2011 Annual Report & Accounts

Sterling Bank
The one-customer bank.

DID YOU KNOW...

...Sterling Bank's Bouquet of eProducts include

Sterling Naira VISA card

Sterling Naira Visa Card is a globally accepted payment card that is directly linked to a current or savings account denominated in Naira. It facilitates the payment for goods and services anywhere in the world at any Visa Acceptance location.

Key Features and Benefits:-

- No more difficulties of converting from Naira to other currencies when you travel.
- Spend directly from Naira account for transactions within and outside Nigeria.
- A convenient way to purchase from over 29 million merchant outlets worldwide.
- Secure on-line purchases, giving you access to goods and services from around the world.
- A key feature of this card is it's enhanced security and is protected by the most secure technology for card transactions. It also has an embedded microchip that offers additional PIN; Verified by Visa (VbyV) for internet transactions.
- Access to monitor card transactions 24/7 via the internet Banking service, e-mail and SMS notification.
- Elimination of security risk associated with traveling with loads of cash.
- Make Local and International ATM withdrawals.

Sterling VISA Gold

Sterling Visa Gold Card is an International card that offers a lifestyle of convenience.
It is an International card attached to a Savings or Current Domiciliary account denominated in dollars that enables payment for goods and services at locations worldwide wherever you see the Visa logo.

Key Features and Benefits:-

- Access to cash whenever, anytime from any ATM with the VISA logo worldwide.
- A convenient way to purchase from over 29 million merchant outlets worldwide.
- Secure on-line purchases, giving you access to goods and services from around the world. The card can be used to pay/book for hotels, flight tickets, payment of foreign subscriptions e.t.c.
- Access to monitor card transactions 24/7 via the internet Banking service, e-mail and SMS notification. This enables you to keep track of your spending.
- Opportunity to issue a supplementary card on your account to your children/wards abroad thus eliminating funds transfers.
- A key feature of this card is it's enhanced security and protected by the most secure technology for card transactions. It also has an embedded microchip that offers additional PIN; Verified by Visa (VbyV) for internet transactions.

VISION

"To Be The Financial Institution Of Choice"

MISSION

"We deliver solutions that enhance stakeholder's value"

Our Core Values

Customer focus
Integrity
Teamwork
Excellence

Customer Focus

- "The customer is king"
- Creativity in meeting customers' (external and internal) needs
- Holistic understanding of the customers' business

Integrity

- Fidelity
- Confidentiality
- Engendering implicit trust

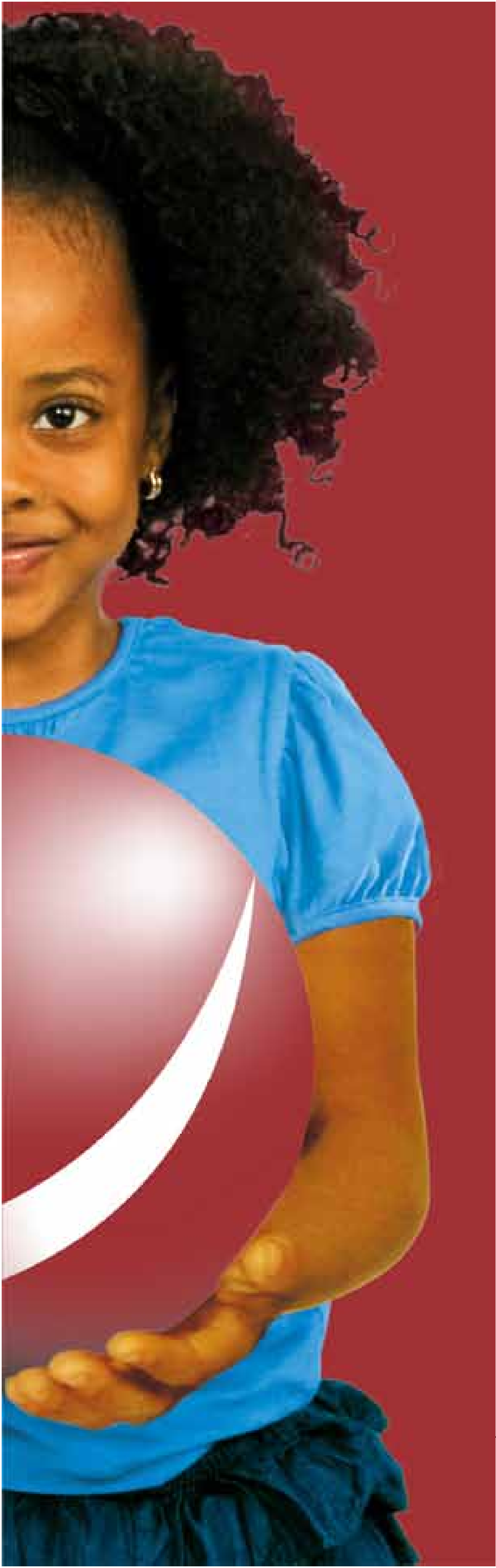
Team Work

- "The success of one is the success of all"
- Seamless interface of all parts of the business
- The team is greater than the individual

Excellence

- We will strive for the highest service standards
- We will excel in our chosen markets
- We aim to be the best

Sterling Bank
The one-customer bank.



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Corporate Profile

Sterling Bank Plc is a full-service national commercial bank. The Bank, formerly known as NAL Bank Plc, was incorporated in 1960 as Nigeria Acceptances Limited. In 1969, it became the first Nigerian Bank to be licensed as a merchant bank.

The Bank became a universal bank in 2001 to reflect its wide product/service offering. In 2005, NAL Bank merged with the erstwhile Indo-Nigerian Bank, Magnum Trust Bank, NBM Bank, and Trust Bank of Africa to form Sterling Bank Plc. Buoyed by a commitment to corporate governance principles the bank has demonstrated resilience in the competitive landscape, while remaining true to its strong ethical leaning.

In 2011, Sterling Bank Plc acquired the franchise of the erstwhile Equitorial Trust Bank to emerge as a stronger institution and is now better positioned to offer a robust bouquet of products and services through a network of 186 branches, spread across major cities in Nigeria. The bank is well poised to drive its customer-centric business focus, aptly captured by 'The one-customer bank' proposition, across a vibrant community of customers in the corporate, retail and commercial banking space.

In line with its new national commercial banking license, Sterling Bank Plc disposed of its holdings in the following subsidiaries and affiliate companies during the 2011 financial year:

- **Subsidiaries**
  - ➔ Sterling Capital Markets Ltd
  - ➔ Sterling Asset Management & Trustees Ltd
  - ➔ SBG Insurance Brokers Ltd
  - ➔ Sterling Registrars Ltd
- **Affiliate**
  - ➔ Crusader Sterling Pensions Ltd

Sterling Bank enjoys correspondent banking relationships with a number of reputable local and international banks.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of Sterling Bank Plc will be held at the Lagoon Restaurant, 1C, Ozumba Mbadiwe Street, Victoria Island, Lagos on Tuesday, the 15th day of May, 2012 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December, 2011, together with the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare a Dividend.
3. To elect/ re-elect Directors.
4. To approve the remuneration of the Directors.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. To elect members of the Audit Committee.

SPECIAL BUSINESS

To consider and if thought fit to pass the following resolution as Ordinary Resolution:

7. (a) "That Captain Harrison Kuti who retires by rotation and in addition has attained the age of 70 years and having disclosed this fact to the Company in accordance with Section 256 of the Companies and Allied Matters Act (Cap C20, Laws of the Federation of Nigeria) and being eligible and willing to continue, offer himself for re-appointment as a Director of the Company"

   (b) "That Mr. Musibau Fashanu who has attained the age of 70 years and having disclosed this fact to the Company in accordance with Section 256 of the Companies and Allied Matters Act (Cap C20, Laws of the Federation of Nigeria) and being eligible and willing to continue, offer himself for re-appointment as a Director of the Company"

PROXY

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. To be valid, a completed and duly stamped Proxy form must be deposited at the office of 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.

Dated this 12th day of April, 2012

BY ORDER OF THE BOARD

Justina Lewa
Company Secretary
20 Marina
Lagos

NOTES

1. Dividend

If approved, dividend warrants for the sum of 10 kobo for every share of 50 kobo will be posted on 18th of May, 2012 to shareholders whose names are registered in the Register of Members at the close of business on 27th April, 2012, while shareholders who have provided relevant accounts will be credited same day.

2. Closure of Register of Members

The Register of Members and Transfer Books of the Company will be closed from 30th April, 2012 to 4th May, 2012 (both dates inclusive), to enable the Registrar prepare for payment of dividend.

3. Audit Committee

In accordance with section 359(5) of the Companies and Allied Matters Act, 2004, any shareholder may nominate a shareholder for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least twenty-one (21) days before the Annual General Meeting.

Financial Highlights

Profit and Loss Account
(N'm)

Gross Earnings	Operating Income	PAT before Extra Ordinary Income	Profit Attributable to Shareholders
45,173	26,965	4,644	6,686
49%	32%	11%	60%

Balance Sheet
(N'm)

Total Assets and Contingencies	Loans and Advances	Deposits	Shareholders' Equity
583,101	163,540	406,516	40,953
89%	60%	104%	56%

Ratios

Non-Performing Loan Ratio	Earnings Per Share	Dividend Per Share	Return on Average Equity
4.8%	51k	10k	20%

Directors, Officers and Professional Advisers

DIRECTORS:	Alhaji (Dr.) S.A Adegunwa, OFR	Chairman
	Mr. Rajiv Pal Singh (Indian)	Director
	Captain Harrison Kuti	Director
	Alhaji Bashir M. Borodo, OON	Director
	Mr. Yemi Idowu	Director
	Mr. Yinka Adeola	Director
	Ms Olufunmilola Osunsade	Director
	Mr. Rasheed Kolarinwa	Independent Director
	Mr. Musibau Fashanu	Independent Director
	Mr. Yemi Adeola	Managing Director/CEO
	Mr. Lanre Adesanya	Executive Director
	Mr. Devendra Puri (Indian)	Executive Director
	Mr. Abubakar Sule	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 (6th Floor) 24, Campbell Street Lagos	

Economic Review

GLOBAL ECONOMY

2011 witnessed unprecedented political upheaval and economic turmoil. From the youth-led clamour for democratic reforms in the Middle East and North Africa, which is now known as the Arab Spring, the unrest preceding the installation of President Alassane Ouattara as the duly elected president of neighbouring Cote d'Ivoire, to the devastating tsunami in Japan, and the sovereign debt crisis and downgrades in the euro-zone. The United States was not immune to the turbulence as Standard & Poor's downgraded its debt one notch from the coveted top grade of triple A. The resulting volatility in commodity prices, disruptions to supply chains, rising cost of capital, and general uncertainty adversely impacted businesses across the globe. This slowed the recovery in mature, emerging, and frontier markets.

US

The U.S economy grew by 1.8% in 2011, down from 2.5% in 2010. This largely reflected weaker than expected global economic growth as a result of heightened European sovereign debt concerns in the second half of the year. Growth slowed during the middle of the year as consumer spending weakened in response to published statistics on a slump in new jobs creation. In response, the US Federal Reserve (Fed) maintained its quantitative easing by keeping interest rates at 0% to 0.25%. The central bank also applied additional policy stimuli to further reduce long term interest rates as this would help homeowners to refinance their mortgages at lower rates.

In 2012, growth in the U.S. economy is projected to rise to 2.5%. This estimate reflects higher business investment, driven by stronger corporate balance sheets and the low interest rate environment. A major caveat is growth in the Euro area and stability in the Middle East, which may yet stifle recovery in this important election year.

UK

The UK economy is facing the twin hazards of fiscal tightening and falling exports. With close to half of the UK exports going to the euro zone, the prospect of declining demand from the European Union countries will put a serious dent on the UK's economic momentum. Austerity measures announced by the Cameron-led government are expected to trim about 1.5% from the 2012 and 2013 growth rates. While fiscal policy will weigh on economic activity, monetary policy continues to be exceedingly supportive of growth. This was demonstrated by the Bank of England's announcement in October of an additional £75 billion in bond purchases aimed at keeping rates low.

In 2012, growth in the UK should be moderate at 0.7% and will receive a further boost in the second half from its hosting of the Olympic Games, when we expect GDP to grow at a little above 2%.

Euro-zone

The Euro-zone debt crisis worsened during the year. This triggered credit rating downgrades, change of governments, and an insistence on the implementation of austerity measures in hard hit countries by creditors, the European Central Bank and Germany, the zone's strongest economy. These came against the backdrop of figures showing that some of the zone's peripheral countries had entered into a recession.

In the latter half of the year, funding costs for European countries increased, while a funding drought affected banks domiciled there. In response, the European Union (EU) and Eurozone governments announced tough policy actions including Greek debt restructuring, further bank recapitalization and expanded liquidity support in funding markets. The zone is still not out of the woods.

In the light of these, the Euro area is projected to record a negative growth of -0.5% in 2012. Essentially, this is on account of the high public debt burden and the fragility of the credit and financial markets. Although both the EU and the G20 have indicated continued support for additional funding mechanisms, uncertainty remains about the effectiveness of this policy.

BRICS

For the first time, the BRICS nations (Brazil, Russia, India, China, and South Africa) met to discuss economic prospects for the 5-member body. China, India and Brazil all posted lower growth rates in 2011 compared to 2010. China, the world's 2nd largest economy, grew at a slower pace than predicted due to a deliberate policy of interest rate hikes by the Chinese central bank to stem overheating. In turn, foreign investments declined as the Beijing government targeted inflation and the growing threat of an asset bubble.

Brazil also encountered a setback as her economy contracted by 0.1%, while India saw the rupee slide to a 3-decade low due to a rising import bill and slowing export growth. These downward trends are expected to continue in 2012 until the euro-zone crisis is resolved.

For these rising powerhouses of the global economy, the near-term focus will be on crafting appropriate responses to the drop in domestic demand and import orders from advanced economies, while dealing with volatile capital flows. The specific conditions facing these economies and the policy room available to them vary widely, and so will the appropriate policy responses.

Sub-Saharan Africa

Sub-Saharan Africa has been a major exception to the global trend: it is estimated to have grown by 4.9% in 2011. The impact of the global slowdown on sub-Saharan Africa has to date been limited to a few countries - most notably, South Africa, which has a large manufacturing base that exports to Europe.

In 2012, we expect the region to record a higher growth of 5.5% on the back of strong domestic and external demand for its commodities.

DOMESTIC ECONOMY

The National Bureau of Statistics (NBS) placed economic growth in 2011 at 7.36%. This is a noticeable decline from 7.87% recorded in 2010 in spite of rising oil production and prices. The economic performance, which is still impressive, was driven by improved contributions from the agriculture, wholesale and retail trading, and telecommunications sectors.

Although there were noticeable inflationary pressures, which were traceable to high April 2011 election expenditure as well as rising international energy, commodity and food prices, these had moderated by the middle of the year. At year end, the domestic inflation rate averaged 10.9%, an improvement from 12.4% recorded the previous year.

Of note, the inflation rate dropped as low as 9.4% for the first time since 2009 mainly due to the tight monetary policy stance of the Central Bank of Nigeria and a fall in food inflation.

Nigeria's external reserves recorded a marginal increase from $32.35 billion recorded in 2010 to $32.89 billion in 2011. Experts estimated that this would cover nine months of full imports. They also averred that the rise would have been greater but for the increased pressure on the naira at the CBN Bi-Weekly forex auctions.

On a separate score, the federal government revealed plans to diversify its foreign currency reserve holdings.

The capital market recorded modest gains in the period under review, as the All Share Index (ASI) rose slightly to 24,980.20 from 24,863.38 in the first quarter of the year.

There was little respite as the market turned bearish again with the ASI falling to 20,730.63 in December 31, 2011. The market performance, though consistent with the stock market performances around the rest of the world, was a reflection of the growing risk aversion on the part of portfolio investors on the Nigerian Stock Exchange, which is now dominated by foreign fund managers.

After initial anxiety on investor appetite and timing, Nigeria successfully launched its first Eurobond offering with the sale of US$500 million. The bonds, which were rated B+ by Standard and Poor's and BB- by Fitch, were issued at 6.75% per annum. The offering was oversubscribed by 150%.

In its budget preparation season at year end, the Federal Government (FG) proposed a N4.749 trillion (US$31 billion) budget for the fiscal year 2012. Of this amount over 70% will be committed to recurrent expenditure.
This budget will run a deficit of N1.1 trillion, representing 3.40% of the country's gross domestic product (GDP) down from 3.62% in 2011. Sectors to receive priority attention in 2012 are Security, Education, Health, Works, Power and Agriculture.

The introduction of a national minimum wage of N18,000.00 (US$117.60) will strain the budget, especially among the state governments which have significant overheads and costly bureaucracies.

The advent and activities of Boko Haram, the Islamist fundamentalist group, in the north-eastern part of the federation in 2011 have introduced a new dimension to armed confrontations with public security forces. Suicide bombings, indiscriminate attacks on even co-religionists, and reports of collaboration with moles in the security agencies have raised serious concerns about the protection of lives and property, sustained attractiveness of Nigeria to foreign investors, and the recovery of the capital market. Tackling this challenge may distract the government from addressing pressing economic and social issues.

FINANCIAL & REGULATORY DEVELOPMENTS

The following are some important events which occurred during the period under review:

- CBN and banks signed a Sinking Fund MoU with the Asset Management Company of Nigeria (AMCON). Under the sinking fund arrangement, the CBN will contribute N50 billion and each participating bank will contribute an amount equivalent to 0.3% of its total assets as at the date of its audited financial statements, annually to fund AMCON for a period of ten years.

- The apex bank in an effort to transform and deepen the Nigerian financial markets commenced foreign exchange (forex) forwards transactions.

- Restrictions were announced on withdrawals and lodgments of cash at deposit money banks, as the apex bank moves the industry and Nigeria towards a cashless/ cashlite society. Implementation begins in Lagos State after March 31, 2012.

- The CBN mandated banks to set up Agriculture desks at their head offices, regional offices and branches and also to increase lending to the agriculture sector to a minimum of 5% of total loans.

- The Naira suffered a mild depreciation in the official WDAS market in the later part of 2011. The CBN announced an adjustment of the mid-point for the official exchange rate from N150.00/ US$1.00 to N155.00/US$1.00, while maintaining the limit of +/- 3%. This was prompted by the sustained pressure witnessed on the demand side in the second half of the year

- Removal of the one-year holding period for non-resident investors in public domestic debt by the CBN in a bid to further deepen the fixed income and forex markets.

- Five of the rescued banks were acquired in 2011 – Intercontinental/ Access Bank, Finbank/FCMB, Union Bank/ACA, Oceanic Bank/ETI and ETB/Sterling Bank

- Three of the rescued banks were nationalized, given the risk of their inability to meet the recapitalization deadline stipulated by the apex bank. Mainstreet bank (Afribank), Keystone Bank (Bank PHB) and Enterprise Bank (Spring Bank) emerged as the new banks in Nigeria

- The Central Bank of Nigeria increased the monetary policy rate (MPR) six (6) times, from 6.25% to 12.0%; raised the cash reserve requirement (CRR) three (3) times from 1.0 to 8.0 per cent; and the liquidity ratio (LR) once from 25.0% to 30.0%, to stem inflationary threats. This inadvertently made the fixed income and Nigerian bonds more attractive, while having a negative impact on the real sector as lending rates responded to the change.

DOMESTIC ECONOMIC OUTLOOK FOR 2012

Overall, we expect the economy to maintain its momentum with growth expected to be driven by the non-oil sector.

- A significant economic upside is envisaged if and when the Petroleum Industry Bill is passed into law by the National Assembly

- Progress is anticipated in the implementation of power sector reforms

- Positive outlook for equities given stabilization of the economic environment

- Net accretion in foreign exchange reserves and excess crude account/ sovereign wealth fund anticipated, driven by the current level of crude oil prices

- Downside risks to internal security remain as the Boko Haram sect increases its campaign of terror across the country

- Concerns remain about the quality of the 2012 budget as proposed by the executive arm of government (especially funding) and its ability to deliver results given the heavy allocation to recurrent expenditure

- CBN is expected to retain its current focus on bringing down inflation given the expected removal of subsidy and rise in prices.

- Despite the security and economic risks, we expect improvement in bank earnings in 2012 as they adapt to the new realities of post-2011 consolidation and regulatory changes.

Chairman's Statement

"The enlarged Bank enters 2012 in a position of strength anchored on unbroken leadership continuity, sound governance structures, adequate liquidity, a thicker capital cushion, a well-advanced effective integration programme and a wider national coverage to mention only a few"

Distinguished shareholders, it is my pleasure once again to welcome you on behalf of the Board of Directors to the 50th Annual General Meeting of our Bank.

While writing this statement, I reflected on the economic reversal that characterized 2011. The new year, which was heralded by Analysts as ushering in the second year of a global economic recovery, turned out to be a plain disappointment for most European countries and the United States.

To compound the economic situation, we also witnessed political upheavals in the Middle East and North Africa, aptly named the Arab Spring; a devastating tsunami in Japan; and the sovereign debt crisis in the euro-zone area.

The resulting volatility in commodity prices, disruptions to supply chains and general uncertainty had a domino effect on countries and businesses in the periphery Europe, severely slowing, and in several cases, reversing the recovery in both mature and emerging markets. Sub-Saharan Africa has been a major exception to the global trend: it is estimated to have grown by 4.9 per cent in 2011 and is expected to record a higher growth of 5.5 per cent in 2012. This compares with 1.6 per cent in Europe.

As the degree of uncertainty in our macro operating environment increases, we are reminded of the need to understand, manage and respond to the complexity of these risks. Some are familiar to us, while others are entirely new. To address these, thinking outside the box must become the new thinking in the box. As the Chinese prayers say, we are living in interesting times. This is a period of unprecedented pace of change which we are watching closely.

I can assure you that all hands are on deck to ensure a sustainable and profitable future for our Bank. In doing so, we are guided by a number of founding principles. First, a deeply held and unwavering focus on our role as prudent, trusted custodians of financial security; second, a thorough-going discipline on long-term shareholder value creation, irrespective of the turbulence of market cycles; and third, a vision of constant regeneration to grow the Bank to become more relevant, market-driven and customer-centric.

STRATEGY AND RISK – A BOARD ENRICHED PROCESS

The Board is committed to the entrenchment of strong corporate governance practices. As part of that commitment, we participate fully in the annual Strategic Planning Sessions with the management team.

Corporate strategy, and its successful execution, is a key determinant of shareholder value. At Sterling Bank, strategy development is a collaborative responsibility we share with the management who implement it, and we take it very seriously. Working closely together, we revitalised our Vision and Mission Statements to reflect the changes in our business. The new Statements are emphatic on our strategic intent to position the Bank as 'the financial institution of choice'.

During the 2011 Strategic Planning exercise, we also spent considerable time brainstorming on specific topical themes, including organic and inorganic growth, divestment from subsidiaries and associate companies, as well as the strategic management of costs, risks and talent.

TRANSFORMATIONAL CHANGES

In our over fifty years of existence, we have constantly positioned the bank for excellence. The Bank became a universal bank in 2001 to reflect its wide product/ service offering.

In 2009, as part of the Central Bank of Nigeria's banking reforms, the bank emerged successfully from the special audit of the sector, making it one of the banks to survive the banking crisis of 2008/2009.

In line with the CBN repeal of the universal banking in Nigeria in 2009, we successfully obtained a national banking license and transformed into a full-fledged national commercial bank, offering competitive products and services within Nigeria.

DIVESTMENT EXERCISE

I am also pleased to inform you that in line with the approval given at the February, 2011 Extraordinary General Meeting, we have successfully divested our interests in non-core subsidiaries namely Sterling Asset Management and Trustees ltd, Sterling Capital, Sterling Registrars and SBG Insurance Brokers. This was in compliance with the new national commercial banking license obtained from the Central Bank of Nigeria. The exercise has gone remarkably well with all the transactions completed at a profit to the Bank. Erstwhile subsidiaries have been sold to seasoned operators capable of assuring viable careers for the employees

The Board also ensured that the divestment was carried out with utmost transparency through an independently managed sale process executed in accordance with all existing laws and regulations.

COMING TOGETHER OF TWO BANKS

Sterling Bank has entered into the next phase of its growth with the completion of a business combination with the former Equitorial Trust Bank (ETB) on November 1, 2011. This was the single largest and most important undertaking of the Bank in 2011. The transaction effectively catapulted Sterling Bank to over N500 billion in assets and 186 branches. It enables our Bank to offer customers a wider range of products, services and solutions. By leveraging the strengths of both banks, we are well positioned to compete better in this fast changing banking landscape.

In this emerging banking landscape, innovation, service, and professionalism will set the leaders apart from the rest of the pack. It is true that margins are constantly being squeezed. This has spurred us to devise strategies for winning new business and customers through relevant product offerings, cross selling, and intelligent marketing driven by analytics of customer behaviour. The business combination presents us with a bigger canvas to do all of these.

If we are to maintain our growth trajectory, it is a foregone conclusion that we must have the long-term financial strength, strategic flexibility, and execution competence to compete with the bigger local players and foreign competitors.

At this point I would like to touch on the socially beneficial role that banks play. Since the 2007 global financial meltdown, there has been a trend of criticizing financial institutions as causes of the turmoil. I think differently and I hope you will agree with me. In fact, at no other time in history has it been of greater importance to recognize the fundamental role of banks and, if I may add, bankers in protecting the financial health of countries, communities and citizens. Strong financial institutions ensure that dreams of entrepreneurs and start-ups receive the critical funding they need, that companies can meet their payroll obligations, that governments can provide vital social services, and that jobs can be created for the teeming numbers of graduates from our universities. This is what Sterling Bank does and it traces this tradition back over fifty-two years ago to 1960, when its predecessor, Nigerian Acceptances Limited (NAL Bank) opened for business.

The business combination with ETB has created a systemically stronger bank with the scale to weather the present economic storms, and even thrive in it.

BUSINESS OUTLOOK

The prospects for the enlarged Sterling Bank are bright indeed. At the Strategic Planning exercise which I referred to earlier, we held extensive discussions on ways of turning the Bank's potential to reality. Foremost on the list was the need to reshape our competitiveness, and finetune new business models across the enterprise.

Sterling Bank is pursuing a two-pronged strategy that is hinged on incremental gains in business-as-usual banking, and the expansion of innovative market-relevant offerings. There is still so much we can do to to capture synergies across the Bank.

The enlarged Bank enters 2012 in a position of strength anchored on unbroken leadership continuity, sound governance structures, adequate liquidity, a thicker capital cushion, a well-advanced effective integration programme and a wider national coverage to mention only a few. These will catalyse operational excellence and scale efficiency.

Optimism tempered by realism is how I would describe the prevalent state of mind on the Board with regards to what 2012 will bring. While we expect global economic conditions, from which Nigeria is not exempt, to remain soft, the Management and employees of Sterling Bank will re-double their efforts to deliver superior financial performance.

DIVIDEND PAYMENT

The Board has proposed a dividend of 10 kobo per share for 2011, which is subject to the approval of shareholders in this Annual General Meeting.

