

**Sterling Bank Plc**

**Unaudited IFRS Interim Financial Statements for the  
Period ended 31 March 2014**

## Directors' Report

*For the period ended 31 March 2014*

The Directors present their first quarter report on the affairs of Sterling Bank Plc, together with the unaudited financial statements for the period ended 31 March, 2014.

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

Sterling Bank Plc is engaged in commercial banking with emphasis on retail and corporate banking, trade services, 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 product 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 as at the integration period had 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 period are as follows:

<i>In thousands of Naira</i>	March 2014	March 2013
Gross earnings	<u>24,621,317</u>	<u>19,844,327</u>
Profit before taxation	3,542,001	3,020,128
Taxation	(404,865)	(296,929)
Profit after taxation	<u>3,137,136</u>	<u>2,723,199</u>
Transfer to statutory reserve	941,141	816,960
Transfer to general reserve	2,195,995	1,906,239
	<u>3,137,136</u>	<u>2,723,199</u>
Earnings per share (kobo) - Basic	<u>15k</u>	<u>17k</u>
NPL Ratio	1.78%	3.67%

**Directors who served during the period**

The following Directors served during the period under review:

Name	Designation	Date appointed /resigned	Interest represented
1 Alh.(DR).S.A Adegunwa,(OFR)	Chairman		Ess-ay Investments Limited
2 Mr.Yemi Adeola	Managing Director/CEO		
3 Mr.Lanre Adesanya	Executive Director		
4 Mr. Devendra Nath Puri (Indian)	Executive Director		
5 Mr. Abubakar Sule	Executive Director		
6 Mr. Raghavan Karthikeyan (Indian)	Non-Executive Director	Appointed 26/02/2014	State Bank of India
7 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
8 Alh Bashir Borodo (OON)	Non-Executive Director		Dantata Investment & Securities Company Limited
9 Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited
10 Ms. Olufunmilola Osunsade	Non-Executive Director		Dr. Mike Adenuga
11 Mr. Rasheed Kolarinwa	Independent Director		
12 Tamarakare Ywkwe (MON)	Independent Director	Appointed 26/02/2014	
13 Dr. (Mrs.) Omolara Akanji	Independent Director	Appointed 26/02/2014	

**Directors interests in shares**

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

Names	Number of shares			
	March 2014 Direct	March 2014 Indirect	December 2013 Direct	December 2013 Indirect
Alh.(DR).S.A Adegunwa,(OFR)	-	1,356,679,440	-	1,356,679,440
Mr. Raghavan Karthikeyan	-	2,549,505,026	-	2,549,505,026
Alh Bashir Borodo (OON)	61,841	79,388,653	61,841	79,388,653
Mr. Yinka Adeola	17,494,903	920,035,820	17,494,903	920,035,820
Mr. Yemi Idowu	-	1,575,038,742	-	1,575,038,742
Mr.Yemi Adeola	25,535,555	-	25,535,555	-
Mr.Lanre Adesanya	5,110,960	-	5,110,960	-
Mr. Devendra Nath Puri	-	-	-	-
Mr. Abubakar Sule	2,117,284	-	2,117,284	-
Mr. Rasheed Kolarinwa	-	-	-	-
Ms. Olufunmilola Osunsade	-	1,620,376,969	-	1,620,376,969

**Analysis of shareholding**

The range analysis of the distribution of the shares of the Bank as at 31 March 2014 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	31,705	36.56%	14,415,411	0.07%
1001 - 5,000	26,763	30.86%	60,211,543	0.28%
5,000 - 10,000	9,304	10.73%	62,552,435	0.29%
10,001 - 20,000	7,411	8.55%	99,982,574	0.46%
20,001 - 50,000	5,095	5.87%	157,174,483	0.73%
50,001 - 100,000	2,648	3.05%	180,667,839	0.84%
100,001 - 200,000	1,532	1.77%	216,299,192	1.00%
200,001 - 500,000	1,107	1.28%	351,058,744	1.63%
500,001 - 10,000,000	1008	1.16%	1,762,443,058	8.16%
Above 10,000,001	149	0.17%	14,771,760,840	68.41%
Foreign shareholding	5	0.01%	3,916,247,474	18.14%
	86,727	100%	21,592,813,593	100.00%

