,361,634	1,265,465	1,535,594
	<u>11,076,183</u>	<u>20,613,620</u>	<u>10,002,583</u>	<u>20,134,503</u>

(b) Interest expenses outside Nigeria during the year amount to N1.27billion, (2009: N1.54billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
5 Fee and commission income				
Fee and commission income comprise:				
Commission on turnover	1,142,643	1,671,033	1,142,643	1,671,033
Facility management fees	1,187,072	1,214,074	1,012,307	1,192,774
Commission on letter of credit and off balance sheet transactions	558,648	613,705	558,648	613,705
Commissions and similar income	2,657,091	1,836,792	1,401,497	1,788,235
Insurance brokerage commission	183,135	82,520	-	-
Other fees and commission	370,779	667,683	291,405	333,383
	<u>6,099,369</u>	<u>6,085,807</u>	<u>4,406,501</u>	<u>5,599,130</u>
6a Income from investments				
Income from investments comprises:				
Profit on disposal of government bonds	252,786	1,864,562	252,786	1,864,562
Profit on disposal investment properties	391,663	658,268	4,529	146,297
Dividend income from subsidiaries	-	-	121,500	-
Dividend others	26,817	145,925	11,649	60,977
	<u>671,266</u>	<u>2,668,755</u>	<u>390,464</u>	<u>2,071,836</u>
6b Other income				
Rental income received	133,060	169,892	133,060	169,892
Recoveries of loans previously written off	268,660	-	268,660	-
Fraud recovered (Insurance claim)	133,672	-	133,672	-
Advisory fee	150,000	-	150,000	-
Stock broking income	39,752	-	-	-
other sundry income	1,670,135	2,788,738	444,915	2,041,874
	<u>2,395,279</u>	<u>2,958,630</u>	<u>1,130,307</u>	<u>2,211,766</u>
7(a) Operating expenses				
Analysis of operating expenses				
Wages, salaries & related staff cost (see note (b)(i))	4,746,735	6,415,855	4,386,680	5,857,029
Profit on disposal of fixed assets	(28,901)	(38,771)	(28,901)	(38,771)
Director's remuneration and expenses	69,451	85,205	63,314	73,680
Repairs and maintenance	1,221,166	1,422,903	1,202,185	1,417,464
Rent and rates	531,580	597,095	511,048	597,095
Insurance cost	1,206,526	980,359	1,200,703	1,043,419
Depreciation on property and equipment	1,320,898	1,725,825	1,270,574	1,655,707
Information technology levy	-	2,257	-	-
Auditors' remuneration	80,000	100,615	68,000	75,500
Other professional fees	216,704	13,822	157,655	8,500
Contract service	394,875	455,867	387,711	455,867
Revaluation loss on long term borrowing	1,103,284	1,196,134	1,103,284	1,196,134
Advertising & business promotion	344,796	1,236,598	330,945	1,236,598
General administrative expenses	4,575,800	7,874,554	4,509,783	5,856,005
	<u>15,782,914</u>	<u>22,068,318</u>	<u>15,162,982</u>	<u>19,434,227</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) Staff and executive directors' costs

(b) (i) Employee costs, including executive directors, during the year amounted to:

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Wages and salaries	4,408,589	6,004,845	4,054,042	5,434,494
Other pension costs	407,597	496,215	395,953	496,215
	<u>4,816,186</u>	<u>6,501,060</u>	<u>4,449,995</u>	<u>5,930,709</u>

(b) (ii) The average number of persons in employment during the year was as follows:

	Group Dec. 2010 12 months Number	Group Dec. 2009 15 months Number	Bank Dec. 2010 12 months Number	Bank Dec. 2009 15 months Number
Executive directors	4	4	4	4
Management staff	87	86	64	63
Non-management staff	1,509	1,521	1,476	1,488
	<u>1,600</u>	<u>1,611</u>	<u>1,544</u>	<u>1,555</u>

(b) (iii) Employees other than directors, earning more than N60,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:

	Group Dec. 2010 12 months Number	Group Dec. 2009 15 months Number	Bank Dec. 2010 12 months Number	Bank Dec. 2009 15 months Number
N161,001 - N261,000	1	1	-	-
N261,001 - N361,000	-	-	-	-
N361,001 - N461,000	-	-	-	-
N461,001 - N561,000	-	-	-	-
N561,001 - N661,000	200	206	200	206
N661,001 - N761,000	3	5	3	5
N761,001 - N861,000	123	117	123	117
N861,001 - N961,000	26	15	26	15
N961,001 - N1,061,000	3	3	-	-
N1,061,001 - N1,161,000	-	-	-	-
N1,161,001 - N1,261,000	6	6	-	-
N1,461,001 - N1,566,000	-	-	-	-
N2,061,001 - N2,161,000	13	13	-	-
N2,161,001 - N2,261,000	3	3	-	-
N2,761,001 - N2,861,000	313	412	302	401
N3,161,001 - N3,261,000	3	3	-	-
N3,361,001 - N3,461,000	-	-	-	-
N4,061,001 - N4,161,000	287	239	287	239
N4,161,001 - N4,261,000	-	-	-	-
N5,061,001 - N5,161,000	211	167	196	152
N5,161,001 - N5,261,000	1	1	-	-
N5,961,001 - N6,061,000	145	149	145	149
N6,461,001 - N6,561,000	-	-	-	-
N7,361,001 - N7,461,000	92	86	92	86
N7,461,001 - N7,561,000	-	-	-	-
N8,461,001 - N8,561,000	-	-	-	-
N8,861,001 - N8,961,000	51	64	51	64
N9,961,001 - N10,061,000	-	-	-	-
N10,761,001 - N10,861,000	51	54	51	54
N11,000,001 and above	64	63	64	63
	<u>1,596</u>	<u>1,607</u>	<u>1,540</u>	<u>1,551</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(c) Directors' remuneration

(c) (i) Directors' remuneration was provided as follows

	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Directors fees	13,000	23,750
Executive compensation	90,151	97,221
Other emoluments	26,309	29,386
	<u>129,460</u>	<u>150,357</u>

(c) (ii) The directors' remuneration shown above (excluding pension contributions and certain benefits) includes:

	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Chairman	4,200	5,350
Highest paid director	<u>26,360</u>	<u>32,950</u>

(c) (iii) The emoluments of all other directors fell within the following ranges:

	Bank Dec. 2010 12 months Number	Bank Dec. 2009 15 months Number
Below N1,000,000	-	-
N1,000,000 - N5,000,000	-	2
N5,000,001 - N10,000,001	5	-
N10,000,001- N15,000,000	1	5
N15,000,001 - N20,000,000	-	-
N20,000,001 - N25,000,000	2	3
N25,000,001 - N30,000,000	-	-
	<u>8</u>	<u>10</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

8 Diminution in value of other risk assets

Diminution in value of other risk assets comprise:

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Specific allowance on long-term investments (see note 16(i))	843,575	507,609	40,964	507,609
Specific allowance on short term investments	-	1,285,137	-	-
Specific allowance on other assets\write back (see note 20(b))	(352,287)	1,231,564	(267,544)	947,655
	491,288	3,024,310	(226,580)	1,455,264

9 Taxation

(a) Tax charge

The tax charge for the period comprise:

Company income tax	190,935	656,237	150,917	365,834
Education tax	2,771	16,552	-	-
Capital gains tax	-	10,748	-	10,748
NITDA	37,875	2,716	36,517	-
	231,582	686,253	187,435	376,582
Prior year additional charge (See (b) below)	333,137	76,808	-	67,510
Deferred tax (credit)/charge (see note 21(a))	(655,810)	(3,380,995)	(677,676)	(2,856,594)
Deferred tax charge/(credit) (see note 21(b))	1,392	5,108	-	-
	(89,700)	(2,612,826)	(490,242)	(2,412,502)

(b) Current income tax payable

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

Balance, beginning of year	1,026,117	1,750,366	393,405	1,157,102
Disposal of subsidiary	-	(67,204)	-	-
Prior year underprovision (see (a) above)	333,137	76,808	-	67,510
Charge for the year (see (a) above)	193,706	686,253	150,917	376,582
Payments during the year	(872,070)	(1,414,458)	(175,833)	(1,207,789)
Reclassification to other liabilities	-	(5,648)	-	-
Balance, end of year	680,890	1,026,117	368,489	393,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

10 Cash in hand and balances with CBN

(a) Cash in hand and balances with CBN comprises:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Cash and foreign monies	3,373,733	3,046,683	3,373,704	3,046,243
Operating account held with the Central Bank of Nigeria (CBN)	1,938,127	4,414,688	1,938,127	4,414,688
	<u>5,311,859</u>	<u>7,461,371</u>	<u>5,311,830</u>	<u>7,460,931</u>
Mandatory reserve deposits with Central Bank of Nigeria (CBN)	1,348,489	1,112,303	1,348,489	1,112,303
	<u>6,660,349</u>	<u>8,573,674</u>	<u>6,660,320</u>	<u>8,573,234</u>

11 Treasury bills

(a) Treasury bills investments comprise:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Treasury bills (Note 11(b) & (c) below)	6,357,559	9,764,933	6,357,559	9,764,933
Unearned interest	(333,972)	(157,195)	(333,972)	(157,195)
	<u>6,023,587</u>	<u>9,607,738</u>	<u>6,023,587</u>	<u>9,607,738</u>

(b) Included in treasury bills are amounts of N3.7billion pledged for clearing activities and as collection bank for government taxes and for electronic card transactions. (2009:N5.2b).

(c) Investment in treasury bills are stated at market value, the cost of the investment is N6.02billion (31 December 2009: N9.56billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
12 Due from other banks				
(a) Due from other banks comprise:				
Balance held with other local banks				
- Current account	433,549	9,032,648	266,706	8,522,891
- Placements (see note (b) below)	6,329,218	36,425,160	3,230,050	35,693,842
Balances held with banks outside Nigeria (see note (c) below)	18,335,837	12,375,413	18,335,837	12,375,413
	25,098,603	57,833,221	21,832,593	56,592,146

(b) None of the placement held with other banks and financial institutions as at 31 December 2010 was secured by treasury bills. (2009: N8billion).

(c) Included in balances with other banks and financial institutions outside Nigeria is N2.24 billion (2009: N1.07billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability for this amount is included in other liabilities (see Note 26).

(d) Included in balances held with other banks outside Nigeria is an amount of N1.48 billion (\$10,000,000) held as lien by Citibank International on a loan facility availed to the Bank. (31 December 2009: N5.23billion (\$35,000,000) (see note 28).

13 Loans and advances to customers

(a) (i) The classification of loans and advances by type is as follows:

	Group Dec 2010 N'000	Group Dec 2009 N'000	Bank Dec 2010 N'000	Bank Dec 2009 N'000
Overdraft	27,596,798	41,115,957	27,596,798	41,936,063
Term loans	61,745,086	38,898,723	59,696,834	37,826,091
Others	22,302,722	16,734,737	21,699,832	16,054,732
	111,644,605	96,749,417	108,993,464	95,816,886
Loan loss allowance				
- Specific (see (b)(i)) below	(8,614,741)	(16,256,733)	(7,321,085)	(15,703,009)
- General (see (b)(ii)) below	(28,536)	(483,071)	-	-
- Interest -in- suspense (see (b)(iii)) below	(2,360,308)	(1,973,779)	(2,360,308)	(1,973,779)
	(11,003,586)	(18,713,583)	(9,681,394)	(17,676,788)
	100,641,020	78,035,834	99,312,070	78,140,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) The movement on loan loss allowance accounts during the year was as follows:

(b) (i) Specific allowance
The movement in specific loan loss allowance during the year is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	16,256,733	5,800,986	15,703,009	5,800,986
Charge for the period (see note(g))	3,751,669	16,952,599	2,956,331	16,398,875
Allowance no longer required (see note (g))	(10,896,393)	(4,486,839)	(10,896,393)	(4,486,839)
Write-offs - others	(9,826)	-	(9,826)	-
Write-offs	(487,442)	(2,010,013)	(432,036)	(2,010,013)
Balance, end of year/period	<u>8,614,741</u>	<u>16,256,733</u>	<u>7,321,085</u>	<u>15,703,009</u>

(b) (ii) General allowance
The movement in general loan loss allowance during the period was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	483,071	690,031	-	668,061
Writeback during the period (see note(g))	(478,085)	(672,197)	-	(668,061)
Charge for the period (see note(g))	23,550	465,237	-	-
Balance, end of year/period	<u>28,536</u>	<u>483,071</u>	<u>-</u>	<u>-</u>

In the current year, the Bank did not make a general provision on loans and advances due to publication by Nigerian Accounting Standard Board (NASB) in The Guardian of Monday March 21, 2011 which stipulates that "for Deposit Money Banks (DMBs) which Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) have subjected their loan portfolios to extensive review since the beginning of banking reform up to the end of December 2010, council recognises that the level of provisioning over the period 2008 to 2010 is adequate for the individual DMBs. For this category of Banks, Council believe that, with such level of provisioning, compliance with the provisions of Paragraph 55 SAS 10 has been met afore-mentioned in an unusual context as at year ended December 31, 2010. DMBs which are so affected by the CBN/NDIC review are excluded from making the 1% general loan loss provision for financial year ended December 31, 2010 only.

(b) (iii) Interest-in-suspense:
The movement on the interest-in-suspense account during the period was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	1,973,779	1,085,827	1,973,779	1,085,827
Interest suspended during the period	3,743,846	2,524,166	3,743,846	2,524,166
Allowance no longer required (see note g)	(3,241,295)	(1,016,138)	(3,241,295)	(1,016,138)
Amount written-off	(116,022)	(620,076)	(116,022)	(620,076)
Balance, end of year/ period	<u>2,360,308</u>	<u>1,973,779</u>	<u>2,360,308</u>	<u>1,973,779</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) (iv) The classification of loans and advances by category

Category	Gross loan N'000	Specific provison N'000	General provison N'000	Interest in suspense N'000	Net balance N'000
Non specialised loans	39,907,566	(5,105,627)	-	(1,755,729)	33,046,210
Specialised loan:					
- Agric financing loan	541,628	(49,373)	-	(25,163)	467,092
- Manufacturing	13,362,723	(1,059,268)	-	(372,419)	11,931,036
- Margin Loans	2,764,682	(196,819)	-	(184,583)	2,383,279
- Mortgage Financing	2,832,463	(65,918)	-	(1,136)	2,765,409
- Object Financing	2,708,889	(820,135)	-	(7,482)	1,881,272
- Project Financing	14,490,291	(23,945)	-	(13,795)	14,452,550
- Real Estate Financing	32,385,222	-	-	-	32,385,222
	108,993,464	(7,321,085)	-	(2,360,308)	99,312,070

(b) (v) Specific allowance - movement in specific loan loss allowance during the year is as follows:

	Balance, beginning of year N'000	Charge for the year N'000	Allowance no longer required N'000	Write-offs - others N'000	Write-offs N'000	TOTAL N'000
Non specialised loans	6,533,644	1,989,692	(2,990,033)		(427,677)	5,105,627
Specialised loan:						
- Agric financing loan	62,482	-	(13,108)		-	49,373
- Manufacturing	1,152,199	474,691	(553,436)	(9,826)	(4,359)	1,059,268
- Margin Loans	7,154,886	45,648	(7,003,715)		-	196,819
- Mortgage Financing	142,490	65,918	(142,490)		-	65,918
- Object Financing	450,211	380,383	(10,459)		-	820,135
- Project Financing	72,673	-	(48,728)		-	23,945
- Real Estate Financing	134,423	-	(134,423)		-	-
	15,703,009	2,956,331	(10,896,393)	(9,826)	(432,036)	7,321,085

b (vi) General allowance - movement in general loan loss allowance during the year was as follows:

	Balance, beginning of year N'000	Charge for the year N'000	Allowance no longer required N'000	Reclassi- fication N'000	Write-offs N'000	TOTAL N'000
Non specialised loans	-	-	-	-	-	-
Specialised loan:						
- Agric financing loan	-	-	-	-	-	-
- Manufacturing	-	-	-	-	-	-
- Margin Loans	-	-	-	-	-	-
- Mortgage Financing	-	-	-	-	-	-
- Object Financing	-	-	-	-	-	-
- Project Financing	-	-	-	-	-	-
- Real Estate Financing	-	-	-	-	-	-
	-	-	-	-	-	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

b (vii) Interest-in-suspense: movement on the interest-in-suspense account during the year was as follows:

	Balance beginning of years N'000	Interest suspended during the Year N'000	Total Interest written back during the year N'000	Amount written-off N'000	Balance, end of year N'000
Non specialised loans	1,484,278	1,673,003	(1,287,377)	(114,174)	1,755,729
Specialised loan:					
- Agric financing loan	18,868	18,041	(11,746)	-	25,163
- Margin Loans	293,499	1,572,537	(1,681,453)	-	184,583
- Mortgage Financing	2,885	11,359	(13,108)	-	1,136
- Object Financing	-	8,055	(572)	-	7,482
- Project Financing	6,331	10,802	(3,338)	-	13,795
- Real Estate Financing	-	20,373	(20,373)	-	-
	1,973,779	3,743,846	(3,241,295)	(116,022)	2,360,308