BOARD CHANGES

There is also great diversity in the membership, skills and experience of the Bank's Board of Directors, including significant financial services and risk management expertise. Building on these capabilities, I am pleased to welcome the bank's newest directors, Ms. Olufunmilola Osunsade (Non-Executive) and Mr. Abubakar Sule (Executive Director) to the Board. They both bring deep industry experience and invaluable strategic perspective to the board. Allow me to add that Ms. Osunsade's membership as the first lady on our Board since the merger of 2006 holds significance. As you are aware, the Central Bank Governor, Mallam Sanusi Lamido Sanusi, has championed greater female participation on bank boards and senior management. We welcome this, and look forward to welcoming other women of outstanding merit like Ms. Osunsade to the Board of Sterling Bank.

It is with mixed feelings that I inform you that Alhaji Garba Imam, Executive Director – Corporate Banking & South, retired during the year after almost 10 years of meritorious service having attained the retirement age. Please join me in wishing him the very best in his future endeavours.

On behalf of the Board of Directors, I would like to express my gratitude to our customers, community, business partners and shareholders for their support and confidence in the Bank. A special note of appreciation goes to the Management team and all the staff for their commitment to the vision, unwavering passion and dedication, integrity, hard work and professional discipline.

Permit me to end here with the public assurance that Sterling Bank will continue its strong commitment to good governance, accountability and integrity for many more years to come.

Alhaji (Dr) S.A. Adegunwa, OFR
Chairman of the Board

Chief Executive Officer's Report

"Despite a challenging operating environment marked by difficult global and local macro-economic conditions, the Bank recorded significant improvement in its financial performance"

Distinguished Shareholders,
It gives me great pleasure to address you on this wonderful occasion, the 50th Annual General Meeting of our Bank. The outgoing financial year has been game-changing for Sterling Bank. As always, this forum affords me the opportunity to address you directly on our Bank's achievements in the past year and plans for the current one.

I am sure you will agree with me that 2011 has been an eventful year in many respects for our country, the banking sector and more specifically our institution. In my 2010 Statement, I highlighted a number of challenges as well as opportunities driving our business goals for 2011. I am particularly delighted to share with you the fact that in fiscal year 2011, we successfully executed our strategy, resulting in a robust growth in our loan portfolio, improved profitability with a disciplined balance sheet, strengthened operational and credit risk framework and continued focus on key operating parameters.

These represent significant milestones as we make progress towards our long-term vision of becoming the financial institution of choice in the marketplace.

BUSINESS COMBINATION WITH EQUITORIAL TRUST BANK (ETB)

The business combination with the former Equitorial Trust Bank ("ETB") provides the improved scale and size needed to remain competitive and relevant in this fast-changing business environment. It allows us to leverage on the unique strengths of both banks to consolidate our overall market position, and enhances the underlying platform for sustainable and profitable growth. Without doubt, this business combination has compelling strategic merit for all our stakeholders.

Employees

- Greater and promising career opportunities within a fast growing and more diversified organization
- Improved training and career development capacity
- Greater ability to attract and retain valuable talent

Customers

- A wider array of financial products and services to a growing and discerning customer base
- The combined Bank will initially have a network of 186 branches present in majority of the states. The footprint will bring the Bank within reach of its large customer base, engendering banking confidence
- Enhanced institutional capacity to meet client's business needs

Shareholders

- Tap cost and revenue benefits from economies of scale and operational synergies to achieve optimization
- Greater stock market liquidity and lower risk perception
- Increased financial strength and capital position to support future growth
- Value creation through revenue and cost synergies
- Leadership by established management team and knowledge sharing of best practice across both institutions

Employees	Customers	Shareholders
Excellent personal and professional development opportunities	Unmatched value, superlative service	Sustainable value creation

From the outset of the business combination, we committed ourselves to the creation of unquestionable value for our stakeholders and making the integration exercise as seamless as possible for all those whose daily lives and businesses depend on their interactions with the Bank's channels.

The two institutions are now fully integrated as a single bank. We are able to deliver seamless banking services to all our customers through our ATM terminals and other e-Channels such as internet and mobile banking.

Concurrent with the Integration Project, we are implementing a revised operating structure that draws significantly from the recommendations made at the Bank's end-of-year Strategy Retreat. This should result in a Sterling Bank that is better placed to compete for business, deliver better returns to shareholders, and provide an improved working environment for our employees.

I am also pleased to inform you that in line with your approval we have successfully divested our interests in a number of non-permitted investments in subsidiary companies in compliance with our new national commercial banking license; a process that I can confirm has concluded profitably for shareholders and without any job loss for employees.

FINANCIAL HIGHLIGHTS

Despite a challenging operating environment marked by difficult global and local macro-economic conditions, the Bank recorded significant improvement in its financial performance. It is with pleasure that I share with you the financial highlights for the year ended 31 December 2011.

Strong Earnings Growth	• Gross earnings rose 49% to N45.2 billion (N30.4 billion in 2010) • Operating income rose 32% to N27.0 billion (N20.4 billion in 2010) • Profit after tax increased by 11% to N4.6 billion (N4.2 billion in 2010) • Profit after tax and exceptional item rose 60% to N6.7 billion (N4.2 billion in 2010) • Return on average equity of 20% (17% in 2010)
Balance Sheet Expansion	• Total assets (including contingencies) grew 89% to N583.1 billion (N308.5 billion in December 2010) • Loans & advances (including advances under finance lease) rose 60% to N163.5 billion (N101.9 billion in December 2010) • Customer deposits doubled to N406.5 billion (N199.3 billion in December 2011
Improved Asset Quality	• Non-performing loans (NPLs) to total loans was 4.8% (10.7% in 2010) • Coverage ratio of 87% (75% in 2010) • Provisions to gross loans of 4.2% (8.7% in 2010)
Strong Capital & Liquidity Position	• Capital adequacy ratio of 17% (13% in 2010) • Shareholders' equity up 56% to N41.0 billion (N26.3 billion in December 2010) • Liquidity ratio of 64% (47% in 2010)

BUSINESS REVIEW

EBusiness
During the year, the Bank successfully deployed a suite of eBanking products to meet the needs of our growing customers. Sterling Mobile was launched to provide alternative and faster means of doing business for our customers. In addition, we introduced the VISA Naira debit card; a convenient means of payment that allows the settlement of foreign currency obligations from customers' Naira accounts.

Human Resources
Sterling Bank actively promotes the professional development and personal fulfilment of its people. Primarily, we do this by fostering strong bonds between members of staff and the institution, and among ourselves at the individual and team levels. Thus, bringing meaning to the lives of our employees. The bank is constantly investing in training programs that build leadership capacity, technical knowhow, interpersonal skills, and ethical values supported by a fair and transparent performance review system.

Technology
The bank has made significant investments in its information technology in a bid to drive performance in the coming years. The core mandate of our technology business is to foster customer centricity and strategic cost management. From the automation of processes to the creation of in-house applications as an alternative to off-the-shelf solutions, the bank has positioned itself to improve service delivery and operational efficiency in coming years, thereby providing better returns to shareholders.

Customer Service
In line with our avowed commitment to customer service, we have implemented and continue to enhance monitoring systems that assure quality service and highlight failures for immediate management intervention.

Sterling Bank regularly conducts training programmes for employees aimed at improving customer handling competence and interaction expertise. We have also developed a set of proprietary customer service metrics, which we have incorporated into our employee performance evaluations. Not stopping there, in October, we unified our complaints platform to better serve our customers, streamline the query submission process, and benefit from analytic insights on trends, and topics.

We constantly remind ourselves that if we do not take care of our customers, someone else will.

Total number of complaints received for the period October – December 2011

S/N	Month	Complaints received	Complaints resolved	Unresolved complaints	Amount in Dispute
1	October	191	190	1	218,623,643.52
2	November	223	223	NIL	130,552,136.56
3	December	301	301	NIL	11,034,656.56
	Grand Total	715	714	1	360,210,432.64

STRATEGIC GROWTH PLAN

Given the current volatile global and local macro-economic conditions, we anticipate that 2012 will be yet another challenging operating year. Our mindset at Sterling Bank has always been that risk throws up new opportunities for the discerning. We see clear opportunities for reducing the Bank's cost–to-income ratio and increase revenues as the improved economies of scale arising from the business combination with ETB kick in.

Beyond scale economies, specific improvements in the way we run our business should result in greater enterprise efficiency measured by higher operating margins. This will be achieved through staff productivity arising from technology improvements, as well as back and middle office process re-structuring.

Also, the business combination has opened up several tangible opportunities for Sterling Bank to significantly strengthen its position within the retail and corporate banking segments.

The outcome we seek is to become the financial institution of choice through the creation of exceptional value for all our stakeholders: employees, shareholders, customers, business, communities where we operate, partners, vendors, the financial services industry and the country as a whole.

Our headline priorities in 2012 are to improve the customer experience at each of our on- and offline service delivery channels, conclude the seamless integration with technology assets of the former ETB, improve operational efficiency and cost of funds while delivering a competitive return on investment (ROE) for our shareholders.

We cannot achieve all these without the solid backing of our shareholders. In fact, we have only attained so much in the past year because of the support received from you by the Board and Management.

I would like to express our sincere appreciation to all our stakeholders for signing on to our dream to build Nigeria's financial brand of choice. Your faith and patronage made all the difference for us in 2011. We look forward to more in the coming year.

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

I thank you for your kind attention.

Yemi Adeola

Strategic Objectives

The Bank's strategic objectives are broken down into medium and long term goals:

Medium term (2011-2014)

- 3-5% market share measured by assets
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- Low single digit cost of funds
- Diverse retail funding base
- <5% in non-performing loans
- Diversified income streams with top quartile position in all our operating areas
- Double digit revenue growth Y-o-Y

2011 2012 2013 2014 ...

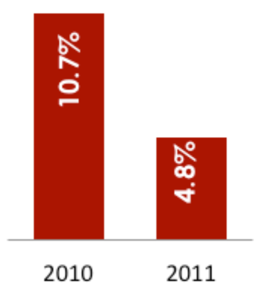
Long-term (2015+)

- Globally competitive financial services franchise
- Fully scaled business model with institutionalized processes beyond the stewardship of current owners and managers
- Systemically important operator materially impacting all our sectors of business participation

2015 2016 2017 2018 2019+

Key Performance Indicators

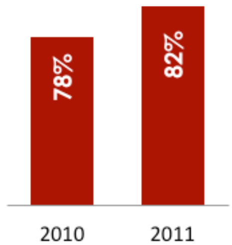
To ensure that the Bank's performance is in line with its medium term strategic objectives, we assess performance with the following key performance indicators (KPIs):

Headline KPIs		**Achievement**	**Target Met**
Return on Average Equity (ROAE) **20%**		**20%** ROAE target was met due to revenue growth and net gain from sale of subsidiaries	√
Non-performing Loan Ratio (NPLR) **5%**		**4.8%** Target achieved mainly due to sale of bad loans to AMCON, internal loan recovery efforts and enhanced risk management framework	√

Strategic Objectives cont'd

Cost to Income Ratio (CIR)

74%



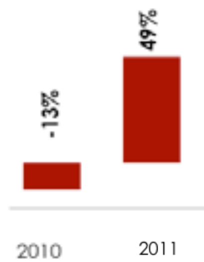
82%

Target was not met due to increase in operating expenses arising from the business combination and inflationary pressures

X

Revenue Growth

24%



49%

Target achieved

Revenue growth was driven by significant improvement in non-interest income, which rose 110%

√

Loan Growth

30%

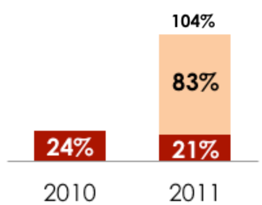
60%

Target exceeded spurred by slightly improved operating conditions. Organic growth was 30%, while growth arising from the business combination was 30%

√

Deposit Growth

31%



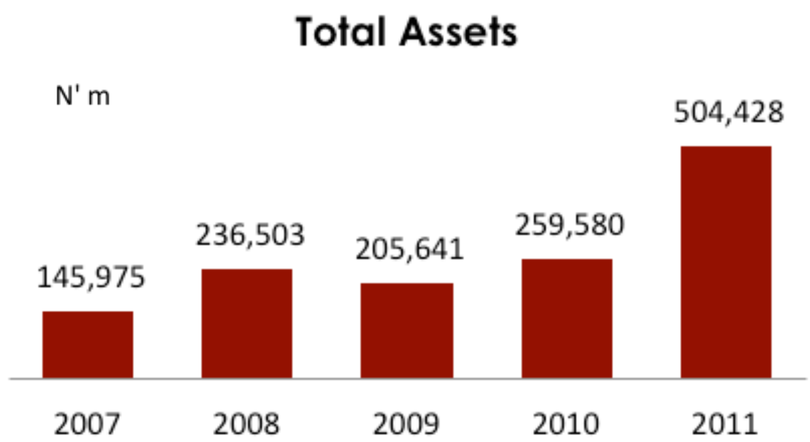
104%

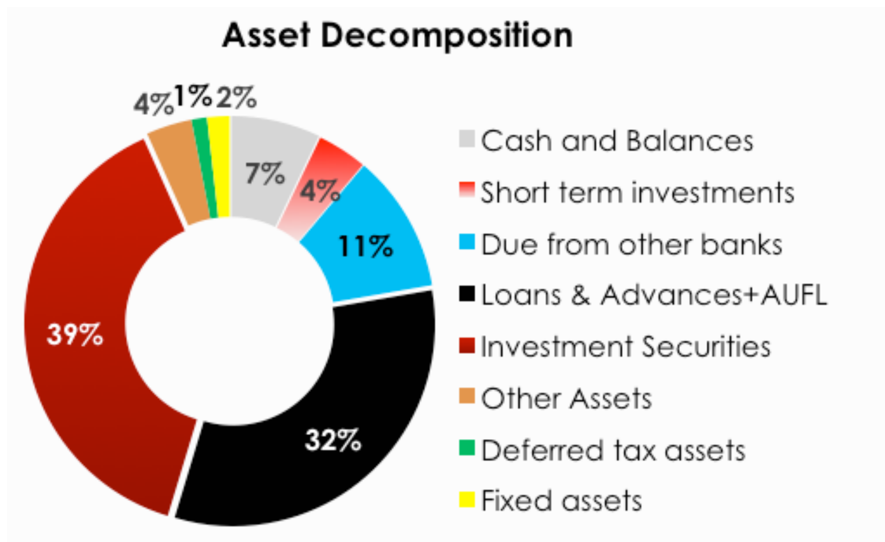
Target exceeded

Organic growth was 21%, while growth arising from the business combination was 83%

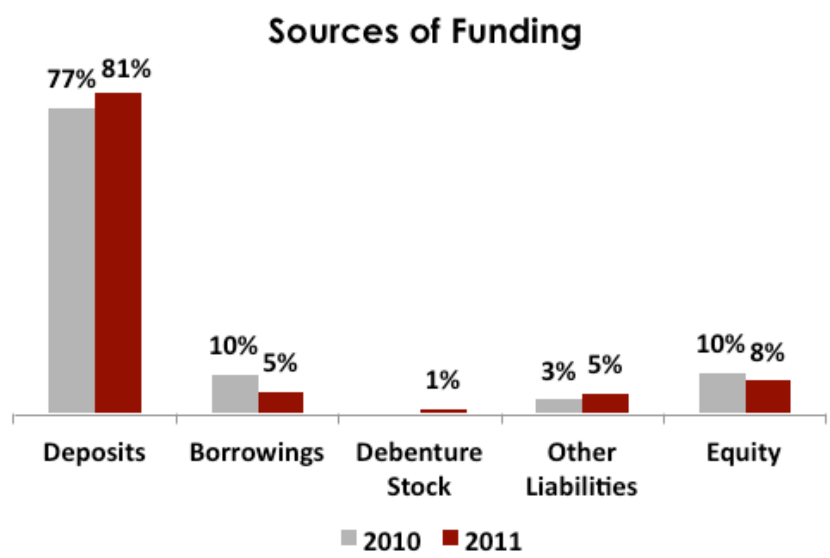
√

Sterling Bank has continued to operate a liquid, flexible balance sheet structured to adapt swiftly to changing operating conditions. Total assets grew at a compound annual growth rate of 36% (CAGR: 2007-2011). In 2011, total assets increased by 94% to N504.4 billion from N259.6 billion in 2010 spurred by slightly improved operating conditions and the business combination with ETB. The growth drivers were loans & advances and investment securities, which rose 61% and 102% respectively. Investment securities were predominantly Federal Government bond and bond from AMCON in exchange for non-performing loans. Risk assets accounted for 32% of total assets, while earning assets accounted for 86% (87% in 2010). Given an improved capital position, there is a huge opportunity for the Bank to increase quality risk assets creation with a view to enhance earnings.

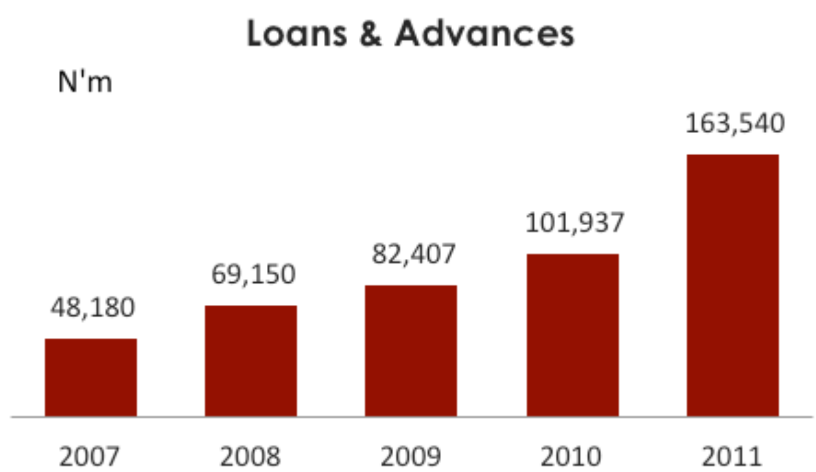




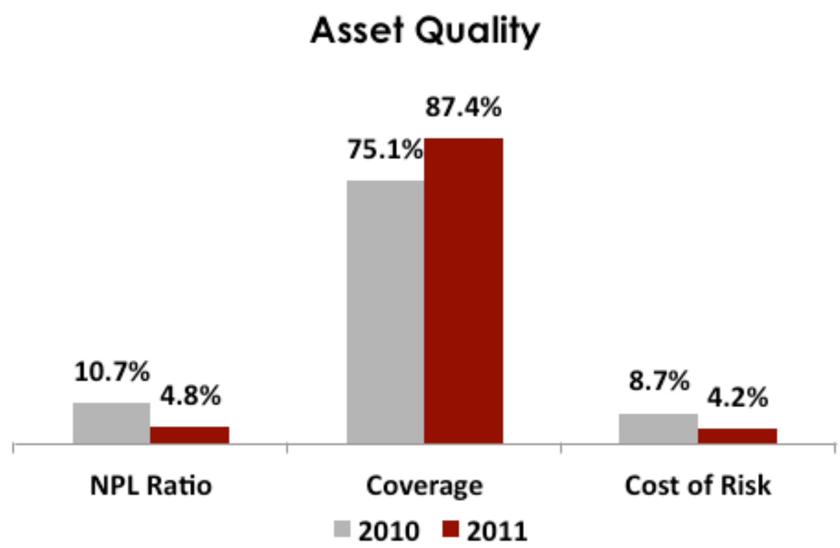
Our funding base was well diversified in order to ensure an efficient mix. Deposits funded 81% of total assets in 2011 (2010: 77%), while borrowings and shareholders' equity funded 5% and 8% respectively. Given the high contribution of deposits, we were able to keep funding costs within limits. Borrowings included facilities from Citi Bank International and Bank of Industry under the CBN N200 billion intervention fund for refinancing/ restructuring of banks' existing loan portfolios to Nigerian SME/ Manufacturing Sector. In 2011, the Bank issued N4.6 billion 7 year subordinated unsecured non-convertible debenture stock at 13% in order to boost lending.



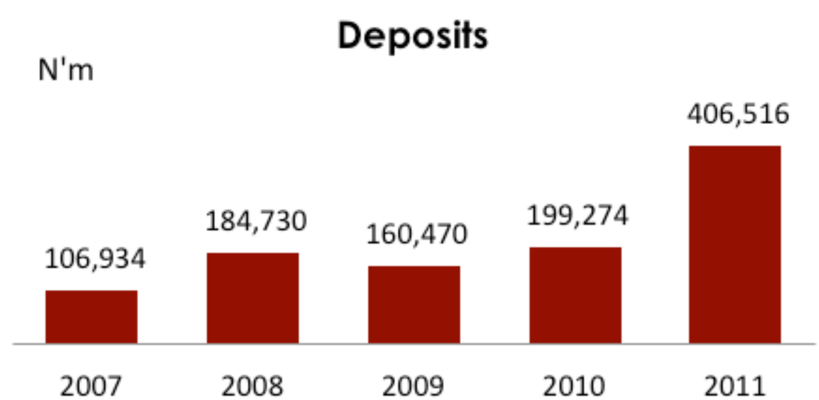
Loans and advances (including advances under finance lease) rose 60% to N163.5 billion from N101.9 billion in 2010. Its compound annual growth rate was 36% (CAGR: 2007-2011). Growth was driven by increased exposure to major growth sectors of the economy such as oil & gas, agriculture and government. However, loans & advances grew organically by 30%, while growth arising from business combination was 30%. Gross loans also rose 53% to N170.7 billion from N111.6 billion in 2010. Overall, growth in risk assets was spurred by full return of risk appetite limited, however, by fewer lending opportunities. The Bank also achieved a well-diversified loan book with focus on growth sectors with minimal risks.



The Bank also recorded significant improvement in asset quality resulting from sale of non-performing loans (NPLs) to AMCON and internal loan recovery efforts. The ratio of non-performing loans to gross loans was reduced from 10.7% in 2010 to 4.8% in 2011. Only 43% of NPLs fell within the lost category. However, the Bank made adequate cover for the NPLs. Loan loss provision was N3.3 billion in 2011(N1.8 billion in 2010), while coverage ratio was 87.4%. Cost of risk was also halved to 4.2% in 2011.

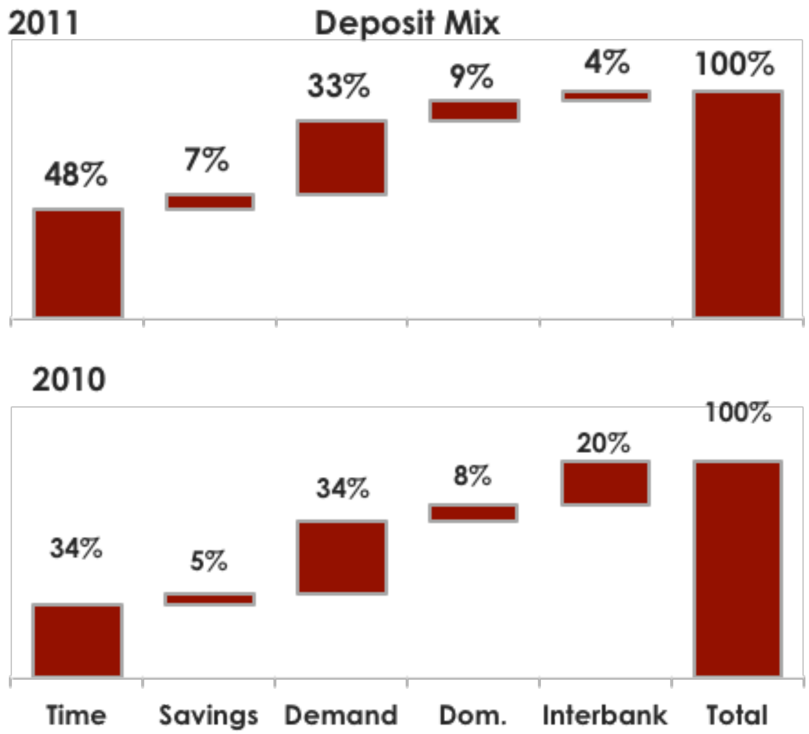


Deposits increased at a compound annual growth rate of 40% (CAGR: 2007-2011). During the year under review, deposits rose 104% to N406.5 billion from N199.3 billion in 2010. Our strategy was to generate stable low cost deposits that would fund risk asset creation.

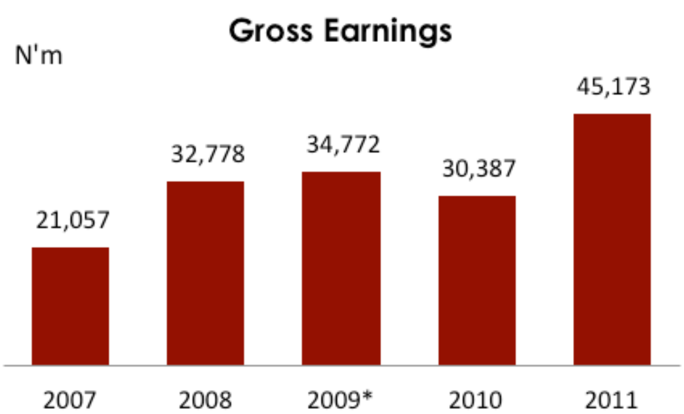


The Bank recoded slight improvement in the proportion of low cost deposits, which increased from 46% in 2010 to 48% in 2011. This shows that the Bank's retail liability generation strategy yielded positive results. During the year, the Bank introduced a Direct Sales Agent scheme for low cost deposit mobilization. This contributed significantly to the growth in our savings and current account balances. Savings accounts balance grew by 205% in 2011 to N29.2 billion, while current account balance grew by 98% to N132.7 billion.

Despite tighter monetary policy measures of the CBN, our weighted average cost of funds reduced by 30 basis points to 4.7%. Given a larger branch network distribution arising from the business combination, we are optimistic that deposit mix will improve significantly in the coming years.

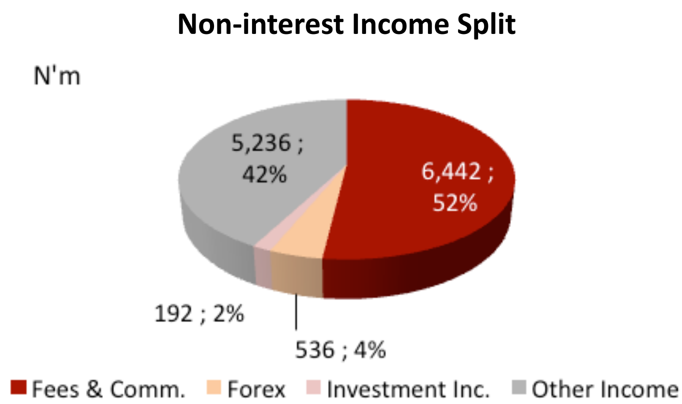


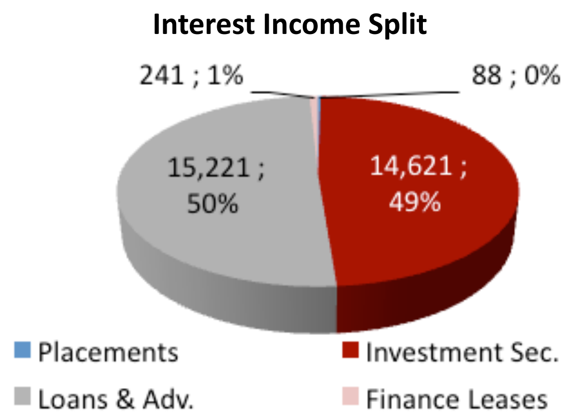
Revenues increased significantly in 2011 by 49% to N45.2 billion. In the last five years, it has risen at a compound annual growth rate of 21%. Gross earnings were driven by 110% growth in non-interest income. Operating income also rose 32% to N27.0 billion with net interest margin (NIM) contributing 54%, while non-interest income contributed 46%.