The following shareholders have shareholdings of 5% and above as at 31 March 2014:

	March 2014 % holding	December 2013 % holding
State Bank of India	11.81	11.81
Dr. Mike Adenuga	7.5	7.5
SNNL/Asset Management Corporation of Nigeria - Main	7.37	7.37
Ess-ay Investments Ltd	6.28	6.28
STB Building Society Limited	5.02	5.02

**Acquisition of own shares**

The Bank did not acquire any of its shares during the period ended 31 March 2014 (31 December 2013: Nil).

**Employment and employees**

**i 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.

**ii 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.

**iii 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.

**BY ORDER OF THE BOARD:**



**Justina Lewa**  
Company Secretary  
(FRC/2013/NBA/00000001255)  
20 Marina, Lagos, Nigeria.  
April 16, 2014

## **Corporate Governance**

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

### **Board Composition and Committee**

#### ***Board Credit Committee***

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

1 Mr Yemi Idowu	Chairman
2 Alhaji Bashir M. Borodo, OON	Member
3 Mr Yinka Adeola	Member
4 Mr. Rasheed Kolarinwa	Member
5 Mr Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Davendra Nath Puri	Member
8 Mr. Abubakar Sule	Member

#### ***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:

1 Mr. Rasheed Kolarinwa	Chairman
2 Alhaji Bashir M. Borodo, OON	Member
3 Mr Yinka Adeola	Member
4 Ms. Olufumilola Osunsade	Member
5 Mr Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Abubakar Sule	Member

#### ***Board Establishment Committee***

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

1 Alhaji Bashir M. Borodo, OON	Chairman
2 Mr. Rasheed Kolarinwa	Member
3 Mr Yemi Idowu	Member
4 Ms. Olufumilola Osunsade	Member
5 Mr. Yemi Adeola	Member
6 Mr. Devenrda Nath Puri	Member
7 Mr. Abubakar Sule	Member

#### ***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:

1 Ms. Olufumilola Osunsade	Chairman
2 Mr. Yinka Adeola	Member
3 Mr. Rasheed Kolarinwa	Member
4 Mr Yemi Idowu	Member
5 Mr. Yemi Adeola	Member
6 Mr. Lanre Adesanya	Member
7 Mr. Devenrda Nath Puri	Member

#### **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:

1 Alhaji Mustapha Jinadu	Chairman
2 Mr. Idongesit E. Udoh	Member
3 Miss Christie O. Vincent	Member
4 Mr Yemi Idowu	Member
5 Mr. Yinka Adeola	Member
6 Alhaji Bashir M. Borodo, OON	Member

#### **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 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. It is a requirement that all staff should sign a confirmation that they have read and understood the document upon employment.

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

### **Whistle Blowing Process**

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

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.

**STATEMENTS OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2014**

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act 1990, and Sections 24 and 28 of the Banks and Other Financial Institution Act 1991, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the the Bank, and of the financial performance for the period.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the 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, 1990, Banks and Other Financial Institutions Act, 1991, Revised Prudential Guidelines, International Financial Reporting 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 judgements 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 financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act, 1991, 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 the financial performance for the period.

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.