(viii) The gross value of loans and advances by performance

	Performing N'000	Non- Watchlist N'000	Sub- standard N'000	Doubtful N'000	Very doubtful N'000	Lost N'000	Mark to market N'000	Total N'000
Non specialised loans	32,308,139	-	847,498	523,281	-	6,228,648	-	39,907,566
Specialised loan:								
- Agric financing loan	466,887	-	-	-	-	74,740	-	541,628
- Manufacturing	11,392,315	-	86,931	1,320,804	-	562,672	-	13,362,723
- Margin Loans	2,183,890	-	-	-	-	-	580,792	2,764,682
- Mortgage Financing	2,509,564	-	256,889	32,647	-	33,363	-	2,832,463
- Object Financing	1,655,989	-	-	282,137	-	770,763	-	2,708,889
- Project Financing	14,451,481	-	-	2,121	-	36,689	-	14,490,291
- Real Estate Financing	32,385,222	-	-	-	-	-	-	32,385,222
	97,353,488	-	1,191,318	2,160,990	-	7,706,875	580,792	108,993,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(c) Loans and advances by security type is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Secured against real estate	55,610,948	36,959,008	55,610,948	36,959,008
Margin lending	2,764,416	16,852,938	2,764,416	16,172,933
Otherwise secured	53,266,447	42,715,860	50,615,306	42,683,850
Unsecured	2,793	221,611	2,793	1,095
	<u>111,644,605</u>	<u>96,749,417</u>	<u>108,993,464</u>	<u>95,816,886</u>

(d) The gross value of loans and advances by maturity is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
1 - 3 months	38,684,495	53,881,341	38,452,397	54,998,108
3 - 6 months	9,801,291	4,876,782	9,541,991	4,876,782
6 - 12 months	11,595,644	12,406,890	10,660,334	12,406,890
Over 12 months	51,563,175	25,584,404	50,338,743	23,535,106
	<u>111,644,605</u>	<u>96,749,417</u>	<u>108,993,464</u>	<u>95,816,886</u>

(e) The gross value of loans and advances by performance is:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Performing	98,756,166	73,906,611	97,353,488	73,527,804
Non-performing				
Sub-standard	1,485,004	2,086,534	1,191,318	2,085,534
Doubtful	2,499,491	10,131,846	2,160,990	10,131,846
Lost	8,903,944	10,624,426	8,287,667	10,071,702
	<u>111,644,605</u>	<u>96,749,417</u>	<u>108,993,464</u>	<u>95,816,886</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(f) The gross value of loans and advances by sector is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Agriculture	552,314	723,314	552,314	723,314
Oil and Gas	18,668,646	8,414,941	18,411,068	8,414,941
Capital Market	2,765,592	14,688,065	2,764,416	14,904,311
Consumer Credit	1,958,266	4,601,680	1,270,655	4,601,680
Manufacturing	13,022,381	12,510,073	12,998,926	12,510,073
Mortgage 2,304,789	3,772,952	2,304,789	3,772,952	
Real Estate and Construction	37,743,555	16,412,008	37,209,856	16,412,008
Finance and Insurance	4,596,934	5,919,961	4,455,133	5,919,961
Government	2,427,264	5,900,588	1,937,079	4,751,811
Other public utilities	45,406	45,833	45,406	45,833
Transportation	2,951,851	4,396,926	2,897,396	4,396,926
Communication	1,158,103	467,567	1,148,223	467,567
Education	249,543	261,735	249,543	261,735
Mining and Quarrying	-	-	-	-
Power	2,428	94	2,428	94
Others	23,197,532	18,633,680	22,746,232	18,633,680
	<u>111,644,605</u>	<u>96,749,417</u>	<u>108,993,464</u>	<u>95,816,886</u>

(g) Loan loss expenses

Analysis of loan loss expenses is as follows:

	Group Dec. 2010 12 months N'000	Group Dec. 2009 15 months N'000	Bank Dec. 2010 12 months N'000	Bank Dec. 2009 15 months N'000
Loans and advances to customers				
- General allowance				
Writeback (see note (b)(ii))	(478,085)	(672,197)	-	(668,061)
Charge (see note (b)(ii))	23,550	465,237	-	-
- Specific allowance (see note (b)(i))	3,751,669	16,952,599	2,956,331	16,398,875
- Allowance no longer required (see note (b)(i))	(10,896,393)	(4,486,839)	(10,896,393)	(4,486,839)
- Bad debt written off	9,699,782	303,616	9,699,782	303,616
	<u>2,100,524</u>	<u>12,562,416</u>	<u>1,759,721</u>	<u>11,547,591</u>

Included in the provision no longer required is N7.8 billion and interest in suspense no longer required of N1.9 billion relating to the various facilities transferred to Asset Management Corporation of Nigeria (AMCON).

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Advances under finance lease				
- General allowance				
Writeback during the period (see note 15(b))	-	(33,961)	-	(33,961)
Charge during the year (see note 15(b))	-	2,182	-	-
- Specific allowance (see note 15(c))	-	1,366	-	-
	-	(30,413)	-	(33,961)
	<u>2,100,524</u>	<u>12,532,003</u>	<u>1,759,721</u>	<u>11,513,630</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

14 Other facilities

(a) The Bank acts as intermediary for NEXIM (Nigerian Export-Import Bank) loan. The classification of such loans outstanding at year end is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Gross	-	350,000	-	350,000
Allowance	-	-	-	-
	-	350,000	-	350,000

(b) Analysis of performance:

Performing	-	350,000	-	350,000
Non-performing	-	-	-	-
	-	350,000	-	350,000

(c) Maturity profile of other facilities:

1-3 months	-	-	-	-
3-6 months	-	350,000	-	350,000
6-12 months	-	-	-	-
Over 12 months	-	-	-	-
	-	350,000	-	350,000

15 Advances under finance lease

(a) The advances under finance lease comprise:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Gross investment in leases	3,792,041	5,724,468	3,295,903	5,085,487
Less: unearned income	(671,331)	(1,167,999)	(671,331)	(1,167,999)
	3,120,710	4,556,469	2,624,572	3,917,488
Less: general allowance (see note (b) below)	(6,346)	(6,346)	-	-
specific allowance (see note (c) below)	(1,366)	(1,366)	-	-
	3,112,998	4,548,757	2,624,572	3,917,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) The movement in general allowance on advance under finance lease during the year is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	6,346	38,125	-	33,961
Write-back during the year (see note 13(g))	-	(33,961)	-	(33,961)
Charge for the year (see note 13(g))	-	2,182	-	-
Balance, end of year/period	<u>6,346</u>	<u>6,346</u>	<u>-</u>	<u>-</u>

(c) The movement in specific allowance on advance under finance lease during the year is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year	1,366	-	-	-
Charge for the period (see note 13(g))	-	1,366	-	-
Balance, end of year/period	<u>1,366</u>	<u>1,366</u>	<u>-</u>	<u>-</u>

(d) The net value of advances under finance lease by maturity is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
1-3 months	192,617	122,017	191,014	122,017
3-6 months	66,788	287,484	66,788	287,484
6-12 months	424,134	435,064	420,262	435,064
Over 12 months	2,437,171	3,711,904	1,946,508	3,072,923
	<u>3,120,710</u>	<u>4,556,469</u>	<u>2,624,572</u>	<u>3,917,488</u>

(e) The net value of advances under finance lease by performance is:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Performing	3,119,344	4,555,103	2,624,572	3,917,488
Non performing	1,366	1,366	-	-
	<u>3,120,710</u>	<u>4,556,469</u>	<u>2,624,572</u>	<u>3,917,488</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

16 Investment securities

Investment securities comprise:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
(a) Investment securities - long-term				
Quoted:				
- Equities (see (c) below)	2,102,940	569,631	569,631	569,631
- Bonds (see (d) below)	95,817,458	23,355,641	94,317,751	23,355,641
	<hr/>	<hr/>	<hr/>	<hr/>
	97,920,398	23,925,272	94,887,382	23,925,272
	<hr/>	<hr/>	<hr/>	<hr/>
Unquoted:				
- Equities (see (e) below)	544,686	529,655	373,438	358,602
- Nigerian Sovereign Debt Instrument	-	70,954	-	70,954
- Equities in small and medium scale enterprises (see (f) below)	-	-	-	-
- Joint venture (see (g) below)	524,836	474,758	464,836	474,758
- Crusader debentures (see (h) below)	1,622,540	1,621,232	1,592,779	1,592,779
- Safe Trust debenture	350,000	350,000	-	-
- Other unquoted equities	2,000,000	-	-	-
	2,740,819	12,575	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	7,782,881	3,059,174	2,431,053	2,497,093
	<hr/>	<hr/>	<hr/>	<hr/>
Allowance made on long-term investments (i)	(1,527,426)	(683,851)	(724,815)	(683,851)
	<hr/>	<hr/>	<hr/>	<hr/>
	104,175,853	26,300,595	96,593,620	25,738,514
	<hr/>	<hr/>	<hr/>	<hr/>
(b) Investment securities - short term				
Short term Investments comprises:				
Proprietary trading stock (cost: N2.70billion, December 2009:N2.70billion)	-	1,201,007	-	-
Portfolio of quoted investments (market value: N4.29million, December 2009:N4.29billion)	146,634	4,200	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	146,634	1,205,207	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	104,322,487	27,505,802	96,593,620	25,738,514
	<hr/>	<hr/>	<hr/>	<hr/>

(c) Long-term quoted equities investment include investment in Nigeria Energy Sector Fund and Frontier Fund. The market value of the investment as at 31 December 2010 was N330.07million.(2009:N363.8million).

Provision has been made for diminution in the value of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(d) (i) Analysis of long-term investment in bonds is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Bayelsa State Bond	1,500,000	-	1,500,000	-
Lagos State Revenue Bond	4,564,000	-	4,564,000	-
Stabilisation Securities (see (d) (v))	7,862,034	-	7,862,034	-
Federal Government Bond (see (d)(ii) and (iii) below)	81,891,424	23,355,641	80,391,717	23,355,641
	95,817,458	23,355,641	94,317,751	23,355,641

(ii) Investments in the other bonds and debenture are stated at cost. The investment in long-term bonds are held to maturity.

(iii) Included in FGN Bonds is an amount of N21.7billion pledged as security for interbank takings and the long-term loan from Citibank International (see note 28(b)).

(iv) Investment in FGN Bonds comprises:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Face value	86,012,037	23,197,508	84,512,330	23,197,508
Premium paid	1,599,954	364,158	1,599,954	364,158
Discount	(5,703,028)		(5,703,028)	
Amortisation of premium	(429,926)	(206,025)	(429,926)	(206,025)
Amortisation of Discount	412,387		412,387	
	81,891,424	23,355,641	80,391,717	23,355,641

(v) Stabilisation Securities

Face value	10,573,562		10,573,562	
Unearned income	(2,711,528)		(2,711,528)	
	7,862,034	-	7,862,034	-

This is bond from Asset Management Corporation of Nigeria in exchange for non-performing margin related facilities of the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

(e) (i) Analysis of unquoted equity investments is as presented:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Africa Export/Import Bank	29,734	29,898	29,734	29,898
Central Securities Clearing Systems Limited	7,000	7,000	-	-
National Association of Securities Dealers Limited	416	416	416	416
Financial Mkts Dealers Ass. Inv.	15,000	-	15,000	-
Nigeria Interbank Settlement System plc	52,583	52,583	52,583	52,583
Opticom Leasing Limited	21,000	21,000	21,000	21,000
Valucard Nigeria Plc	18,811	18,811	18,811	18,811
Associated Discount House Limited	10,734	10,734	10,734	10,734
Kraft Konsult Limited	7,300	7,300	7,300	7,300
Saddle Ind. Limited	10,200	10,200	10,200	10,200
Peugeot Automobile Nigeria Ltd	153,248	153,248	-	-
Kakawa Discount Equity Fund	10,000	10,000	-	-
OGE Insurance Brokers Limited	1,000	805	-	-
Safetrust Savings and Homes	207,660	207,660	207,660	207,660
	<u>544,686</u>	<u>529,655</u>	<u>373,438</u>	<u>358,602</u>

(ii) The directors are of the opinion that adequate allowance has been made for the diminution in the value of long-term investments at the balance sheet date.

(iii) Officers of the Bank who are members of the Institute of Chartered Accountant of Nigeria (ICAN); valued the unquoted investments of the Bank using net asset valuation method on 15 December, 2010 based on the Management Accounts and Audited Financial Statements of the respective companies.

(f)(i) Equity investments in small and medium scale enterprises:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Pathcare Nigeria Limited (see (f)(ii) below)	6,287	6,287	6,287	6,287
Capetex Ind. Limited (see (f)(iii) below)	6,200	6,200	6,200	6,200
Woodmasters Nigeria Limited (see (f)(iv) below)	5,000	5,000	5,000	5,000
Eltel Communication Limited (see (f)(v) below)	23,056	23,056	23,056	23,056
Trust Hospital Limited (see (f)(vi) below)	50,000	50,000	50,000	50,000
Best Food Global Limited (see (f)(vii) below)	15,000	15,000	15,000	15,000
Pyramid Bag Manufacturing Limited (see (f)(viii) below)	22,360	22,360	22,360	22,360
Diamond Foam Limited (see (f)(ix) below)	10,422	10,422	10,422	10,422
Unique Ventures CML (see (f)(x) below)	8,000	8,000	8,000	8,000
Cards Technology Limited (see (f)(xi) below)	76,000	76,000	76,000	76,000
Investments through SME Manager (see (f)(xii) below)	302,511	252,433	242,511	252,433
	<u>524,836</u>	<u>474,758</u>	<u>464,836</u>	<u>474,758</u>

(f) (ii) This represents the Bank's 4% equity investment in Pathcare Nigeria Limited.

(f) (iii) This represents the Bank's 20% equity investment in Capetex Industries Limited.

(f) (iv) This represents the Bank's 25% equity investment in Woodmaster Nigeria Limited.

(f) (v) This represents the Bank's 20.98% equity investment in Eltel Communications Limited.

(f) (vi) This represents the Bank's 10 % equity investment in Trust Hospital Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

- (f) (vii) This represents the Bank's 5.19% equity investment in Best Food Global Limited.
- (f) (viii) This represents the Bank's 28% equity investment in Pyramid Bag Manufacturing Limited.
- (f) (ix) This represents the Bank's 37.89% equity investment in Diamond Foam Limited.
- (f) (x) This represents the Bank's 20% equity investment in Unique Ventures CML.
- (f) (xi) This represents the Bank's 10% equity investment in Cards Technology Limited.
- (f) (xii) This represents the Bank's indirect equity investment in SMEEIS entities through SME Manager. During the year, the Bank redeemed investment of N9.9million through SME Manager (Additional investment in 2009: N132.2million).
- (f) (xiii) The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) based on the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). A total of N464.8million (December 2009: N474.8million) has so far been invested under the scheme. Due to the effective percentage holding of the Bank in these companies, some of them qualify as associates.

However, equity method of accounting for associates are not applied as they are held for sale and the value of the Bank's residual interest in the individual investee companies is not material.

(g) Investment in joint venture

This represents the Bank's 34.6% interest in Knight Rook Limited, a jointly controlled entity established to undertake capital development projects, it is jointly controlled with three other Nigerian banks.

The investment in the joint venture has been accounted for using the equity method of accounting as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of the year	1,621,232	1,592,779	1,592,779	1,592,779
Previously unconsolidated reserve	-	62,785	-	-
Current year share of profit/(loss)	1,308	(34,332)	-	-
	<u>1,622,540</u>	<u>1,621,232</u>	<u>1,592,779</u>	<u>1,592,779</u>

- (h) This represents investment in Crusader Nigeria Plc's 12% unsecured convertible debentures, maturing in 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

(i) The movement on the allowance on long-term investments is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year	683,851	176,242	683,851	176,242
Allowance made during the year (see note 8)	-	843,575	40,964	507,609
Allowances no longer required	-	-	-	-
Balance, end of year	1,527,426	683,851	724,815	683,851

17 Investment in subsidiaries

(a)(i) Investment in subsidiaries comprises the following:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Sterling Capital Markets Limited (see (c) below)	-	-	1,346,312	1,346,312
Sterling Assets Management and Trustee Limited (see (d) below)	-	-	1,100,000	1,100,000
Sterling Registrars Limited (see (e) below)	-	-	11,310	11,310
SBG Insurance Broker Limited (see (f) below)	-	-	10,000	10,000
Nigerian Stock Brokers Limited	-	-	-	-
	-	-	2,467,622	2,467,622

(ii) The movements in investments in subsidiaries account during the year was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of the year/period	-	-	2,467,622	1,550,405
Addition during the year/period	-	-	-	1,000,000
Disposal during the year/period (see note (a)(iv))	-	-	-	(55,190)
associates (see note 18(c))	-	-	-	(27,593)
Balance, end of the year/period	-	-	2,467,622	2,467,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(iv) Disposal of 40% equity holding in Nigeria Stock Brokers Limited.