*Annualized

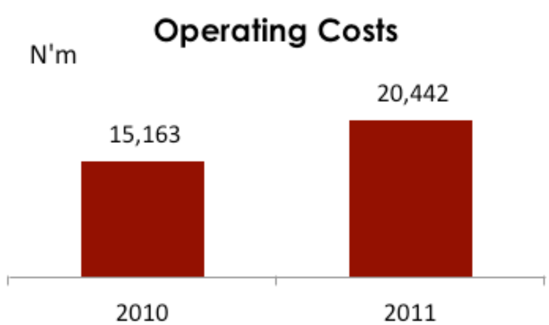
Fees and commission accounted for 52% of non-interest income, while other income accounted for 42%. Other income included N2.3 billion recoveries of loans previously written-off. Interest income rose 23% to N30.2 billion in 2011driven by 71% growth in interest income generated from investment securities. Loans & advances and investment securities (treasury bills and bond) accounted for 50% and 49% of interest income respectively.

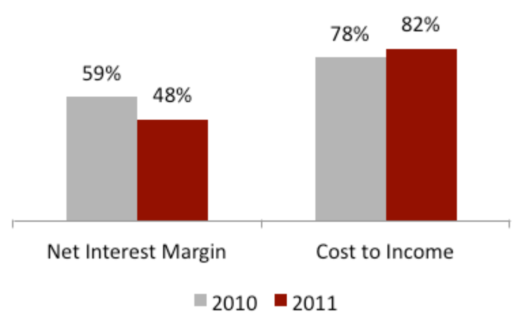




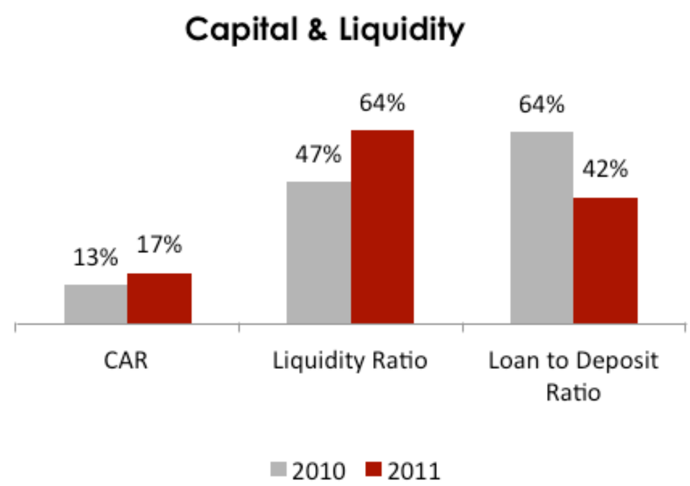
Operating costs rose 35% from N15.2 billion in 2010 to N20.4 billion in 2011 resulting from merger related expenses and inflationary pressures during the period. Staff cost increased by 49% to N6.5 billion and accounted for 32% of operating costs in 2011 (29% in 2010). The increase in staff cost was due to an increase in workforce arising from the business combination.

Cost-to-income ratio rose by 400 basis points to 82% due to increase in operating costs and loan loss expenses. Net interest margin dipped to 48% feeding from increase in funding costs arising from tighter monetary policy measures of the CBN. We are optimistic that relative efficiency will significantly improve as we tap both cost and revenue benefits arising from economies of scale and operational synergies from the business combination.



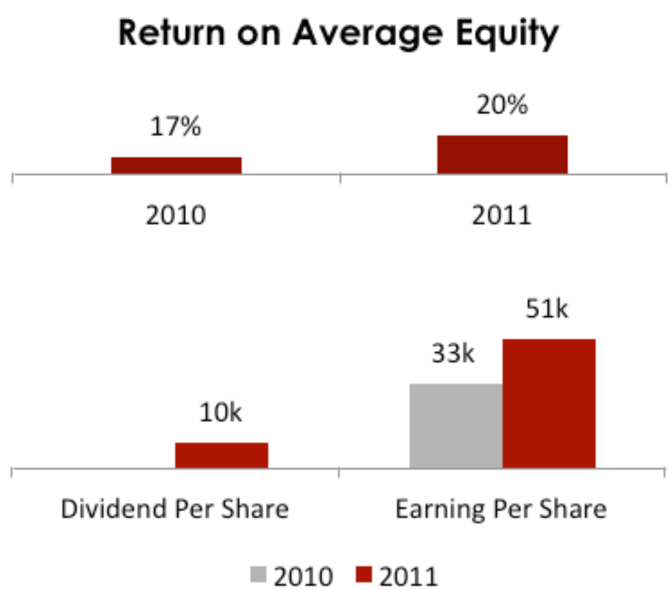


The Bank recorded strong improvement in liquidity and capital adequacy ratios. Liquidity ratio was 64% (regulatory benchmark, 30%), while capital adequacy ratio was 17% (regulatory benchmark, 10%). Capital adequacy was boosted by revenue accretion and the completion of the business combination with ETB. Loan to deposit ratio declined from 64% in 2010 to 42% in 2011. However, this creates huge opportunity for the Bank to grow quality risk assets given the enhanced capital cushion.



We are pleased to note that the Bank achieved 20% return on average equity (ROAE), which is in line with our medium term ROAE target. This highly competitive ROAE level recorded in 2011 despite 25% increase in outstanding shares was driven by profit attributable to shareholders, which rose 60% to N6.7 billion.

Given the impressive performance of the Bank in an otherwise challenging operating environment, the Board of Directors has proposed a dividend of 10 kobo per share, which is subject to the approval of shareholders at the Annual General Meeting.



Corporate Governance Report

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 Committees

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.	Mr. Yemi Idowu	Chairman	6	6
2.	Mr. Rasheed Kolarinwa	Member	6	6
3.	Alhaji Bashir M. Borodo, OON	Member	6	6
4.	Mr. Musibau Fashanu	Member	5	6
5.	Mr. Yemi Adeola	Member	5	6
6.	Captain Harrison Kuti	Member	2	6
7.	Malam Garba Imam (Retired 31/08/2011)	Member	1	6
8.	Mr. Lanre Adesanya	Member	6	6
9.	Mr. Davendra Nath Puri	Member	4	6
10.	Mr. Abubakar Sule (Appointed 13/09/2011)	Member	1	6

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, OON	Member	4	4
3.	Mr. Rasheed Kolarinwa (Appointed 3/2/2011)	Member	3	4
4.	Mr. Yemi Adeola	Member	4	4
5.	Mr. Devendra Nath Puri	Member	4	4
6.	Malam Garba Imam (Retired 31/08/2011)	Member	0	4
7.	Mr. Abubakar Sule (Appointed 13/9/2011)	Member	1	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, OON	Chairman	4	4
2.	Rasheed Kolarinwa	Member	4	4
3.	Mr. Yemi Idowu	Member	3	4
4.	Mr. Yemi Adeola	Member	4	4
5.	Mr. Devendra Nath Puri	Member	4	4

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. Yinka Adeola	Chairman	4	4
2.	Captain Harrison Kuti	Member	3	4
3.	Mr. Yemi Adeola	Member	4	4
4.	Mr. Lanre Adesanya	Member	3	4
5.	Mr. Devendra Nath Puri	Member	2	4
6.	Mr. Rasheed Kolarinwa	Member	3	4
7.	Mr. Musibau Fashanu	Member	3	4

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	5	5
3.	Ms. Christie Vincent	Member	5	5
4.	Mr. Musibau Fashanu (Appointed 31/05/2011)	Member	3	5
5.	Mr. Yemi Idowu	Member	4	5
6.	Mr. Yinka Adeola (Appointed 31/05/2011)	Member	2	5
7.	Mr. Alhaji Bashir M. Borodo, OON (replaced 31/05/2011)	Member	2	5
8.	Captain Harrison Kuti (replaced 31/05/2011)	Member	3	5

Board Meetings

Attendance at Board meetings for the year ended 31 December 2011 are as follows:

Director	Attendance	No of Meetings
Alhaji (Dr) S. A. Adegunwa, OFR	7	7
Mr. Yemi Adeola	7	7
Mr. Rajiv Pal Singh	0	7
Mr. Yemi Idowu	7	7
Captain Harrison Kuti	6	7
Alhaji Bashir M. Borodo, OON	6	7
Mr. Yinka Adeola	7	7
Mr. Lanre Adesanya	7	7
Mallam Garba Imam (Retired 31/08/11)	3	7
Mr. Devendra Nath Puri	7	7
Mr. Rasheed Kolarinwa	6	7
Mr. Musibau Fashanu	6	7
Mr. Abubakar Sule (Appointed 13/09/11)	1	7
Ms. Olufunmilola Osunsade (Appointed 13/12/11)	0	7

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.

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 to the "Code of Ethics".

Whistle Blowing Process

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

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

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

The reputation of the bank is of utmost importance and every staff of the bank has a responsibility to protect the bank from any persons or act that might jeopardize its reputation. 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.

Risk Management Report

ENTERPRISE RISK MANAGEMENT SYSTEM

OVERVIEW

The Enterprise Risk Management philosophy of the Bank is to build a sound, safe and stable financial institution through the efficient management of risks. Its goal is to deliver competitive returns from the Bank's lending, trading, and other intermediating activities without a compromise on the quality of its assets. To this end, the Bank has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Enterprise Risk Management Group is responsible for the implementation and supervision of the Bank's approved risk policies, procedures and guidelines. These policies cover 6 core areas: Credit Risk, Liquidity Risk, Market Risk, Operational Risk, Compliance Risk, and Information Assets Integrity.

The first four risk categories derive from its day-to-day business as a financial institution. On the fifth, Compliance Risk, the ERM Group is tasked with ensuring that the Bank and its employees conform to the applicable laws, rules and regulations, prescribed practices, internal policies, procedures and ethical standards. The Group is also charged with oversight of the Bank's Information Security policy framework.

RISK MANAGEMENT FRAMEWORK

Sterling Bank has put in place 5 frameworks for the management of its risk exposures:

1. Strategic Framework: The Bank strictly adheres to prudent guidelines and conservative considerations in the assessment of all risks. These are defined in the various policy documents, which serve as reference documents for the Board, Management, and employees.

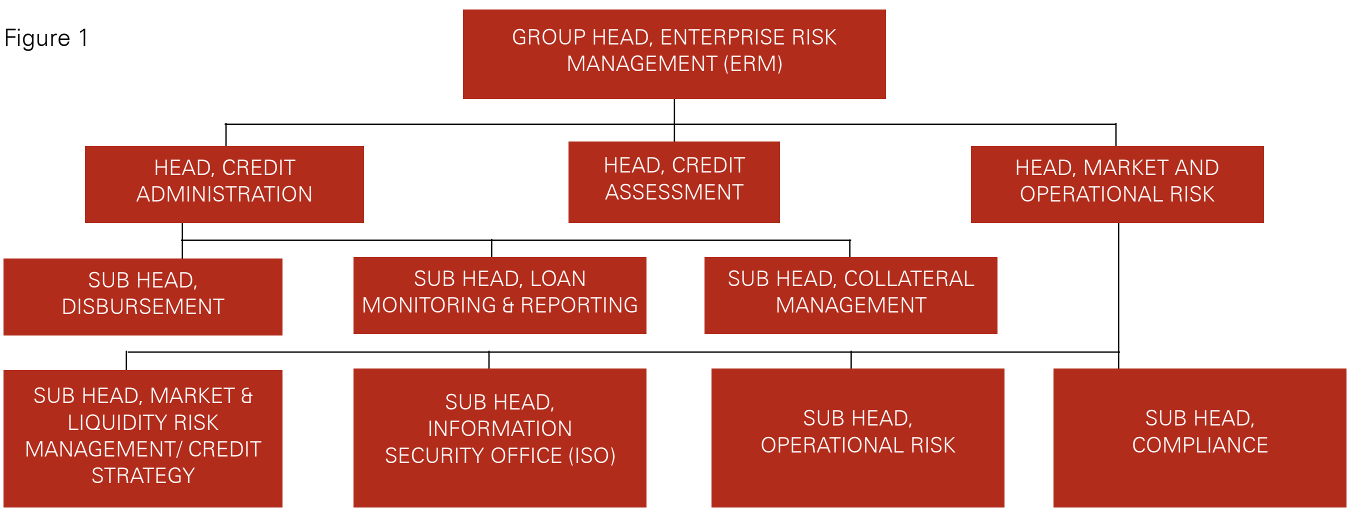
2. Organisational Framework: The Bank's organisational reporting structure is aligned to guarantee unimpeded communication of actual, latent and emerging risks among all significant decision-makers.

The Group Head, Enterprise Risk Management Group reports to the Managing Director/CEO, who in turn, reports to the Board Risk Management Committee (BRMC). Presented below (Fig. 1) is the organisational structure of the Enterprise Risk Management Group.

3. Operational Framework: Sterling Bank has developed appropriate risk polices to guide the activities of the Enterprise Risk Management Group:

i. Credit Policy Guidelines(CPG)
ii. Market Risk Management Policy
iii. Liquidity Risk Management Policy
iv. Investment Risk Management Policy

Figure 1



v. Compliance Policy
vi. Information Security Policy
vii. Operational Risk Management Policy

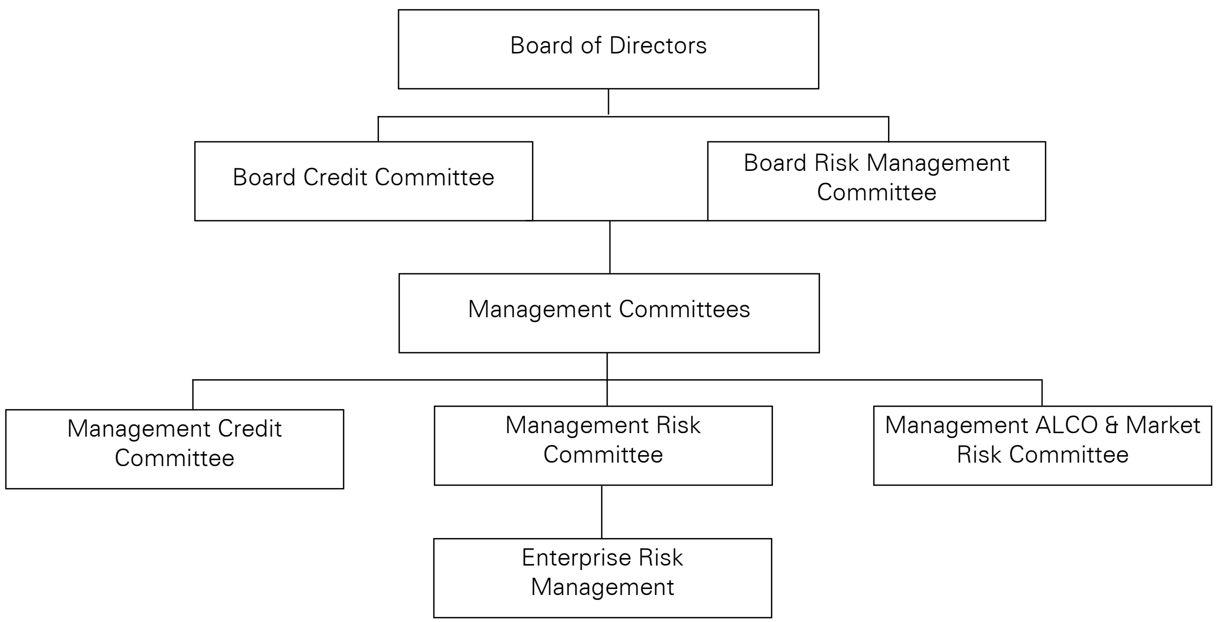
In line with the revised Prudential Guideline and universal best practices, the Bank has also approved product papers for special credit products to ensure that the risks inherent in these products are properly identified and mitigated. Well documented procedural manuals are also made available to employees to assist them in the performance of their daily risk management functions.

4. Analytical & Reporting Framework: For each core area, the Bank has developed various risk metrics and models to aid effective analysis and measurement of risks. Further, the ERM Group prepares regular reports for informed decision-making, including quarterly presentations to the Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC).

5. Technological Framework: The Bank has recorded an appreciable level of automation in the credit approval process through the deployment of online real time loan application and approval software. Also, Operational Risk Manager™, an operational risk software, has been developed for the collation of loss events in real time at all locations, and it is accessible online. The software actively monitors Key Risk Indicators (KRIs) with respect to agreed threshold levels. Efforts have been intensified to automate the Market Risk Reporting process, and other risk analyses and data collation processes with the aim of fast-tracking the implementation of Basel II.

RISK GOVERNANCE

Sterling Bank's Risk Management Governance is depicted below;



Roles & Responsibilities of Committees

- Board of Directors
  The Board of Directors is the highest credit approval body in Sterling Bank. It is responsible for approval of credits beyond the authorized approval limits of the Board Credit Committee. The Board has overall responsibility for the credit process of the Bank. Its responsibilities include the:

- Approval of revisions to credit policies
- Approval of portfolio distribution guidelines that conform to Government regulations
- Approval of the Bank's credit management structure, including the establishment of authority limits
- Approval of specific credits above the Board Credit Committee's (BCC) credit authority limit as may be defined from time to time
- Quarterly review of the criticized loans with the concurrent power of approving or adjusting provisions for loan losses and write-offs
- Periodic review of the Bank's internal control systems and procedures to ensure high quality loan portfolio
- Periodic review of the various audit and regulatory reports (Credit and General Audit Reports, Central Bank's Examination, the Statutory Auditors, and Internal Audit reports) as well as Management responses.

There is no limit to the amount of credit that may be approved by the Board of Directors provided the credit conforms to the Credit Policy Guide and is within the CBN's statutory lending limit.

Below the Board sit the Board Credit and Board Risk Committees. Both Committee memberships exclude the Chairman of the Board. Members of all Committees are knowledgeable in Credit Analysis.

- Board Credit Committee
  The Board Credit Committee acts on behalf of the Board of Directors on credit matters. It considers and approves lending exposures, treasury investment exposures, as well as other credit exposures that exceed the mandated approval limits of the Management Credit Committee (MCC).

The committee is responsible for the:

- Endorsement of Credit Risk Management policies and standard proposals on the recommendation of MCC.
- Endorsement of the definition of risk and return preferences and target market portfolio.
- Endorsement of credit approval authority based on the recommendation of the MCC.
- Approval of credit facility requests and proposals within limits defined by the Bank's credit policy and within the statutory requirements set by the regulatory/supervisory authorities.
- Facilitation of the effective management of credit risk by the Bank
- Approval of credit risk appetite and portfolio strategy
- Approval of lending decisions and limit setting
- Approval of new credit products and processes
- Submission of recommendations to the board on credit policy and strategy where appropriate
- Review of all insider credits.

Board Risk Management Committee (BRMC)
The Board Risk Management Committee is delegated with the responsibility of managing the Bank's total risk exposure. This responsibility is delegated to the Board Risk Management Committee (BRMC). The Board Risk Management Committee reviews and recommends risk management policies, procedures and profiles pertaining to the Bank.

Some of the specific responsibilities of BRMC include the:

- Review and submission of recommendations to the Board for approval of the Enterprise-wide Risk Management (ERM) Policy
- Review and submission of recommendations to the Board for approval of the Bank's Risk Philosophy, Risk Appetite and Tolerance
- Review and submission of recommendations for improvements regarding outstanding actions on risk management plans of the Bank
- Evaluation of risks identified in the strategic plan of the Bank that require Board approval to determine their impact on its risk-reward profile
- Review of the adequacy of the Bank's Capital Management Strategy.
- Supervision of the Bank's progress in meeting regulatory risk-based supervision requirements and migration to Basel 11 compliance

- Review and submission of recommendations on the risk profile and risk management plans drafted for major projects, acquisitions, new ventures and new products or services to determine the impact on the Bank's risk–reward profile
- Approval of the Bank's Risk management framework.

The following Management Committees assist the two Board Committees in the discharge of their risk management duties:

1. Management Risk Committee (MRC)
   This Committee is responsible for the planning, management and control of the Bank's overall risks. Its responsibilities include the determination of the Bank's risk philosophy, appetite, limits and policies.

2. Management Credit Committee (MCC)
   The MCC performs the dual role of credit policy articulation and credit approval. It reviews and recommends credit policy direction, including the articulation of risk and return preferences at corporate and business unit levels, to the BCC and Board of Directors for approval. The Committee, on an ongoing basis, ensures compliance of the Bank's credit environment with the approved policies and framework.

In its credit policy articulation and direction setting role, the MCC performs the following functions:

- Establishment and maintenance of effective credit risk management environment in the bank.
- Review of proposals in respect of credit policies and standards and endorses to the Board of Directors for approval
- Definition of the bank risk and return preferences and target risk portfolio
- Supervision of the Bank's risk asset quality and performance, review of periodic credit portfolio reports and assessment of portfolio performance
- Review of defined credit product programs on the recommendation of the Head, Enterprise Risk Management and endorsement to the BCC and Board of Directors for approval
- Review of credit policy changes initiated by Management and endorsement to the BCC and Board of Directors for approval
- Assurance of compliance with the bank's credit policies and statutory requirements prescribed by the regulatory and supervisory authorities.

In its credit approval role, the MCC performs the following functions:

- Approval of credit facility requests within limits defined by Sterling Bank's credit policy and within the statutory requirements set by the regulatory and supervisory authorities
- Review and submission of recommendations to the Board Credit Committee for credits beyond its own approval limit
- Review periodic credit portfolio reports
- Assessment of portfolio performance.

3. Assets & Liabilities/ Market Risk committee: This Committee is responsible for ensuring that the Bank has adequate liquidity and manages its interest rate and foreign exchange risks within acceptable parameters. It also reviews the economic outlook and its potential impact on the bank's future performance.

4. Criticised Assets Committee (CAC): This committee reviews the Bank's credit portfolio and collateral documentation. It also reviews the non-performing loans stock and recovery strategies for bad loans.

RISK APPETITE

Sterling Bank aims to achieve a competitive return on equity tempered by conservative considerations for risk in all its business practices.

The Bank's risk appetite is governed by the following indicators:

Quantitative Indicators:

1. Earnings Volatility: Each Business group must produce results above its monthly and annual budgets
2. Return on Capital: Target return on equity is set above industry average
3. Return on Assets: The target return is to surpass the industry average. A floor of 2% is set as the minimum return
4. Capital Ratio: The lowest level of Risk Weighted Assets for Tier-1 Capital is set at 10.5%
5. Targeted Credit Ratings: The targeted Credit Rating is maintained at above +BBB, equivalent to 0.04% probability of default or 96% confidence level for one year on the

Standard & Poor rating scale

6. Loss Norm: NPL (Non-Performing Loan) ratio must not exceed the industry average.

Qualitative Indicators:

1. Focus of Business Activity
a. Generate low-cost deposit liabilities with target deposit mix of 70: 30 (Current & Savings: Term Deposit).
b. Retail and corporate business in the creation of risk assets.
c. Do not exceed credit sectoral limits by more than 33.3%
d. Prioritise sectors where the Bank has existing high core competencies and familiarity with credit risk patterns and tendencies

2. Collateral Coverage & Threshold
a. Only investment grade obligors (minimum of BBB) shall qualify for borrowing on a clean basis.
b. Unsecured exposure to individuals/ speculative grade companies to be carefully reviewed with strong reasons
c. Minimum collateral coverage for all facilities shall be more than 120% of the total value of the facility.

Risk Tolerance

a. Regulatory Risk: Zero tolerance for regulatory breaches
b. Delegated Authority: Zero tolerance for non-compliance with instructions from delegated authority

RISK CATEGORIES

The ERM Group manages six risk sub-sets namely Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance Risk, and Information Security Risk:

A. Credit Risk Management

Credit risk is the potential that the Bank's counterparty will fail to meet their financial obligations in accordance with agreed terms. It is the risk that the cash flow from an asset may not be paid in full according to the contractual agreement.

Credit risk is managed both in the entire portfolio as well as in individual credits or transactions. Risk Assets are the largest and most obvious sources of credit risk. Other sources of credit risk which are also considered in this assessment arising from the banking book, trading book and off balance sheet are:

- Acceptances
- Interbank transactions
- Trade financing
- Foreign exchange transactions
- Extension of commitments and
- Guarantees and the settlement of transactions.

The objective of the Credit Risk Management Department in Sterling Bank is to create a portfolio of quality risk assets that would generate stable returns. Credit decisions and approvals are made after proper consideration of all credit risks. Due care is taken to ensure that accurate, complete and up-to-date information in respect of existing and potential obligors are maintained at all times. These form the basis for the evaluation of credit risk.

The Bank's credit risk objectives are to:

- Identify the credit risk in each investment, loan or other activity
- Achieve an optimal mix of loan volume and asset quality
- Maintain single digit and above industry average ratio of non-performing loan to total loan ratio
- Incur, monitor and manage credit risk in a manner that complies with all applicable laws and regulations and international best practices
- Ensure effective diversification of credit exposures to various industry segments as approved by the Board and to operate within the exposure limit for each industry.

The following sound credit practices ensure that credit risks are adequately managed:

- Maintenance of an appropriate credit administration, measurement and monitoring process
- Existence of an approved annual Credit Portfolio Plan that details the target market, and risk acceptance criteria for customer selection in the target market. Concentration limits (single obligor, sectoral, geographical, collateral) are set and strictly monitored to ensure compliance.
- Design of special product papers for credits in specialized areas towards ensuring that risks inherent in such transactions are not subsumed in the general credit risk management
- Emplacement of a robust system for monitoring the condition of individual credits, including the adequacy of provisions and collaterals

- Adherence to a conservative internal rating system that is consistent with the nature, size and complexity of the Bank's activities to manage credit risk
- Strict compliance with the CBN Prudential Guidelines.

To ensure the efficient management of the Bank's credit portfolio, the Credit Strategy Unit within the Enterprise Risk Management group performs industry studies to identify the target market, sets Risk Acceptance Criteria (RAC) based on the rules defined in the Credit Policy Guidelines (CPG) and also develops the annual portfolio plan, in addition to other Credit Portfolio Management functions.

At Sterling Bank, credit risk is managed by two departments namely Credit Assessment and Credit Administration

Credit Assessment Department

The Credit Assessment Department is responsible for the appraisal and processing of all credit requests to obtain requisite approvals in line with the Bank's policies. It credit analyses of facilities in line with the bank's credit risk requirements and standards. Only requests that meet the target market and risk acceptance criteria are scaled the next stage of analyses by the Credit Assessment department. Detailed credit risk evaluation entails the comprehensive evaluation of up-to-date, accurate and complete data and information. These serve as a basis for decision-making on the viability, feasibility, and overall acceptability of individual credit requests.