**Condensed Statement of Comprehensive Income**  
*For the year ended 31 March 2014*

<i>In thousands of Naira</i>	Notes	March 2014	March 2013
Interest income	3	18,659,077	14,290,515
Interest expense	4	(8,396,956)	(7,800,274)
<b>Net interest income</b>		<u>10,262,121</u>	<u>6,490,241</u>
Fees and commission income	5	3,315,206	3,317,842
<b>Net fee and commission</b>		<u>3,315,206</u>	<u>3,317,842</u>
Trading income	6	2,288,474	1,761,393
Other operating income	7	358,560	474,577
<b>Operating income</b>		<u>16,224,361</u>	<u>12,044,053</u>
Net impairment charges	8	(1,042,325)	(334,496)
<b>Net operating income after impairment loss</b>		<u>15,182,036</u>	<u>11,709,557</u>
Personnel expenses	9	(2,752,502)	(2,246,975)
Depreciation and amortisation	19(b)&20	(712,165)	(633,125)
Other operating expenses	10	(8,175,368)	(5,809,329)
<b>Total expenses</b>		<u>(11,640,035)</u>	<u>(8,689,429)</u>
<b>Profit before income tax</b>		3,542,001	3,020,128
Income tax expense	11(a)	(404,865)	(296,929)
<b>Profit for the period</b>		<u>3,137,136</u>	<u>2,723,199</u>
 <b>Other comprehensive income</b>			
Fair value (loss)/gain on available for sale investments		(154,547)	(61,873)
Reclassification adjustment for gain/(loss) included in the income statement		83	-
<b>Other comprehensive income for the period net of tax</b>		<u>(154,464)</u>	<u>(61,873)</u>
<b>Total comprehensive income</b>		<u><u>2,982,672</u></u>	<u><u>2,661,326</u></u>
Earnings per share - basic (in kobo)	12	15k	17k
Earnings per share - diluted (in kobo)	12	15k	17k

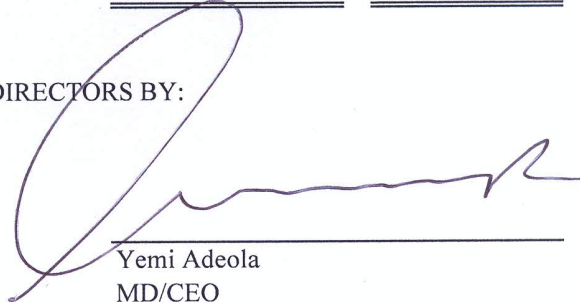
**Condensed Statement of Financial Position**  
*As at 31 March 2014*

<i>In thousands of Naira</i>	Notes	March 2014	December 2013
<b>ASSETS</b>			
Cash and balances with Central Bank	13	111,852,077	96,900,562
Due from banks	14	59,682,388	85,601,022
Pledged assets	15	83,866,812	79,771,732
Loans and advances to Customers	16	337,185,440	321,743,748
<b>Investment in securities:</b>			
- Held for Trading	17(a)	3,768,436	2,200,994
- Available for Sale	17(b)	30,806,038	19,496,194
- Held to Maturity	17(c)	45,930,041	76,123,934
Other assets	18	11,974,146	9,317,091
Property, plant and equipment	19	9,265,444	9,069,368
Intangible assets	20	594,375	601,391
Deferred tax assets	21	6,971,145	6,971,145
<b>TOTAL ASSETS</b>		<u>701,896,342</u>	<u>707,797,181</u>
<b>LIABILITIES</b>			
Deposits from Banks	22	-	-
Deposits from Customers	23	540,010,018	570,511,097
Current income tax liabilities	11(b)	1,513,754	1,112,289
Other borrowed funds	24	50,433,730	38,794,527
Debt securities in issue	25	4,716,135	4,563,598
Other liabilities	26	38,782,137	29,357,774
<b>TOTAL LIABILITIES</b>		<u>635,455,774</u>	<u>644,339,285</u>
<b>EQUITY</b>			
Share capital	27	10,796,407	10,796,407
Share premium	27	27,871,589	27,871,589
Retained earnings	27	9,981,748	7,785,753
Other components of equity	27	17,790,824	17,004,147
<i>Attributable to equity holders of the Bank</i>		<u>66,440,568</u>	<u>63,457,896</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>701,896,342</u>	<u>707,797,181</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Abubakar Suleiman  
Chief Financial Officer  
FRC/2013/CIBN/00000001275