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Sales Proceed	-	-	-	93,600
Cost of disposal	-	-	-	(55,190)
Profit on disposal	-	-	-	38,410

(b) (i) The subsidiary companies, country of incorporation, nature of business, percentage equity holding and period consolidated with the parent company is as detailed below:

	Country of Incorporation	Company Name	Nature of Business capital held	Percentage of equity	Period end
1	Nigeria	Sterling Capital Markets Limited	Banking	100%	31/12/2010
2	Nigeria	Sterling Assets Management and Trustees Limited	Asset Management	100%	31/12/2010
3	Nigeria	Sterling Registrars Limited	Registrars	100%	31/12/2010
4	Nigeria	SBG Insurance Broker Limited	Insurance Brokers	100%	31/12/2010

(c) This represents the cost of the Bank's 100% equity investment in Sterling Capital Markets Limited of 1,346,312,000 ordinary shares of N1 each.

(d) This represents the cost of the Bank's 100% equity investment in Sterling Asset Management Limited of 120,000,000 ordinary shares of N1 each.

(e) This represents the cost of the Bank's 100% equity investment in Sterling Registrars Limited of 50,000,000 ordinary shares of N1 each.

(f) This represents the cost of the Bank's 100% equity investment in SBG Insurance Brokers Limited of 10,000,000 ordinary shares of N1 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

(g) Condensed results of consolidated entities

Condensed results of the consolidated entities as at 31 December 2010, are as follows:

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Sterling Capital Markets Trustees Ltd N'000	Sterling Asset and Limited N'000	SBG Insurance Brokers N'000	Sterling Registrars Limited N'000	Joint Ventures and Associates N'000
Condensed profit and loss account								
Operating income	23,265,434	(245,861)	20,384,374	1,636,318	847,973	254,062	388,568	-
Operating expenses	(15,782,914)	315,062	(15,162,982)	(487,457)	(161,670)	(165,202)	(120,665)	-
Loan loss expenses	(2,100,524)		(1,759,721)	(326,336)	(14,467)	-	-	-
Diminution on other risk values	(491,288)		226,580	(245,882)	(277,503)	(55,655)	(138,828)	-
Group's share of post tax result of associates and joint ventures	64,135	-	-	-	-	-	-	64,135
Profit before taxation	4,954,843	69,201	3,688,251	576,643	394,333	33,205	129,075	64,135
Taxation	89,700		490,242	(405,748)	35,157	(32,206)	2,255	-
Profit after taxation	5,044,543	69,201	4,178,493	170,895	429,490	999	131,330	64,135

(h) Condensed financial position

Subsidiary companies/parent company

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Sterling Capital Markets Trustees Ltd N'000	Sterling Asset and Management Limited N'000	SBG Insurance Brokers N'000	Sterling Registrars Limited N'000	Joint Ventures and Associates N'000
Assets								
Cash in hand and balances with CBN	6,660,349		6,660,320	12	-	-	17	-
Treasury bills	6,023,587		6,023,587	-	-	-	-	-
Due from other banks	25,098,603	(1,632,567)	21,832,593	1,046,270	175,587	158,191	3,518,528	-
Loans and advances to customers	100,641,020	(1,537,147)	99,312,070	1,209,784	1,656,313	-	-	-
Other facilities	-		-	-	-	-	-	-
Advances under finance lease	3,112,998		2,624,572	-	488,426	-	-	-
Investment securities	104,322,487	29,761	96,593,620	4,879,339	2,679,710	21,936	118,121	-
Investment in subsidiaries	-	(2,467,622)	2,467,622	-	-	-	-	-
Investment in associates	106,204	(153,889)	260,093	-	-	-	-	-
Investment properties	5,443,303		-	-	5,443,303	-	-	-
Other assets	15,918,279	(1,101,084)	14,628,832	676,814	1,404,714	245,263	63,740	-
Deferred tax assets	5,256,884		4,759,491	497,393	-	-	-	-
Property and equipment	4,527,335		4,416,723	50,154	32,797	16,623	11,038	-
TOTAL ASSETS	277,111,049	(6,862,548)	259,579,524	8,359,766	11,880,850	442,013	3,711,444	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Capital Markets Limited N'000	Sterling Asset and Management Trustees Ltd N'000	SBG Insurance Brokers Limited N'000	Sterling Registrars Limited N'000	Joint Ventures and Associates N'000
LIABILITIES & RESERVES								
Customers' deposits	203,074,678	(1,354,728)	199,274,284	-	5,155,120	-	-	-
Due to other banks	195,748	(1,537,147)	-	1,732,895	-	-	-	-
Current income tax payable	680,890	-	368,489	246,725	15,657	42,789	7,230	-
Other liabilities 21,920,642	(1,125,302)	8,507,091	5,496,887	5,688,972	257,529	3,095,465	-	-
Other facilities -	-	-	-	-	-	-	-	-
Defined contribution obligations	51,071	-	51,071	-	-	-	-	-
Deferred tax liabilities	11,820	-	-	-	6,662	3,428	1,730	-
Long-term borrowing	25,058,101	-	25,058,101	-	-	-	-	-
Equity and reserves	26,118,099	(2,845,371)	26,320,487	883,259	1,014,439	138,267	607,019	-
TOTAL LIABILITIES & RESERVES	277,111,050	(6,862,548)	259,579,525	8,359,766	11,880,850	442,013	3,711,444	-

Subsidiary companies/parent company

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Capital Markets Limited N'000	Sterling Asset and Management Trustees Ltd N'000	SBG Insurance Brokers Limited N'000	Sterling Registrars Limited N'000	Joint Ventures and Associates N'000
Condensed cash flow								
Net cash flow from operating activities	24,893,940	3,462,216	20,068,232	(949,346)	1,751,030	(10,620)	572,428	-
Net cash flow from investing activities	(71,764,519)	(886,891)	(71,267,587)	200,530	193,361	(3,601)	-331	-
Net cash flow from financing activities	10,856,551	2,000,000	10,856,551	-	(2,000,000)	-	-	-
Increase in cash and cash equivalents	(36,014,028)	4,575,325	(40,342,804)	(748,816)	(55,609)	(14,221)	572,097	-
Cash balance, beginning of year	72,252,330	(4,670,744)	73,510,815	62,203	231,196	172,412	2,946,448	-
Cash balance, end of year	36,238,302	(95,419)	33,168,011	(686,613)	175,557	158,191	3,518,545	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

- (i) Condensed results of consolidated entities
Condensed results of the consolidated entities as at 31 December 2009, are as follows:

	Group Balance N'000	Elimination Entries N'000	Bank/Capital Trustees Ltd N'000	Sterling Capital Markets Trustees Ltd N'000	Sterling Asset and Management Limited N'000	SBG Insurance Brokers N'000	Sterling Registrars Limited N'000	Nigerian Stock Brokers Limited (Up till disposal date) N'000	Ventures and Associates N'000	Joint Ventures and Associates N'000
Condensed profit and loss account										
Operating income	26,103,870	(105,991)	23,330,213	1,067,725	1,006,490	202,370	451,700	151,363	-	-
Operating expenses	(22,068,318)	159,684	(19,434,227)	(1,821,358)	(341,541)	(74,846)	(174,270)	(381,760)	-	-
Loan loss expenses	(12,532,003)	-	(11,513,630)	(1,017,961)	(412)	-	-	-	-	-
Diminution on other risk values	(3,024,310)	-	(1,455,264)	(275,965)	(554,010)	(9,476)	(4,065)	(725,530)	-	-
Group's share of post tax result of associates and joint ventures	(111,667)	-	-	-	-	-	-	-	-	(111,667)
Profit before taxation	(11,632,428)	53,693	(9,072,908)	(2,047,559)	110,527	118,048	273,365	(955,927)	(111,667)	-
Taxation	2,612,826	-	2,412,502	519,259	(188,905)	(49,400)	(80,630)	-	-	-
Profit after taxation	(9,019,602)	53,693	(6,660,406)	(1,528,300)	(78,378)	68,648	192,735	(955,927)	(111,667)	-

Condensed financial position Subsidiary companies/parent company

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Capital Markets Trustees Ltd N'000	Sterling Asset and Management Limited N'000	SBG Insurance Brokers N'000	Sterling Registrars Limited N'000	Nigerian Stock Brokers Limited N'000	Ventures and Associates N'000	Joint Ventures and Associates N'000
Assets										
Cash in hand and balances with CBN	8,573,674	-	8,573,234	181	-	195	64	-	-	-
Treasury bills	9,607,738	-	9,607,738	-	-	-	-	-	-	-
Due from other banks	57,833,221	(2,170,856)	56,592,146	62,022	231,308	172,217	2,946,384	-	-	-
Loans and advances to customers	78,035,834	(1,116,767)	78,140,098	795,182	217,321	-	-	-	-	-
Other facilities	350,000	-	350,000	-	-	-	-	-	-	-
Advances under finance lease	4,548,757	-	3,917,488	-	631,269	-	-	-	-	-
Investment securities	27,505,802	28,453	25,738,514	1,278,654	424,539	23,067	12,575	-	-	-
Investment in subsidiaries	43,377	(2,467,622)	2,467,622	-	-	-	-	-	-	-
Investment in associates	12,584,288	(242,877)	260,093	-	26,161	-	-	-	-	-
Investment properties	12,421,527	-	60,000	-	12,524,288	-	-	-	-	-
Other assets	4,601,074	(1,270,638)	10,762,879	563,323	1,996,224	336,420	33,317	-	-	-
Deferred tax assets	5,212,873	-	4,081,815	519,259	-	-	19,926	-	-	-
Property and equipment	-	-	5,089,200	48,376	35,922	19,451	-	-	-	-
Equipment on lease	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	221,318,165	(7,240,307)	205,640,827	3,266,997	16,087,032	551,350	3,012,266	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Capital Markets Limited N'000	Sterling Asset and Management Trustees Ltd N'000	SBG Insurance Brokers Limited N'000	Sterling Registrars Limited N'000
LIABILITIES & RESERVES							
Customers' deposits	161,276,895	(2,170,856)	160,470,381	-	2,977,370	-	-
Due to other banks	2,650,000	(820,106)	150,000	820,106	2,500,000	-	-
Current income tax payable	1,026,117	-	393,405	312,250	193,402	40,155	86,905
Other liabilities	(1,270,637)	7,878,686	1,422,277	9,824,530	372,002	2,447,816	-
Other facilities	-	350,000	-	-	-	-	-
Defined contribution obligations	54,945	-	54,811	-	-	-	134
Deferred tax liabilities	10,428	-	-	-	6,781	1,925	1,722
Long-term borrowing	14,201,550	-	14,201,550	-	-	-	-
Equity and reserves	21,073,556	(2,978,708)	22,141,994	712,364	584,949	137,268	475,689
TOTAL LIABILITIES & RESERVES	221,318,165	(7,240,307)	205,640,827	3,266,997	16,087,032	551,350	3,012,266

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Capital Markets Limited N'000	Sterling Asset and Management Trustees Ltd N'000	SBG Insurance Brokers Limited N'000	Sterling Registrars Limited N'000
Subsidiary companies/parent company							
Condensed cash flow							
Net cash flow from operating activities	(34,224,983)	16,328,137	(44,614,257)	(2,865,071)	(690,113)	(58,124)	(2,325,555)
Net cash flow from investing activities	(7,237,331)	(10,669,465)	2,943,264	740,820	(225,829)	(15,010)	(11,111)
Net cash flow from financing activities	(1,256,309)	2,738,616	(1,256,309)	(675,000)	(1,988,616)	-	(75,000)
Increase in cash and cash equivalents	(42,718,623)	8,397,288	(42,927,302)	(2,799,251)	(2,904,558)	(73,134)	(2,411,666)
Cash balance, beginning of year	114,970,953	(13,068,032)	116,438,117	2,861,454	3,135,754	245,546	5,358,114
Cash balance, end of year	72,252,330	(4,670,744)	73,510,815	62,203	231,196	172,412	2,946,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

18 Investment in associates

(a) Investment in associate is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Crusader Sterling Pension Ltd (see note (b) below)	106,204	43,377	232,500	232,500
Nigerian Stock Brokers Limited (see note (c) below)	-	-	27,593	27,593
	<u>106,204</u>	<u>43,377</u>	<u>260,093</u>	<u>260,093</u>

(b) This represents the Bank's 31% interest in Crusader Sterling Pension Limited and was accounted for as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of the year/period	43,377	258,661	232,500	232,500
Share of loss carried forward	-	(236,296)	-	-
Current year share of profit	62,827	21,012	-	-
	<u>106,204</u>	<u>43,377</u>	<u>232,500</u>	<u>232,500</u>

(c) This represents the Bank's 20% interest in Nigerian Stock Brokers Limited and was accounted for as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of the year/period	-	-	-	-
Reclassified from subsidiary account during the period (see note 17(a)(ii))	-	27,593	-	27,593
Share of loss carried forward	(197,787)	(27,593)	-	-
Share of profit for the year	197,787	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,593</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010**

(e) The summarized financial information of the Group's associate is set out below:

	Crusader Sterling Pension Dec 2010 N'000	NSL Dec 2010 N'000	Total Dec 2010 N'000
Total assets	497,188	1,289,337	1,786,525
Total liabilities	64,460	3,097,389	3,161,849
Net assets	432,728	(1,808,052)	(1,375,324)
Gross income	613,213	1,733,161	2,346,374
Profit after taxation	202,667	988,936	1,191,603

19 Investment properties

(a) The movement in investment properties is analysed below:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	12,584,288	1,945,651	60,000	154,276
Addition during the year/period	2,231,968	10,792,913	723,000	60,000
Disposal (See not 19b)	(9,372,953)	(154,276)	(783,000)	(154,276)
Balance, end of year/period	5,443,303	12,584,288	-	60,000

(b) This represent Investment properties disposed during the year amounting to N9.3billion of private and commercial properties by the Bank's subsidiary; Sterling Asset Management and Trustees Limited in various locations within Lagos state.

20 Other assets

(a) Analysis of other assets is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Other assets comprise:				
Prepayments	2,064,078	2,399,771	1,969,803	2,270,799
Prepaid Interest	54,975	-	54,975	-
Interest receivable	2,937,517	869,280	2,832,323	866,222
Stock	124,791	159,409	124,791	159,409
Receivable from insured	-	335,762	-	-
Receivable - sale of trading properties	526,670	1,915,467	-	-
Deferred exchange difference	750,193	1,932,216	750,193	1,932,216
Intercompany receivable	-	-	219,761	-
Receivable from AMCON (a(i))	1,720,581	-	1,720,581	-
Open buy back (see note(a(ii)))	2,700,000	-	2,700,000	-
Other receivable accounts	6,697,521	6,820,030	5,295,373	6,840,743
	17,576,326	14,431,935	15,667,799	12,069,389
Allowance for other assets (see note (b))	(1,658,047)	(2,010,408)	(1,038,966)	(1,306,510)
	15,918,279	12,421,527	14,628,832	10,762,879

(a(i)) This represents the value of security to be taken over by Assets Management Corporation of Nigeria for non-margin facilities

(a(ii)) This represents treasury bills pledged as security for interbank takings with Zenith Bank Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) The movement on the allowance for other assets was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	2,010,408	1,319,055	1,306,510	358,855
Disposal of subsidiary	-	(12,629)	-	-
Allowances no longer required (see note 8)	(352,287)	(47,600)	(267,544)	-
Allowances made during the year	-	1,231,564	-	947,655
Allowance written off	(74)	(479,982)	-	-
Balance, end of year/period	1,658,047	2,010,408	1,038,966	1,306,510

21 Deferred taxation

(a) Deferred tax asset

The movement on the deferred tax asset account during the year was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	4,601,074	1,158,674	4,081,815	1,163,816
Realised from revaluation reserve	-	61,405	-	61,405
Charge during the year/period (see note 9(a))	655,810	3,380,995	677,676	2,856,594
Balance, end of year/period	5,256,884	4,601,074	4,759,491	4,081,815

(b) Deferred tax liability

The movement on the deferred tax liability account during the year was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	10,428	15,714	-	-
Transfer to cost of disposal of subsidiary	-	(2,843)	-	-
Write back of deferred tax	-	(7,551)	-	-
Current year charge (see note 9(a))	1,392	5,108	-	-
Balance, end of year/period	11,820	10,428	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

- (c) Deferred tax
Deferred tax comprises:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Deferred tax liability	(11,820)	(10,428)	-	-
Deferred tax asset	5,256,884	4,601,074	4,759,491	4,081,815
	<u>5,245,064</u>	<u>4,590,646</u>	<u>4,759,491</u>	<u>4,081,815</u>

- (d) The deferred tax asset arises from the following:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Property and equipment	(684,697)	1,383,736	(689,476)	1,395,322
Unrelieved losses	3,493,148	2,918,792	3,492,311	2,401,255
General provision	479,957	2,880	-	-
Revaluation loss	-	358,840	-	358,840
Others	1,956,656	(73,602)	1,956,656	(73,602)
	<u>5,245,064</u>	<u>4,590,646</u>	<u>4,759,491</u>	<u>4,081,815</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

22 Property, plant and equipment

(a) The Group:

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer software and equipment	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000
(a) (i) Cost						
Beginning of the year	3,105,670	241,874	3,563,686	3,361,204	2,189,486	12,461,920
Additions	111,926	73,393	152,479	200,668	122,420	660,886
Disposals	-	-	(40,923)	(2,368)	(176,480)	(219,771)
Reclassification	23,566	(149,991)	36,896	48,308	41,221	-
End of the year	3,241,162	165,276	3,712,138	3,607,812	2,176,647	12,903,035
(a) (ii) Accumulated depreciation						
Beginning of the year	896,421	-	-	2,775,103	1,289,219	7,249,047
Charge for the year	104,310	-	434,333	368,335	413,920	1,320,898
Disposals	-	-	(40,922)	(2,368)	(150,955)	(194,245)
Reclassifications	-	-	(20,123)	19,441	682	-
End of the year	1,000,731	-	2,661,592	3,160,511	1,552,866	8,375,700
Net book value						
At 31 December, 2010	2,240,431	165,276	1,050,545	447,301	623,781	4,527,335
At 31 December, 2009	2,209,249	241,874	1,275,382	586,101	900,267	5,212,873

(a) (iii) There are no leased movable assets included in property and equipments.(2009: Nil).