Credit Administration Department

The Credit Administration Department [CAD] is the support-and-control arm of the credit process. It is responsible for ensuring that the necessary guarantees are in place for the Bank's seniority and protection among other creditors.

The Department is also responsible for monitoring performance of facilities to ensure adherence to loan covenants. In addition, it monitors the Bank's loans on obligor and portfolio bases, which it reports to the Board and Management.

Credit Administration is also charged with the classification of credits into performing and non-performing, as well as the identification of unauthorized facilities, maintenance of records of all approved facilities and the preparation of reports for use by management and regulatory bodies.

Collateral Policies

Sterling Bank's collateral policies are designed to ensure that the Bank's exposure is secured. It aims to minimize the risk of credit losses to the Bank in the event of default or decline in quality or delinquency of assets.

Single Obligor Limit

The Credit Risk Management Unit is responsible for monitoring and ensuring compliance with the regulatory lending limit. In accordance with existing regulations, the Bank does not grant facilities in excess of 20% of the Bank's shareholder's funds.

B. Market Risk Management

Market risk is the risk arising from adverse movements in underlying market factors such as interest rates, equity prices, commodity prices and exchange rates. Interest rate risk and foreign exchange risk are the two major market risks borne by the Bank.

The Board-approved Market Risk & Investment Policy serves as a guide for the creation and management of Market Risk exposure in the Bank. This Policy describes the process for identifying, measuring, monitoring and controlling all risk factors being managed by the Bank. Responsibility for the implementation of this policy resides with the Market Risk Unit, which is part of the Enterprise Risk Management Group.

The objective of the policy document is to ensure that market risk exposure is kept within authorized limits. It also aims to verify that income targets are commensurate with the risk to be assumed.

Interest Rate Risk: This occurs when there is a mismatch between interest sensitive assets and liabilities. Interest rate changes affect the interest income and interest expenses of the Bank, as well as other interest sensitive components of the balance sheet.

Interest rate risk arises from any or a combination of the following sources:

- Re-pricing Risk: This arises from the mismatch in the time to maturity or between time to re-pricing of assets and liabilities
- Yield Curve Risk: This originates when there are changes in the slope and shape of the yield curve. Changes in the relationship between

interest rates at different maturities affect the income or capital position of the Bank.
- Basis Risk: This arises when there is an imperfect correlation between the adjustments of rates earned and paid on assets and liabilities with similar re-pricing characteristics
- Optionality Risk: This is the risk that an option clause embedded in some components of the Bank's portfolio will become exercised for a given change in interest rates.

The Gap model is used in measuring and quantifying interest rate risk in the banking book. In summary, the re-pricing gap is a measure of the difference between the naira value of assets that will re-price and the naira value of liabilities that will re-price within a specific time period, where re-price means the potential to receive a new interest rate. Interest rate sensitivity represents the time interval where re-pricing can occur. This model focuses on the potential changes in the net interest income variable. In effect, if interest rates change, interest income and interest expense will change as the various assets and liabilities are re-priced, that is, receive new interest rates.

Data on maturity profile of interest bearing assets and liabilities, showing the time to next re-pricing or remaining maturity is used in testing the sensitivity of interest rate to Net Interest Margin, while duration analysis is used in measuring and managing interest rate risk in the trading book.

Exchange rate risk is the risk that exchange rate changes may affect the value of the Bank's assets and liabilities, as well as off-balance sheet items. Exchange rate risk can be direct, in which case the Bank has taken a position, or indirect, where a foreign exchange position taken by the Bank's borrowers or counter-parties, negatively affects their ability to honour their obligations to the Bank. Furthermore, the Bank is also exposed to foreign exchange risk from positions in local currency that are indexed to foreign exchange rates.

Exposures to foreign currency trading and exchange rates are extensively monitored and managed using the following tools:

- Counter Party Trading Limits
- Dealer Limits
- Net Open Position Limit
- Maturity Cap Limits
- Stop Loss Limits
- Value at Risk (VaR)

The ERM Group prepares daily, weekly and monthly reports on these exposures to ensure that limits set in the market risk policy document are fully complied with, and the Management is kept informed of any observed policy exception[s] or breach[es].

C. Liquidity Risk Management

On a day-to-day basis, the management of liquidity is the responsibility of the Assets and Liability Committee (ALCO). The Bank is exposed to two types of liquidity risk: market/trading liquidity risk, and funding liquidity risk. The Committee delegates responsibility for funding liquidity risk to the Assets and Liability Management (ALM) Department within the Treasury Group. The Market Risk department is responsible for the management of market/trading liquidity risk.

The management of liquidity risk in all its ramifications is very critical to the on-going viability of the Bank. The Liquidity Risk Management policy and the Contingency Funding Plan (CFP) for liquidity under crises conditions serve as policy documents in this area.

D. Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems. It includes legal risk. The cardinal objective for managing operational risk is to ensure that exposures in this area are within acceptable levels relative to the Bank's business, the market in which it operates and the competitive, economic and regulatory environment.

Operational risk is inherent in the Bank's global business activities. It is managed with other risk types through an overall framework designed to strengthen a robust corporate governance culture with a well-structured and independent risk management system.

The Operational Risk framework is structured to ensure:

- Oversight by Management and the independence of the risk management function
- Ownership of operational risk

- business/process leaders and managers originating them
- Independent review by internal and external Auditors
- The development and propagation of a robust operational risk methodology

The major methodologies employed in the management of Operational risk are:

- Loss data collection and tracking
- Development & monitoring of the key Risk Indicators (KRIs)
- Control and Risk Self-Assessment (CRSA) and
- Process mapping technique.

Loss data collection and tracking involves the collation of data on near misses, actual and potential losses, fraud, forgeries, policy breaches, exceptions to corporate governance issues, damages to physical assets, recoveries and other issues with operational risk implications. This enables the comprehensive monitoring of trends and analyses of the root causes of loss events.

KRIs are measures and metrics that provide insight into potential operational losses and the vulnerabilities in the control environment of the Bank. They serve as early warning indicators and escalation triggers where risk tolerance thresholds have been exceeded.

Control and Risk Self-Assessment (CRSA) is a disciplined review of the operational risks inherent in the activities of business units or support functions. Mitigation plans are drawn up for risk events and existing controls put in place are regularly assessed for effectiveness.

These methodologies act in a mutually reinforcing way to enhance the internal control environment. Their aim is to reduce operational losses incurred, improve process efficiency and reduce earnings volatility, and by extension, to preserve the Bank's capital.

E. Compliance Risk Management

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformity with laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk may expose the Bank to fines, penalties, damages, and the voiding of contracts.

Being in a highly regulated business, Sterling Bank is required to fully comply with the spirit and letter of governing laws and regulations. To ensure compliance with applicable laws and regulations, the Bank has put in place a comprehensive compliance policy that details the roles and responsibilities of all employees.

The Chief Compliance Officer (CCO) ensures the smooth functioning of the compliance process. She is also charged with the task of ensuring that the Bank complies with all statutory and regulatory requirements. In this role, the CCO is assisted by well trained and experienced officers in the compliance unit at the Head Office. The unit is also complemented by Internal Control officers at their respective branches.

The Scope of the compliance units includes to:

- Ensure compliance with all regulatory requirements, returns and enquiry
- Oversee strict observance of Anti-Money Laundering (AML)/ Counter Terrorism Financing (CTF) Compliance and Know Your Customer (KYC) regulations
- Report suspicious transactions, conduct Customer Due Diligence & Enhanced Due diligence, perform regular spot checks to ensure adequate documentation
- Monitor corporate governance practices
- Conduct compliance training and awareness bank-wide.

Senior executives in various departments and units monitor the Bank's compliance risk as it relates to their respective roles. They are also responsible for communicating the Bank's compliance policy and ensuring full compliance.

The day-to-day responsibility for managing compliance risks rests with the member of staff conducting a particular transaction or business activity. All employees are sufficiently aware of the Bank's compliance policies, rules and regulations that govern their functions through continuous training and awareness as required by regulation.

These are in line with the Bank's practice of fostering a compliance culture that places responsibility for compliance on the employee.

F. Information Security Risk Management

A major concern for the Bank generally is the integrity, availability, safety and confidentiality of information stored in its IT systems. Since a high volume of confidential information is stored daily in the Bank's network such information is subject to attacks. The risk of attacks is getting higher in view of the increasing use of internet banking and other forms of electronic banking channels.

Information security threats range from unauthorized employees to criminal intruders that seek to gain access to the Bank's information or even deny access to the systems. This has informed the need to restrict access to highly sensitive information to only authorised users.

The Information Security Framework is aimed at ensuring effective management of all risks associated with the Bank's information assets.

Key components of the framework are the:

- Information security policies required to safeguard the Bank's information assets
- Implementation of the necessary network security architecture to enforce the policies
- Procedures for monitoring and ensuring compliance with relevant standards.

The information security framework contains the following policies:

- 3rd party access to Sterling Bank's information resources
- Minimum security requirements for all outsourcing arrangements
- Information classification policies with the aim of ensuring appropriate level of protection
- End-User Policy
- Network Security Policy
- Anti-Virus Policy
- Logical Access Control Policy
- Remote Access Policy
- Change Control Policy
- Business Continuity Management plans and procedures

The Information Security Office is saddled with the responsibility of implementing and enforcing all of the above listed policies by putting in place the processes and procedures for monitoring compliance with the policies.

FOCUS FOR 2012

In 2012, the focus of the ERM Group remains to ensure the efficient management of Sterling Bank's risk exposures.

Specifically, the Group has set the following targets:

1. Detailed review of all risk policies to take account of changes in the business size after the merger with the former ETB in 2011
2. Further automation of the risk monitoring and reporting process
3. Continuous bank-wide risk acculturation to increase staff risk awareness
4. Pursuit of ISO 27001 standard certification to match the international Information Security Management System (ISMS) global standards
5. Continuous review of the Bank's AML/CFT and KYC policy to meet international best practice
6. Constant enhancement of the Bank's credit standards, practices, and systems with a focus on improving risk asset quality and reducing loan loss
7. Development and adoption of an enhanced integrated risk management framework to manage inter-relationships between risk types and to support business planning and decisions in the Bank
8. Application of robust and responsible criteria to ensure prudent lending practices in line with anticipated economic conditions.
9. Refinement of the credit risk framework and related governance to ensure levels of risk are in line with the Bank's credit risk appetite
10. Management of risk concentrations across counterparties, portfolios, and geographic regions, with an increased focus on distribution strategy.

Board of Directors

1.	Alhaji (Dr.) S.A Adegunwa, OFR	Chairman
2.	Mr. Yemi Adeola	Group Managing Director/CEO
3.	Mr. Rasheed Kolarinwa	Independent Director
4.	Captain Harrison Kuti	Director
5.	Alhaji Bashir M. Borodo, OON	Director
6.	Mr. Yinka Adeola	Director
7.	Mr. Lanre Adesanya	Executive Director
8.	Mr. Devendra Puri (Indian)	Executive Director
9.	Mr. Yemi Idowu	Director
10.	Ms Olufunmilola Osunsade	Director
11.	Mr. Abubakar Sule	Executive Director
12.	Mr. Musibau Fashanu	Independent Director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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 31 December 2011.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

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

Sterling Bank Plc is engaged in commercial banking with emphasis on consumer banking, trade services, corporate and investment banking activities. It also provides wholesale banking services including the granting of loans and advances, letter of credit transactions, equipment leasing, money market operations, electronic banking products and other banking activities.

Legal form

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

In October 2011, the bank had a business combination with Equitorial Trust Bank Limited to re-position itself to better compete in the market space. The enlarged entity has an expanded branch network of 186 branches.

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

OPERATING RESULTS

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

	2011 N'000	2010 N'000
Gross Earnings	45,173,435	30,386,957
Profit before taxation	3,459,744	3,688,251
Taxation	1,184,476	490,242
Profit after taxation	4,644,220	4,178,493
Extra-ordinary income	2,042,253	-
Profit attributable to Equity holders	6,686,473	4,178,493
Transfer to statutory reserve	2,005,942	-
Transfer to general reserve	4,680,531	4,178,493
	6,686,473	4,178,493
Total non-performing loan as % of gross loan	4.8%	10.7%
Earnings per share (kobo) – Basic	51k	33k
Dividend per share (kobo) – Proposed	10k	-

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	Managing Director/CEO	-	
Mr.Lanre Adesanya	Executive Director	-	
Mallam Garba Imam	Executive Director	Retired 31/08/2011	-
Mr. Devendra Nath Puri (Indian)	Executive Director	-	
Mr. Abubakar Sule	Executive Director	Appointed 13/09/2011	-
Mr. Rajiv Pal Singh (Indian)	Non-Executive Director		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 (OON)	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
Ms. Olufunmilola Osunsade	Non-Executive Director	Appointed 13/12/2011	Dr. Mike Adenuga
Mr. Rasheed Kolarinwa	Independent Director		-
Mr. Musibau Fashanu	Independent Director		-

Director's interests in shares

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

	December 2011 Direct	December 2011 Indirect	December 2010 Direct	December 2010 Indirect
Alh.(DR).S.A Adegunwa,(OFR)		945,074,538		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 Bashir Borodo (OON)	22,401	204,685,534	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	-
Mr. Devendra Nath Puri	-	-	-	-
Mr. Abubakar Sule	-	-	-	-
Mr. Rasheed Kolarinwa	-	-	-	-
Mr. Musibau Fashanu	-	-	-	-
Ms. Olufunmilola Osunsade	-	1,570,386,444	-	-

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 2011 is as follows:

Range of shares			Number of holders	%	Number of units	%
1	-	1,000	32,574	36.49	14,799,877	0.09
1001	-	5,000	27,604	30.92	61,861,753	0.39
5,001	-	10,000	9,658	10.82	64,399,313	0.41
10,001	-	20,000	7,730	8.66	103,832,095	0.66
20,001	-	50,000	5,342	5.98	162,849,984	1.04
50,001	-	100,000	2,731	3.06	182,969,782	1.17
100,001	-	200,000	1,525	1.71	212,949,409	1.36
200,001	-	500,000	1,045	1.17	323,547,070	2.06
500,001	-	10,000,000	947	1.06	1,607,869,698	10.24
Above 10,000,001			105	0.12	10,018,403,608	63.80
Foreign shareholding			5	0.01	2,950,381,842	18.79
			89,266	100.00	15,703,864,431	100.00

The following shareholders have shareholdings of 5% and above as at 31 December 2011:

	December 2011 % holding	December 2010 % holding
State Bank of India	11.81	14.76
AMCON	10.00	0.00
Dr. Mike Adenuga	7.12	0.00
Ess-ay Investments Ltd	6.02	7.17
HAK Air Limited	4.48	5.6

Retirement of Directors

In accordance with the Articles of Association, Mallam Garba Imam retired by age on 31 August 2011.

Donations

The Bank during the year donated a total sum of N28,056,000 (2010: N16,318,000)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
General Hospital Lagos	Corporate Social Responsibility	10,315
Lagos State Waste Management Authority	Donation of Uniforms	5,635
Howzat Cricket Foundation	Corporate Social Responsibility	3,020
Lagos State Traffic Management Authority	Donation of Raincoats	2,993
Women In Management And Business	Corporate Social Responsibility	2,000
Fate Foundation Workshop Series	Youth Development Programme	1, 500
Lagos Highway Managers	Donation of Uniforms	1,093
Consulate General of France	French National Day	1,000
Indian Women Association	Corporate Social Responsibility	500
		28,056

Analysis of women employed by the bank during the year ended 31 December 2011

DESCRIPTION	NUMBER	% TOTAL STAFF
Female new hire	117	3.80
Male new hire	122	3.99
Total new hire	239	7.81
Female as at December 2011	1,203	39.30
Male as at December 2011	1,858	60.70
Total staff	3,061	100.00

Analysis of top management positions by gender as at December 2011

GRADE	FEMALE	MALE	NUMBER
Senior Management(AGM – GM)	8	28	36
Middle Management (DM – SM)	56	188	244
TOTAL	64	216	280

Analysis of executive and non executive positions by gender as at December 2011

GRADE	FEMALE	MALE	NUMBER
Executive Director	0	4	4
Managing Director	0	1	1
Non Executive Director	1	9	10
TOTAL	1	14	15

Acquisition of own shares
The Bank did not acquire any of its shares during the year ended 31 December 2011(2010: 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 2011 or the profit for the year ended on that date which have not been adequately provided for or disclosed.

Auditors
Messrs Ernst & Young having indicated their willingness to 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.
28 March 2012

Statement of Directors Responsibilities in relation to the Financial Statements

for the year ended 31 December 2011

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 Bank, and of the financial performance for the year. The responsibilities include ensuring that:

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

(b) the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 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 Bank 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 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 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 Bank 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
Chairman

Yemi Adeola
Managing Director/CEO

28 March 2012

Report of the Audit Committee

for the year ended 31 December 2011
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 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 2011 were satisfactory and reinforce the Bank'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 — 22 March 2012

Members of the Audit Committee are:

1. Alhaji Mustapha Jinadu	Chairman
2. Mr. Idongesit Udoh	Member
3. Ms. Christie Vincent	Member
4. Mr. Musibau Fashanu	Member
5. Mr. Yemi Idowu	Member
6. Mr. Yinka Adeola	Member

In attendance:

Justina Lewa	Secretary

J.K. RANDLE
INTERNATIONAL
Chartered Accountants
& Management Consultants

"X KPMG HOUSE"
One King Ologunkutere Street,
Park View, Ikoyi, Lagos.
P.O. Box 75429, Victoria Island, Lagos.
Tel: 234-1-8191381 **Telefax:** 234-1-2701137
E-mail: jkrandleco@21ctl.com, jkrandleintuk@gmail.com
Website: www.jkrandleandco.co.uk

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

The Board of Sterling Bank Plc mandated the firm of J. K. Randle International to carry out the performance of the Board of the Bank for the year ended December 31, 2011. The exercise was guided by the provisions of the CBN Corporate Governance Code and other recognised codes of Best Practices.

The Board of Sterling Bank was composed of twelve members as at year ended December 31, 2011 made up of four Executive Directors inclusive of the GMD/CEO and eight Non-Executive Directors. The composition and structure of the Board reflect diversity of backgrounds, skills, balance of power and independence. Members possess the requisite background to supervise the operations of the Bank and the performance of management. The composition conforms with the provisions of the CBN Code in respect of number of Executive Directors as a ratio of Non-Executive Directors. The number of Committees conforms with the minimum required by the CBN Code. The Bank re-inforced the governance structure by appointing a replacement for the retired executive director in addition to appointing a new non-executive director. The Board carried out the review and update of the Board Policy Manual of the Bank which has been in existence since 2006 and reconstituted the Committees of the Board.

Board members understood their responsibilities in respect of the operations of the Board and their performance met which the requirements of the CBN Code and Best Practices. Accordingly, frequency of meetings, level of attendance and formation of quorum at the Board and Committee meetings met the minimum requirements in most cases. Meetings were effectively managed with focus being on relevant strategic issues affecting the Bank. All the members were given opportunity to speak and they contributed constructively to the deliberations of the Board. Management provided quality information while the Company Secretariat kept a proper record of the proceedings of the Board which facilitated decision making and monitoring. Most decisions were arrived at based on consensus in a conducive environment. The operations of the Board followed due process and reflected transparency and a high degree of Board dynamics.

The Board performed to the full extent of its mandate which covered all the significant activities of the Bank including monitoring the quality of the Asset Portfolio of the Bank, the performance of management, key regulatory compliance and in particular responding proactively to the recapitalisation objective of the Bank. In the process, Sterling Bank acquired the former Equitorial Trust Bank Ltd (ETB) after conducting "Due Diligence" exercise on the financial position of ETB and ascertaining the feasibility and benefits of the project. The two Banks had consummated the merger as at December 31, 2011. The recapitalisation objective of Sterling Bank was duly accomplished.

Following the conclusion of the exercise, we advised the Board to ensure the successful integration of the businesses of the two Banks, monitor the performance of the larger Sterling Bank vis-a-vis the expected synergies of the merger and ensure that the quality of the Loan Portfolio of the Bank as well as other key performance indices are not compromised.

J. K. Randle International
April 4, 2012

J K R

Independent Auditors' Report

for the year ended 31 December 2011
To the members of Sterling Bank Plc.

Report on the financial statements

We have audited the accompanying financial statements of Sterling Bank Plc, which comprise the balance sheet as at 31 December 2011, the profit and loss account, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria 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 are 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 from 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 present fairly, in all material respects, the financial position of Sterling Bank Plc as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with the relevant Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria 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 accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

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

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

iii) the Bank's balance sheet and profit and loss account are in agreement with the books of account.

Report on Compliance with Banking Regulations

i. We confirm that our examination of the loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

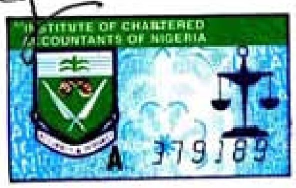
ii. Related party transactions and balances are disclosed in Note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

iii. ATM consumer complaints are disclosed in Note 42 to the financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

Contraventions

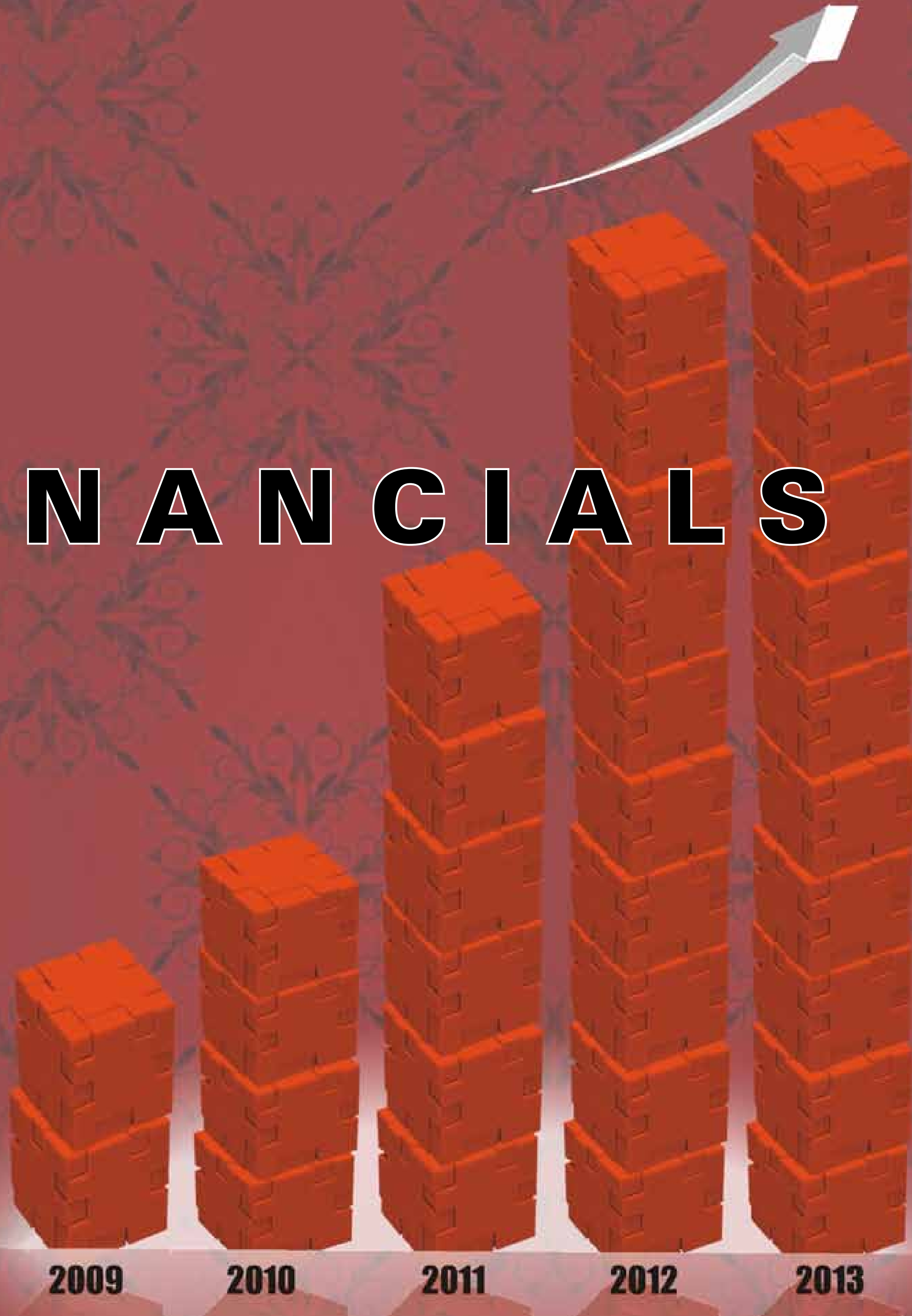
No contravention of any section of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 was brought to our attention during the audit.

Ernst & Young



Lagos, Nigeria
30 March 2012

FINANCIALS



Statement of Significant Accounting Policies

for the year ended 31 December 2011

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 are the financial statements of Sterling Bank Nigeria Plc., a company incorporated in Nigeria. 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 Financial Reporting Council of Nigeria.

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 Financial Reporting Council of Nigeria 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. Any amount of negative goodwill in excess over the net identifiable assets acquired is recognized immediately as income.

(c) Intangible asset

The bank recognises computer software acquired as intangible asset.

Software acquired by the bank is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The maximum useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Software is derecognized on disposal or when no future economic benefits are expected from its use.

(d) Segment reporting

A segment is a distinguishable component of the Bank 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 Bank's business segments. The Bank's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Bank'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 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.

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 day	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
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	Watch-list	Where the repayment on outstanding obligations is between 60% and 75% of the amount due and/ or aggregate installments 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 installments 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 installments thereof are overdue by 2 years to 3 years.	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 installments 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 installments 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	Watch-list	Where the repayment on outstanding obligations is between 60% and 75% of the amount due and/ or aggregate installments 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 installments 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 installments thereof are overdue by1 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 installments thereof are overdue by 2 years to 3 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 installments 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	Watch-list	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	Watch-list	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

Mortgage Loans

Category	Classification	Days past due	Treatment of Income	% of Provision
1	Watch-list	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 allowances is made on all loans and advances not specifically provided for. The Financial Reporting Council of Nigeria 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. Consequently, the bank has made a provision of a minimum of 1% general allowances on all its performing loans and advances as at the year end.

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.

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 formular:

Required Provision = E – {VC X (1- HW)}
Where,
E = Total Exposure, HW = haircut weightings, VC = Value of Collateral
If {VC X (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 Bank 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 Bank 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.

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 SMIEES

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 is not applied as they are held for sale. The investments in SMIEES are recognised at cost less impairment in the financial statements.

(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 Bank 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 equipment	-	$33^1/_3$%
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.

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

i. Where a Company is the lessor
When assets are held subject to a finance lease, the transactions are recognized in the books of the Bank 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 Bank 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 Bank'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 Bank'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 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 Bank's benefit.

When the assets are subject to a finance lease, the Bank 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 Bank 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.

Where the Bank 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 Bank'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 Bank 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 Bank or the Bank 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 Bank.