Yemi Adeola  
MD/CEO  
FRC/2013/CIBN/00000001257

**Condensed Statement of Changes in Equity**  
*For the year ended 31 March 2014*

	<i>In thousands of Naira</i>										
	Share capital	Share premium	Translation reserve	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Revaluation reserve	Retained earnings	Total
<b>Balance at 1 January 2014</b>	10,796,407	27,871,589	-	10,845,468	(295,931)	943,684	5,276,423	234,503	-	7,785,753	63,457,896
Comprehensive income for the period	-	-	-	-	-	-	-	-	-	3,137,136	3,137,136
Proceeds from issue	-	-	-	-	(154,464)	-	-	-	-	-	(154,464)
Other comprehensive income net of tax	-	-	-	-	-	-	-	-	-	-	-
Realised during the year	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	941,141	-	-	-	-	-	(941,141)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>10,796,407</b>	<b>27,871,589</b>	<b>-</b>	<b>11,786,609</b>	<b>(450,395)</b>	<b>943,684</b>	<b>5,276,423</b>	<b>234,503</b>	<b>-</b>	<b>9,981,748</b>	<b>66,440,568</b>
	<i>In thousands of Naira</i>										
<b>Balance at 1 January 2013</b>	7,851,931	18,689,788	-	7,877,009	148,935	58,727,000	5,276,423	234,503	486,000	6,019,078	46,642,394
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	8,274,864	8,274,864
Other comprehensive income net of tax	-	-	-	-	(444,866)	-	-	-	-	-	(444,866)
Realised during the year	-	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	-	2,482,459	-	884,957	-	-	-	(3,367,416)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(3,140,773)	(3,140,773)
Reclassification	-	-	-	486,000	-	-	-	-	(486,000)	-	-
Additional from right issue (note 29b)	2,944,476	9,181,801	-	-	-	-	-	-	-	-	12,126,277
<b>Balance at 31 December 2013</b>	<b>10,796,407</b>	<b>27,871,589</b>	<b>-</b>	<b>10,845,468</b>	<b>(295,931)</b>	<b>943,684</b>	<b>5,276,423</b>	<b>234,503</b>	<b>-</b>	<b>7,785,753</b>	<b>63,457,896</b>

### Condensed Statements of Cash Flow

For the year ended 31 March 2014

<i>In thousands of Naira</i>	Notes	March 2014	March 2013
<b>Operating activities</b>			
Profit for the period		3,137,136	2,723,199
Adjustment for:			
Depreciation and amortisation	19(b)&20	712,165	633,125
Net impairment on investment securities		-	62,000
Impairment loss on other assets		-	45,500
Net impairment on loan		1,042,325	226,996
Gain on disposal of property and equipment		(4,374)	(5,934)
Loss on sale of investment		-	(486)
Income tax expense	11(a)	404,865	296,929
Foreign exchange gain		(503,996)	(298,682)
Net interest income		(10,262,121)	(6,490,241)
Net gain on investment securities at fair value through profit or loss		92,922	(166,608)
Net changes in other comprehensive income		(154,464)	(210,808)
		<b>(5,535,541)</b>	<b>(3,185,010)</b>
<b>Changes in</b>			
Change in pledged assets		(4,095,080)	(1,378,550)
Change in loans and advances to customers		(16,119,961)	(18,317,915)
Change in due from Central Bank of Nigeria		3,000,000	-
Change in restricted balance with Central bank		(12,408,861)	(3,558,712)
Change in other assets		(2,672,562)	(9,263,334)
Change in deposits from banks		-	(1,529,863)
Change in deposits from customers		(30,501,079)	62,786,759
Change in other liabilities		9,752,113	(1,146,665)
		<b>(58,580,971)</b>	<b>24,406,710</b>
Interest received		17,857,869	15,126,566
Interest paid		(8,530,385)	(7,876,624)
		<b>(49,253,487)</b>	<b>31,656,652</b>
Income tax paid		(3,400)	-
Vat paid		(107,205)	(82,813)
<b>Net cash flows from operating activities</b>		<b>(49,364,092)</b>	<b>31,573,839</b>
<b>Investing activities</b>			
Net sale/(purchase) of investment securities		17,316,607	(19,262,008)
Purchase of property and equipment		(876,440)	(590,532)
Redemption of investments		2,509	-
Proceeds from the sale of property and equipment		12,449	13,740
Purchase of intangible assets		(32,862)	(69,718)
<b>Net cash flows from/(used in) investing activities</b>		<b>16,422,264</b>	<b>(19,908,518)</b>
<b>Financing activities</b>			
Proceeds from borrowing		11,690,354	2,563,554
Repayment of long term borrowing		(51,151)	(931,698)
Proceeds of Right issue		-	-
Dividends paid to equity holders		-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>11,639,203</b>	<b>1,631,856</b>
Effect of exchange rate changes on cash and cash equivalents		926,645	-
Net increase/(decrease) in cash and cash equivalents		(21,302,625)	13,297,177
Cash and cash equivalents at 1 January		97,305,134	49,193,566
Cash and cash equivalents at 30 September	28	<b>76,929,154</b>	<b>62,490,742</b>