The Group had capital commitments of N291 million (2009: N393.5 million) as at the balance sheet date in respect of authorized and contracted capital projects.

Capital work-in-progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to other categories of property and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) The Bank:

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer software and equipment	Motor vehicles	Total
	N'000	N'000	N'000	N'000	N'000	N'000
(b) (i) Cost						
Beginning of the year	3,099,163	241,474	3,444,246	3,337,636	2,034,823	12,157,341
Additions	111,926	73,393	145,653	196,736	95,915	623,623
Disposals	-	-	(40,923)	(2,368)	(166,280)	(209,571)
Transfers	23,168	(158,844)	80,023	16,128	39,525	-
End of the year	3,234,256	156,023	3,628,999	3,548,132	2,003,983	12,571,393
(b) (ii) Accumulated depreciation						
Beginning of year	889,515	-	2,222,449	2,761,108	1,195,069	7,068,141
Charge for the year	104,310	-	423,767	357,867	384,630	1,270,574
Disposals	-	-	(40,922)	(2,368)	(140,755)	(184,045)
End of year	993,825	-	2,605,294	3,116,607	1,438,944	8,154,670
Net book value						
At 31 December, 2010	2,240,431	156,023	1,023,704	431,525	565,039	4,416,723
At 31 December, 2009	2,209,648	241,474	1,221,797	576,528	839,754	5,089,200

(b) (iii) There are no leased movable assets included in property and equipments. (December 2009: Nil).

The Bank had capital commitments of N291 million (31 December 2009: N393.5 million) as at the balance sheet date in respect of authorized and contracted capital projects.

Capital work-in-progress represents construction costs in respect of new offices. On completion of construction, the related amounts are transferred to other categories of property and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

23 Equipment on lease

Movement on equipment on lease during last period is as follows:

	Furniture, machinery and equipment N'000	Motor Vehicles N'000	Total N'000
Cost			
Beginning of year	119,392	57,294	176,686
Retirement	(119,392)	(57,294)	(176,686)
End of year	-	-	-
Accumulated depreciation			
Beginning of year	119,392	57,294	176,686
Retirement	(119,392)	(57,294)	(176,686)
End of year	-	-	-
At 31 December 2010	-	-	-
At 31 December 2009	-	-	-

No movement during the year.

24 Customers' deposits

(a) Deposits and other accounts
comprise:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Time	67,146,316	85,846,059	67,931,189	84,982,537
Savings	9,580,480	6,931,309	9,580,480	6,931,309
Demand	71,883,619	47,933,755	67,062,957	47,990,763
Domiciliary	15,499,270	7,591,272	15,734,666	7,591,272
Interbank takings	38,964,994	12,974,500	38,964,994	12,974,500
	203,074,678	161,276,895	199,274,284	160,470,381

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010**

(b) The maturity profile of deposits and other accounts is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Under 1 month	165,098,003	120,087,625	164,242,911	120,144,633
1-3 months	29,976,229	28,009,891	27,886,003	27,146,369
3-6 months	668,747	2,356,139	668,747	2,356,139
6-12 months	694,312	1,975,240	266,766	1,975,240
Over 12 months	6,637,387	8,848,000	6,209,840	8,848,000
	<u>203,074,678</u>	<u>161,276,895</u>	<u>199,274,267</u>	<u>160,470,381</u>

25 Due to other banks

Due from other banks comprise:
Borrowings (see (a) below)

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Borrowings (see (a) below)	195,748	2,650,000	-	150,000
	<u>195,748</u>	<u>2,650,000</u>	<u>-</u>	<u>150,000</u>

(a) Borrowing represents various interest bearing overdraft facilities obtained from banks and discount houses in Nigeria and with maturities from three to twelve months.

26 Other liabilities

Analysis of other liabilities is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Foreign currency denominated liabilities (see note 12 (c))	2,243,481	1,073,437	2,243,481	1,073,437
Accrued expense	273,161	-	214,032	-
Interest payable	749,944	871,566	672,606	871,566
Dividend payable	136,329	110,305	110,466	110,305
Certified cheques	1,467,825	3,281,370	1,462,674	3,281,370
Unearned income	177,763	95,069	122,687	95,069
Other credit balances	676,337	1,464,566	641,974	1,194,810
Due to insurance companies	153,810	347,075	-	-
Information technology levy	37,875	-	36,517	-
Funds under management	23,211	-	-	-
Funds held on behalf of customers	4,698,870	1,064,509	-	-
Intercompany balances	-	-	521,210	649,678
Customers' deposit for properties	1,993,365	1,311,465	-	-
Deposit for shares	-	13,770	-	-
Funds awaiting remittance	2,727,545	-	-	-
Property investment payable	978,268	7,768,497	-	-
Deposit for Debenture stock (26(i))	2,000,000	-	2,000,000	-
Other account payable	3,582,858	3,273,045	481,442	602,451
	<u>21,920,642</u>	<u>20,674,674</u>	<u>8,507,091</u>	<u>7,878,686</u>

(i) This is deposit made by potential investors for Unsecured Non-convertible Redeemable Debenture stock to be redeemed in one single bullet payment at maturity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

27 Defined contribution obligations

The movement on the defined contribution obligations during the year is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of the year/period	54,945	66,889	54,811	66,739
Charge for the year	597,811	725,420	597,811	723,212
Contribution remitted	(601,685)	(737,364)	(601,551)	(735,140)
Balance, end of the year/period	51,071	54,945	51,071	54,811

28 Long-term borrowing

(a) The movement on long-term borrowing during the year is as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Due to Citi Bank Int'l Plc (see note 28(b (i)))	14,123,650	14,201,550	14,123,650	14,201,550
Due to Bank of Industry(see note 28(b(ii)))	10,934,451	-	10,934,451	-
	25,058,101	14,201,550	25,058,101	14,201,550

(b(i)) Long-term borrowing represents the Naira equivalent of a USD95,000,000 (2009: \$95,000,000) facility granted to the Bank by Citi Bank International Plc payable in 4 years commencing October 2008. Interest is payable quarterly at a LIBOR plus a margin of 475 basis point and the principal is due at maturity in September 2012 due to a 1-year extension. FGN Bond amount of N16.1billion held in investment securities and cash sum of \$10million (N1.48billion) held in cash collateral with banks outside Nigeria are pledged as securities to the borrowing (see note 16(d)(iii)) and (see note 12(d)) respectively.

(b(ii)) This is facility from Bank of Industry under Central Bank of Nigeria N200 billion intervention for refinancing/restructuring of banks' existing loan portfolios to Nigerian SME/Manufacturing Sector. The facility is administered at an all-in Interest rate/charge of 7% per annum payable on quarterly basis. Specifically, the Managing Agent (BOI) shall be entitled to a 1% management fee and the Bank, a 6% Spread. Loans shall have a maximum tenor of 15 years and or working capital facility of one year with provision for roll over. There is provision for moratorium in the loan repayment schedule

29 Share capital

(a) Authorised:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
24,000,000,000 Ordinary shares of 50k each	12,000,000	12,000,000	12,000,000	12,000,000
(b) Issued and fully-paid: 12.563 billion Ordinary shares of 50k each	6,281,545	6,281,545	6,281,545	6,281,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(c) (i) Movement in issued and fully paid share capital

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	6,281,545	6,281,545	6,281,545	6,281,545
Transfer from share premium for share compensation	-	-	-	-
Transfer to share premium from share reconstruction	-	-	-	-
Balance, end of year/period	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>

(c) (ii) Movement in nominal share capital

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	12,563,090	12,563,090	12,563,090	12,563,090
Issue of compensation shares	-	-	-	-
Eliminated from share reconstruction	-	-	-	-
Balance, end of year/period	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>

30 Share premium

The movement on the account during the year was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	12,314,019	12,314,019	12,314,019	12,314,019
Transfer from share premium for share compensation	-	-	-	-
Balance, end of year/period	<u>12,314,019</u>	<u>12,314,019</u>	<u>12,314,019</u>	<u>12,314,019</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D

FOR THE PERIOD ENDED 31 DECEMBER 2010

31 Reserves

(a) (i) Group

	Share Reserve N'000	Other reserves					Total Capital Reserve N'000	Retained Earnings N'000	Total N'000
		Statutory Reserve N'000	SMEEIS Reserve N'000	Revaluation Reserve N'000	Translation Reserve N'000	Other reserves N'000			
Balance, beginning of the period (01 October 2008)	5,276,423	3,718,368	234,503	534,092	177,821	96,317	4,761,101	2,638,933	12,676,457
Dividend paid	-	-	-	-	-	-	-	(1,256,309)	(1,256,309)
Transferred from profit and loss account	-	-	-	-	-	-	-	(9,019,602)	(9,019,602)
Disposal of subsidiary	-	-	-	-	-	(57,627)	(57,627)	488,753	431,126
Previously unconsolidated reserves: associates and joint ventures	-	-	-	-	-	-	-	(173,511)	(173,511)
Realised during the period	-	-	-	(48,092)	(132,077)	-	(180,169)	-	(180,169)
Balance, beginning of the year (01 January 2010)	5,276,423	3,718,368	234,503	486,000	45,744	38,690	4,523,305	(7,321,736)	2,477,992
Transferred from profit and loss account	-	-	-	-	-	-	-	5,044,543	5,044,543
Balance, end of the year (31 December 2010)	5,276,423	3,718,368	234,503	486,000	45,744	38,690	4,523,305	(2,277,193)	7,522,535

(b) (i) Bank

Balance, beginning of the period (01 October 2008)	5,276,423	3,718,368	234,503	534,092	177,821	-	4,664,784	1,702,107	11,643,314
Dividend paid	-	-	-	-	-	-	-	(1,256,309)	(1,256,309)
Transferred from profit and loss account	-	-	-	-	-	-	-	(6,660,406)	(6,660,406)
Realised during the period	-	-	-	(48,092)	(132,077)	-	(180,169)	-	(180,169)
Balance, beginning of the year (01 January 2010)	5,276,423	3,718,368	234,503	486,000	45,744	-	4,484,615	(6,214,608)	3,546,430
Transferred from profit and loss account	-	-	-	-	-	-	-	4,178,493	4,178,493
Balance, end of the year (31 December 2010)	5,276,423	3,718,368	234,503	486,000	45,744	-	4,484,615	(2,036,115)	7,724,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

32 Non-controlling interest

The movement on the non-controlling interest account was as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Balance, beginning of year/period	-	169,036	-	-
Share of profit for the period	-	-	-	-
Dividend received	-	-	-	-
Writeback of revaluation reserve	-	-	-	-
Disposal of subsidiary during the year/period	-	(169,036)	-	-
Balance, end of year/period	-	-	-	-

33 Contingent liabilities

(a) Litigation and claims

There are litigations and claims against the Group as at 31 December 2010 amounting to N3.3b (2009: N3.8billion). These claims arose in the normal course of business and are being contested by the Bank. The directors, having sought advice of professional counsel, are of the opinion that no significant liability will crystallise from these claims.

Provisions of N135.97million have been made in these financial statements on crystallised claims.

(b) (i) Guarantees and other commitments on behalf of customers.

In the normal course of business, the Group is party to financial instruments with off-balance sheet risk. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Bonds, guarantees and indemnities	35,347,605	19,433,968	35,347,605	19,433,968
Letters of credit	13,531,899	5,753,562	13,531,899	5,753,562
Others	28,669	10,788	28,669	10,788
	48,908,173	25,198,318	48,908,173	25,198,318

(c) (ii) All the transaction-related bonds and guarantees are fully collateralised. The cash component out of the balance was N1.140 billion (2009: N4.814billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

34 Net cash flow from operating activities

Reconciliation of profit before tax to cash generated from operating activities

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Profit/(loss) after taxation	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Add back: taxation charge	(89,700)	(2,612,826)	(490,242)	(2,412,502)
Profit/(loss) before taxation	4,954,843	(11,632,428)	3,688,251	(9,072,908)
Adjustment to reconcile profit before tax to net cash flow from operating activities:				
Allowance for bad and doubtful loans	(7,599,259)	12,532,003	(7,940,062)	11,513,630
Loan written off				
Diminution in value of other risk assets - investments	843,575	507,609	40,964	507,609
Diminution in value of short term securities	-	1,285,137	-	-
Allowance on other assets	(352,287)	1,231,564	(267,544)	947,655
Profit on disposal of subsidiary	-	-	-	(38,410)
Profit on disposal of trading properties	(391,663)	(107,444)	(4,529)	(107,444)
Share of profit of associate	(64,135)	-	-	-
Depreciation on equipment on lease	-	-	-	-
Depreciation on property and equipment (see note 22(a) &(b))	1,320,898	1,725,825	1,270,574	1,655,707
Profit on disposal of property and equipments	(28,901)	(38,771)	(28,901)	(38,771)
Revaluation gain on redemption of investment	-	(132,077)	-	(132,077)
Amortisation of deferred cost	-	-	-	-
Loss on investment	-	-	-	-
Write-back of investment	-	-	-	-
Allowance no longer required on other assets (see note 20(b))	-	(47,600)	-	-
Allowance no longer required on investments	-	-	-	-
Dividend income	(26,817)	-	(133,149)	-
Gain on disposal of investment	-	-	-	-
Exchange loss on long-term borrowing	1,103,284	1,196,134	1,103,284	1,196,134
Interest received	-	-	-	-
	(240,463)	6,519,952	(2,271,112)	6,431,125
(Increase)/decrease in operating assets				
Cash reserve balance	(236,186)	825,819	(236,186)	825,819
Investment securities - short term	1,058,573	2,005,402	-	-
Loans and advances	(15,005,927)	(23,715,730)	(13,231,911)	(23,900,169)
Other facilities	350,000	(350,000)	350,000	(350,000)
Advances under finance lease	1,435,759	(1,152,183)	1,292,916	(521,383)
Other assets	(4,247,748)	841,617	(4,701,693)	(611,995)
	(16,645,529)	(21,545,075)	(16,526,874)	(24,557,728)
Deposits and other accounts	41,797,783	(15,639,249)	38,803,903	(24,259,828)
Other liabilities	1,311,047	(2,484,209)	694,842	(1,358,109)
Other facilities	(350,000)	350,000	(350,000)	350,000
Defined contribution obligations	(3,874)	(11,944)	(3,740)	(11,928)
	42,754,956	(17,785,402)	39,145,005	(25,279,865)
	25,868,964	(32,810,525)	20,347,019	(43,406,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
35 Dividend				
Dividend declared: (December 2009: Nil)	-	1,256,309	-	1,256,309
	-	1,256,309	-	1,256,309
36 Earnings/(loss) per share				
Profit(loss) attributable to group shareholders	5,044,543	(9,019,602)	4,178,493	(6,660,406)
Number of ordinary shares in issue at year end	12,563,090	12,563,090	12,563,090	12,563,090
Basic earnings per share	40	(72k)	33	(53k)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

37 Related party transactions

During the period, the Bank granted various credit facilities to related companies of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N6.8billion (2009: N1.692billion relating to the Directors only) was outstanding on these facilities at the end of the period, of which Nil-million was non-performing. Details of these insider related credits are:

Name of Borrowers	Relationship	Facility type	Date granted	Maturity Date	Authorised N'000	Balance N'000	Status	Security
Lekki Silver Touch	Yemi Idowu	Overdraft	26-Jul-2010	26-Jul-2011	490,000	480,544	Performing	Legal Mortgage
Touchdown Travels Limited	Yinka Adeola	Overdraft	30-Dec-2009	26-Jan-2011	625,000	582,488	Performing	Equitable Mortgage
Touchdown Travels Limited	Yinka Adeola	Term Loan	30-Jun-2008	29-Jun-2018	100,000	94,111	Performing	Equitable Mortgage
Adeola, Rilwan Adedayo	Yinka Adeola	Term Loan	28-Apr-2009	29-Apr-2011	20,000	3,991	Performing	Legal Mortgage, Personal Gtee
Adeola, Rilwan Adedayo	Yinka Adeola	Term Loan	31-Dec-2010	31-Dec-2012	20,000	20,011	Performing	Legal Mortgage, Personal Gtee
Adeola, Rilwan Adedayo	Yinka Adeola	Leases	28-May-2010	31-May-2012	8,820	6,647	Performing	Legal Mortgage, Personal Gtee
UTC Nigeria Plc	Yinka Adeola	Term Loan	30-Jun-2010	30-Jun-2015	260,510	252,663	Performing	Personal Guaratee , Legal Mortgage
AIRCOM NIG LTD	Yemi Idowu	Overdraft	29-Jun-2010	28-Jun-2011	490,000	461,868	Performing	Equitable Mortgage,
Dantata Inv. & Sec Co Ltd		Term Loan	27-Oct-2010	27-Jan-2011	300,000	307,947	Performing	Equitable Mortgage,
					2,314,330	2,210,269		
Commercial Staff Loan	Staff	Consumer Loan	Various	Various	478,103	356,148	Performing	Lien on entitlements/
indemnity SIT Scheme	Staff	Term Loan	24-Jun-2008	23-Jun-2018	-	634,854	Performing	Lien on Shares
					478,103	991,003		
Sterling Capital Markets Ltd	Subsidiary	Overdraft	23-Dec-2010	29-May-2011	550,000	215,957	Performing	Lien on fixed deposit
Sterling Capital Markets Ltd	Subsidiary	Term Loan	16-Dec-2010	16-Dec-2013	1,500,000	1,537,147	Performing	Lien on fixed deposit
Sterling Asset Mgt & Trustees	Subsidiary	Term Loan	16-Dec-2010	16-Dec-2013	1,500,000	1,508,452	Performing	Domiciliation of proceeds of sale of property.
NSL Enterprises & Real Est Ltd	Subsidiary of Associate Company (NSL)				-	34,211	Performing	Legal Mortgage
NSL Enterprises & Real Est Ltd	Subsidiary of Associate Company (NSL)	Term Loan	30-Jun-2010	28-Jun-2013	350,000	298,866	Performing	Legal Mortgage
					3,900,000	3,594,634		
					6,692,433	6,795,906		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(b) Subsidiary's deposit with the Bank are as follows:

Entity	Dec. 2010 N'000	Dec. 2009 N'000
SBG Insurance Brokers Limited	108,088	83,294
Sterling Asset & Management Trustees Limited	1,617,592	734,129
Sterling Capital Markets Limited	138,933	862
Sterling Registrars Limited	478,266	665,634
	2,342,879	1,483,919

(c) Director related contingent liabilities (bonds and guarantees) are as follows:

		Dec. 2010 N'000	Dec. 2009 N'000
Touchdown Travels Limited	Yinka Adeola	2,000	4,000
Fareast Mercantile Co. Ltd	Yemi Idowu	-	130,350
		2,000	134,350

38 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents include cash, treasury bills, and other eligible bills, operating account with other banks, amount due from other banks and short-term government securities.

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Cash in hand and balances with CBN (less restricted balances) (see note 10(a))	5,311,859	7,461,371	5,311,830	7,460,931
Treasury bills (see note 11)	6,023,587	9,607,738	6,023,587	9,607,738
Due from other bank (see note 12)	25,098,603	57,833,221	21,832,593	56,592,146
Due to other banks (see note 26)	(195,748)	(2,650,000)	-	(150,000)
	36,238,302	72,252,330	33,168,011	73,510,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

39 Compliance with banking regulations

The Bank contravened certain sections of the Money Laundering (Prohibition) Act issued by the Central Bank of Nigeria. Details of the contraventions during the period is as follows:

	Section	Nature	Penalty N'000
Money Laundering (Prohibition) Act (MLPA) of 2004	S.3 (1)	Opening of accounts with inadequate documentation	2,000

40 Events after balance sheet date

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2010 and loss attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

41 Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

42 Financial Risk Management

The Bank's financial risk management policy seeks to ensure that adequate resources are available for the development of the Bank's business whilst managing its interest rate, market, credit and liquidity risks. The Board of Directors has approved guidelines pertaining to the risk management policies of the Bank which are closely adhered to, ensuring that the operations of the Bank are conducted in a prudent manner.

(a) Enterprise Risk Management

The Bank's Enterprise Risk Management Framework is designed in line with the CBN Risk based supervision requirement and global best practices with the establishment of the following:

An appropriate Risk Governance Structure at the Board and Management level.

Adoption of an Enterprise Risk Management policy for the bank.

Development of Risk Management frameworks and policies for each of the 3 core risk areas of the Bank i.e Credit, Market (Liquidity, Interest Rate & Investment) and Operational Risk Management Units.

Setting up of acceptable risk management systems, tools and limits to significantly improve the Bank's overall risk management capabilities.

The process for identification, measurement, monitoring, control and reporting of risks throughout its operations and its various business lines.

The ERM structure manages the Bank's inherent risks in the following areas:

Credit Risk

Market Risk

Operational Risk

The Board Risk Management Committee (BRMC) has responsibility for overview of risk functions. The BRMC reviews and recommends the Enterprise risk management polices, procedures and profiles pertaining to the Bank.

The committee is also responsible for approval of the Bank's Risk philosophy, Risk appetite and Tolerance.

(b) Principal Credit Policies

Introduction:

Sterling Bank has a Credit Policy Guide which is the primary reference document for creating and managing credit risk exposures in the bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

The guide outlines and standardizes general policies and procedures' framework for credit risk management in the Bank and incorporates provisions for:

Credit risk assessment,
Credit approval,
Credit Administration and
Reporting of credit risk exposures.

Sterling Bank's credit risk management policies comprise the following:

Policies:	clear articulation of management criteria for decision making.
Standards:	performance criteria and expected results and outcomes against which actions, decisions and results achieved will be benchmarked for compliance with articulated policies and objectives.
Procedures:	description of specific activities and tasks in respect of the creation and management of risk assets.

Integrated Risk Management Process

Sterling Bank's Integrated Risk Management Framework is made up of five distinct modules for the proactive creation and deliberate management of risk exposures in the bank. The module includes:

Risk Portfolio Planning
Exposure Development and Creation.
Exposure Management.
Delinquency Management/ Loan Workout.
Credit Recovery

Each module represents a critical component of Sterling bank's risk management framework for creating and maintaining an appropriate risk environment in the bank to maximize returns on risk assets with minimal loss.

(c) Risk rating methodology

A Risk Rating ("RR") is a grade given to a credit facility to reflect its quality and acceptability to the Bank.

The Bank maintains a two-dimensional credit rating system involving the determination of a borrower rating and facility rating for each exposure.

Separate Risk Ratings are maintained for STRUCTURED and UNSTRUCTURED, wholesale and retail customers.

Consumer credit in the bank is largely driven by standard credit product programmes and a credit scoring model.

(d) Credit Risk

Credit Risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations in accordance with agreed terms

Credit risks arise anytime bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

Major credit risks that affect Sterling Bank include:

Direct lending risks.
Contingent lending risk
Issuer risk
Presettlement risk
Settlement Risk
Clearing risk

Credit Risk Mission

To create a portfolio of quality risk assets that would generate stable returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Ensure effective diversification of credit exposures to various industry segments as approved by the board and operate within the exposure limit for each industry.

Organisation and Structure

Sterling Bank has structured the responsibilities of Credit risk management to identify, assess and measure credit risk; monitor credit risk, ensure adherence to agreed controls and finally report appropriately.

Credit Risk in Sterling Bank is managed by two departments, namely:

- Credit Risk Assessment Department
- Credit Administration Department

Credit risk measurements

Loans and Advances

The principal objective of credit risk measurement is to produce quantitative assessment of the credit risks to which the Bank is exposed. Integral to this is the calculation of internal ratings, which are used in numerous aspects of credit risk management.

Sterling Bank has developed internal risk acceptance criteria for measuring quality of credit risk.

Various qualitative and quantitative factors are considered in the obligor risk rating process which is in line with global best practice.

The Bank is currently gathering data to enable measurement of risk on a wider spectrum using the Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD) and VAR at Risk (VAR) approach in line with the Basel II accord.

Risk Rating Scale and its External Rating Equivalent

Sterling R.R Description	Risk Rating	Risk Score Range	S&P Equivalent
Superior	1	90-100	AAA to AA-
Strong	2	80-89.99	A+ to A+
Good	3	70-79.99	BBB+ to BBB-
Satisfactory	4	50-69.99	BB+ to BB-
High Risk	5	40-49.99	B+ to B+
Watchlisted	6	30-39.99	CCC+ to CCC
Sub-standard	7	20-29.99	CC+ to C-
Doubtful	8	10-19.99	D
Lost	9	<10	D

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Credit risk control and mitigation

The Bank has developed a set of management actions to prevent or mitigate the impact on earnings in the event that business risks materialise. Generally, business risk monitoring, through regular reports and oversight, results in corrective actions to plans and ensure reductions in exposures where necessary.

Sterling bank has in place various credit control and mitigation policies. Regional and sectorial exposure limits have been set to manage concentration and intrinsic risks in the Bank. These limits are regularly monitored and reviewed by the Bank's Board Risk Management Committee.

Collateral policies

Collateral policies are designed to ensure that the Bank's exposure is secured, and to minimize the risk of credit losses to the Bank in the event of decline in quality or delinquency of assets.

Guidelines for acceptability of credit collateral are approved by the MCC, and include articulation of:

Acceptable collateral for each credit product.

Required documentation/ perfection of collateral.

Conditions for waivers of collateral requirement and guidelines for approval of collateral waiver.

Acceptability of cash and other forms of collateral denominated in Foreign Currency.

Master netting arrangements

Credit facilities collateralised partly or fully with deposits are settled by set off, based on underlying set-off arrangement.

Monitoring

- Portfolio monitoring and reporting

This entails the production and analysis of regular portfolio monitoring reports presented to both the Management Credit Committee and the Board Risk Management Committee.

In the event that monthly monitoring identifies material exceptions or deviations from expected outcomes, these are appropriately escalated.

(e) Provisioning policy

The Bank's provisioning policy is designed to ensure compliance with the Central Bank of Nigeria's prudential guidelines. The policy entails that Non-performing exposures are adequately provided for based on number of days past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Risk Assets (Loans and Advances, Advances under Finance Leases, off-balance sheet direct credit substitutes etc).

Loans and advances are summarised as follows:

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Performing	98,756,166	73,906,611	97,353,488	73,527,804
Non-Performing		-		-
Substandard	1,485,004	2,086,534	1,191,318	2,085,534
Doubtful	2,499,491	10,131,846	2,160,990	10,131,846
Lost	8,903,944	10,624,426	8,287,667	10,071,702
TOTAL	111,644,605	96,749,417	108,993,464	95,816,886

(f) Performing but past due loans

Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing were as follows:

Group

As at 31 December 2010

	Retail Dec. 2010 N'000	Financial Corporate Dec. 2010 N'000	Institutions Dec. 2010 N'000	SME Dec. 2010 N'000	Total Dec. 2010 N'000
Not yet due	59,084,890	36,022,994	-	-	95,107,883
Past due 0 - 30 days	779,550	1,702	-	-	781,252
Past due up to 30 - 60 days	298,719	1,666,384	-	-	1,965,103
Past due up to 60 - 90 days	901,928	-	-	-	901,928
	61,065,087	37,691,079	-	-	98,756,167

Bank

As at 31 December 2010

Not yet due	57,706,056	36,022,994	-	-	93,729,049
Past due 0 - 30 days	774,375	1,702	-	-	776,077
Past due up to 30 - 60 days	296,429	1,666,384	-	-	1,962,813
Past due up to 60 - 90 days	885,548	-	-	-	885,548
	59,662,408	37,691,079	-	-	97,353,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(g) Non-performing loans by industry

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Agriculture	74,740	65,651	74,740	65,651
Oil and gas	2,323,359	2,063,961	2,323,359	2,063,961
Capital market	895,965	10,833,531	585,487	10,279,807
Consumer credit	179,407	1,089,188	79,407	1,089,188
Manufacturing	2,021,918	2,082,614	2,007,418	2,082,614
Mortgage	377,899	64,221	322,899	64,221
Real Estate and Construction	689,587	699,129	689,587	699,129
Finance and Insurance	197,993	32,699	107,993	32,699
Other Public Utilities	(0)	2	0	2
Transportation	412,615	722,003	380,436	722,003
Communication	433,305	81,440	433,305	81,440
Education	10,964	34,073	10,731	34,073
Others	5,270,686	5,074,294	4,624,613	5,074,294
Total	12,888,439	22,842,806	11,639,976	22,289,082

Non-performing loans by geography

South South	1,488,501	1,071,825	1,772,402	1,071,825
Lagos/South West	9,342,913	19,485,738	8,975,680	19,485,738
South East	725,397	1,719,056	618,909	1,165,332
North West	148,919	251,864	148,919	251,864
Abuja/North Central	124,066	314,323	124,066	314,323
North East	-	-	-	-
Total	11,829,796	22,842,806	11,639,976	22,289,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(h) Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2009. For this table, the Group has allocated exposures to regions based on the region of domicile of our counterparties.

Group	Due from banks	Loans & Other facilities	Advances under finance lease	Debt Instruments	Total
	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000
As at 31 December 2010					
South South		6,353,870	275,456	1,500,000	8,129,326
Lagos/South West	25,098,603	98,557,723	2,726,762	4,564,000	130,947,089
South East		1,613,400	29,774		1,643,174
North West		1,708,541	44,994		1,753,535
Abuja/North Central		3,276,886	33,841	89,753,458	93,064,185
North East		134,185	9,882		144,068
	25,098,603	111,644,606	3,120,710	95,817,458	235,681,376

Group	Due from banks	Loans & Other facilities	Advances under finance lease	Debt Instruments	Total
	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000
As at 31 December 2009					
South South	-	5,130,141	817,617	-	5,947,758
Lagos/South West	57,833,221	80,280,312	3,552,408	-	141,665,941
South East	-	2,052,314	63,705	-	2,116,019
North West	-	2,839,632	49,484	-	2,889,116
Abuja/North Central	-	6,640,764	72,049	23,355,641	30,068,454
North East	-	156,254	1,206	-	157,460
	57,833,221	97,099,417	4,556,469	23,355,641	182,844,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Bank

	Due from banks	Loans & Other facilities	Advances under finance lease	Debt Instruments	Total
	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000	Dec. 2010 N'000
As at 31 December 2010					
South South		6,353,870	275,456	1,500,000	8,129,326
Lagos/South West	21,832,593	95,906,581	2,230,624	4,564,000	124,533,799
South East		1,613,400	29,774		1,643,174
North West		1,708,541	44,994		1,753,535
Abuja/North Central		3,276,886	33,841	88,253,751	91,564,478
North East		134,185	9,882		144,068
	21,832,593	108,993,464	2,624,572	94,317,751	227,768,380

Bank

	Due from banks	Loans & Other facilities	Advances under finance lease	Debt Instruments	Total
	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000	Dec. 2009 N'000
As at 31 December 2009					
South South	-	5,130,141	817,617	-	5,947,758
Lagos/South West	56,592,146	79,347,781	2,913,427	-	138,853,354
South East	-	2,052,314	63,705	-	2,116,019
North West	-	2,839,632	49,484	-	2,889,116
Abuja/North Central	-	6,640,764	72,049	23,355,641	30,068,454
North East	-	156,254	1,206	-	157,460
	56,592,146	96,166,886	3,917,488	23,355,641	180,032,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Group
Industry Sectors

	Due from banks Dec. 2010 N'000	Loans & Other facilities Dec. 2010 N'000	Advances under finance lease Dec. 2010 N'000	Debt Instruments Dec. 2010 N'000	Total Dec. 2010 N'000
As at 31 December 2010					
Agriculture		552,314	-		552,314
Oil and Gas		18,668,646	257,578		18,926,223
Capital market		2,765,592	1,175		2,766,767
Consumer Credit		1,958,266	661,042		2,619,308
Manufacturing		13,022,381	23,455		13,045,836
Mining and quarrying			-		-
Mortgage		2,304,789	-		2,304,789
Real Estate and Construction		37,743,555	533,699		38,277,254
Finance and Insurance	18,335,837	4,596,934	637,939	95,817,458	119,388,168
Government		2,427,264	11,285		2,438,549
Other Public Utilities		45,406	-		45,406
Transportation		2,951,851	54,456		3,006,307
Communication		1,158,103	9,880		1,167,983
Education		249,543	-		249,543
Power		2,428	-		2,428
Others		23,197,532	930,200		24,127,732
Total	18,335,837	111,644,605	3,120,710	95,817,458	228,918,609