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 Bank 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.

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 uncollaterized 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 contribute 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.

(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 Bank 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 Bank'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 Bank 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 Bank 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.

Profit and Loss Account

for the year ended 31 December 2011

	Notes	Dec 2011 N'000	Dec 2010 N'000
GROSS EARNINGS		45,173,435	30,386,957
Interest and similar income	3	30,171,154	24,471,489
Interest and similar expenses	4	(15,612,445)	(10,002,583)
Net interest margin		14,558,709	14,468,906
Fee and commission income	5	6,441,793	4,406,501
Fee and commission expenses		-	-
Net fee and commission income		6,441,793	4,406,501
Foreign exchange earnings/loss		536,459	(11,804)
Income from investments	6a	191,591	390,464
Other income	6b	5,236,341	1,130,307
Operating income		26,964,893	20,384,374
Operating expenses	7	(20,442,336)	(15,162,982)
Loan loss expenses	13g	(3,272,892)	(1,759,721)
Diminution in value of other risk assets	8	(343,766)	226,580
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM		2,905,899	3,688,251
Exceptional income	23b	553,845	-
PROFIT ON ORDINARY ACTIVITIES AFTER EXCEPTIONAL ITEM BEFORE TAX		3,459,744	3,688,251
Taxation	9	1,184,476	490,242
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEFORE EXTRA-ORDINARY INCOME		4,644,220	4,178,493
Discontinued operation:			
Extra-ordinary income			
Gain on discontinued operations	17d	2,042,253	-
Tax on extra-ordinary income		-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AFTER EXTRA-ORDINARY INCOME/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		6,686,473	4,178,493
APPROPRIATIONS			
Transfer to statutory reserve	31	2,005,942	-
Transfer to general reserve	31	4,680,531	4,178,493
		6,686,473	4,178,493
Earnings per share (kobo) - Basic			
Continuing Operations	36	35k	33k
Discontinued Operations	36	16K	-

The accounting policies on pages 54 to 67 and financial statements and notes on page 71 to 131 form an integral part of these financial statements.

Balance Sheets

as at 31 December 2011

	Notes	Dec 2011 N'000	Dec 2010 N'000
ASSETS			
Cash in hand and balances with CBN	10	36,022,138	6,660,320
Treasury bills	11(a)	12,932,270	6,023,587
Other Short term investments	11(b)	7,286,732	-
Due from other banks	12	56,039,889	21,832,593
Loans and advances to customers	13	159,734,616	99,312,070
Other facilities	14(a)	200,000	-
Advances under finance lease	15	3,604,937	2,624,572
Investment securities	16	194,785,083	96,593,620
Investment in subsidiaries	17	-	2,467,622
Investment in associates	18	-	260,093
Other assets	20	18,515,433	14,628,832
Deferred tax assets	21(a)	6,232,710	4,759,491
Intangible Assets	19	143,115	149,266
Property, plant and equipment	22	8,930,814	4,267,457
TOTAL ASSETS		504,427,737	259,579,523
LIABILITIES			
Customers' deposits	24	406,515,735	199,274,284
Due to other banks	25	2,337,210	-
Current income tax payable	9	677,926	368,489
Other liabilities	26	21,905,155	8,507,091
Other facilities	14(b)	200,000	-
Defined contribution obligations	27	63,854	51,071
Long-term borrowing	28	27,212,742	25,058,101
13% Unsecured Debenture Stock	32	4,562,000	-
TOTAL LIABILITIES		463,474,622	233,259,036
NET ASSETS		40,953,115	26,320,487
CAPITAL AND RESERVES			
Share capital	29(b)	7,851,931	6,281,545
Share premium	30	18,689,788	12,314,019
Share reserve	31	5,276,423	5,276,423
Retained earnings	31	2,644,416	(2,036,115)
Other reserves	31	6,490,557	4,484,615
		40,953,115	26,320,487
Guarantees and other commitments on behalf of customers	33(b)	78,673,415	48,908,173

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

Yemi Adeola
MD/CEO

Approved by the Board of Directors on 28 March 2012 .

The accounting policies on pages 54 to 67 and financial statements and notes on page 71 to 131 form an integral part of these financial statements.

Statements of Cash Flow

for the year ended 31 December 2011

	Notes	Dec 2011 N'000	Dec 2010 N'000
OPERATING ACTIVITIES			
Net cash flow from operating activities	34	11,753,052	20,347,019
Income tax paid	9(b)	(194,469)	(175,833)
Vat paid (net)		(184,191)	(102,954)
Net cash flow from operating activities		11,374,392	20,068,232
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipments		118,468	54,427
Purchase of property, plant and equipment	22	(1,633,381)	(623,623)
Dividend received and interest from other investments	6 (a)	63,759	133,149
Additions to quoted bonds and equities		(1,764,338)	(70,962,110)
Redemption of investments		10,533	80,876
Purchase of investment in unquoted equities		1,582,490	(14,835)
Purchase of short term investments		(7,286,732)	-
Proceeds from disposal of investment/		-	-
Trading properties		-	787,529
Additions to investment properties		-	(723,000)
Cash received from Business combination		32,444,922	
Proceeds from disposal of subsidiary		4,742,375	-
Net cash flows from investing activities		28,278,097	(71,267,587)
FINANCING ACTIVITIES			
Proceeds from long term borrowings		2,154,641	10,856,551
Issuance of debenture stock	32	4,562,000	-
Net cash flows from financing activities		6,716,641	10,856,551
Net increase/(decrease) in cash and short-term funds		46,369,130	(40,342,804)
Cash and short-term funds, beginning of year		33,168,011	73,510,815
Cash and short-term funds, end of year	38	79,537,141	33,168,011

The accounting policies on pages 54 to 67 and financial statements and notes on page 71 to 131 form an integral part of these financial statements.

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 commercial 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.

The Bank disposed its entire holding in its four (4) subsidiaries as well as its investment in the associate on the 30 December 2011 as shown below:

	Country of Incorporation	Percentage held
Sterling Capital Markets Limited	Nigeria	100%
Sterling Assets Management and Trustees Limited	Nigeria	100%
Sterling Registrars Limited	Nigeria	100%
SBG Insurance Brokers Limited	Nigeria	100%
Crusader Sterling Pensions Limited	Nigeria	31%

Hence, the bank neither has an investment in a subsidiary nor an associate as all its investments above 20% have been disposed.

2 Segment analysis

(a) By business segment

The Bank is divided into three (3) 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.

2 (b) Business segments

	Corporate Banking Dec 2011 N'000	Treasury Dec 2011 N'000	Retail Banking Dec 2011 N'000	Investment Banking Dec 2011 N'000	Asset Management Dec 2011 N'000	Insurance Brokers Dec 2011 N'000	Registrar Dec 2011 N'000	Group Dec 2011 N'000
Continuing Operations:								
Gross earnings:								
Derived from external customers	5,272,802	15,443,508	24,457,125	-	-	-	-	45,173,435
Derived from other business segments								-
	5,272,802	15,443,508	24,457,125	-	-	-	-	45,173,435
Interest and similar expenses	(1,842,867)	(6,361,387)	(7,408,191)	-	-	-	-	(15,612,445)
Segment results	3,429,935	9,082,121	17,048,934	-	-	-	-	29,560,991
Exceptional income	-	-	553,845	-	-	-	-	553,845
Profit on ordinary activities before taxation before extra ordinary income	1,545,192	1,859,304	55,247	-	-	-	-	3,459,744
Taxation	529,011	636,550	18,914	-	-	-	-	1,184,476
Profit after taxation before extra ordinary income	2,074,203	2,495,855	74,161	-	-	-	-	4,644,220
Extra ordinary income	-	-	2,042,253	-	-	-	-	2,042,253
Profit after taxation after extra ordinary income	2,074,203	2,495,855	2,116,415	-	-	-	-	6,686,473
Other segment information:								
Depreciation	11,433	489	1,512,915	-	-	-	-	1,524,837
Discontinued Operations:								
Gross earnings:								
Derived from external customers	-	-	-	1,364,821	1,050,638	233,138	275,164	2,923,761
Derived from other business segments	-	-	-	-	-	-	-	-
	-	-	-	1,364,821	1,050,638	233,138	275,164	2,923,761
Interest and similar expenses	-	-	-	(744,966)	(366,289)	-	-	(1,111,255
Segment results	-	-	-	619,855	684,349	233,138	275,164	1,812,506
Profit on ordinary activities before taxation	-	-	-	187,734	508,877	121,937	166,990	985,539
Taxation	-	-	-	62,994	170,754	40,916	56,033	330,697
Profit after taxation	-	-		250,729	679,631	162,853	223,024	1,316,236
Other segment information:								
Depreciation	-	-	-	22,943	14,490	6,936	8,034	52,404
Group's share of post taxation result of associates and joint ventures	-	-	-	-	-	-	-	91,077
Assets and Liabilities:								
Tangible segment assets	106,769,986	272,383,219	125,274,532	-	-	-	-	504,427,737
Intangible segment assets								
Total assets	106,769,986	272,383,219	125,274,532	-	-	-	-	504,427,737
								-
Segment liabilities	75,495,005	30,096,802	357,882,815					463,474,622
Total liabilities	75,495,005	30,096,802	357,882,815	-	-	-	-	463,474,622
Net Assets	31,274,981	242,286,417	(232,608,283)	-	-	-	-	40,953,115

2 (c) Business segments

	Corporate Banking Dec 2010 N'000	Treasury Dec 2010 N'000	Retail Banking Dec 2010 N'000	Investment Banking Dec 2010 N'000	Asset Management Dec 2010 N'000	Insurance Brokers Dec 2010 N'000	Registrar Dec 2010 N'000	Group Dec 2010 N'000
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	-	-	-	-	-	-	-	-
	2,834,732	7,840,517	19,436,589	2,180,614	1,406,534	254,062	388,568	34,341,616
Interest and similar expenses	(1,061,698)	(4,404,843)	(4,506,785)	(544,296)	(558,561)	-	-	(11,076,183)
Segment results	1,773,034	3,435,674	14,929,805	1,636,318	847,973	254,062	388,568	23,265,433
Profit on ordinary activities before taxation	973,537	2,152,730	695,319	576,643	394,333	33,205	129,075	4,954,842
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	5,369,041	41,021,905	184,991,785	5,604,495	10,753,986	240,894	3,010,844	250,992,950
Total liabilities	5,369,041	41,021,905	184,991,785	5,604,495	10,753,986	240,894	3,010,844	250,992,950
Net Assets	10,669,373	64,786,709	(51,949,041)	1,671,479	490,716	190,705	258,159	26,118,099

		Dec 2011 N'000	Dec 2010 N'000
3	**Interest and similar income**		
(a)	Interest and similar income was derived as follows:Placements	87,748	1,155,585
	Treasury bills and investment securities	14,620,885	8,569,889
	Loans and advances	15,221,376	14,477,110
	Advance under finance lease	241,145	268,905
		30,171,154	24,471,489
(b)	Interest income by source		
	Lending to financial institutions	14,207,673	7,276,219
	Lending to non-bank customers	14,631,244	14,757,516
	Discount income	1,332,237	2,437,754
		30,171,154	24,471,489

(c) Included in interest and discount income is an amount of N111.5million earned from outside Nigeria. (2010: N66.6 million).

4 Interest and similar expenses

a) Interest and similar expenses comprise:

	Dec 2011 N'000	Dec 2010 N'000
Current account	583,756	286,620
Savings accounts	373,530	325,660
Time deposits	10,212,686	6,827,044
Inter-bank-takings/borrowings	2,416,752	1,297,794
Borrowed funds	2,025,721	1,265,465
	15,612,445	10,002,583

(b) Interest expenses outside Nigeria during the year amount to N1.30billion (2010: N1.27billion).

	Dec 2011 N'000	Dec 2010 N'000

5 Fee and commission income

Fee and commission income comprise:	Dec 2011 N'000	Dec 2010 N'000
Commission on turnover	1,417,044	1,142,643
Facility management fees	1,744,468	1,012,307
Commission on letter of credit and off balance sheet transactions	947,200	558,648
Commissions and similar income	1,515,811	1,401,498
Other fees and commission	817,270	291,405
	6,441,793	4,406,501

6a Income from investments

Income from investments comprises:	Dec 2011 N'000	Dec 2010 N'000
Profit on disposal of government bonds	99,208	252,786
Profit on disposal investment properties	-	4,529
Dividend income from subsidiaries	-	121,500
Dividend others	63,759	11,649
Other investments	28,624	-
	191,591	390,464

6b Other income

	Dec 2011 N'000	Dec 2010 N'000
Rental income received	684,510	133,060
Recoveries of loans previously written off	2,284,989	268,660
Fraud recovered (Insurance claim)	101	133,672
Advisory fee	1,278,958	150,000
other sundry income	987,783	444,915
	5,236,341	1,130,307

7 (a) Operating expenses

Analysis of operating expenses	Dec 2011 N'000	Dec 2010 N'000
Wages, salaries & related staff cost (note (b)(i))	6,527,161	4,386,680
Profit on disposal of fixed assets	(76,884)	(28,901)
Director's remuneration and expenses	89,778	63,314
Repairs and maintenance	2,248,785	1,202,185
Rent and rates	520,600	511,048
Insurance cost	1,329,220	1,200,703
Depreciation on property and equipment	1,524,837	1,270,574
Auditors' remuneration	80,000	68,000
AMCON sinking fund expense	778,739	-
Other professional fees	381,047	157,655
Contract service	671,136	387,711
Revaluation loss on long term borrowing	888,322	1,103,284
Revaluation loss on securities	66,767	-
Advertising & business promotion	482,833	330,946
General administrative expenses	4,929,995	4,509,783
	20,442,336	15,162,982

(b) Staff and executive directors' costs

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

	Dec 2011 N'000	Dec 2010 N'000
Wages and salaries	6,237,650	4,054,041
Other pension costs	379,289	395,953
	6,616,939	4,449,994

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

	Dec 2011 Number	Dec 2010 Number
Executive directors	4	4
Management staff	94	64
Non-management staff	2,963	1,476
	3,061	1,544

(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:

			Dec 2011 Number	Dec 2010 Number
N161,001	-	N261,000	-	-
N261,001	-	N361,000	-	-
N361,001	-	N461,000	-	-
N461,001	-	N561,000	-	-
N561,001	-	N661,000	-	200
N661,001	-	N761,000	-	3
N761,001	-	N861,000	505	123
N861,001	-	N961,000	2	26
N961,001	-	N1,061,000	139	-
N1,061,001	-	N1,161,000	-	-
N1,161,001	-	N1,261,000	67	-
N1,461,001	-	N1,156,000	31	-
N2,061,001	-	N2,161,000	-	-
N2,161,001	-	N2,261,000	-	-
N2,761,001	-	N2,861,000	8	302
N3,161,001	-	N3,261,000	700	-
N3,361,001	-	N3,461,000	-	-
N4,061,001	-	N4,161,000	-	287
N4,161,001	-	N4,261,000	540	-
N5,061,001	-	N5,161,000	116	196
N5,161,001	-	N5,261,000	-	-
N5,961,001	-	N6,061,000	336	145
N6,461,001	-	N6,561,000	186	-
N7,361,001	-	N7,461,000	-	92
N7,461,001	-	N7,561,000	-	-
N8,461,001	-	N8,561,000	142	-
N8,861,001	-	N8,961,000	-	51
N9,961,001	-	N10,061,000	101	-
N10,761,001	-	N10,861,000	-	51
N11,000,001 and above			184	64
			3,057	1,540

(c) Directors' remuneration

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

	Dec 2011 N'000	Dec 2010 N'000
Directors' fees	20,500	13,000
Executive compensation	96,935	90,151
Other emoluments	42,847	26,309
	160,282	129,460

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

	Dec 2011	Dec 2010
Chairman	6,432	4,200
Highest paid director	34,028	26,360

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

			Dec 2011 Number	Dec 2010 Number
Below N1,000,000			-	-
N1,000,000	-	N5,000,000	-	-
N5,000,001	-	N10,000,001	7	5
N10,000,001	-	N15,000,000	-	1
N15,000,001	-	N20,000,000	1	-
N20,000,001	-	N25,000,000	2	2
N25,000,001	-	N30,000,000	1	-
			11	8

8 Diminution in value of other risk assets

Diminution in value of other risk assets comprise:

	Dec 2011 N'000	Dec 2010 N'000
Specific allowance on long-term investments (note 16(h))	(126,898)	40,964
Specific allowance on bank balances (note 10b)	296,390	-
Specific allowance on other assets (note 20(b))	174,274	(267,544)
	343,766	(226,580)

9 Taxation

(a) Tax charge

The tax charge for the period comprise:

	Dec 2011 N'000	Dec 2010 N'000
Company income tax	252,628	150,917
Education tax	-	-
Capital gains tax	1,867	-
NITDA	34,248	36,517
	288,743	187,434
Deferred tax (credit)/charge (note 21(a))	(1,473,219)	(677,676)
	(1,184,476)	(490,242)

(b) Current income tax payable

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	368,489	393,405
Disposal of subsidiary		
Business combination	249,411	-
Charge for the year (note 9 (a))	254,495	150,917
Payments during the year	(194,469)	(175,833)
Balance, end of year	677,926	368,489

10 Cash in hand and balances with CBN

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

	Dec 2011 N'000	Dec 2010 N'000
Cash and foreign monies	7,981,473	3,373,704
Operating account held with the Central Bank of Nigeria (CBN)	4,920,719	1,938,127
	12,902,192	5,311,831
Mandatory reserve deposits with Central Bank of Nigeria (CBN)	23,908,258	1,348,489
	36,810,450	6,660,320
Provision for doubtful bank balances (Note 10b)	(788,312)	-
	36,022,138	6,660,320

(b) The movement on the allowance for bank balances was as follows:

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	-	-
Arising from Business Combination	491,922	-
Allowances made during the year (note 8)	296,390	-
	788,312	-

11(a) Treasury bills

Treasury bills investments comprise:

	Dec 2011 N'000	Dec 2010 N'000
Treasury bills (Note 11a(i) & (ii))	13,351,507	6,357,559
Unearned interest	(419,237)	(333,972)
	12,932,270	6,023,587

(i) Included in treasury bills are amounts of N6.36billion pledged for clearing activities and as collection bank for government taxes and for electronic card transactions. (2010:N3.7b).

(ii) The bank's treasury bills are held to maturity. Hence, its Investment in treasury bills are stated at cost. The cost of the investment is N12.93billion (31 December 2010: N6.02billion).

11(b) Other Short term investments

	Dec 2011 N'000	Dec 2010 N'000
Discounted Sovereign Debt Note	7,395,282	-
Unearned interest	(108,550)	-
	7,286,732	-

12 Due from other banks

		Dec 2011 N'000	Dec 2010 N'000
(a)	Due from other banks comprise:		
	Balance held with other local banks		
	- Current account	7,591,267	266,706
	- Placements (Note 12(b) below)	18,850,000	3,230,050
	Balances held with banks outside Nigeria (Note 12 (c) below)	29,598,622	18,335,837
		56,039,889	21,832,593

(b) None of the placement held with other banks and financial institutions as at 31 December 2011 was secured by treasury bills. (2010: Nil).

(c) Included in balances with other banks and financial institutions outside Nigeria is N2.02 billion (2010: N2.24billion) 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 (Note 26).

(d) Included in balances held with other banks outside Nigeria is an amount of N1.56 billion ($10,000,000) held as lien by Citibank International on a loan facility availed to the Bank. (31 December 2010: N1.48billion ($10,000,000) (Note 28).

13 Loans and advances to customers

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

	Dec 2011 N'000	Dec 2010 N'000
Overdraft	45,093,256	27,596,798
Term loans	88,960,152	59,696,834
Others	32,832,144	21,699,832
	166,885,551	108,993,464
Loan loss allowance		
- Specific (see (b)(i)) below)	(4,535,182)	(7,321,085)
- General (see (b)(ii)) below)	(1,586,583)	-
- Interest -in- suspense (see (b)(iii) below)	(1,029,170)	(2,360,309)
	(7,150,935)	(9,681,394)
	159,734,616	99,312,070

			Dec 2011 N'000	Dec 2010 N'000
(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:		
		Balance, beginning of year	7,321,085	15,703,009
		Arising from Business Combination	8,065,724	-
		Charge for the period (Note(g))	9,069,672	2,956,331
		Allowance no longer required (Note (g))	(15,847,840)	(10,896,393)
		Write-offs - others	-	(9,826)
		Write-offs	(4,073,459)	(432,036)
		Balance, end of year	4,535,182	7,321,085
(b)	(ii)	General allowance		
		The movement in general loan loss allowance during the period was as follows:		
		Balance, beginning of year	-	-
		Writeback during the period (Note(g)	-	-
		Charge for the period (Note(g))	1,586,583	-
		Balance, end of year	1,586,583	-

In the current year, the Bank made a general provision on loans and advances as against the previous year where no provision was made due to publication by Financial Reporting Council of Nigeria which stated that the level of provisioning was adequate for the individual Deposit Money Banks (DMBs) due to the extensive review carried out in that period by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) . A 1% general loan loss provision was made for the financial year ended 31 December, 2011.

(b) (iii) Interest-in-suspense:

The movement on the interest-in-suspense account during the period was as follows:

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	2,360,309	1,973,779
Interest suspended during the period	1,264,577	3,743,846
Arising from Business Combination		-
Allowance no longer required (Note b (vii))	(457,420)	(3,241,295)
Amount written-off	(2,138,296)	(116,022)
Balance, end of year	1,029,170	2,360,309

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

Category	Gross loan	Specific provision	General provision	Interest in suspense	Net balance
	N'000	N'000	N'000	N'000	N'000
Non specialised loans	99,318,750	(2,730,699)	(901,859)	(852,463)	94,833,729
Specialised loan:					
- Agric financing loan	4,868,446	(224,572)	(32,059)	(7,731)	4,604,084
- Manufacturing	10,462,141	(506,097)	(108,133)	(14,998)	9,832,912
- Margin Loans	472,228	(838)	(5,036)	(385)	465,969
- Mortgage Financing	6,424,349	(401,831)	(64,242)	(14,173)	5,944,102
- Object Financing	3,574,525	(5,133)	(38,153)	(1,086)	3,530,153
- Project Financing	13,766,699	(367,209)	(143,123)	(114,935)	13,141,432
- Real Estate Financing	27,998,411	(298,802)	(293,979)	(23,397)	27,382,234
	166,885,551	(4,535,182)	(1,586,583)	(1,029,170)	159,734,616

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

	Balance, beginning of year	Arising from Business Combination	Charge for the year	Allowance no longer required	Write-offs - others	TOTAL
	N'000	N'000	N'000	N'000	N'000	N'000
Non specialised loans	5,105,627	2,419,717	2,107,713	(3,677,128)	(3,225,230)	2,730,699
Specialised loan:				-	-	
- Agric financing loan	49,373	-	241,720	(21,488)	(45,034)	224,571
- Manufacturing	1,059,268	-	1,781,517	(1,984,581)	(350,107)	506,097
- Margin Loans	196,819	-	-109,807	(3,999)	(82,175)	838
- Mortgage Financing	65,918	-	490,062	(121,599)	(32,549)	401,832
- Object Financing	820,135	-	500,356	(1,000,070)	(315,288)	5,133
- Project Financing	23,945	-	2,970,258	(2,603,918)	(23,076)	367,209
- Real Estate Financing	-	5,646,007	1,087,854	(6,435,058)	-	298,803
	7,321,085	8,065,724	9,069,673	(15,847,840)	(4,073,459)	4,535,182

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	Reclassification N'000	Write-offs N'000	TOTAL N'000
Non specialised loans	-	901,859	-	-	-	901,859
Specialised loan:	-	-	-	-	-	-
- Agric financing loan	-	32,059	-	-	-	32,059
- Manufacturing	-	108,133	-	-	-	108,133
- Margin Loans	-	5,036	-	-	-	5,036
- Mortgage Financing	-	64,242	-	-	-	64,242
- Object Financing	-	38,153	-	-	-	38,153
- Project Financing	-	143,123	-	-	-	143,123
- Real Estate Financing	-	293,979	-	-	-	293,979
	-	1,586,583	-	-	-	1,586,583

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

	Balance beginning of year 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	1,755,729	866,579	(285,012)	(1,480,243)	857,052
Specialised loan:					
- Agric financing loan	25,163	7,248	(197)	(24,483)	7,731
- Manufacturing	372,419	157,619	(108,127)	(421,660)	251
- Margin Loans	184,583	27,019	(897)	(195,905)	14,801
- Mortgage Financing	1,136	15,504	(1,256)	(1,212)	14,173
- Object Financing	7,482	29,767	(35,963)	-	1,286
- Project Financing	13,795	117,916	(4,000)	(12,976)	114,735
- Real Estate Financing	-	42,925	(21,968)	(1,817)	19,140
	2,360,308	1,264,577	(457,420)	(2,138,296)	1,029,170

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

	Performing N'000	Watch list N'000	Sub standard N'000	Non-performing Doubtful N'000	Very doubtful N'000	Lost N'000	Mark to market N'000	Total N'000
Non specialised loans	93,014,168	-	927,872	3,609,596	-	1,820,340	-	99,371,977
Specialised loan:								
- Agric financing loan	4,848,179	-	7,767	-	-	13,735	-	4,869,680
- Manufacturing	10,274,608	-	13,438	56,954	-	117,141	-	10,462,141
- Margin Loans	415,870	-	-	1,469	-	429	-	417,768
- Mortgage Financing	6,008,345	-	-	-	-	416,005	-	6,424,349
- Object Financing	3,569,299	-	-	-	-	5,226	-	3,574,525
- Project Financing	12,850,991	-	630	61,312	-	853,766	-	13,766,699
- Real Estate Financing	27,676,852	-	1,008	19,885	-	300,667	-	27,998,411
	158,658,311	-	950,715	3,749,216	-	3,527,309	-	166,885,551

	Dec 2011 N'000	Dec 2010 N'000
(c) Loans and advances by security type is as follows:		
Secured against real estate	65,125,257	55,610,948
Margin lending	417,768	2,764,417
Otherwise secured	101,326,078	50,615,306
Unsecured	16,449	2,793
	166,885,551	108,993,464
(d) The gross value of loans and advances by maturity is as follows:		
1 - 3 months	52,458,762	38,452,397
3 - 6 months	16,842,757	9,541,991
6 - 12 months	19,653,660	10,660,333
Over 12 months	77,930,371	50,338,743
	166,885,551	108,993,464
(e) The gross value of loans and advances by performance is:		
Performing	158,658,311	97,353,488
Non-performing		
Sub-standard	950,715	1,191,319
Doubtful	3,749,216	2,160,990
Lost	3,527,309	8,287,667
	166,885,551	108,993,464

		Dec 2011 N'000	Dec 2010 N'000
(f)	The gross value of loans and advances by sector is as follows:		
	Agriculture	4,842,354	552,314
	Oil and Gas	44,434,962	18,411,068
	Capital Market	417,768	2,764,416
	Consumer Credit	5,723,061	1,270,655
	Manufacturing	10,938,792	12,998,926
	Mortgage	3,941,451	2,304,789
	Real Estate and Construction	32,436,449	37,209,856
	Finance and Insurance	7,952,874	4,455,133
	Government	15,286,755	1,937,079
	Other public utilities	244,248	45,406
	Transportation	7,384,712	2,897,396
	Communication	1,661,049	1,148,223
	Education	864,013	249,543
	Mining and Quarrying	176,450	-
	Power	-	2,428
	Others	30,580,614	22,746,232
		166,885,551	108,993,464
(g)	Loan loss expenses		
	Analysis of loan loss expenses is as follows:		
	Loans and advances to customers		
	- General allowance	1,586,583	-
	Writeback (Note (b)(ii))		
	Charge (Note (b)(ii))		
	- Specific allowance (Note (b)(i)	9,069,672	2,956,331
	- Allowance no longer required (see Note (b)(i)	(15,847,840)	(10,896,393)
	- Bad debt written off	8,428,063	9,699,783
		3,236,478	1,759,721
	Advances under finance lease -		
	- General allowance (Note 15(c))	36,414	-
		3,272,892	1,759,721

Included in the provision no longer required is N15.8billion (2010: N7.8billion) and interest in suspense no longer required of N0.5 billion(N1.9billion) relating to the various facilities transferred to Asset Management Corporation of Nigeria (AMCON).