## **Notes to the Financial Statements**

*For the year ended 31 March 2014*

### **1 General information**

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

The Bank is principally engaged in investment, corporate, commercial and retail banking.

### **2 Accounting policies**

#### **2.1 (a) Basis of preparation**

The condensed financial statements for the three months ended March 31, 2014 have been prepared in accordance with International Financial Reporting Standard 34 Interim Financial Reporting

#### **(b) Seasonality of operations**

The impact of seasonality or cyclicity on operation is not regarded as significant to the condensed interim financial statement. The operation of the Bank are expected to be even within the financial year.

#### **(c) Unusual items**

There were no unusual transactions or occurrences with the period.

#### **(d) Changes in accounting estimates**

There were no changes to the accounting estimates applied by the Bank.

#### **(e) Issuance, repurchase and repayment of debts and equity securities**

During the period under review, there were no issuance of debt or equity that resulted in an external inflow into the Bank

#### **(f) Dividends**

The Directors did not recommend the payment of any dividend for the Bank's first quarter results to 31 March 2014

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

There were no significant events that occurred after 31 March 2014 that would necessitate a disclosure and/or adjustment to the quarterly returns presented herein.

#### **(h) Litigation settlements**

There was no litigation settlement during the first quarter ended 31 March 2014 (31 December 2013 :provision of N263million)

### **2.2 Summary of significant accounting policies**

The accounting policies applied by the Bank in these condensed interim financial statement are the same as those applied by the bank in its financial statement as at year ended 31 December 2013. Below are the significant accounting policies

**(a) Interest**

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments at fair value through profit and loss in the statement of comprehensive income.

**(b) Fees and commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

**(c) Net trading income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised fair value changes, dividends and foreign exchange differences.

**(d) Net income from other financial instruments at fair value through profit or loss**

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

**(e) Financial assets and liabilities**

**(i) Recognition**

The Bank initially recognises loans and advances, deposits; debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit and loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

**(ii) Subsequent measurement**

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

**(a) Held-to-maturity**

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

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

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

**(b) Financial assets held at fair value through profit and loss**

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as trading unless they are designated as hedges.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A group of financial assets is managed and its performance evaluated on a fair value basis; or

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

**(c) Available-for-sale**

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

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in the profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

**(d) Loans and receivables**

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

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease and recognised and presented within loans and receivables.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank’s financial statements.

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

**(iii) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**(iv) Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.



Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in a setting price.

Available for sale unquoted equity securities are measured at cost because their fair value could not be reliably measured.