Group

	Due from banks Dec. 2009 N'000	Loans & Other facilities Dec. 2009 N'000	Advances under finance lease Dec. 2009 N'000	Debt Instruments Dec. 2009 N'000	Total Dec. 2009 N'000
As at 31 December 2009					
Agriculture	-	723,314	1,579	-	724,893
Oil and Gas	-	8,414,941	383,115	-	8,798,056
Capital market	-	15,912,987	3,056	-	15,916,043
Consumer Credit	-	4,601,680	1,208,912	-	5,810,592
Manufacturing	-	12,510,073	36,204	-	12,546,277
Mining and quarrying	-	-	143,289	-	143,289
Mortgage	-	3,772,952	612,029	-	4,384,981
Real Estate and Construction	-	16,412,008	543,208	-	16,955,216
Finance and Insurance	57,833,221	5,623,300	202,750	-	63,659,271
Government	-	4,751,811	212,552	23,355,641	86,153,225
Other Public Utilities	-	45,833	1,571	-	47,404
Transportation	-	4,396,926	293,898	-	4,690,824
Communication	-	467,567	8,722	-	476,289
Education	-	261,735	19,133	-	280,868
Power	-	94	-	-	94
Others	-	19,204,196	886,451	-	20,090,647
Total	57,833,221	97,099,417	4,556,469	23,355,641	240,677,969



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

(ii) Industry Sectors
Bank

	Due from banks Dec. 2010 N'000	Loans & Other facilities Dec. 2010 N'000	Advances under finance lease Dec. 2010 N'000	Debt Instruments Dec. 2010 N'000	Total Dec. 2010 N'000
As at 31 December 2010					
Agriculture		552,314			552,314
Oil and Gas		18,411,068	257,578		18,668,646
Capital Market		2,764,416	1,175		2,765,592
Consumer Credit		1,270,655	661,042		1,931,697
Manufacturing		12,998,926	23,455		13,022,381
Mining and Quarrying					-
Mortgage		2,304,789			2,304,789
Real Estate and Construction		37,209,856	533,699		37,743,555
Finance and Insurance	21,832,593	4,455,133	141,801	94,317,751	120,747,278
Government		1,937,079	11,285		1,948,364
Other public utilities		45,406			45,406
Transportation		2,897,396	54,456		2,951,851
Communication		1,148,223	9,880		1,158,103
Education		249,543			249,543
Others		22,746,232	930,200		23,676,432
Power		2,428			2,428
	21,832,593	108,993,464	2,624,572	94,317,751	111,618,036

Bank

	Due from banks Dec. 2009 N'000	Loans & Other facilities Dec. 2009 N'000	Advances under finance lease Dec. 2009 N'000	Debt Instruments Dec. 2009 N'000	Total Dec. 2009 N'000
As at 31 December 2009					
Agriculture	-	723,314	1,579	-	724,893
Oil and Gas	-	8,414,941	383,115	-	8,798,056
Capital Market	-	14,904,311	3,056	-	14,907,367
Consumer Credit	-	4,601,680	1,208,912	-	5,810,592
Manufacturing	-	12,510,073	36,204	-	12,546,277
Mining and Quarrying	-	-	143,289	-	143,289
Mortgage - Real Estate and Construction	-	3,772,952	612,029	-	4,384,981
Finance and Insurance	5,919,961	16,412,008	543,208	-	16,955,216
Government	56,592,146	202,750	-	62,714,857	28,320,004
Other public utilities	-	4,751,811	212,552	23,355,641	28,320,004
Transportation	-	45,833	1,571	-	47,404
Communication	-	4,396,926	293,898	-	4,690,824
Education	-	467,567	8,722	-	476,289
Others	-	261,735	19,133	-	280,868
Power	-	18,983,680	247,470	-	19,231,150
	-	94	-	-	94
	56,592,146	96,166,886	3,917,488	23,355,641	180,032,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Analysis by Portfolio Distribution and Risk Rating

As at 31 December

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Risk Rating				
RR1 - RR2	4,697,485	4,881,208	4,687,802	4,881,208
RR3 - RR4	82,423,258	62,569,236	81,565,505	63,688,003
RR5 - RR6	14,135,391	6,456,167	11,100,180	4,958,593
RR7	151,351	2,086,534	1,191,318	2,085,534
RR8	535,045	10,131,846	2,160,990	10,131,846
RR9	9,702,075	10,624,426	8,287,667	10,071,702
	<u>111,644,605</u>	<u>96,749,417</u>	<u>108,993,464</u>	<u>95,816,886</u>

- (i) Report on market and liquidity risk management

Market Risk

Market risk is the probability that changes in the financial market prices, Interest Rates, Exchange Rates, Market Volatilities and Correlations could adversely affect the bank's condition.

Sterling Bank's Market Risk Management policy, approved by the Board, is the primary reference document for creating and managing market risk exposures in the bank. The policy outlines the framework for risk identification, analysis, approval, administration and reporting of market risk exposure.

Market risk management in the Bank covers the following areas;

- 1 Liquidity and Interest Rate Risk from deposit taking and lending activities of all the business units resulting from mismatch of maturing assets and liabilities.
- 2 Foreign Exchange Risk, both in the trading book and the denomination of Bank's assets and liabilities in foreign currencies.

Liquidity Risk

The ultimate responsibility for liquidity risk management rests with the Board, who had developed a robust liquidity risk management framework for the management of the bank's short term, medium and Long term funding liquidity management requirements. The objective of the framework includes;

- 1 Proactively identifying the bank's liquidity needs
- 2 Identifying primary sources that will be used to fund those needs
- 3 Establishing procedures for monitoring liquidity
- 4 Providing minimum liquidity management requirements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Liquidity risk management process & objective

The Bank's liquidity management process is the primary responsibility of Assets and Liability Committee (ALCO). This function is delegated to Assets and Liability Management (ALM) Department, within the Treasury Group and is responsible for daily liquidity management. Net daily funding requirements are predetermined by regular interaction with business units and dealing room to ascertain pipe line deals requiring funding, determine daily settlement requirements, and regular interactions with large depositors to understand and manage draw down requirements.

The bank's liquidity management policy objective includes;

- 1 Effective monitoring of the Bank's liquidity position at all times.
- 2 Ensuring that an adequate liquidity cushion is maintained such that all maturing obligations (both on and off balance sheet) are met on an on-going basis.
- 3 Controlling the Bank's dependence on wholesale funds , by building an effective contingency funding plan.
- 4 Ensuring that timely information is available for liquidity decisions.
- 5 Maintaining a liquidity posture, consistent with regulatory requirements.
- 6 Complying with all regulatory liquidity reporting requirements.

Funding approach

The bank has a number of liability generating instruments and products. However due to the fact that the various sources of funding change in line with the market and regulation, the bank at every point, diversifies its sources of funding in terms of currency, product, customer and tenor.

Interest Rate Risk

The major objective of Interest Rate Risk Management is to minimize reduction in net income and reductions in the bank's economic value of equity resulting from changes in future interest rates.

Interest rate risk is managed using a static re-price gap cumulative analysis, by ensuring that the bank maintains a "balanced re-pricing cumulative gap" position. In line with the limits set by the Board, re-pricing gap reports are prepared to monitor level of compliance.

Foreign Exchange Risk

The bank is exposed to changes of current holdings and future cash flows denominated in other currencies. Instruments that are exposed to this risk include; foreign currency denominated loans and deposits, foreign currency denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions.

Market risk exposures for currency trading activities are consistently monitored by limit structures for Overnight & Intraday spot and forward limits for dealers and global position. The Net Open position is strictly monitored to ensure strict compliance with regulatory requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Operational risk management

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

Sterling Bank is committed to the management of operational risks in the Bank.

Operational risk management philosophy & principles

Operational risk management in Sterling Bank operates through the creation and sustenance of a strong risk culture which is anchored on the following principles:

Bank-wide assimilation of the impact of operational risk events and activities.
Individual accountability and transparency on operational risk issues at all levels.
Mutual understanding and support across all business groups and supporting Units.

Monitoring and managing operational risk

Various tools and techniques are deployed in managing operational risk in Sterling Bank. These tools and techniques incorporate Risk Identification, Risk Assessment and Implementation of adequate control measures to reduce the impacts of risks. They include:

Risk and control self assessment

This incorporates the use of Checklists, Questionnaires and Workshops to identify and assess inherent risks.

The benefits derived from the use of this tool in Sterling Bank Plc are:

Empowering employees and increased accountability.
Provides employees with a better understanding of business risks and internal controls.
Assists in identifying important issues faster.
Helps employees to be proactive.
Reduces audit exposures that may result in losses.

Loss data collection and tracking:

This is the backward review of events that have occurred and enables monitoring of trends to prevent re- occurrence. It also enables assessment and monitoring of risks to ensure that timely corrective actions are taken.

Key Risk Indicators (KRIs):

KRIs are used to highlight current risk levels by providing a measure of the status of an identified risk and the effectiveness of its control. They also serve as early warning signals and act as escalation triggers when set tolerance levels are exceeded.

Operational risk co-ordinators

The Bank has Operational Risk coordinators in each Business Unit and Branch. Their functions include the following:

To coordinate collection of data on loss events within the business units/area and report to the Operational Risk Management Unit on these events, the details and amounts.
Monitor results and work with their respective Units on identified issues.
Facilitate, partake and verify the results of the self-assessment process.
Consult and advise the business units on ways to mitigate OR.
To identify gaps on OR management issues pertaining to the business area and report to Operational Risk Management Unit.

Management and board oversight

Our governance structure is a combination of the principles of the top-down approach and the bottom-up approach. This is to ensure that management of Operational Risk is adequately covered at both policy and operations level.

The Board of Directors through the Board Risk Management Committee and the Management Risk Committee is responsible for approval of policies and strategy in managing operational risk. These would be used as guidelines to constantly evolve plans in operations that lend support to the management of operational risk at the business unit level and narrowed down to the operational level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2010. Included in the table are by the Group's assets and liabilities at carrying amounts, categorised currency.

Group

31 December 2010

	Naira Dec 2010 N'm	Dollar Dec 2010 N'm	GBP Dec 2010 N'm	Euro Dec 2010 N'm	Others Dec 2010 N'm	Total Dec 2010 N'm
Assets:						
Cash and balances with central banks	3,619	2,577	200	265	-	6,660
Treasury bills	6,024	-	-	-	-	6,024
Due from other banks	6,890	17,313	360	535	-	25,099
Loans and advances to customers	89,657	10,982	2	0	-	100,641
Other facilities	-	-	-	-	-	-
Advances under finance lease	2,925	188	-	-	-	3,113
Investment securities	104,292	30	-	-	-	104,322
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	106	-	-	-	-	106
Investment properties	5,443	-	-	-	-	5,443
Other assets	15,780	138	(0)	(0)	-	15,918
Deferred tax asset	5,257	-	-	-	-	5,257
Property and equipment	4,528	-	-	-	-	4,528
Total financial assets	244,521	31,227	562	800	-	277,110
Liabilities:						
Customer deposits	185,600	16,941	403	131	-	203,074
Due to other banks	196	-	-	-	-	196
Current income tax	681	-	-	-	-	681
Other liabilities	19,643	1,861	5	412	-	21,920
Other facilities	-	-	-	-	-	-
Retirement benefit obligations	51	-	-	-	-	51
Deferred tax liabilities	12	-	-	-	-	12
Long-term borrowing	25,058	-	-	-	-	25,058
Total liabilities	231,240	18,802	408	543	-	250,993
Net on-balance sheet financial position	13,280	12,425	154	258	-	26,117
Off-balance sheet	27,510	20,788	118	491	-	48,908
31 December 2009						
	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Total financial assets	199,677	19,925	371	1,345	-	221,318
Total financial liabilities	172,558	26,664	435	588	-	200,245
Net on-balance sheet financial position	27,119	(6,739)	(63)	757	-	21,074
Off-balance sheet	19,434	5,764	-	-	25,198	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Bank

Concentrations of currency risk - on- and off-balance sheet financial instruments

31 December 2010	Naira N'm	Dollar N'm	GBP N'm	Euro N'm	Others N'm	Total N'm
Assets:						
Cash and balances with central banks	3,619	2,577	200	265	-	6,660
Treasury bills	6,024	-	-	-	-	6,024
Due from other banks	3,624	17,313	360	535	-	21,833
Loans and advances to customers	88,328	10,982	2	0	-	99,312
Other facilities	-	-	-	-	-	-
Advances under finance lease	2,437	188	-	-	-	2,625
Investment securities	96,564	30	-	-	-	96,594
Investment in subsidiaries	2,468	-	-	-	-	2,468
Investment in associates	260	-	-	-	-	260
Investment properties	-	-	-	-	-	-
Other assets 14,491	138	(0)	(0)	-	14,629	-
Deferred tax asset	4,759	-	-	-	-	4,759
Property and equipment	4,417	-	-	-	-	4,417
Total financial assets	226,991	31,227	562	800	-	259,580
Liabilities:						
Customer deposits	181,800	16,941	403	131	-	199,274
Due to other banks	-	-	-	-	-	-
Current income tax	368	-	-	-	-	368
Other liabilities	6,230	1,861	5	412	-	8,507
Other facilities	-	-	-	-	-	-
Retirement benefit obligations	51	-	-	-	-	51
Deferred tax liabilities	-	-	-	-	-	-
Long-term borrowing	25,058	-	-	-	-	25,058
Total liabilities	213,507	18,802	408	543	-	233,259
Net on-balance sheet financial position	13,484	12,425	154	258	-	26,320
Off-balance sheet	27,510	20,788	118	491	-	48,908
31 December 2009						
	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Total financial assets	184,000	19,925	371	1,345	-	205,641
Total financial liabilities	155,812	26,664	435	588	-	183,499
Net on-balance sheet financial position	28,187	(6,739)	(63)	757	-	22,142
Off-balance sheet	19,434	5,764	-	-	-	25,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Maturity Profile - On Balance Sheet

Group	Up to 1 month N'000	1 - 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1 - 5 years N'000	Over 5 years N'000	Total Carrying value N'000	Total Carrying value N'000
31 December 2010								
Assets								
Cash in hand and balances with CBN	5,312	-	-	-	-	1,348	6,660	6,660
Treasury bills	-	2,966	3,058	-	-	6,024	6,024	6,024
Due from other banks	25,099	-	-	-	-	-	25,099	25,099
Loans and advances to customers	38,684	9,801	11,596	12,530	25,851	13,182	111,645	100,641
Other facilities	-	-	-	-	-	-	-	-
Advances under finance lease	7	580	67	886	1,573	8	3,121	3,113
Investment securities	4,136	-	-	500	78,180	21,506	104,322	104,322
Investment in subsidiaries	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	106	106	106
Investment properties	-	-	-	-	-	5,443	5,443	5,443
Other assets	5,499	220	-	2,832	7,367	-	15,918	15,918
Deferred tax assets	-	-	-	-	5,257	-	5,257	5,257
Property plant and equipment	-	12	39	56	2,060	2,359	4,527	4,527
Total assets	78,738	10,613	14,668	19,862	120,288	43,953	288,121	277,111
Liabilities								
Customers' deposits	165,098	29,976	669	694	6,637	-	203,075	203,075
Due to other banks	-	-	-	196	-	-	196	196
Current income tax payable	-	-	-	681	-	-	681	681
Other liabilities	1,430	61	-	9,675	6,007	4,749	21,921	21,921
Other facilities	-	-	-	-	-	-	-	-
Defined contribution obligations	51	-	-	-	-	-	51	51
Deferred tax liabilities	-	-	-	7	4	-	11	11
Long-term borrowing	-	-	-	-	14,124	10,934	25,058	25,058
Total liabilities	166,579	30,037	669	11,253	26,772	15,684	250,993	250,993
Gap	(87,842)	(19,436)	13,961	8,552	91,456	30,415	37,128	26,117



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Maturity Profile - On Balance Sheet