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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:

	Dec 2011 N'000	Dec 2010 N'000
Gross (Note 14 a(i))	200,000	-
Allowance	-	-
	200,000	-

(i) This represents a stocking facility of N200million granted by the Nigerian Export-Import Bank (NEXIM) in favour of Armada International Limited at the rate of 9.5% per annum for 365days granted to Sterling Bank Plc being the primary obligor. This facility is secured by a promissory note and irrevocable transfer order of N200 million plus accrued interest of N19 million.

	Dec 2011 N'000	Dec 2010 N'000
(b) Analysis of performance:		
Performing	200,000	-
(c) Maturity profile of other facilities:		
3-6 months	200,000	-

15 Advances under finance lease

(a) The advances under finance lease comprise:		
Gross investment in leases	4,655,642	3,295,903
Less: unearned income	(1,014,291)	(671,331)
	3,641,351	2,624,572
Less: general allowance (Note 15 (b) below)	(36,414)	-
	3,604,937	2,624,572

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

	Dec 2011 N'000	Dec 2010 N'000
Charge for the year (Note 13(g))	36,414	-

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

	Dec 2011 N'000	Dec 2010 N'000
1-3 months	164,749	191,014
3-6 months	76,140	66,788
6-12 months	248,617	420,262
Over 12 months	3,151,845	1,946,508
	3,641,351	2,624,572

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

	Dec 2011 N'000	Dec 2010 N'000
Performing	3,641,351	2,624,572

16 Investment securities

Investment securities comprise:

(a) Investment securities - long-term

	Dec 2011 N'000	Dec 2010 N'000
Quoted:		
- Equities (Note 16 (b (i))	569,631	569,631
- Bonds (Note 16(c))	193,269,089	94,317,751
	193,838,720	94,887,382
Unquoted:		
- Equities (Note 16 (d))	1,060,377	373,438
- Equities in small and medium scale enterprises (Note 16 (f))	428,265	464,836
- Joint venture (Note 16 (g))	-	1,592,779
	1,488,642	2,431,053
Allowance made on long-term investments (Note 16 (h))	(542,278)	(724,815)
	194,785,083	96,593,620

(b) (i) 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 2011 was N330.07million. (2010:N330.07million). Provision has been maintained for diminution in the value of the investment.

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

	Dec 2011 N'000	Dec 2010 N'000
Bayelsa State Bond	1,100,000	1,500,000
Corporate Bond	2,050,000	-
Euro Bond	351,450	-
Lagos State Revenue Bond	6,064,000	4,564,000
Stabilisation Securities (Note 16 (c) (v))	83,250,468	7,862,034
Federal Government Bond (Note 16 (c)(ii) and (iii))	100,453,171	80,391,717
	193,269,089	94,317,751

(ii) Included in FGN Bonds is an amount of N42.6billion (2010: N21.7billion) pledged as security for interbank takings and the long-term loan from Citibank International (see note 28(b)).

(iii) Investment in FGN Bonds comprises:

	Dec 2011 N'000	Dec 2010 N'000
Face value	102,458,052	84,512,330
Premium paid	1,600,109	1,599,954
Discount	(4,130,930)	(5,703,028)
Amortisation of premium	(853,904)	(429,926)
Amortisation of Discount	1,379,845	412,387
	100,453,171	80,391,717

(iv) Federal Government Bonds are internally classified as:

	Dec 2011	Dec 2010
FGN Bonds Available for sale	541,012	2,695,153
FGN Bonds Held for Trading	-	-
FGN Bonds Held to Maturity	99,912,159	77,696,564
AMCON Bonds Held to Maturity	83,250,468	7,862,034
	183,703,639	88,253,751

(v) Stabilisation Securities

	Dec 2011	Dec 2010
Face value	115,503,840	10,573,562
Unearned income	(32,253,372)	(2,711,528)
	83,250,468	7,862,034

This is bond from Asset Management Corporation of Nigeria(AMCON) in exchange for non-performing facilities of the bank.

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

	Dec 2011 N'000	Dec 2010 N'000
Africa Export/Import Bank	31,240	29,734
National Association of Dealers Limited (Note 16 (d)(ii))	-	416
Financial Markets Dealers Association Inv. (OTC platform)	30,000	15,000
Nigeria Interbank Settlement System plc	96,150	52,583
Opticom Leasing Limited	21,000	21,000
Valucard Nigeria Plc (Note 16 (d)(ii))	-	18,811
Associated Discount House Limited	10,734	10,734
Kraft Konsult Limited (Note 16 (d)(ii))	-	7,300
Saddle Ind. Limited (Note 16 (d)(ii))	-	10,200
Nigerian Stock brokers Limited (Note 18 (c))	27,593	-
African Finance Corporation (Arising from business combination)	636,000	-
Safetrust Savings and Homes	207,660	207,660
	1,060,377	373,438

(d) (ii) This represents the bank's unquoted equity investments that were written off during the year.

(e)(i) 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.

(ii) 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, 2011 based on the Management Accounts and Audited Financial Statements of the respective companies.

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

	Dec 2011	Dec 2010
	N'000	N'000
Pathcare Nigeria Limited (Note 16 (f)(ii))	6,287	6,287
Capetex Ind. Limited (Note 16 (f)(iii))	-	6,200
Woodmasters Nigeria Limited (Note 16 (f)(iii))	-	5,000
Eltel Communication Limited (Note 16 (f)(iii))	-	23,056
Trust Hospital Limited (Note 16 (f)(iii))	-	50,000
Best Food Global Limited (Note 16 (f)(iii))	-	15,000
Pyramid Bag Manufacturing Limited (Note 16 (f)(iii))	-	22,360
Diamond Foam Limited (Note 16 (f)(iii))	-	10,422
Unique Ventures CML (Note 16 (f)(iii))	-	8,000
Cards Technology Limited (Note 16 (f)(iii))	-	76,000
Investment in other SMEIS (Note 16 (f (iv) below)	190,000	-
Investments through SME Manager (Note 16 (f)(v))	231,978	242,511
	428,265	464,836

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

(f) (iii) These represents the bank's investments in small and medium scale enterprises that were written off during the financial year.

(f) (iv) This represents investments in Small and Medium Enterprises Equity Investment Scheme acquired during the business combination with the Erstwhile Equitorial Trust Bank. However, the directors of the acquired bank considered it worthwhile to make full provision on them.

(f) (v) This represents the Bank's indirect equity investment in SMEEIS entities through SME Manager. During the year, the Bank redeemed investment of N8.5million through SME Manager (2010: N9.9million).

(f) (vi) 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 N428.3million (December 2010: N464.8million) 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. This investment has been taken over by AMCON as at the year end.

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of the year	1,592,779	1,592,779
Previously unconsolidated reserve	-	-
Disposal of investment	(1,592,779)	-
Current year share of profit/(loss)	-	-
Balance, end of the year	-	1,592,779

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	724,815	683,851
Arising from Business Combination	197,126	-
Allowance made during the year (Note 8)	(126,898)	40,964
Amounts written off	(252,765)	-
Balance, end of year	542,278	724,815

17 Investment in subsidiaries

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

	Dec 2011	Dec 2010
Sterling Capital Markets Limited (Note 17 (b))	-	1,346,312
Trustee Limited (Note 17 (b))	-	1,100,000
Sterling Registrars Limited (Note 17 (b))	-	11,310
SBG Insurance Broker Limited (Note 17 (b))	-	10,000
	-	2,467,622

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

	Dec 2011	Dec 2010
Balance, beginning of the year	2,467,622	2,467,622
Disposal during the year	(2,467,622)	-
Balance, end of the year	-	2,467,622

(b) Discontinued Operation

All subsidiaries and investment in associates of the bank were disposed on 30th December 2011 in line with Central bank of Nigeria policy with respect to the new Banking license. A gain of N2billion and N1.8billion was realised on the disposal of investment as analysed below (Note 17 d). In accordance with IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' the business has been presented as discontinued operations and the results of operation of the disposed subsidiaires is consolidated up till the point of disposal.

The consolidated profit and loss account and the analysis of extra-ordinary item of this group are set out below.

	Group Dec 2011 N'000	Group Dec 2010 N'000
GROSS EARNINGS	44,319,635	34,341,616
Interest and similar income	30,131,022	25,187,507
Interest and similar expenses	(16,654,434)	(11,076,183)
Net interest margin	13,476,588	14,111,324
Fee and commission income	6,716,334	6,099,369
Fee and commission expenses	-	-
Net fee and commission income	6,716,334	6,099,369
Foreign exchange earnings/loss	536,459	(11,804)
Income from investments	1,312,954	671,266
Other income	4,238,468	2,395,279
Exceptional income	553,845	-
Operating income	26,834,648	23,265,434
Operating expenses	(20,261,282)	(15,782,914)
Loan loss expenses	(1,784,319)	(2,100,524)
Diminution in value of other risk assets	(343,766)	(491,288)
Group's share of post tax result of associates and joint ventures	91,077	64,135
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4,536,358	4,954,843
Taxation	1,521,949	89,700
PROFIT AFTER TAXATION BEFORE EXTRA-ORDINARY INCOME	6,058,307	5,044,543
Extra-ordinary income:		
Gain on the disposal of subsidiairies	830,554	-
Tax on extra-ordinary income	-	-
PROFIT FOR THE YEAR	6,888,861	5,044,543

(c) Disposal of equity holding in subsidiaries and an associate

	Group Dec 2011 N'000	Group Dec 2010 N'000	Bank Dec 2011 N'000	Bank Dec 2010 N'000
Sales Proceed	4,742,375	-	4,742,375	-
Cost of disposal	(3,738,464)	-	(2,700,122)	-
Profit on disposal	1,003,911	-	2,042,253	-

(d) Analysis of Gain on the disposal of the subsidiary and associate to the group and Bank is set out below:

		Sales Proceed N'000	Cost of Investment N'000	Gain to Bank N'000	Post Acquisition profit/ (loss) no longer required N'000	Gain/(Loss) to Group N'000
	Name of Subsidiairy					
1	Sterling Capital Markets Limited	1,378,000	1,346,312	31,688	(470,481)	502,169
2	Sterling Assets Management and Trustees Limited	1,431,875	1,100,000	331,875	540,134	(208,259)
3	Sterling Registrars Limited	1,200,000	11,310	1,188,690	872,361	316,329
4	SBG Insurance Broker Limited	300,000	10,000	290,000	304,204	(14,204)
5	Crusader Sterling Pension Limited	432,500	232,500	200,000	(34,519)	234,519
		4,742,375	2,700,122	2,042,253	1,211,699	830,554

(e) Condensed results of consolidated entities

Condensed results of the consolidated entities as at 31 December 2011, 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	27,769,376	(1,008,020)	26,964,893	619,854	684,349	233,138	275,163	-
Operating expenses	(20,261,282)	1,008,020	(20,442,336)	(432,120)	(175,472)	(111,201)	(108,174)	-
Loan loss expenses	(3,272,892)	-	(3,272,892)	-	-	-	-	-
Diminution on other risk values	(343,766)	-	(343,766)	-	-	-	-	-
Exceptional Income	553,845	-	553,845	-	-	-	-	-
Group's share of post tax result of associates and joint ventures	91,077	-	-	-	-	-	-	91,077
Profit before taxation before extra-ordinary income	4,536,357	-	3,459,744	187,734	508,877	121,937	166,989	91,077
Taxation	1,521,949	-	1,184,476	64,284	174,252	41,755	57,182	-
Profit after taxation before extra-ordinary income	6,058,307	-	4,644,220	252,018	683,129	163,692	224,171	91,077
Gain on sale of subsidiaries and associates	830,554	1,211,699	2,042,253	-	-	-	-	
Profit after taxation	6,888,861	1,211,699	6,686,473	252,018	683,129	163,692	224,171	91,077

(f) 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	(10,248,444)	30,386,957	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	(9,933,382)	13,690,834	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	(9,933,382)	14,181,076	170,895	429,490	999	131,330	64,135

(g) Condensed financial position

Subsidiary companies/parent company

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Sterling Capital Markets Limited 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	-	-	12	-	-	17	-
Treasury bills	6,023,587	-	-	-	-	-	-	-
Due from other banks	25,098,603	(1,632,567)	-	1,046,270	175,587	158,191	3,518,528	-
Loans and advances to customers	100,641,020	(1,537,147)	(9,681,394)	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	7,891,795	88,731,586	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)	(1,038,966)	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	999,486	92,539,727	8,359,766	11,880,850	442,013	3,711,444	-

	Group Balance N'000	Elimination Entries N'000	Bank N'000	Sterling 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)	-	-	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	5,381,789	2,000,001	5,496,887	5,688,972	257,529	3,095,465	-
Defined contribution obligations	51,071	-	51,071	-	-	-	-	-
Deferred tax liabilities	11,820	-	-	-	6,662	3,428	1,730	-
Long-term borrowing	25,058,101	-	-	-	-	-	-	-
Equity and reserves	26,118,099	(28,076,355)	51,551,470	883,259	1,014,439	138,267	607,019	-
TOTAL LIABILITIES & RESERVES	277,111,049	(25,586,441)	53,971,032	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	Sterling 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	58,002,856	(34,472,407)	(949,346)	1,751,030	(10,620)	572,428	-
Net cash flow from investing activities	(71,764,519)	(8,748,925)	(63,405,553)	200,530	193,361	(3,601)	-331	-
Net cash flow from financing activities	10,856,551	27,058,101	(14,201,550)	-	(2,000,000)	-	-	-
Increase in cash and cash equivalents	(36,014,028)	76,312,032	(112,079,510)	(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	71,641,288	(38,568,695)	(686,613)	175,587	158,191	3,518,545	-

18 Investment in associates

(a) Investment in associate is as follows:

	Dec 2011 N'000	Dec 2010 N'000
Crusader Sterling Pension Ltd (Note 18 (b))	-	232,500
Nigerian Stock brokers Limited (Note 18 (c))	-	27,593
	-	260,093

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of the year	232,500	232,500
Disposal	(232,500)	-
Balance, end of the year	-	232,500

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of the year	27,593	27,593
Reclassified to Investment securities (Unquoted) during the period (Note 16(a))	(27,593)	-
	-	27,593

During the year, Nigerian Stockbrokers Limited raised capital by way of rights issue. This was not taken up by the bank. As a result of this, the bank's shareholding in Nigerian Stock Brokers Limited reduced to 10% now reclassified as unquoted equity investment.

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

	Crusader Sterling Pension Dec 2011 N'000	Total Dec 2011 N'000
Gross income	854,776	854,776
Profit after taxation	293,798	293,798

19 Intangible Assets - Computer Software

	Dec 2011 N'000	Dec 2010 N'000
Cost		
Beginning of the year	874,577	805,855
Arising on combination	508,242	-
Additions	15,690	62,063
Reclassification	(91,094)	6,659
End of the year	1,307,415	874,577
Accumulated Amortisation		
Beginning of the year	725,311	626,130
Arising on combination	357,929	-
Charge for the year	97,228	99,181
Reclassification	(16,168)	-
End of the year	1,164,300	725,311
Carrying Value	143,115	149,266

20 Other assets

(a) Analysis of other assets is as follows:

	Dec 2011 N'000	Dec 2010 N'000
Other assets comprise:		
Prepayments	2,700,691	1,969,803
Prepaid Interest	305,875	54,975
Interest receivable	3,802,683	2,832,323
Stock	222,684	124,791
Deferred exchange difference	-	750,192
Intercompany receivable	111,760	219,761
Receivable from AMCON	-	1,720,581
Receivable from escrow (Note 20 a(i))	1,697,190	-
Open buy back	-	2,700,000
Other receivable accounts	11,186,338	5,295,372
	20,027,221	15,667,798
Allowance for other assets (Note 20 (b))	(1,511,788)	(1,038,966)
	18,515,433	14,628,832

(a(i) This represents amounts expected from the escrow account due to shortfall on agreed net asset value of N8.5 billion as stipulated in the transaction implementation agreement between the Erstwhile ETB and Sterling Bank Plc.

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	1,038,966	1,306,510
Arising from Business Combination	1,250,899	-
Allowances/Write back made during the year (Note 8)	174,274	(267,544)
Allowance written off	(952,351)	-
Balance, end of year	1,511,788	1,038,966

21 Deferred taxation

(a) Deferred tax asset

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	4,759,491	4,081,815
Realised from revaluation reserve		
Charge during the year (see note 9(a))	1,473,219	677,676
Balance, end of year	6,232,710	4,759,491

(b) Deferred taxation

	Dec 2011 N'000	Dec 2010 N'000
Deferred tax comprises:		
Deferred tax liability	-	-
Deferred tax asset	6,232,710	4,759,491
	6,232,710	4,759,491

(c) The deferred tax asset arises from the following:

	Dec 2011 N'000	Dec 2010 N'000
Property and equipment	1,833,346	(689,476)
Unrelieved losses	3,807,077	3,492,311
Others	592,288	1,956,656
	6,232,710	4,759,491

22 The Bank

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

		Leasehold Land and Building N'000	Capital work-in-progress N'000	Furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
(i)	Cost						
	Beginning of the year	3,234,256	156,023	3,628,999	2,673,554	2,003,983	11,696,816
	Arising on combination	2,858,255	1,528,417	4,220,905	3,007,497	2,225,586	13,840,660
	Additions	113,839	134,685	396,932	439,763	548,161	1,633,380
	Disposals	(51,329)	-	(27,000)	(2,661)	(284,295)	(365,285)
	Transfers	135,382	(141,104)	5,465	257	-	-
	End of the year	6,290,403	1,678,021	8,225,301	6,118,411	4,493,435	26,805,571
(ii)	Accumulated depreciation						
	Beginning of year	993,825	-	2,605,294	2,391,296	1,438,944	7,429,360
	Arising on combination	1,822,763	-	2,788,940	2,822,433	1,907,353	9,341,489
	Charge for the year	182,696	-	550,668	302,130	392,115	1,427,609
	Disposals/Reclassifications	(38,767)	-	(26,999)	(2,661)	(255,273)	(339,868)
	End of year	2,960,517	-	5,917,903	5,513,198	3,483,139	17,874,758
	Net book value						
	At 31 December, 2011	3,329,886	1,678,021	2,307,398	605,213	1,010,296	8,930,814
	At 31 December, 2010	2,240,431	156,023	1,023,704	282,258	565,039	4,267,456

(iii) There are no leased movable assets included in property and equipments. (December 2010: Nil).

The Bank had capital commitments of N365million (31 December 2010: N291million) 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.

23(a) Negative Goodwill

The net assets of Equitorial Trust Bank Limited(ETB) as at period ended 31 October 2011, based on fair value, and the negative goodwill arising from consolidation, were as stated below:

	ETB N'000
ASSETS	
Cash and balances with Central Bank of Nigeria	15,287,000
Treasury bills	15,645,000
Due from other banks	14,186,000
Loans and advances to customers	27,357,000
Investment securities	97,875,000
Other assets	3,654,810
Property, plant & equipment	4,850,000
	178,854,810
LIABILITIES	
Customer deposits	146,440,000
Due to other banks	12,655,000
Income tax payable	266,000
Other liablities	11,188,000
Deferred tax liabilities	-
Retirement benefit obligations	1,503,000
	172,052,000
Net assets acquired	6,802,810
Adjustment:	
Receivable from escrow	1,697,190
Cost of combination	8,500,000
Cost of acquisition	7,946,155
Negative Goodwill arising from business combination	553,845

23(b) Exceptional Income - N553,845,000

This relates to the negative goodwill on the acquisition of the Erstwhile Equitorial Trust Bank (ETB) as shown in Note 23 (a).

24 Customers' deposits

(a) Deposits and other accounts comprise:

	Dec 2011 N'000	Dec 2010 N'000
Time	194,146,665	67,931,188
Savings	29,176,776	9,580,480
Demand	132,669,054	67,062,957
Domiciliary	35,265,438	15,734,665
Interbank takings	15,257,802	38,964,994
	406,515,735	199,274,284

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

	Dec 2011 N'000	Dec 2010 N'000
Under 1 month	158,214,735	164,242,911
1-3 months	50,194,000	27,886,003
3-6 months	17,003,000	668,747
6-12 months	19,336,000	266,783
Over 12 months	161,768,000	6,209,840
	406,515,735	199,274,284

25 Due to other banks

Due to other banks comprise:

	Dec 2011 N'000	Dec 2010 N'000
Current balances with banks	2,337,210	-

26 Other liabilities

	Dec 2011 N'000	Dec 2010 N'000
Analysis of other liabilities is as follows:		
Foreign currency denominated liabilities (Note 12 (c))	2,027,256	2,243,481
Accrued expense	1,977,875	214,032
Interest payable	958,575	672,606
Dividend payable	14	110,466
Certified cheques	9,499,811	1,462,674
Unearned income	693,112	122,687
Other credit balances	1,117,327	641,975
Provision on losses for off balance sheet items	282,688	-
Provision of staff terminal benefit	1,435,759	-
Information technology levy	74,452	36,518
Intercompany balances	783,138	521,210
Deposit for Debenture stock (Note 26(i))	-	2,000,000
Amcon sinking fund provision (Note 26(ii))	1,159,193	-
Other account payable	1,895,955	481,442
	21,905,155	8,507,091

(i) This is deposit made by potential investors for Unsecured Non-convertible Redeemable Debenture Stock.

(ii) This balance relates to an amount of 0.3% of total assets which each bank irrecoverably agrees and undertakes the CBN to debit its account in an amount equal to its contribution obligation under the memorandum of understanding and credit such to the Banking Sector Resolution Cost Fund in satisfaction of its contribution obligation under the memorandum of understanding.

27 Defined contribution obligations

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of the year	51,071	54,811
Charge for the year	709,564	597,811
Contribution remitted	(696,781)	(601,551)
Balance, end of the year	63,854	51,071

28 Long-term borrowing

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

	Dec 2011 N'000	Dec 2010 N'000
Due to Citi Bank Int'l Plc (Note 28(b (i)	14,839,000	14,123,650
Due to Bank of Industry(Note 28(b(ii)	9,878,092	10,934,451
Due to CBN-Agric Fund(Note 28(b(iii	2,495,650	-
	27,212,742	25,058,101

(b(i) This represents the Naira equivalent of a USD95,000,000 (2010: $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 2014. FGN Bond amount of N16.1billion held in investment securities and cash sum of $10million (N1.56billion) held in cash collateral with banks outside Nigeria are pledged as securities to the borrowing (see note 16(c)(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.

(b(iii) This is facility granted by the Central Bank of Nigeria (CBN) in circular Ref DFD/PMO/GEN/001/273.

This was granted in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA & WR) by establishing a Commercial Agricultural Scheme (CACS) to promote commercial agricultural enterprise in Nigeria. All facilities approved by the participating banks under the scheme is for a maximum period of seven years while overdraft facilties are for a period of one year subject to annual renewal. The loans are at an all-in interest rate of 9%.

29 Share capital

(a) Authorised:

	Bank Dec 2011 N'000	Bank Dec 2011 N'000
24,000,000,000 Ordinary shares of 50k each	12,000,000	12,000,000

(b) Issued and fully-paid:

15.704 billion (2010: 12.563 billion) Ordinary shares of 50k each	7,851,931	6,281,545

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

	Dec 2011 N'000	Dec 2010 N'000
Balance, beginning of year	6,281,545	6,281,545
Arising from Business Combination	1,570,386	-
Balance, end of year	7,851,931	6,281,545

(c)(ii) Movement in nominal share capital

	Dec 2011 Number	Dec 2010 Number
Balance, beginning of year	12,563,090	12,563,090
Arising from Business combination	3,140,773	-
Balance, end of year	15,703,863	12,563,090

(c) (iii) Sterling Bank Plc issued 3,140,772,888 ordinary shares of 50k each to the shareholders of Erstwhile Equitorial Trust Bank Limited at N2.53 each as purchase consideration for the acquisition of the bank (See Note 23a). The value of the shares issued was accounted for as follows:

	Dec 2011 N'000	Dec 2010 N'000
Gross value of shares issued	7,946,155	-
Transfer to the issued and fully paid share capital (Note 29 (c(i)))	(1,570,386)	-
Transfer to share premium (Note 30)	(6,375,769)	-
	-	-

30 Share premium

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

	Dec 2011 Number	Dec 2010 Number
Balance, beginning of year	12,314,019	12,314,019
Arising from Business Combination	6,375,769	-
Balance, end of year	18,689,788	12,314,019

31 Reserves

(a) (i) Group

	Share Reserve N'000	Statutory Reserve N'000	SMEEIS Reserve N'000	Other reserves Revaluation Reserve N'000	Translation Reserve N'000	Capital Reserve N'000	Total Other reserves N'000	Retained Earnings N'000	Total N'000
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
Dividend paid	-	-	-	-	-	-	-	-	-
Balance, beginning of the year (01 January 2011)	5,276,423	3,718,368	234,503	486,000	45,744	38,690	4,523,305	(2,277,193)	7,522,535
Disposal of subsidiary	-	-	-	-	-	-	-	830,554	830,554
Previously unconsolidated reserves:	-	-	-	-	-	-	-		-
associates and joint ventures	-	-	-	-	-	-	-		-
Realised during the period	-	-	-	-	-	-	-		-
Transferred from profit and loss account	-	2,005,942	-	-	-	-	2,005,942	4,052,365	6,058,307
Balance, end of the year (31 December 2011)	5,276,423	5,724,310	234,503	486,000	45,744	38,690	6,529,247	2,605,726	14,411,396

(b) (i) Bank

	Share Reserve N'000	Statutory Reserve N'000	SMEEIS Reserve N'000	Revaluation Reserve N'000	Translation Reserve N'000	Capital Reserve N'000	Total Other reserves N'000	Retained Earnings N'000	Total N'000
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
Dividend paid	-	-	-	-	-	-	-		-
Transferred from profit and loss account	-	-	-	-	-	-	-	4,178,493	4,178,493
Realised during the period	-	-	-	-	-	-	-	-	-
Balance, beginning of the year (01 January 2011)	5,276,423	3,718,368	234,503	486,000	45,744	-	4,484,615	(2,036,115)	7,724,923
Transferred from profit and loss account	-	2,005,942	-	-	-	-	2,005,942	4,680,531	6,686,473
Balance, end of the year (31 December 2011)	5,276,423	5,724,310	234,503	486,000	45,744	-	6,490,557	2,644,416	14,411,396

32 13% Surbodinated Unsecured Non-Convertible Debenture Stock

This represents N4.562billion 7 year 13% surbodinated unsecured non-convertible debenture stock issued by the bank and approved on 19 December 2011 and 30 December 2011 by the Central Bank of Nigeria and Securities Exchange Commission respectively during the financial year. Interest is payable semi-annually on the convertible debenture stock due 2018. Until the entire stock have been redeemed, the issuer (Sterling Bank Plc) is obliged to pay to the Trustee (Skye Trustees) as stipulated in the Trust Deed.