**(e) Impairment of financial assets**

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience

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

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

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

- whether the customer is more than 90 days past due;
- the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

**(ii) Available-for-sale financial assets**

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

**(f) Cash and cash equivalents**

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

### 2.3 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2014, and have not been applied in preparing these financial statements. The Bank intends to adopt the standards below when they become effective.

#### **IFRS 9: Financial Instrument: Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in IAS 39. The standard should have been effective for annual period beginning on or after 1 January 2015, but the IASB at its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The impact of this IFRS will be in the area of classification and measurement of financial assets, reporting for entities that have designated liabilities using FVO. The other phase including impairment and hedge accounting are also expected to have significant accounting implications.

#### **Improvement to IFRSs**

Amendments resulting from improvements to IFRSs to the following standards did not have a material impact on the accounting policies, financial position or performance of Sterling Bank Plc during this financial period.

IFRS 10, 12, & IAS 27 investment Entities

IAS 27 Separate Financial Statements

IAS 32: Offsetting Financial Assets and Financial Liabilities Consequential amendm

IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

IFRS 21 Levies

### 2.4 Segment Information

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

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

(b) Reportable segment

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

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

- o Corporate Banking provides banking solutions to corporate and commercial enterprises.
- o Retail Banking provides banking solutions to individuals, small businesses and partnerships among others.
- o Treasury conducts the Bank's financial advisory and securities trading activities.

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

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

**Segment Information continued**

<b>(i) For the quarter ended 31 March 2014</b>	<b>Retail Banking N'000</b>	<b>Corporate Banking N'000</b>	<b>Treasury N'000</b>	<b>Total N'000</b>
Interest and similar income	10,779,755	4,102,542	3,776,780	<b>18,659,077</b>
Interest and similar expenses	(6,198,163)	(1,108,502)	(1,090,291)	<b>(8,396,956)</b>
<b>Net interest income</b>	<b>4,581,591</b>	<b>2,994,040</b>	<b>2,686,489</b>	<b>10,262,121</b>
Net fees and Commission income	3,057,619	983,945	1,920,676	<b>5,962,240</b>
Depreciation of property & Equipment	(706,525)	(4,518)	(1,122)	<b>(712,165)</b>
Impairment	(767,742)	(190,500)	(84,083)	<b>(1,042,325)</b>
<b>Segment Profit (loss)</b>	<b>748,768</b>	<b>885,457</b>	<b>1,907,777</b>	<b>3,542,001</b>

**For the quarter ended 31 March 2014**

**Assets:**

Capital expenditure				
Property, plant and equipment	786,015	72,615	17,810	<b>876,440</b>
Intangible segment assets				
<b>Total Assets</b>	<b>360,757,352</b>	<b>153,178,379</b>	<b>187,960,611</b>	<b>701,896,342</b>
<b>Total Liabilities</b>	<b>503,756,302</b>	<b>89,787,815</b>	<b>41,911,657</b>	<b>635,455,774</b>

<b>(ii) For the quarter ended 31 March 2013</b>	<b>Retail Banking N'000</b>	<b>Corporate Banking N'000</b>	<b>Treasury N'000</b>	<b>Total N'000</b>
Interest and similar income	7,969,722	3,514,021	2,806,772	14,290,515
Interest and similar expenses	(5,050,615)	(1,120,332)	(1,629,330)	(7,800,277)
<b>Net interest income</b>	<b>2,919,107</b>	<b>2,393,689</b>	<b>1,177,442</b>	<b>6,490,238</b>
Net fees and Commission income	2,649,191	983,945	1,920,676	<b>5,553,812</b>
Depreciation of property & Equipment	(628,413)	(3,781)	(931)	<b>(633,125)</b>
Impairment	(230,376)	(82,428)	(21,692)	<b>(334,496)</b>
<b>Segment Profit (loss)</b>	<b>688,431</b>	<b>628,900</b>	<b>1,702,797</b>	<b>3,020,128</b>