Bank
31 December 2010

	Up to 1 month N'm	1 - 3 months N'm	3 - 6 months N'm	6 - 12 months N'm	1 - 5 years N'm	Over 5 years N'm	Total N'm	Carrying value N'm
Assets:								
Cash in hand and balance with CBN	5,312	-	-	-	-	1,348	6,660	6,660
Treasury bills	-	-	2,966	3,058	-	-	6,024	6,024
Due from other banks	21,833	-	-	-	-	-	21,833	21,833
Loans and advances to customers	6,702	27,106	11,355	13,158	27,148	13,843	99,312	99,312
Other facilities	-	-	-	-	-	-	-	-
Advances under finance lease	7	580	67	390	1,573	8	2,625	2,625
Investment securities	4,136	-	-	500	70,452	21,506	96,594	96,594
Investment in subsidiaries	-	-	-	-	-	2,468	2,468	2,468
Investment in associates	-	-	-	-	-	260	260	260
Investment properties	-	-	-	-	-	-	-	-
Other assets	5,499	220	-	2,832	6,078	-	14,629	14,629
Deferred tax assets	-	-	-	-	4,759	-	4,759	4,759
Property and equipment	-	12	39	56	1,950	2,359	4,417	4,417
Total assets	43,490	27,918	14,427	19,994	111,960	41,792	259,580	259,580
Liabilities:								
Customers' deposits	164,243	27,886	669	267	6,210	-	199,274	199,274
Due to other banks	-	-	-	-	-	-	-	-
Current income tax payable	-	-	-	368	-	-	368	368
Other liabilities	1,430	61	-	2,267	-	4,749	8,507	8,507
Other facilities	-	-	-	-	-	-	-	-
Defined contribution obligations	51	-	-	-	-	-	51	51
Deferred tax liabilities	-	-	-	-	-	-	-	-
Long-term borrowing	-	-	-	-	14,124	10,934	25,058	25,058
Total liabilities	165,725	27,947	669	2,902	20,333	15,684	233,259	233,259
Gap	(122,235)	(29)	13,759	17,092	91,626	26,109	26,321	26,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Maturity Profile - On Balance Sheet

Group	31-Dec-09	Maturity Profile - On Balance Sheet					Total Carrying value		
		Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	N/m	N/m
Assets									
Cash in hand and balances with CBN	7,461	-	-	-	-	1,112	-	8,574	8,573
Treasury bills	1,108	1,500	3,500	3,500	-	-	-	9,608	9,608
Due from other banks	51,623	3,210	3,000	-	-	-	-	57,833	57,833
Loans and advances to customers	47,959	7,130	4,836	7,434	24,842	4,548	-	96,749	78,036
Other facilities	-	-	350	-	-	-	-	350	350
Advances under finance lease	698	39	243	1,464	2,112	-	-	4,556	4,549
Investment securities	2,158	-	-	1,905	5,603	17,156	-	26,822	27,506
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	43	-	43	43
Investment properties	60	-	-	-	-	12,524	-	12,584	12,584
Other assets	10,870	18	82	-	3,454	8	-	14,432	12,422
Deferred tax assets	-	-	-	-	-	4,601	-	4,601	4,601
Property and equipment	-	-	-	-	-	5,213	-	5,213	5,213
Total assets	121,937	11,897	12,011	14,303	36,011	45,206	241,366	221,318	
Liabilities									
Customers' deposits	117,974	27,146	2,356	4,953	8,848	-	-	161,277	161,277
Due to other banks	150	-	-	2,500	-	-	-	2,650	2,650
Current income tax payable	-	-	833	193	-	-	-	1,026	1,026
Other liabilities	10,850	-	117	623	9,084	-	-	20,675	20,675
Other facilities	-	-	-	-	350	-	-	350	350
Defined contribution obligations	55	-	-	-	-	-	-	55	55
Deferred tax liabilities	-	-	-	-	4	-	-	10	10
Long-term borrowing	-	-	-	-	14,202	-	-	14,202	14,202
Total liabilities	129,029	27,146	3,306	8,276	32,488	-	200,244	200,244	
Gap	(7,091)	(15,249)	8,706	6,027	3,523	45,206	41,121	21,073	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Maturity Profile - On Balance Sheet

Bank
31 December 2009

	Up to 1	1 - 3	3 - 6	6 - 12	1 - 5	Over 5	Total Carrying value	
	month	months	months	months	years	years	N/m	N/m
Assets:								
Cash in hand and balance with CBN	7,461	-	-	-	-	1,112	8,573	8,573
Treasury bills	1,108	1,500	3,500	3,500	-	-	9,608	9,608
Due from other banks	52,247	1,345	3,000	-	-	-	56,592	56,592
Loans and advances to customers	48,396	6,407	4,410	7,434	24,621	4,548	95,817	78,140
Other facilities	-	-	350	-	-	-	350	350
Advances under finance lease	698	39	243	1,464	1,473	-	3,917	3,917
Investment securities	1,350	-	-	1,454	5,224	16,996	25,055	25,739
Investment in subsidiaries	-	-	-	-	-	2,468	2,468	2,468
Investment in associates	-	-	-	-	-	260	260	260
Investment properties	60	-	-	-	-	-	60	60
Other assets	10,865	-	-	-	1,204	-	12,069	10,763
Deferred tax assets	-	-	-	-	-	4,082	4,082	4,082
Property and equipment	-	-	-	-	-	5,089	5,089	5,089
Total assets	122,214	9,292	11,503	13,853	32,523	34,555	223,940	205,641
Liabilities:								
Customers' deposits	120,145	27,146	2,356	1,975	8,848	-	160,470	160,470
Due to other banks	150	-	-	-	-	-	150	150
Current income tax payable	-	-	393	-	-	-	393	393
Other liabilities	7,879	-	-	-	-	-	7,879	7,879
Other facilities	-	-	-	-	350	-	350	350
Defined contribution obligations	55	-	-	-	-	-	55	55
Deferred tax liabilities	-	-	-	-	-	-	-	-
Long-term borrowing	-	-	-	-	14,202	-	14,202	14,202
Total liabilities	128,228	27,146	2,750	1,975	23,400	-	183,499	183,499
Gap	(6,014)	(17,854)	8,754	11,877	9,123	34,555	40,441	22,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

Maturity profile - Off-Balance Sheet

Group and Bank
31 December 2010

	Up to 1 month N'm	1 - 3 months N'm	3 - 6 months N'm	6 - 12 months N'm	1 - 5 years N'm	Over 5 years N'm	Total
Bonds, guarantees and indemnities	16,967	3,594	1,061	4,649	9,077	-	35,348
Letters of credit	19	10,290	2,416	806	-	-	13,532
Others	29	-	-	-	-	-	29
	17,014	13,885	3,478	5,454	9,077	-	48,908

Maturity profile - Off Balance Sheet

Group and Bank
31 December 2009

	Up to 1 month N'm	1 - 3 months N'm	3 - 6 months N'm	6 - 12 months N'm	1 - 5 years N'm	Over 5 years N'm	Total
Bonds, guarantees and indemnities	1,792	5,791	1,161	6,282	4,407	-	19,434
Letters of credit	1,545	4,208	-	-	-	-	5,754
Others	11	-	-	-	-	-	11
	3,348	10,000	1,161	6,282	4,407	-	25,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D FOR THE PERIOD ENDED 31 DECEMBER 2010

Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- a. To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- b. To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- c. To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes.

The required information is filed with the CBN on a monthly basis.

The CBN requires each bank to:

- (i) Hold the minimum level of the regulatory capital of N25 billion, and
- (ii) Maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.

The Group's regulatory capital as managed by its Financial Control and Treasury Units is divided into two tiers:

- a. Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings.
- b. Tier 2 capital: preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets.

Investments in unconsolidated subsidiaries and associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit, market and other risks associated with - each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Group for the period ended 31 December.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	Group Dec. 2010 N'000	Group Dec. 2009 N'000	Bank Dec. 2010 N'000	Bank Dec. 2009 N'000
Tier 1 capital				
Share capital	6,281,545	6,281,545	6,281,545	6,281,545
Share premium	12,314,019	12,314,019	12,314,019	12,314,019
Statutory reserves	3,718,368	3,718,368	3,718,368	3,718,368
SMEEIS reserve	234,503	234,503	234,503	234,503
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423
Retained earnings	(2,277,193)	(7,321,736)	(2,036,115)	(6,214,608)
Less: Intangible asset (deferred tax assets)	(5,256,884)	(4,601,074)	(4,759,491)	(4,081,815)
Total qualifying Tier 1 capital	20,290,781	15,902,048	21,029,252	17,528,435
Tier 2 capital				
Preference shares	-	-	-	-
Non controlling interest	-	-	-	-
Convertible bonds	-	-	-	-
Revaluation reserve - investment properties	486,000	486,000	486,000	486,000
Capital reserves	38,690	38,690	-	-
Translation reserve	45,744	45,744	45,744	45,744
General provision	28,536	489,417	-	-
Other reserves	-	-	-	-
Total qualifying Tier 2 capital	598,970	1,059,851	531,744	531,744
Total regulatory capital	20,889,751	16,961,899	21,560,996	18,060,179
Risk-weighted assets:				
On-balance sheet	153,701,071	128,999,124	147,963,628	115,436,949
Off-balance sheet	20,380,182	12,593,765	20,380,182	12,593,765
Total risk-weighted assets	174,081,253	141,592,889	168,343,811	128,030,714
Risk weighted Capital Adequacy Ratio (CAR)	12%	12%	13%	14%

STATEMENT OF VALUE ADDED

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Dec. 2010 N'000	%	Dec. 2009 N'000	%
Group:				
Gross earnings	34,341,616		43,464,716	
Interest expense - local	(11,076,183)		(20,613,620)	
Fee and commission expense	-		-	
	23,265,433		22,851,096	
Group's share of post tax result of associates and joint ventures	64,135		(111,667)	
Exceptional charge	-		-	
Loan loss expenses	(2,100,524)		(12,532,003)	
Allowance on other risk assets	(491,288)		(3,024,310)	
Bought-in-materials and services -local	(9,715,279)		(13,926,638)	
Value added	11,022,477	100	(3,490,748)	100
Applied to pay:				
Employee as wages, salaries and pensions	4,746,735	43	6,415,855	(184)
Government taxes	564,719	5	(2,612,826)	75
Retained in business:				
Depreciation on properties and equipment	1,320,898	12	1,725,825	(49)
Depreciation on equipment on lease	-	-	-	-
To pay proposed dividend	-	-	-	-
To augment reserve	5,044,543	46	(9,019,602)	258
Deferred taxation	(654,418)	(6)		
	11,022,477	100	(3,490,748)	100



STATEMENT OF VALUE ADDED

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Dec. 2010 N'000	%	Dec. 2009 N'000	%
Bank:				
Gross earnings	30,386,957		43,464,716	
Interest expense	(10,002,583)		(20,134,503)	
Fee and commission expense	-		-	
	<hr/>		<hr/>	
	20,384,374		23,330,213	
Exceptional income	-		-	
Exceptional charge	-		-	
Loan loss expenses	(1,759,721)		(11,513,630)	
Allowance on other risk assets	226,580		(1,455,264)	
Bought-in-materials and services -local	(9,505,727)		(11,921,491)	
	<hr/>		<hr/>	
Value added	9,345,506	100	(1,560,172)	100
	<hr/>		<hr/>	
Applied to pay:				
Employee as wages, salaries and pensions	4,386,680	47	5,857,029	(376)
Government taxes	187,435	2	(2,412,502)	155
Retained in business:				
Depreciation on properties and equipments	1,270,574	14	1,655,707	(105)
Depreciation on equipment on lease	-	-	-	-
To pay proposed dividend	-	-	-	-
Profit/(loss) for the year	4,178,493	45	(6,660,406)	426
Deferred taxation	(677,676)	(7)		
	<hr/>		<hr/>	
	9,345,506	100	(1,560,172)	100
	<hr/>		<hr/>	

FIVE YEAR FINANCIAL SUMMARY

FOR THE PERIOD ENDED 31 DECEMBER 2010

Group	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000
Cash in hand and balances with CBN	6,660,349	8,573,674	16,150,062	6,234,795	7,022,527
Treasury bills	6,023,587	9,607,738	21,378,831	13,721,471	12,866,613
Due from other banks	25,098,603	57,833,221	84,799,102	42,806,336	10,964,794
Loans and advances to customers	100,641,020	78,035,834	66,882,520	47,113,606	38,544,411
Other facilities	-	350,000	-	-	-
Advances under finance lease	3,112,998	4,548,757	3,366,161	2,233,323	1,590,466
Investment securities	104,322,487	27,505,802	36,210,808	24,510,756	9,951,043
Investment in subsidiaries	-	-	-	-	-
Investment in associates	106,204	43,377	258,661	-	-
Investment properties	5,443,303	12,584,288	1,945,651	5,836,513	7,600,006
Other assets	15,918,279	12,421,527	12,309,161	5,618,158	11,764,699
Deferred tax assets	5,256,884	4,601,074	1,158,674	460,087	40,831
Property and equipment	4,527,335	5,212,873	5,387,190	5,088,764	7,347,747
Equipment on lease	-	-	-	30,053	42,025
Goodwill	-	-	-	3,081,993	4,030,299
TOTAL ASSETS	277,111,049	221,318,165	249,846,821	156,735,855	111,765,461
LIABILITIES					
Customers' deposits	203,074,678	161,276,895	176,916,144	99,218,069	68,945,862
Due to other banks	195,748	2,650,000	5,418,920	1,412,223	117,096
Current income tax payable	680,890	1,026,117	1,750,366	1,326,703	1,037,564
Other liabilities	21,920,642	20,674,674	23,164,531	26,330,824	15,401,219
Other facilities	-	350,000	-	-	-
Defined contribution obligations	51,071	54,945	66,889	197,048	75,801
Deferred tax liabilities	11,820	10,428	15,714	24,203	3,823
Long-term borrowing	25,058,101	14,201,550	11,073,200	-	-
	250,992,950	200,244,609	218,405,764	128,509,070	85,581,365
Net Assets	26,118,099	21,073,556	31,441,057	28,226,785	26,184,096



FIVE YEAR FINANCIAL SUMMARY CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000
CAPITAL AND RESERVES					
Share capital	6,281,545	6,281,545	6,281,545	5,276,423	5,276,423
Share premium	12,314,019	12,314,019	2,314,019	13,319,141	13,319,141
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423	5,276,423
Other (Deficit)/ Reserves	2,246,112	(2,798,431)	7,400,034	4,069,537	2,178,254
Non-controlling interest	-	-	169,036	285,262	133,855
SHAREHOLDERS' FUNDS	26,118,099	21,073,556	21,441,057	28,226,786	26,184,096
Other Commitments and Contingents	48,908,173	25,198,318	91,180,933	54,121,619	32,437,199
	31 December 2010 12 months N'000	31 December 2009 15months N'000	30 September 2008 12 months N'000	30 September 2007 12 months N'000	30 September 2006 12 months N'000
PROFIT AND LOSS ACCOUNT					
Gross earnings	34,341,616	46,717,490	36,129,278	23,864,197	12,857,675
Profit/(loss) before tax	4,954,843	(11,632,428)	7,982,548	2,226,708	728,181
Taxation	89,700	2,612,826	(1,398,669)	(288,699)	345,601
Profit attributable to equity holders of Banks	5,044,542	(9,019,602)	6,583,879	1,938,009	1,073,782

FIVE YEAR FINANCIAL SUMMARY

FOR THE PERIOD ENDED 31 DECEMBER 2010

	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000
Bank					
ASSETS					
Cash in hand and balances with CBN	6,660,320	8,573,234	16,149,550	-	-
Treasury bills	6,023,587	9,607,738	21,378,831	13,721,471	17,038,334
Due from other banks	21,832,593	56,592,146	80,847,858	44,633,790	22,639,039
Loans and advances to customers	99,312,070	78,140,098	65,787,520	45,957,835	38,945,949
Other facilities	-	350,000	-	-	-
Advances under finance lease	2,624,572	3,917,488	3,362,144	2,222,007	1,590,466
Investment securities	96,593,620	25,738,514	31,451,241	5,602,394	6,877,448
Investment in subsidiaries	2,467,622	2,467,622	1,550,405	1,550,405	1,550,405
Investment in associates	260,093	260,093	232,500	-	-
Investment properties	-	60,000	154,276	19,173,155	4,137,000
Other assets	14,628,832	10,762,879	9,207,117	4,760,856	5,555,186
Deferred tax assets	4,759,491	4,081,815	1,163,816	376,326	40,831
Property and equipment	4,416,723	5,089,200	5,217,665	4,864,389	7,217,445
Equipment on lease	-	-	-	30,053	42,025
Goodwill	-	-	-	3,081,993	4,030,299
TOTAL ASSETS	259,579,523	205,640,827	236,502,923	145,974,674	109,664,427
LIABILITIES					
Customers' deposits	199,274,284	160,470,381	184,730,209	106,933,727	75,026,350
Due to other banks	-	150,000	-	-	-
Current income tax payable	368,489	393,405	1,157,102	606,413	684,735
Other liabilities 8,507,091	7,878,686	9,236,795	11,634,139	7,634,014	-
Other facilities	-	350,000	-	-	-
Defined contribution obligations	51,071	54,811	66,739	-	-
Deferred tax liabilities	-	-	-	-	-
Long-term borrowing	25,058,101	14,201,550	11,073,200	-	-
TOTAL LIABILITIES	233,259,036	183,498,833	206,264,045	119,174,279	83,345,099
NET ASSETS	26,320,487	22,141,994	30,238,878	26,800,395	26,319,328