	Dec 2011 N'000	Dec 2011 N'000
Balance as at 31 December	4,562,000	-

33 Contingent liabilities

(a) Litigation and claims

There are litigations and claims against the Bank as at 31 December 2011 amounting to N6.2billion (2010: N3.3billion). 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 crystalise from these claims.

Provisions of N226.66million (2010:135.97million)have been made in these financial statements on crystalised 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:

	Dec 2011 N'000	Dec 2010 N'000
Bonds, guarantees and indemnities	36,570,698	35,347,605
Letters of credit	42,086,995	13,531,899
Others	15,722	28,669
	78,673,415	48,908,173

(c)(ii) All the transaction-related bonds and guarantees are fully collaterised. The cash component out of the balance was N1.991billion (2010: N1.140billion).

34 Net cash flow from operating activities

Reconciliation of profit before taxation to cash generated from operating activities.

	Dec 2011	Dec 2010
	N'000	N'000
Profit after taxation	6,686,473	4,178,493
Less: taxation credit	(1,184,476)	(490,242)
Profit before taxation	5,501,997	3,688,251
Adjustment to reconcile profit before tax to net cash flow from operating activities:		
Allowance for bad and doubtful loans	3,272,892	(7,940,062)
Diminution in value of other risk assets - investments	(126,898)	40,964
Allowance on other assets	174,274	(267,544)
Allowance on doubtful bank balances	296,390	-
Profit on disposal of subsidiary	(2,042,253)	-
Profit on disposal of trading properties	-	(4,529)
Negative arising from acquisition	(553,845)	-
Depreciation on property and equipment and amortisation of software (Note 22(a) &(19))	1,524,837	1,270,574
Profit on disposal of property and equipments	(76,884)	(28,901)
Amortisation of deferred cost	-	-
AMCON Provision	778,739	-
Revaluation loss on investment	66,767	-
Dividend income	(63,759)	(133,149)
Exchange loss on long-term borrowing	888,322	1,103,284
Interest received	-	-
	9,640,579	(2,271,112)
(Increase)/decrease in operating assets		
Cash reserve balance	(11,557,769)	(236,186)
Loans and advances	(36,314,046)	(13,231,911)
Other facilities	(200,000)	350,000
Advances under finance lease	(1,016,780)	1,292,916
Other assets	(704,423)	(4,701,693)
	(49,793,017)	(16,526,874)
Deposits and other accounts	50,801,451	38,803,903
Other liabilities	891,256	694,842
Other facilities	200,000	(350,000)
Defined contribution obligations	12,783	(3,740)
	51,905,489	39,145,005
	11,753,052	20,347,019

	Group Dec 2011 N'000	Group Dec 2010 N'000	Bank Dec 2011 N'000	Bank Dec 2010 N'000
35 Dividend				
Dividend declared:				
(December 2010: Nil)	-	-	-	-
	-	-	-	-
36 Earnings/(loss) per share				
Profit attributable to group shareholders	6,888,861	5,044,543	6,686,473	4,178,493
Number of ordinary shares in issue at year end	15,703,863	12,563,090	15,703,863	12,563,090
Weighted Number of ordinary shares	13,086,552	12,563,090	13,086,552	12,563,090
Basic earnings per share - Continuing operations	46	40	36	33
Discontinued operations	7	-	15	-

37 Related party transactions

During the year, 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 N11.8billion (2010: N2.21billion relating to the Directors only) was outstanding on these facilities at the end of the year. 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	30-Jun-2012	900,000	875,017	Performing	Legal Mortgage
Touchdown Travels Limited	Yinka Adeola	Overdraft	23-Mar-2011	29-Mar-2012	1,100,000	831,097	Performing	Equitable Mortgage
Touchdown Travels Limited	Yinka Adeola	Term Loan	30-Jun-2008	29-Jun-2018	100,000	88,413	Performing	Equitable Mortgage
Adeola, Rilwan Adedayo	Yinka Adeola	Term Loan	29-Jun-2011	1-Jul-2013	50,000	39,294	Performing	Equitable Mortgage
UTC Nigeria Plc	Yinka Adeola	Term Loan	30-Jun-2010	30-Jun-2015	260,510	206,201	Performing	Personal Guarantee, Legal Mortgage
AIRCOM NIG LTD	Yemi Idowu	Overdraft	30-Jun-2010	30-Jun-2012	900,000	891,843	Performing	Equitable Mortgage,
HAKAIR LIMITED	Captain Kuti	Term Loan	27-Jul-2011	18-Jul-2017	2,249,280	2,249,280	Performing	Legal Mortgage
HAKAIR LIMITED	Captain Kuti	Term Loan	5-Aug-2011	18-Jul-2017	624,800	624,800	Performing	Legal Mortgage
CONOIL PLC	Dr Mike Adenuga	Overdraft	8-Aug-2011	8-Aug-2012	7,500,000	5,989,283	Performing	Negative Pledge
					13,684,590	11,795,228		
Commercial Staff Loan	Staff	Consumer Loan	30-Jul-2010	29-Jul-2015	739,085	554,767	Performing	Lien on entitlements / indemnity
SIT Scheme	Staff	Term Loan	24-Jun-2008	23-Jun-2018	519,053	519,053	Performing	Lien on Shares
					1,258,138	1,073,820		
					14,942,728	12,869,048		

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

Entity	Dec 2011 N'000	Dec 2010 N'000
SBG Insurance Brokers Limited	-	108,088
Sterling Asset & Management Trustees Limited	-	1,617,592
Sterling Capital Markets Limited	-	138,933
Sterling Registrars Limited	-	478,266
	-	2,342,879

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

		Dec 2011 N'000	Dec 2010 N'000
Touchdown Travels Limited	Yinka Adeola	-	2,000
Fareast Mercantile Co. Ltd	Yemi Idowu	350	-
		350	2,000

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.

	Dec 2011 N'000	Dec 2010 N'000
Cash in hand and balances with CBN (less restricted balances) (Note 10(a))	12,902,192	5,311,830
Treasury bills (Note 11)	12,932,270	6,023,587
Due from other bank (Note 12)	56,039,889	21,832,593
Due to other banks (Note 25)	(2,337,210)	-
	79,537,141	33,168,011

39 Compliance with banking regulations

No contravention of any section of the CBN Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 was brought to our attention during the audit.

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 Bank as at 31 December 2011 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 Customer Complaints

In line with circular FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the period ended 31 December 2011 is as set out below

Number of complaints received	715
Number of complaints resolved	714
Number of complaints not resolved but referred to the CBN for intervention	1
	N'000
Total Disputed Amount	360,210

43 Dividend Payable

In respect of the current year, the Directors proposed that a dividend of 10 kobo per ordinary share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividend to shareholders is now accounted for on the date of declaration as they do not meet criteria of present obligation in Statement of Accounting Standard 23. The proposed dividend is subject to withholding tax at the appropriate tax rate and is payable to shareholders whose names appear in the Register of Members at closure date.

The gross dividend to be paid is N1.57 billion.

44 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 partaining 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.

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.

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 contols 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 assessmenet 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

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 montiored 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 collaterised 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.

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

Loans and advances are summarised as follows:

	Dec 2011 N'000	Dec 2010 N'000
Performing	158,658,311	97,353,488
Non-Performing	-	-
Substandard	950,715	1,191,319
Doubtful	3,749,216	2,160,990
Lost	3,527,309	8,287,667
TOTAL	166,885,551	108,993,464

(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:

Bank

As at 31 December 2011

	Retail Dec 2011 N'000	Corporate Dec 2011 N'000	Financial Institutions Dec 2011 N'000	SME Dec 2011 N'000	Total Dec 2011 N'000
Not yet due	100,538,716	44,967,927	7,937,878	-	153,444,520
Past due 0 - 30 days	213,888	50,095	76,625	-	340,609
Past due up to 30 - 60 days	228,633	23,305	-	-	251,938
Past due up to 60 - 90 days	3,038,645	1,582,600	-	-	4,621,245
	104,019,881	46,623,927	8,014,503	-	158,658,311

(g) Non-performing loans by industry

	Dec 2011 N'000	Dec 2010 N'000
Agriculture	21,502	74,740
Oil and gas	1,082,230	2,323,359
Capital market	1,898	585,487
Consumer credit	3,689	79,408
Manufacturing	925,959	2,007,418
Mortgage	103,985	322,899
Real Estate and Construction	2,492,226	689,587
Finance and Insurance	354,231	107,993
Other Public Utilities	160,363	0
Transportation	79,904	380,436
Communication	763,123	433,305
Education	24,072	10,731
Others	2,214,058	4,624,613
Total	8,227,240	11,639,976

Non-performing loans by geography		
South South	616,444	1,772,402
Lagos/South West	5,227,182	8,975,680
South East	375,346	618,909
North West	172,489	148,919
Abuja/North Central	106,133	124,066
North East	1,729,646	-
Total	8,227,240	11,639,976

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

(i) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2011. For this table, the Bank has allocated exposures to regions based on the region of domicile of our counterparties.

Bank

	Due from banks Dec 2011 N'000	Loans & Other facilities Dec 2011 N'000	Advances under finance lease Dec 2011 N'000	Debt Instruments Dec 2011 N'000	Total Dec 2011 N'000
As at 31 December 2011					
South South	-	15,629,505	742,121	1,100,000	17,471,626
Lagos/South West	56,039,889	126,328,829	1,841,605	8,465,450	192,675,772
South East	-	1,747,603	379	-	1,747,982
North West	-	7,466,427	113,052	-	7,579,479
Abuja/North Central	-	14,611,967	39,722	183,703,639	198,355,328
North East	-	1,301,221	904,472	-	2,205,693
	56,039,889	167,085,551	3,641,351	193,269,089	420,035,880

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					
South South	-	6,353,870	275,456	1,500,000	8,129,326
Lagos/South West	21,832,593	95,906,582	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	9,883		144,068
	21,832,593	108,993,464	2,624,572	94,317,751	227,768,380

(ii) Industry Sectors

Bank

	Due from banks Dec 2011 N'000	Loans & Other facilities Dec 2011 N'000	Advances under finance lease Dec 2011 N'000	Debt Instruments Dec 2011 N'000	Total Dec 2011 N'000
As at 31 December 2011					
Agriculture	-	5,042,354	-	-	5,042,354
Oil and Gas	-	44,434,962	-	-	44,434,962
Capital Market	-	417,768	-	-	417,768
Consumer Credit	-	5,723,061	250,344	-	5,973,404
Education	-	864,013	-	-	864,013
Manufacturing	-	10,938,792	-	-	10,938,792
Mining and Quarrying	-	176,450	95,386	-	271,836
Mortgage	-	3,941,451	-	-	3,941,451
Real Estate	-	29,572,812	171,066	-	29,743,878
Construction	-	2,863,637	-	-	2,863,637
Finance and Insurance	56,039,889	7,952,874	-	2,401,450	66,394,212
Government	-	15,286,755	1,236,932	190,867,639	207,391,326
Other public utilities	-	244,248	-	-	244,248
Transportation	-	7,384,712	539,333	-	7,924,046
Communication	-	1,661,049	-	-	1,661,049
Others	-	30,580,614	845,154	-	31,425,768
Power	-	-	503,137	-	503,137
	56,039,889	167,085,551	3,641,351	193,269,089	420,035,880

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	-	2,764,417	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	-	37,209,856	533,699	-	37,743,555
Construction	-	-	-	-	-
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	-	2,897,395	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	2,624,571	94,317,751	227,768,379

Analysis by Portfolio Distribution and Risk Rating
As at 31 December

	Bank Dec 2011 N'000	Bank Dec 2010 N'000
Risk Rating		
RR1 - RR2	3,825,238	4,687,802
RR3 - RR4	104,729,705	81,565,505
RR5 - RR6	50,238,825	11,100,180
RR7	1,012,498	1,191,318
RR8	2,184,641	2,160,990
RR9	4,894,645	8,287,667
	166,885,551	108,993,464

(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

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.

The Bank takes on exposure to the effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. Foreign currency overnight and intraday position limits are set with reference to the Central Bank of Nigeria advised open position limit. In order to aviod risk of losses or breaches of the regulatory limit, daily monitoring have been instituted to monitor daily transactions. There are other limits that are employed in managing foreign exchange risks. These limits are set with the aim of minimizing our risk exposures to exchange rate volatility to an acceptable level.

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

31 December 2011	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	34,662	740	198	423	-	36,023
Treasury bills	12,932	-	-	-	-	12,932
Due from other banks	7,287	-	-	-	-	7,287
Loans and advances to customers	27,516	24,993	2,050	1,481	-	56,040
Other facilities	128,648	31,085	2	-	-	159,735
Advances under finance lease	200	-	-	-	-	200
Investment securities	2,435	1,170	-	-	-	3,605
Investment in subsidiaries	194,434	351	-	-	-	194,785
Investment in associates	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other assets	17,352	1,104	33	27	-	18,515
Deferred tax asset	6,233	-	-	-	-	6,233
Property and equipment	9,075	-	-	-	-	9,075
Total financial assets	440,774	59,443	2,283	1,931	-	504,428
Liabilities:						
Customer deposits	377,994	26,468	1,696	357	-	406,516
Due to other banks	2,337	-	-	-	-	2,337
Current income tax	678	-	-	-	-	678
Other liabilities	18,039	2,271	278	1,317	-	21,905
Other facilities	200	-	-	-	-	200
Retirement benefit obligations	64	-	-	-	-	64
Deferred tax liabilities	-	-	-	-	-	-
Long-term borrowing	12,374	14,839	-	-	-	27,213
13% Unsecured Debenture Stock	4,562	-	-	-	-	4,562
Total liabilities	416,248	43,578	1,975	1,674	-	463,475
Net on-balance sheet financial position	24,526	15,865	308	257	-	40,953
Off-balance sheet	35,975	41,449	23	1,226	-	78,673

31 December 2010	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Total financial assets	226,991	31,227	562	800	-	259,580
Total financial liabilities	213,507	18,802	408	543	-	233,260
Net on-balance sheet financial position	13,484	12,425	154	257	-	26,320
Off-balance sheet	27,510	20,788	118	491	-	48,908

OPERATIONAL RISK MANAGEMENT

Sterling Bank is committed to the management of Operational Risk in the organisation.

OPERATIONAL RISK OBJECTIVES

- Creation of minimal surprise environment in Sterling Bank plc through the reduction of the frequency and impact of operational risk incidents.
- Systematic process and approach for identification and assessment of operational risks, including people, process, technology and external risk.
- Defined appropriate measurement metrics for the potential impact of operational risks in the Bank's activities and profitability.
- Monitoring and management of operational risks to minimize the Bank's risk exposure and losses arising from operational risks.
- Achieve a very high degree of ownership and management expertise of operational risk events.
- Enhanced financial performance and reporting through effective streamlining of operational risk management and internal control functions.
- Constant review and documentation of internal processes, procedures and policies to address the root causes of operational events.

OPERATIONAL RISK MISSION

To mitigate risk and ensure compliance with the defined organizational risk appetite in a bid to ensure healthy returns.

OPERATIONAL RISK MANAGEMENT STRUCTURE

The Operational Risk Management function manages the cross divisional and cross regional operational risk in the Bank and ensures consistent application of our operational risk management strategy across the bank. Day-to-day operational risk management lies with our business units, while Operational Risk Management Unit ensures close monitoring and high awareness of operational risk in the Bank.

The Bank operates the Top to Bottom approach in driving Operational Risk Management in the Bank, hence the activities of the department are monitored by the Head, Operational Risk Management who reports to the Chief Risk Officer and reports rendered to the Management and Board Risk Management committees. The Management Risk committee consists of all Heads of Business Divisions and Support Functions. It is the main decision-making committee for all operational risk management matters.

MANAGING AND MONITORING OPERATIONAL RISK

The bank manages operational risk based on a Bank-wide framework that enables determination of its operational risk profile in comparison to the defined risk appetite and systematically identifies operational risk to defining risk mitigating measures.
Operational risk is monitored through the use of various operational risk tools namely:

1. Loss Event Data
2. Control Risk Self Assessment (CRSA)
3. Key Risk Indicators (KRIs)
4. Risk Profiling

Loss Event Data	Key Risk	CRSA	
		Risk Profiling	

A number of techniques are applied to efficiently manage operational risk in the bank, for example:

Systematic risk analyses and root cause analyses are carried out for loss events to identify inherent areas of risk and to define appropriate risk mitigating actions which are monitored for resolution. The prerequisite for these detailed analyses and the timely information to senior management on the development of the operational risk events and on single larger events is the continuous collection of all losses arising from operational risk events.

The bank systematically utilizes information on external events occurring in the banking industry to ensure that similar incidents are avoided in the bank.

Key Risk Indicators ("KRI") are used to alert the organization to impending problems in a timely fashion. They allow the monitoring of the bank's control culture as well as the operational risk profile and trigger risk mitigating actions. Within the KRI program data is captured at a granular level allowing for business environment monitoring and facilitating the forward looking management of operational risk based on early warning signals returned by the KRIs. Key operational risk indicators are captured and monitored using the OR library.

In the Risk and Control Self Assessment ("RCSA") process, which is conducted at least semi-annually, areas with high risk potential are highlighted and risk mitigating measures to resolve issues are identified.

Regular operational risk profile reports for the business divisions, and selected support groups are reviewed and discussed with the department's senior management. The regular performance of the risk profile reviews enables early detection and changes to the units risk profile and to take corrective actions.

Within the bank's Risk register, risk mitigating measures are monitored and identified for resolution.

MEASURING OPERATIONAL RISKS

In the not too distant future, the bank intends to calculate and measure regulatory capital for operational risk using the standardized approach of capital measurement.

The Quantitative approach of measurement reflects the effectiveness and performance of the day-to-day operational risk management activities via KRIs and RCSAs focusing on the business environment and internal control factors.

It thus provides incentives for the businesses to continuously improve Operational Risk Management in their areas.

Maturity Profile - On Balance Sheet

Bank
31 December 2011

	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	34,674	-	-	-	-	1,348	36,022	36,022
Treasury bills	3,606	-	1,985	7,341	-	-	12,932	12,932
Other short term investments	7,287	-	-	-	-	-	7,287	7,287
Due from other banks	31,503	24,537	-	-	-	-	56,040	56,040
Loans and advances to customers	7,850	9,088	17,198	4,574	14,043	106,982	159,735	159,735
Other facilities	200	-	-	-	-	-	200	200
Advances under finance lease	(0)	4	8	108	137	3,348	3,605	3,605
Investment securities	0	1,416	1,100	8,075	80,753	103,441	194,785	194,785
Investment in subsidiaries	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-	-
Other assets	7,966	1,259	77	2,979	6,105	131	18,515	18,515
Deferred tax assets	(0)	-	-	-	-	6,233	6,233	6,233
Property and equipment	1,418	152	738	1,545	4,647	574	9,074	9,074
Total assets	94,503	36,456	21,105	24,621	105,685	222,057	504,428	504,428
Liabilities:								
Customers' deposits	190,818	46,074	23,818	15,670	129,480	656	406,516	406,516
Due to other banks	2,337	-	-	-	-	-	2,337	2,337
Current income tax payable	678	-	-	-	-	-	678	678
Other liabilities	7,715	370	110	243	8,718	4,749	21,905	21,905
Other facilities	200	-	-	-	-	-	200	200
Defined contribution obligations	64	-	-	-	-	-	64	64
Long-term borrowing	(0)	-	-	14,124	10,934	2,155	27,213	27,213
13% Unsecured Debenture Stock	-	-	-	-	-	4,562	4,562	4,562
Total liabilities	201,812	46,444	23,928	30,037	149,132	12,122	463,475	463,475
Gap	(107,308)	(9,988)	(2,823)	(5,416)	(43,447)	209,935	40,953	40,953

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
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

Maturity profile - Off-Balance Sheet

Bank
31 December 2011

	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
Bonds, guarantees and indemnities	16,329	3,928	1,114	5,328	9,871	-	36,571
Letters of credit	25,048	13,817	2,416	806	-	-	42,087
Others	16	-	-	-	-	-	16
	41,393	17,745	3,530	6,134	9,871	-	78,674

Maturity profile - Off 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
Bonds, guarantees and indemnities	16,966	3,594	1,062	4,649	9,077	-	35,348
Letters of credit	19	10,291	2,416	805	-	-	13,531
Others	29	-	-	-	-	-	29
	17,014	13,885	3,478	5,454	9,077	-	48,908

Capital management

The Bank'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;
b To safeguard the Bank'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 Bank'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 Bank'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.

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 Bank for the period ended 31 December.

	Bank Dec 2011 N'000	Bank Dec 2010 N'000
Tier 1 capital		
Share capital	7,851,931	6,281,545
Share premium	18,689,788	12,314,019
Statutory reserves	5,724,310	3,718,368
SMEEIS reserve	234,503	234,503
Share reserve	5,276,423	5,276,423
Retained earnings	2,644,416	(2,036,115)
Less: Intangible asset (deferred tax assets)	(6,232,710)	(4,759,491)
Total qualifying Tier 1 capital	34,188,661	21,029,252
Tier 2 capital		
Debenture Stock	4,562,000	-
Revaluation reserve - investment properties	486,000	486,000
Translation reserve	45,744	45,744
General provision	1,586,583	-
Total qualifying Tier 2 capital	6,680,327	531,744
Total regulatory capital	40,868,989	21,560,996
Risk-weighted assets:		
On-balance sheet	216,054,845	147,963,629
Off-balance sheet	27,594,636	20,380,182
Total risk-weighted assets	243,649,481	168,343,811
Risk weighted Capital Adequacy Ratio (CAR)	17%	13%

Statement of Value Added

for the year ended 31 December 2011

	Dec 2011 N'000	%	Dec 2010 N'000	%
Gross earnings	45,173,435		30,386,957	
Interest expense	(15,612,445)		(10,002,583)	
	29,560,990		20,384,374	
Exceptional income	553,845		-	
Loan loss expenses	(3,272,892)		(1,759,721)	
Allowance on other risk assets	(343,766)		226,580	
Bought-in-materials and services -local	(12,854,405)		(9,505,727)	
Value added	13,553,995	100	9,345,506	100
Applied to pay:				
Employee as wages, salaries and pensions	6,527,161	48	4,386,680	47
Government taxes	288,743	2	187,435	2
Retained in business:				
Depreciation on properties and equipments	1,524,837	11	1,270,574	14
To pay proposed dividend	-	-	-	-
Profit for the year	6,686,473	50	4,178,493	45
Deferred taxation	(1,473,219)	(11)	(677,676)	(7)
	13,553,995	100	9,345,506	100

Five-Year Financial Summary

	31 December 2011 N'000	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000
ASSETS					
Cash in hand and balances with CBN	36,022,138	6,660,320	8,573,234	16,149,550	-
Treasury bills	12,932,270	6,023,587	9,607,738	21,378,831	13,721,471
Other short term investments	7,286,732	-	-	-	-
Due from other banks	56,039,889	21,832,593	56,592,146	80,847,858	44,633,790
Loans and advances to customers	159,734,616	99,312,070	78,140,098	65,787,520	45,957,835
Other facilities	200,000	-	350,000	-	-
Advances under finance lease	3,604,937	2,624,572	3,917,488	3,362,144	2,222,007
Investment securities	194,785,083	96,593,620	25,738,514	31,451,241	5,602,394
Investment in subsidiaries	-	2,467,622	2,467,622	1,550,405	1,550,405
Investment in associates	-	260,093	260,093	232,500	-
Investment properties	-	-	60,000	154,276	19,173,155
Other assets	18,515,433	14,628,832	10,762,879	9,207,117	4,760,856
Deferred tax assets	6,232,710	4,759,491	4,081,815	1,163,816	376,326
Intangible Asset	143,115	149,266	-	-	-
Property and equipment	8,930,814	4,267,457	5,089,200	5,217,665	4,864,389
Equipment on lease	-	-	-	-	30,053
Goodwill	-	-	-	-	3,081,993
TOTAL ASSETS	504,427,737	259,579,523	205,640,827	236,502,923	145,974,674
LIABILITIES					
Customers' deposits	406,515,735	199,274,284	160,470,381	184,730,209	106,933,727
Due to other banks	2,337,210	-	150,000	-	-
Current income tax payable	677,926	368,489	393,405	1,157,102	606,413
Other liabilities	21,905,155	8,507,091	7,878,686	9,236,795	11,634,139
Other facilities	200,000	-	350,000	-	-
Defined contribution obligations	63,854	51,071	54,811	66,739	-
Long-term borrowing	27,212,742	25,058,101	14,201,550	11,073,200	-
13% Unsecured debenture stock	4,562,000	-	-	-	-
TOTAL LIABILITIES	463,474,622	233,259,036	183,498,833	206,264,045	119,174,279
NET ASSETS	40,953,115	26,320,487	22,141,994	30,238,878	26,800,395

Five-Year Financial Summary cont'd

	31 December 2011 N'000	31 December 2010 N'000	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000
CAPITAL AND RESERVES					
Share capital	7,851,931	6,281,545	6,281,545	6,281,545	5,276,423
Share premium	18,689,788	12,314,019	12,314,019	12,314,019	13,319,141
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423	5,276,423
Other Reserves	9,134,973	2,448,500	(1,729,993)	6,366,891	2,928,408
SHAREHOLDERS' FUNDS	40,953,115	26,320,487	22,141,994	30,238,878	26,800,395
Other Commitments and Contingents	78,673,415	48,908,173	25,198,318	91,180,933	54,121,619

PROFIT AND LOSS ACCOUNT

	31 December 2011 12months N'000	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
Gross earnings	45,173,435	30,386,957	43,464,716	32,777,845	21,057,246
Profit/(loss) before taxation including exceptional/extraordinary item	5,501,997	3,688,251	(9,072,908)	7,789,724	605,277
Taxation	1,184,476	490,242	2,412,502	(1,266,571)	15,381
Profit/(loss) after taxation including extraordinary item	6,686,473	4,178,493	(6,660,406)	6,523,153	620,658

Share Capital History

YEAR	AUTHORISED(N)		ISSUED & FULLY PAID-UP(N)		CONSIDERATION
	INCREASE	CUMULATIVE	INCREASE	CUMULATIVE	
	N	N	N	N	
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
2011	-	12,000,000,000	1,570,386,444	7,851,932,216	Merger