FIVE YEAR FINANCIAL SUMMARY CONT'D
FOR THE PERIOD ENDED 31 DECEMBER 2010

	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000
CAPITAL AND RESERVES					
Share capital	6,281,545	6,281,545	6,281,545	5,276,423	5,276,423
Share premium	12,314,019	12,314,019	12,314,019	13,319,141	13,319,141
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423	5,276,423
Other (Deficit)/ Reserves	2,448,500	(1,729,993)	6,366,891	2,928,408	2,447,341
SHAREHOLDERS' FUNDS	26,320,487	22,141,994	30,238,878	26,800,395	26,319,328
Other Commitments and Contingents	48,908,173	25,198,318	91,180,933	54,121,619	32,437,199
	31 December 2010 15months N'000	31 December 2009 15months N'000	30 September 2008 12 months N'000	30 September 2007 12 months N'000	30 September 2006 12 months N'000
PROFIT AND LOSS ACCOUNT					
Gross earnings	30,386,957	43,464,716	32,777,845	21,057,246	12,444,596
Profit/(loss) before tax	3,688,251	(9,072,908)	7,789,724	605,277	429,357
Taxation	490,242	2,412,502	(1,266,571)	15,381	532,288
Profit/(loss) after tax	4,178,493	(6,660,406)	6,523,153	620,658	961,645

SHARE CAPITAL HISTORY

YEAR	AUTHORISED(N)		ISSUED & FULLY PAID-UP(N)		CONSIDERATION
	INCREASE	CUMULATIVE	INCREASE	CUMULATIVE	
1960	-	500,000	-	500,000	CASH
1970	1,000,000	1,500,000	1,000,000	1,500,000	SCRIP
1973	1,000,000	2,500,000	-	1,500,000	-
1974	-	2,500,000	625,000	2,125,000	SCRIP
1975	-	2,500,000	375,000	2,500,000	SCRIP
1979	2,500,000	5,000,000	1,000,000	3,500,000	SCRIP
1982	2,500,000	7,500,000	1,400,000	4,900,000	SCRIP
1983	-	7,500,000	2,450,000	7,350,000	CASH
1984	3,000,000	10,500,000	3,150,000	10,500,000	SCRIP
1985	4,500,000	15,000,000	-	10,500,000	-
1988	5,000,000	20,000,000	5,250,000	15,750,000	SCRIP
1989	30,000,000	50,000,000	15,750,000	31,500,000	SCRIP
1991	50,000,000	100,000,000	31,500,000	63,000,000	SCRIP
1992	-	100,000,000	-	63,000,000	-
1994	-	100,000,000	31,500,000	94,500,000	SCRIP
1996	50,000,000	150,000,000	47,250,000	141,750,000	SCRIP
1997	450,000,000	600,000,000	-	141,750,000	SCRIP
1998	-	600,000,000	212,625,000	354,375,000	SCRIP
1999	-	600,000,000	177,188,000	531,563,000	SCRIP
2001	400,000,000	1,000,000,000	132,890,125	664,453,125	SCRIP
2003	500,000,000	1,500,000,000	132,890,625	797,343,750	SCRIP
2003	-	1,500,000,000	34,344,239	831,687,989	CASH
2004	1,000,000,000	2,500,000,000	171,229,880	1,002,917,869	SCRIP
2004	-	2,500,000,000	240,375,737	1,243,293,605	CASH
2004	2,000,000,000	4,500,000,000	621,646,803	1,864,940,408	SCRIP
2005	5,500,000,000	10,000,000,000	522,045,592	2,386,986,000	CASH
2006	-	10,000,000,000	2,889,437,825	5,276,423,825	MERGER
2008	2,000,000,000	12,000,000,000	6,658,513,143	11,934,936,968	MERGER ADJUSTMENT
2008	-	12,000,000,000	-	6,281,545,772	RECONSTRUCTION

NOTES



NOTES



SENIOR EXECUTIVES

S/N	Name	Grade	Designation
1	ADEOLA YEMI	Group Managing Director	Group Managing Director/Chief Executive
2	ADESANYA OLANREWAJU	Executive Director	Executive Director - Treasury
3	GARBA IMAM	Executive Director	Executive Director - Corporate Banking
4	PURI DEVENDRA NATH	Executive Director	Executive Director - Operations & Technology
5	SANU FOLAKE LATIFAT	General Manager	Group Head, Lagos Island 1 Region
6	ADEBAYO FOLASADE ONAOLAPO	General Manager	Group Head, Liability Products
7	JAIN PRAVEEN	General Manager	Group Head, Corporate Banking
8	LAWAL MUDATHIR OMOKAYODE	Deputy General Manager	Group Head, Lagos Mainland 2 Region
9	ODEGBAMI PHILLIP MAKANJUOLA	Deputy General Manager	Group Head, Lagos Mainland 3 Region
10	ORISAKWE CHINEDUM	Deputy General Manager	Group Head, Human Resources & Performance Management
11	SALAMI MUSA AYINLA	Deputy General Manager	Group Head, South West Region
12	ADEOLA TUNDE	Deputy General Manager	Group Head, Lagos Island 2 Region
13	SULEIMAN ABUBAKAR	Deputy General Manager	Group Head, Treasury & Financial Institutions
14	ODUBIYI YEMI	Deputy General Manager	Group Head, Structured Trade & Multilateral Finance/Corporate Development
15	BABAJIDE ABAYOMI	Deputy General Manager	Group Head, Information Technology
16	KUPONIYI ADEFOLAHAN KIKELOMO	Assistant General Manager	Group Head, Branch Operations
17	LEWA JUSTINA AKPOABUGO	Assistant General Manager	Company Secretary/Legal Adviser & Group Head, Recovery
18	OBE ENIOLA	Assistant General Manager	Group Head, Consumer Lending
19	PAUL-TAIWO ADEOYE	Assistant General Manager	Head, Multinationals
20	ADEGUN ADEGBOYEGA ADELANI	Assistant General Manager	Head, Gas & Services
21	OLAIYA TOYIN EKUNDAYO	Assistant General Manager	Group Head, Enterprise Risk Management
22	AMOO FATAI	Assistant General Manager	Group Head, South South Region
23	EGBARIN OBIAJULU	Assistant General Manager	Group Head, Lagos Mainland 1 Region
24	ADEBAYO AYODELE ADEMOLA	Assistant General Manager	Group Head, Public Sector
25	UBOSI ISIOMA ADA	Assistant General Manager	Business Manager, Broad Street Branch
26	ADEROJU ABIODUN	Assistant General Manager	Chief Inspector
27	DAHUNSI TITILAYO OMOSOLA	Assistant General Manager	Group Head, Credit Administration/ Subsidiary Operations
28	JOHN JAPHET	Assistant General Manager	Group Head, Abuja/North Central Region
29	OLAMBIWONNU ADEBIMPE	Assistant General Manager	Group Head, Financial Control

SUBSIDIARIES AND AFFILIATES

Sterling Capital Markets Limited

Contact Details

Plot 1B, Frajend Close,
Osborne Foreshore Estate

Ikoyi, Lagos

2802226, 2802227, 7403066

Gaventa Otono

Telephone

Managing Director

Sterling Asset Management & Trustees Limited

Contact Details

1703A Adetokunbo Ademola Street

Victoria Island, Lagos

2702352, 4620361 and 4620364

Segun Oluyori

Telephone

Managing Director

Sterling Registrars Limited

Contact Details

Akuro House (8th Floor)

24 Campbell Street

P.M.B. 12735, Lagos

2635607

2646582

Gboyega Babalola

Telephone

Fax

Managing Director

SBG Insurance Brokers Limited

Contact Details

1703A Adetokunbo Ademola Street

Victoria Island, Lagos

2635539, 2715754, 2630567-8

Sammy Dalmeida

Telephone:

Managing Director

Nigerian Stockbrokers Limited

Contact Details

Akuro House (6th Floor)

24 Campbell Street

P.M.B. 12735, Lagos

2635539, 2715754, 2630567-8

Olatubosun Adekoya

Telephone

Managing Director

Crusader Sterling Pensions Limited

Contact Details

42, Adeola Hopewell Street

Victoria Island, Lagos

2713800-4

Niyi Falade

Telephone

Managing Director



BRANCH NETWORK

S/N	Branch	Address
LAGOS AREA		
1	Apapa	13/15, Wharf Road, Apapa, Lagos
2	Apapa	Nnewi Building, 1-3 Creek Road Apapa,
3	Apapa	26, Creek Road Apapa, Lagos
4	Apapa	17 Commercial Road, Apapa
5	Berger	250, Kirikiri Road Berger Olodi Apapa
6	Broad Street	Bookshop House, 50/52, Broad Street, Lagos
7	Daleko	Plot 8, Block E, Daleko Market, Apapa Oshodi Expressway, Lagos
8	Dopemu	3/4 Bayo Ayeni Street, Aluminium Village Dopemu , Lagos
9	Dopemu	32, Shasha Road, Dopemu, Agege
10	Ibru-Jetty	31, Kudaisi Street, Warehouse B/Stop, Ibafo, Apapa
11	Iddo	Railway Terminus, Ebute Metta, Lagos
12	Idimu	294, Idimu Road, Isheri, Idimu, Lagos
13	Idumagbo	24, Idumagbo Avenue, Lagos
14	Idumota	105, Enu Owa Street, Idumota, Lagos
15	Ifako	102, Iju Ifako Road, Lagos
16	Igbosere	198, Igbosere Road, Lagos
17	Ikeja	104, Obafemi Awolowo Way, Lagos
18	Ikeja	Adebola House, 38, Opebi Road, Lagos
19	Ikeja	No 51, Allen Avenue Ikeja, Lagos
20	Ikeja	68 Opebi Road, Ikeja
21	Ikeja	Plot 2, Oba Akran Avenue Avenue, Ikeja
22	Ikeja	9, Aromire Street, Ikeja, Lagos
23	Ikorodu	43 Lagos Road, Ikorodu
24	Ikoyi	228A Awolowo Road, Ikoyi, Lagos
25	Ikota	Shop 14/15, Block F, Ikota Shopping Complex
26	Ilupeju	Akintola Williams, Delliotte Building 226, Ikorodu Road, Ilupeju
27	Ipaja	Bamgbola House, 109, Lagos Abeokuta Expressway, Iyana Ipaja, Lagos
28	LASU	Lagos State University, Ojo
29	Lekki	Bakky Plaza, By Agungi Bus Stop, Lekki-Epe Expressway, Lagos
30	Marina	Sterling Towers, 20 Marina Lagos
31	Marina	Old, Niger House 163/165, Broad Street
32	Martins	41/43, Martins Street
33	Matori	26, Fatai Atere Way, Matori Ind. Estate
34	Ojuwoje	9, Dada Iyalode Street, Ojuwoye, Mushin, Lagos
35	Oke-Arin	John St., Oke Arin Shopping Complex, Lagos
36	Sura (Lagos)	Block 11, Suite 3, Sura Shopping Complex Simpson Street
37	Surulere	141, Ogunlana Drive, Surulere, Lagos
38	Surulere	74, Adeniran Ogunsanya Street, Surulere, Lagos
39	Tin Can	Tin Can Road, Tin Can Apapa
40	Victoria Island	Plot 300, Adeola Odeku, Victoria Island
41	Victoria Island	62, Adetokunbo Ademola Street, Victoria Island
42	Victoria Island	42, Adeola Hopewell Street, Victoria
43	Victoria Island	34 Adetokunbo Ademola Street, victoria Island, Lagos
44	Willoughby	28, Willoughby Street, Ebute-Metta, Lagos
45	Yaba	260/262 Herbert Macaulay Road, Yaba
46	Coker	Orile Coker Market, Lagos
47	Oshodi Isolo	Oshodi-Isolo Local Government Secretariat, Oyetayo Street, Oshodi, Lagos
SOUTH-WEST		
48	Abeokuta	OPIC Round About, Oke-Ilewo, Abeokuta
49	Akure	142, Oyemekun Road Akure, Ondo State
50	Ibadan	55A Iwo Road, Ibadan ,Oyo State
51	Ibadan	3, Obafemi Awolowo Road, J Allen ,Dugbe
52	Ilorin	11, Murtala Mohammed Way, Ilorin, Kwara State
53	Iwo	Bowen University, Iwo Osun State
54	Ore	82, Ondo Road, Ore, Ondo State
55	Ota	64, Idiriko Road, Ota-Ogun State
56	Oshogbo	Onward Estate, Along Oshogbo Gbongan Raod, Oshogbo, Osun State

BRANCH NETWORK CONT'D

S/N	Branch	Address
SOUTH-EAST		
57	Aba	Plot 3, Eziukwu Road, Aba, Abia State
58	Asaba	Umuagu Quarters Nnebisi Road, Asaba
59	Benin	49A, Akpakpavwa Road, Benin
60	Enugu	2A, Market Road, Ogui, Enugu
61	Anambra	140, Zik Avenue, Awka
62	Onitsha	34, Port Harcourt Road, Fegge, Onitsha
63	Onitsha	3, Onitsha/Owerri Road, Onitsha
64	Onitsha	24, New Market Road, Onitsha
64	Onitsha	41, New Market Road, Onitsha
65	Owerri	71, Douglas Road, Owerri, Imo State
66	Warri	Odibo Housing Estate, Opposite Urhobo College, Warri-Sapele Road
SOUTH-SOUTH		
67	Calabar	105 Murtala Mohammed Highway, Calabar
68	P/Harcourt	Plot 13, Trans Amadi Industrial Layout, Port Harcourt
69	P/Harcourt	Plot A-A1, Trans Amadi Ind. Layout, Port Harcourt
70	P/Harcourt	4B, Olu Obasanjo Road, Port Harcourt
71	P/Harcourt	Plot 142 (36B), Woji Road, GRA Phase 11, Port Harcourt
72	P/Harcourt	University of Port Harcourt Teaching Hospital
73	Uyo	52, Oron Road, Uyo, Akwa Ibom
74	Yenagoa	268, Mbiama/Yenagoa Road, Yenagoa
ABUJA		
75	Abuja	Plot 450, Kontagora Close, Off Tafawa Balewa Way, Area 3, Garki, Abuja
76	Abuja	36, Samuel Ladoke Akintola Boulevard Garki 11, Abuja
77	Abuja	Plot 990, Sterling Boulevard Central District, Wuse 2, Abuja
78	Abuja	Plot 700 Sheda Close, Off Tafawa Balewa Way Area 8, Garki Abuja
79	Abuja	National Assembly Complex, Abuja
80	Abuja	5 Adetokunbo Ademola Crescent, Wuse 1, Abuja
81	Wuye	Eternal Oil Filling Station
KANO		
82	Kano	10-12, Lagos Street, Off Sanni Abacha Way Kano
83	Kano	110, Murtala Mohammed Way, Kano
84	Kano	20, Unity Road, Kano
85	Kano	Aminu Dantata Estate, Kofan Ruwa Market, Kano
86	Kano	Bayero University Cash Centre, Kano
87	Kano	Gidan Goldie, 2B, Niger Street, Kano
DUTSE		
88	Dutse	Kiyawa Road, Opposite Oando Filling Station, Dutse, Jigawa State
KADUNA		
89	Kaduna	9, Ali Akilu Road, Kaduna
90	Kaduna	236, Kachia Road, Kaduna South LGA,
MAIDUGURI		
91	Maiduguri	39, Sir Kashim Ibrahim Road Opposite Ramat Shopping Complex
KATSINA		
92	Katsina	3, IBB Way, Kofar Kaura, Katsina
ZAMFARA		
93	Gusau	Zaria Road, Gusau Zamfara State
PLATEAU		
94	Jos	32 Rwang Pam Street, Off Tafawa Balewa/Ahmadu Bello Way, Jos
BAUCHI		
95	Bauchi	Yakubun Bauchi Road Beside Central Bank of Nigeria, Bauchi State
SOKOTO		
96	Sokoto	Central Business District, 6, Ahmadu Bello Way, Sokoto

PROXY FORM



I/WE, of being a member of Sterling Bank Plc hereby appoint.....or failing him Alhaji (Dr) S. Adebola Adegunwa, OFR or failing him Mr. Yemi Adeola to act as my proxy, to vote for me and on my behalf at the Annual General Meeting of the Bank held on Tuesday, 31st May, 2011 at 11.00 a.m and at every adjournment thereof.

As Witness under my hand this.....day of.....2011

.....
Signed

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve Audited Accounts		
2.	To elect and re-elect Directors		
3.	To approve the remuneration of Directors		
4.	To authorize the Directors to fix the remuneration of the Auditors.		
5.	To elect members of the Audit Committee.		
	SPECIAL BUSINESS		
6.	To appoint Messrs Ernst & Young as Auditors of the Company		

Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

ADMISSION CARD



Please admit the shareholder named on this card or his duly appointed proxy to the Annual General Meeting of the company to be held on Tuesday, the 31st day of May, 2011 at Golden Gate Complex, Ikoyi, Lagos at 11.00 a.m.

This admission card must be produced by the Shareholder in order to obtain entrance to the Annual General Meeting.

Name of Shareholder Name of Shareholder Signature

Address of Shareholder

Registrars
Sterling Registrars Limited
Akuro House (8th Floor)
24, Campbell Street
Lagos