Senior Executives

S/N	EMPLOYEE NAME	GRADE	DESIGNATION
1	ADEOLA YEMI	Managing Director	Managing Director & Chief Executive
2	ADESANYA OLANREWAJU	Executive Director	Executive Director, Treasury
3	PURI DEVENDRA NATH	Executive Director	Executive Director, Operations & Technology
4	SULE ABUBAKAR	Executive Director	Executive Director, Corporate Banking
5	LAWAL MUDATHIR OMOKAYODE	General Manager	Group Head, Lagos Island 2 Region
6	ADEOLA TUNDE	Deputy General Manager	Group Head, Lagos Mainland 2 Region
7	SULEIMAN ABUBAKAR	Deputy General Manager	Head, Interim Management
8	ODUBIYI YEMI	Deputy General Manager	Group Head, Structured Trade & Multilateral Finance/ Corporate Development
9	BABAJIDE ABAYOMI	Deputy General Manager	Group Head, Information Technology
10	ADEGUN ADEGBOYEGA ADELANI	Deputy General Manager	Group Head, Corporate Banking
11	LEWA JUSTINA AKPOABUGO	Deputy General Manager	Company Secretary/Legal Adviser & Group Head, Recovery
12	PAUL POLSON MOONJELY	Deputy General Manager	Group Head, Enterprise Risk Management
13	BAKARE MOJISOLA	Deputy General Manager	Group Head, Treasury & Investment Banking
14	EGBARIN OBIAJULU	Assistant General Manager	Group Head, Lagos Mainland 1 Region
15	AMOO FATAI	Assistant General Manager	Group Head, E-Business
16	KUPONIYI ADEFOLAHAN KIKELOMO	Assistant General Manager	Group Head, Consumer Lending
17	ADEBAYO AYODELE ADEMOLA	Assistant General Manager	Regional Head, South West Region
18	UBOSI ISIOMA ADA	Assistant General Manager	Regional Head, Lagos Island 1 Region
19	OBE ENIOLA	Assistant General Manager	Regional Head, Lagos Mainland 3 Region
20	ADEROJU ABIODUN	Assistant General Manager	Chief Inspector
21	PAUL-TAIWO ADEOYE	Assistant General Manager	Head, Multinationals
22	JOHN JAPHET	Assistant General Manager	Regional Head, Abuja Region
23	DAHUNSI TITILAYO OMOSOLA	Assistant General Manager	Head, Credit Adminstration
24	OLAMBIWONNU ADEBIMPE	Assistant General Manager	Group Head, Financial Control
25	AKINNAWONU MOSES	Assistant General Manager	Group Head, Trade Services
26	IMAJI OJONIMI FRIDAY	Assistant General Manager	Special Assistant to the GMD
27	OSHEKU CYRIL	Assistant General Manager	Group Head, Branch Operations
28	ATILOLA SHINA, BASHIRU	Assistant General Manager	Head, Corporate Development
29	MAKO ADEWALE O.	Assistant General Manager	Head, Branch Expansion
30	SOBUKONLA S.OLANREWAJU	Assistant General Manager	Regional Service/Business Head - Abuja/FCT
31	MOWARIN JULIET	Assistant General Manager	Regional Business Head - Midwest 2
32	OSHINOWO ADEWALE	Assistant General Manager	Head, Finance & Planning
33	MACAULAY SHOMOYE	Assistant General Manager	Head, Public Sector
34	ABOYEJI RASAQ	Assistant General Manager	Head, Retail Banking Group
35	ANAKO SEGUN	Assistant General Manager	Branch Operations
36	OSA-EDOKPOLOR DONALD	Assistant General Manager	Regional Business Head - Midwest 1
37	EKPENISI EMMANUEL	Assistant General Manager	Zonal Business Head - South South
38	OKAFOR SAMUEL	Assistant General Manager	Regional Business Head - Apapa Region
39	ISOKPAN THOMPSON	Assistant General Manager	Regional Service/Business Head - South East
40	ADEYEMI KOREDE ADEKOYA	Assistant General Manager	Head, Corporate Banking Group

Branch Network

S/N	Location	Address
		LAGOS
1	Apapa	13/15, Wharf Road, Apapa
2	Apapa	Nnewi Building, 1-3 Creek Road Apapa,
3	Apapa	26, Creek Road Apapa
4	Apapa	17, Commercial Road, Apapa
5	Apapa	7, Wharf Road, Apapa
6	Apapa	24, Commercial Road, Apapa
7	Berger	250, Kirikiri Road Berger Olodi Apapa
8	Broad Street	Bookshop House, 50/52, Broad Street
9	Daleko	Plot 8, Block E, Daleko Market, Apapa Oshodi Expressway
10	Daleko	Bank Road, Daleko Market, Iyana Isolo
11	Dopemu	3/4 Bayo Ayeni Street, Aluminium Village Dopemu
12	Dopemu	32, Shasha Road, Dopemu, Agege
13	Ibru-Jetty	31, Kudaisi Street, Wharehouse B/Stop, Ibafon, Apapa
14	Iddo	Railway Terminus, Ebute Metta
15	Idimu	294, Idimu Road, Isheri, Idimu
16	Idumagbo	24, Idumagbo Avenue
17	Igbosere	198, Igbosere Road
18	Idumota	105, Enu Owa Street, Idumota
19	Ereko	3/5 Lawrence Lane, Ereko
20	Idumota	99, Enu Owa Street, Idumota
21	Idumota	62, Dosunmu Street, Idumota
22	Ifako	102, Iju Ifako Road
23	Ikeja	104, Obafemi Awolowo Way
24	Ikeja	Adebola House, 38, Opebi Road
25	Ikeja	No 51, Allen Avenue Ikeja
26	Ikeja	68 Opebi Road, Ikeja
27	Ikeja	Plot 2, Oba Akran Avenue, Ikeja
28	Ikeja	9, Aromire Street, Ikeja
29	Ikeja	Airport Road , Ikeja
30	Ikeja	Opposite Aero Contractors, Local Airport, Ikeja
31	Ikeja	91, Allen Avenue, Ikeja
32	Ikeja	28, Opebi Road, Ikeja
33	Ikeja	142, Oba Akran Road, Poatson building, Oba Akran Avenue
34	Ikeja	Conoil Station, Opp General Hospital, Ikeja GRA,
35	Ikorodu	43 Lagos Road, Ikorodu
36	Ikorodu	15, Lagos Ikorodu Road, Ikorodu
37	Ikoyi	228A Awolowo Road, Ikoyi
38	Ikoyi	114, Awolowo Road, Ikoyi
39	Ikota	Shop 14/15, Block F, Ikota Shopping Complex
40	Ilupeju	Akintola Williams, Delliote Building 226, Ikorodu Road,
41	Ipaja	109, Lagos Abeokuta Expressway, Iyana Ipaja
42	Ketu	131/133, Demurin Street, Ketu
43	Ketu	548, Ikorodu Road, Ketu
44	LASU	Lagos State University, Ojo
45	LASU	Lagos State University, Ojo
46	Lekki	Bakky Plaza,By Agungi Bus Stop, Lekki-Epe Expressway,
47	Lekki	Conoil Mega Station, Lekki/Epe Expressway, Lekki
48	Marina	Sterling Towers, 20 Marina
49	Marina	Old, Niger House 163/165, Broad Street
50	Marina	47, Marina, Lagos
51	Martins	41/43, Martins Street
52	Sura	Block 11, Suite 3, Sura Shopping Complex Simpson Street
53	Lafiaji	33, Hawley Street, Lafiaji (Sandgrouse)
54	Matori	26, Fatai Atere Way, Matori Ind. Estate, Matori
55	Matori	19, Fatai Atere, Way, Matori
56	Ogba	36, Ijaiye Road, Ogba
57	Ojuwoje	9, Dada Iyalode Street,Ojuwoye, Mushin
58	Idioro	122, Agege Motor Road, Mushin
59	Oke-Arin	47, John St., Oke Arin Shopping Complex
60	Oke-Arin	18, Issa Williams Street, Oke Arin
61	Oke-Arin	109c Alakoro Street, Oke Arin
62	Okota	101, Okota Road, Isolo
63	Surulere	141, Ogunlana Drive, Surulere

64	Surulere	152, Ogunlana Drive, Lagos
65	Surulere	74, Adeniran Ogunsanya Street, Surulere
66	Tin Can	Tin Can Road, Tin Can Island Port, Apapa
67	Trade Fair	Executive Plaza, Joint Centre for Commerece, TFC, Badagry
68	Victoria Island	Plot 300, Adeola Odeku, Victoria Island
69	Victoria Island	Plot 1703 Adetokunbo Ademola Street, Victoria Island
70	Victoria Island	42, Adeola Hopewell Street, Victoria Island
71	Victoria Island	34 Adetokunbo Ademola Street, victoria Island
72	Victoria Island	Plot 1092 Adeola Odeku Street, Victoria Island
73	Victoria Island	Plot 1695, Sanusi Fafunwa Victoria Island
74	Victoria Island	65B, Adeola Odeku Street, Victoria Island
75	Victoria Island	50, Saka Tinubu, Victoria Island
76	Willoughby	28, Willoughby Street, Ebute-Metta
77	Yaba	260/262 Herbert Macaulay Road, Yaba
78	Yaba	280 Herbert Macaulay Road, Yaba, Lagos
79	Coker	Fedson Plaza, Odunade B/S, Lagos Badagry Expressway
80	Oshodi Isolo	Oshodi Isolo Local Government Secretariat, Oyetayo St, Oshodi
81	Alaba	6, Alaba International Market Road, Alaba
82	Alaba	50/51 International Market, Alaba
83	Seme	Conoil Station, Lagos- Badagry expressway, Seme Border
		OGUN
84	Abeokuta	OPIC Round About, Oke-Ilewo, Abeokuta, Ogun State
85	Abeokuta	18, Lalubu Street, Oke Ilewo, Abeokuta
86	Ijebu Ode	Ibadan Road, Ijebu Ode
87	Ota	64, Idiroko Road, Ota-Ogun State
88	Ota	120, Idiroko Road, Otta
		ONDO
89	Akure	142, Oyemekun Road Akure, Ondo State
90	Ore	82, Ondo Road, Ore, Ondo State
		OYO
91	Ibadan	55A Iwo Road, Ibadan ,Oyo State
92	Ibadan	3, Obafemi Awolowo Road, J Allen ,Dugbe, Ibadan,
93	Ibadan	49A, Iwo Road, Ibadan
94	Ibadan	529, old Abeokuta Road, Apata Ganga, Ibadan
95	Ibadan	97, Lagos Road, Challenge, Ibadan
96	Ibadan	Oyo State Govt Secretariat Complex, Ibadan
97	Ibadan	1, Magazine Road, Jericho, Ibadan
98	Ibadan	36 New Court Road, Gbagi Road, Ibadan
99	Ibadan	2, Ososami road, Oke Ado Ibadan
100	Ibadan	New Court Road, Gbagi Road, Ibadan
		KWARA
101	Ilorin	11, Murtala Mohammed Way, Ilorin, Kwara State
102	Ilorin	Plot 240, Ibrahim Taiwo Road, Ilorin
		OSUN
103	Iwo	Bowen University, Iwo Osun State
104	Oshogbo	Onward Estate, Along Oshogbo Gbongan Raod, Oshogbo, Osun State
		ABIA
105	Aba	Plot 3, Eziukwu Road, Aba, Abia State
106	Aba	127, Nnamdi Azikiwe Road, Aba
107	Umuahia	2, Library Avenue, Opposite Michela Okpara Auditorium, Umuahia
		DELTA
108	Asaba	Umuagu Quarters Nnebisi Road, Asaba
109	Asaba	290, Nnebisi Road, Asaba
110	Warri	Odibo Housing Estate, Opposite Urhobo College, Warri-Sapele Road,
111	Warri	75, Warri/Sapele Road, Warri

112	Warri	71, Effurun Sapele Road, Effurum
113	Warri	5, Effurum-Sapele Road, Warri
		EDO
114	Benin	49A, Akpakpava Road, Benin, Edo State
115	Benin	5, Adesuwa Street, Benin City
116	Benin	58, Mission Road, Benin
117	Benin	56/58 Sapele Road, Benin
118	Benin	40B, Ohovbe Quarters Ikpoba Hills Benin City
119	Okada	Igbinedion University, Okada
		ENUGU
120	Enugu	2A, Market Road, Ogui, Enugu, Enugu State
121	Enugu	86, Ogui Road, Enugu
122	Enugu	Plot 49, Okpara Avenue, Enugu
		ANAMBRA
123	Awka	140, Zik Avenue, Awka, Anambra State
124	Onitsha	3, Onitsha/Owerri Road, Onitsha
125	Onitsha	24, New Market Road, Onitsha
126	Onitsha	34, Port Harcourt Road, Fegge, Onitsha, (Bridgehead)
127	Onitsha	44, Port Harcourt Road, Bridgehead, Onitsha
128	Onitsha	45, Uga Street, Bridge Head Onitsha
129	Onitsha	1, Anionwu Street offf New Market Road, Onitsha
		IMO
130	Owerri	71, Douglas Road, Owerri, Imo State
		CROSS RIVER
131	Calabar	105 Murtala Mohammed Highway, Calabar
132	Calabar	77, Ndidem Usang Isa Road, Calabar
		RIVERS
133	P/Harcourt	Plot 13, Trans Amadi Industrial Layout, Port Harcourt
134	P/Harcourt	Plot A-A1, Trans Amadi Ind. Layout, Port Harcourt
135	P/Harcourt	4B, Olu Obasanjo Road, Port Harcourt
136	P/Harcourt	Plot 142 (36B), Woji Road, GRA Phase II, Port Harcourt
137	P/Harcourt	University of Port Harcourt Teaching Hospital
138	P/Harcourt	Plot 17C, Access Road, Trans Amadi Industrial Layout, Port Harcourt
139	P/Harcourt	14, Aggrey Road, Port Harcourt
140	P/Harcourt	204A, Aba Road, Rumuola, Port Harcourt
141	P/Harcourt	Plot 115, Trans Amadi Industrial Layout, Port Harcourt
142	P/Harcourt	2A, Aguma Street, Ogbunabali, Port Harcourt
		AKWA IBOM
143	Uyo	52, Oron Road, Uyo, Akwa Ibom
144	Uyo	Plot 15, Block 1, Abak Road Est, Uyo
		BAYELSA
145	Yenagoa	268, Mbiama/Yenagoa Road,Yenagoa
146	Yenagoa	Mbiama Road, Yenegoa
		ABUJA (FCT)
147	Abuja	Plot 450, Kontagora Close, Off Tafawa Balewa Way, Area 3, Garki, Abuja
148	Abuja	36, Samuel Ladoke Akintola Boulevard Garki 11, Abuja
149	Abuja	Plot 990, Sterling Boulevard Central District , Wuse 2, Abuja
150	Abuja	Plot 700 Sheda Close, Off Tafawa Balewa Way Area 8, Garki Abuja
151	Abuja	National Assembly Complex, Abuja
152	Abuja	5 Adetokunbo Ademola Crescent,Wuse 1, Abuja
153	Abuja	Eternal Oil Filling Station, Wuye, Abuja

154	Abuja	Plot 21/11, Emeka Anyaoku Street, Area II Garki, Abuja
155	Abuja	Plot 603, Kashim Ibrahim Way, Wuse 2 Abuja
156	Abuja	Gateway Plaza, Plot 208, Zakariyaha Mai-Malari Street off Herbert Macaulay Way, CBD, Abuja
157	Abuja	Conoil Premises, Kado Abuja
158	Abuja	Suite 013, New Building House of Reps National Assembly Complex Abuja
159	Abuja	Conoil Station, Utako, Abuja
		KANO
160	Kano	10-12, Lagos Street,Off Sanni Abacha Way
161	Kano	110,Murtala Mohammed Way
162	Kano	20, Unity Road
163	Kano	Aminu Dantata Estate, Kofan Ruwa Market
164	Kano	Bayero University Cash Centre
165	Kano	Gidan Goldie, 2B, Niger Street
166	Kano	101-104, Murtala Mohammed Way
		JIGAWA
167	Dutse	Kiyawa Road, Opposite Oando Filling Station, Dutse
		KADUNA
168	Kaduna	9, Ali Akilu Road, Kaduna
169	Kaduna	236, Kachia Road, Kaduna South LGA,
170	Kaduna	Independence Road, Beside Food Planet, Kaduna
171	Kaduna	KM, 16, Kachia Road, KRPC Staff Co-operative Commercial Plaza, Kaduna Refinery, Kaduna
172	Kaduna	Conoil Premises, 2602, Ahmadu Bello Way, Kaduna
		BORNO
173	Maiduguri	39, Sir Kashim Ibrahim Road Opposite Ramat Shopping Complex, Maiduguri
174	Maiduguri	5-7, Kashim Ibrahim Way, Maiduguri
		KATSINA
175	Katsina	3 IBB Way, Kofar Kaura, Katsina
		ZAMFARA
176	Gusau	Zaria Road, Gusau Zamfara State
		PLATEAU
177	Jos	32 Rwang Pam Street, Off Tafawa Balewa/Ahmadu Bello Way, Jos
178	Jos	13, Jingiri Road, Opp Leventis Motors, Jos
		BAUCHI
179	Bauchi	Yakubun Bauchi Road Beside Central Bank of Nigeria, Bauchi
180	Bauchi	4, Kaduna Street by Ahmadu Bello Way Junction, Bauchi
		SOKOTO
181	Sokoto	Central Business District, 6, Ahmadu Bello Way, Sokoto
182	Sokoto	14, Sani Abacha Way, Sokoto
		ADAMAWA
183	Jimeta	Atiku Abubakar Way, Beside Sabru House, Jimeta Yola
184	Yola	Conoil Premises, 175, Modibo Adama Way, Yola
		BENUE
185	Makurdi	7, New Bridge Street, Makurdi
		NIGER
186	Minna	FMB Building, Bosso Road, Minna

Proxy Form

Sterling Bank

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 to be held on Tuesday, 15th May, 2012 at 11.00 a.m and at every adjournment thereof.

As Witness under my hand this………………..day of……………………2012

………………………………
Signed

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve Audited Accounts		
2.	To declare a Dividend		
3.	To elect and re-elect Directors		
4.	To approve the remuneration of Directors		
5.	To authorize the Directors to fix the remuneration of the Auditors		
6.	To elect members of the Audit Committee		
	SPECIAL BUSINESS		
7.	To re-elect Directors under Section 256 of CAMA		

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

Sterling Bank

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 15th day of May, 2012 at Lagoon Restaurant, Ozumba Mbadiwe Street, Victoria Island, Lagos at 11.00a.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

TO:

The Registrar,
Sterling Registrars Limited
8th Floor Knight Frank Building,
24, Campbell Street,
Lagos.
Tel: 01-2635607, 01-7303445
Fax: 2646582

Sterling Registrars

MANDATE FOR DIVIDEND PAYMENT TO BANK (E-DIVIDEND)

I/We hereby request that from now on, all my/our dividends now due or which may become due in the books of:
NAME OF COMPANY:..
Be paid directly to my/our Bank. See details below.

Bank Name:..

Bank Branch Address:...

....

Shareholder Full Name:..

Email:..

Mobile No:..

Signature:...

Joint holders
Signature:(1)..(2)..

If corporate:
Authorized Signature:(1)...(2)..

Company seal:...
NB: Company seal required for corporate bodies.

Authorized Signature & Stamp of Bankers:.......................................

Notes

STERLING VERVE CARD

Sterling Verve card is a debit card linked to current and/or savings account, etc. It provides strong security based on its EMV chip & PIN compliant status. This card can only be used in Nigeria.

Key Features and Benefits:-

- Access to cash 24/7.
- Reduces risk associated with cash handling.
- Sterling Verve cardholders have the opportunity to transfer funds to any Bank in Nigeria via the ATM.
- Convenient means of making payment all over Nigeria on ATMs, POS and on-line stores.
- Sterling Verve card can be used to make payment of Value Added Services such as DSTV, PHCN and a host of other utility bills payments.

STERLING MOBILE

Sterling Mobile is a service that enables you to transfer funds to accounts in a lot of banks in Nigeria (on-line, real time).

Key Features and Benefits:-

- Balance Enquiry
- Mini Statement- on mobile phone or to email
- Cheque confirmation
- Block Verve Card
- Funds Transfer
- Interbank Transfer
- Funds transfers within Sterling Bank

INTERNET BANKING

SterlingNet allows you to access your account on-line real time and also carry out instant transfer to beneficiaries in a lot of Banks in Nigeria.

Key Features and Benefits:-

- Balance Inquiry
- Statement of Account
- Funds transfer between different accounts of the customer
- Funds transfer to third party beneficiaries within the Bank
- Funds transfer to other Banks in Nigeria

STERLINGPAY

SterlingPay is a courier service that rides on secure electronic highways to deliver funds to bank accounts and associated schedules to relevant bodies in recipient-specified formats. Beyond e-Payment of Salaries & Vendors, ***Sterlingpay*** also offers complementary modules for a full end-to-end e-Payment experience. These includes:

- Payroll module to take care of your payroll computations including loans, taxes, etc.
- Enterprise Resource Planning (ERP) Integrator to tie in automatically with your in house applications.
- Remittances: Salaries, vendors, contractors and other third party payments; Pension, PAYE and other personal remittances.

Sterling Point of Sale Terminals (POS)

Sterling POS is a portable device that allows local and international cardholders pay for goods and services in a retail environment. It provides a convenient, modern and efficient means of processing real time transactions and value is credited to the merchant (your) account the next day.

Key Features and Benefits

SterlingPOS terminal will support the following types of transactions

- Purchase
- Deposit/Cash In
- Bill Payment
- Cash Back

STERLING/PAYCOM MOBILE PAYMENT

Our mobile payment solution in partnership with PayCom allows major Corporates and distributors facilitate micro retail payment amongst its unbanked customers.

Key Features and Benefits:-

- It is a secure payment solution carried out using a mobile device
- It works on any GSM network or mobile device.
- Immediate value for transactions carried out.

STERLING WEBPAY

Sterling Webpay is a customized web solution designed to meet the business requirements of a given organization.

Key Features and Benefits:-

- It is a secure payment platform
- It allows you to effect payment for goods and services using Debit, Credit and Preloaded Cards.
- On-line real time monitoring of transactions

Sterling SMS Alert and e-mail Notification

SMS Alert*:* Our Customers are notified of daily transactions on their phone via Short message service known as text or SMS e.g. debit or credit transactions that hits an account on the package gets an auto notification. **e- Mail notification**: The Customer is notified of daily transactions via his e-mail Address for any debit or credit Transaction.

Key Features and Benefits:-

- Customers have updated position of their accounts at any point in time.
- Offers convenience and easy monitoring of account.
- Better management of finances.
- Effective fraud alert in cases of unauthorized transactions on customers account.
- Payments made by distributors can be certified even without deposits.
- Reduce time spent confirming customers' payments
- Enhance transparency between the Bank and its clients.

Sterling Card Guard

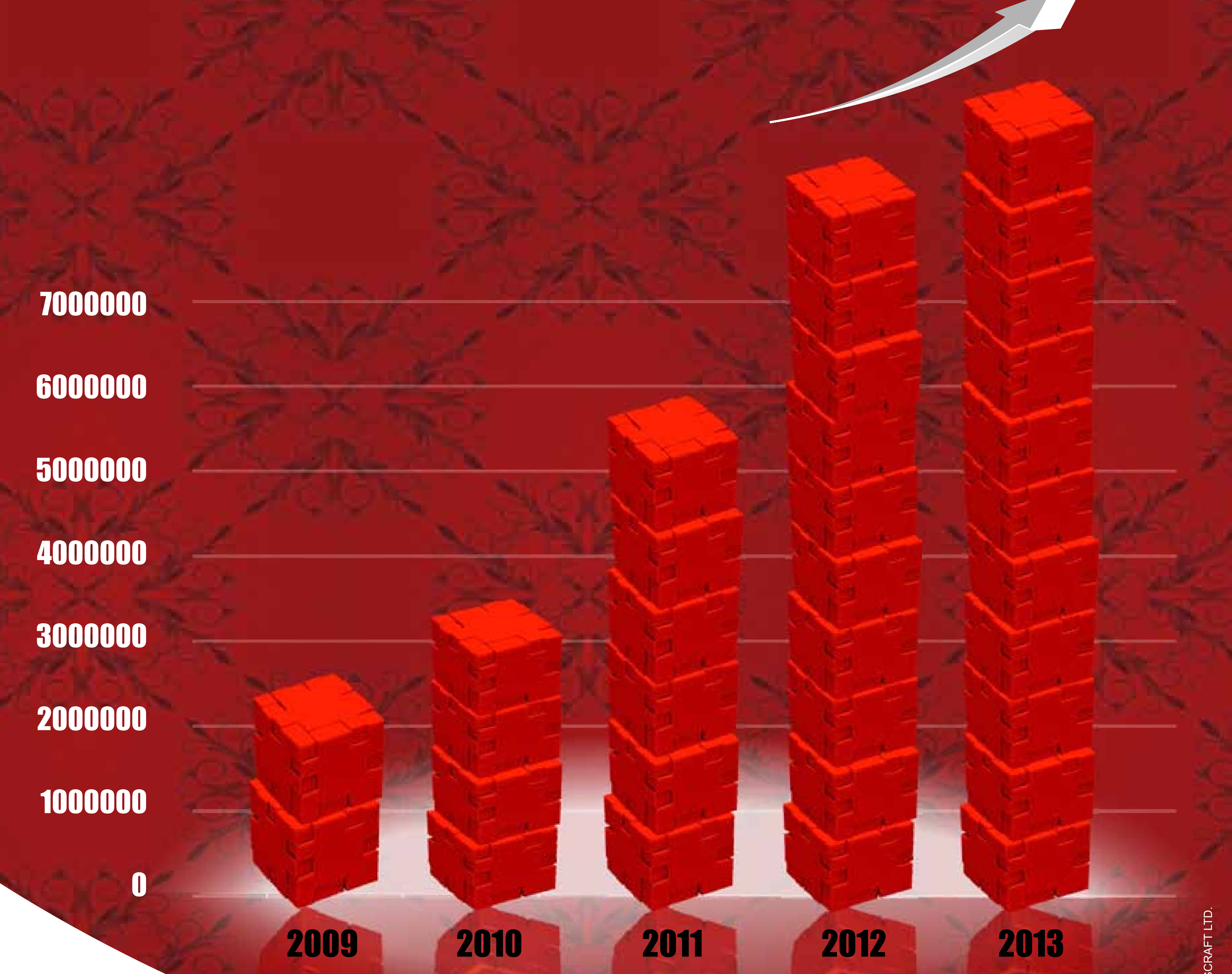
Sterling Card Guard enables the blocking of an account whenever a customer misplaces his or her debit cards or have their debit or credit cards pin compromised. It is a do-it-yourself function, meaning any affected customer does not have to call the customer service officer or account officer for card blocking service.

Key Features and Benefits:-

- It can be done anywhere and at any time.
- It is fast and convenient.
- The card deactivation is instant with an auto response confirming request.

OTHER eBUSINESS SOLUTIONS

- Western Union Money Transfer.



Sterling Bank
The one-customer bank.

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www.sterlingbankng.com