**For the year ended 31 December 2013**

**Assets:**

Capital expenditure				
Property, plant and equipment	3,923,505	11,734	2,352	<b>3,937,591</b>
Intangible segment assets	526,569	-	-	<b>526,569</b>
<b>Total Assets</b>	<b>469,314,972</b>	<b>128,250,783</b>	<b>110,231,426</b>	<b>707,797,181</b>
<b>Total Liabilities</b>	<b>510,489,051</b>	<b>95,863,524</b>	<b>37,986,710</b>	<b>644,339,285</b>

**3 Interest income**

<i>In thousands of Naira</i>	March 2014	March 2013
Cash and cash equivalent	910,288	405,473
Loan and advances to customers	13,476,508	8,833,220
Investment securities	4,266,233	4,742,180
Interest on impaired loans	6,048	309,642
	<u>18,659,077</u>	<u>14,290,515</u>
Interest from Investment securities were derived from:		
Available-for-sale	830,914	390,632
Held to maturity	3,435,319	4,351,548
	<u>4,266,233</u>	<u>4,742,180</u>

**4 Interest expense**

<i>In thousands of Naira</i>	March 2014	March 2013
Deposits from banks	105,078	232,521
Deposits from customers	7,838,822	7,108,756
Debt issued and other borrowed funds	453,056	458,997
	<u>8,396,956</u>	<u>7,800,274</u>

**5 Fees and commission income**

<i>In thousands of Naira</i>	March 2014	March 2013
Facility management fees	1,398,473	1,174,510
Commission on turnover	719,061	937,747
Commissions and similar income	450,118	679,744
Commission on letter of credit and Off Balance Sheet transactions	379,801	412,203
Other fees and commission	367,753	113,638
	<u>3,315,206</u>	<u>3,317,842</u>

Credit related fees and commissions above excludes amounts included in determining effective interest rate on financial assets that are not at fair value through profit or loss.

**6 Net trading income**

<i>In thousands of Naira</i>	March 2014	March 2013
Foreign exchange trading	1,419,767	357,099
Bonds	416,388	1,182,581
Treasury bills	452,319	221,713
	<u>2,288,474</u>	<u>1,761,393</u>

**7 Other operating income**

<i>In thousands of Naira</i>	March 2014	March 2013
Rental income	67,517	42,379
Other sundry income	259,735	104,593
Foreign exchange gain/(loss)	10,874	(58,417)
Revaluation on trading securities	(92,922)	166,608
Dividends on available-for-sale equity securities	-	-
Gains on disposal of property, plant and equipment	4,374	5,934
Profit/loss on sale of investment	-	486
Cash recoveries on previously written off accounts	108,982	212,994
	<u>358,560</u>	<u>474,577</u>

**8 Net impairment**

<i>In thousands of Naira</i>	March 2014	March 2013
Credit losses		
- Specific impairment allowance	791,053	262,696
- Collective impairment	250,000	-
Bad debt written off	33,625	180
Allowances no longer required	<u>(32,353)</u>	<u>(35,880)</u>
	1,042,325	226,996
Other financial asset impairment		
- Impairment charge on investment securities	-	62,000
- Impairment on other assets	-	45,500
	<u>1,042,325</u>	<u>334,496</u>

**9 Personnel expenses**

<i>In thousands of Naira</i>	March 2014	March 2013
Wages and salaries	2,642,168	2,144,311
Defined contribution plan	110,334	102,664
	<u>2,752,502</u>	<u>2,246,975</u>

**10 Other operating expenses**

<i>In thousands of Naira</i>	March 2014	March 2013
Other premises and equipment costs	1,252,702	1,170,413
Audit fees	55,000	37,500
Other Professional Fees	74,892	42,593
AMCON surcharge (see note below)	1,272,340	723,888
Contract Services	483,979	382,138
Insurance Cost	1,045,502	733,968
General and administrative expenses	3,990,953	2,718,829
	<u>8,175,368</u>	<u>5,809,329</u>

**AMCON surcharge**

This represents the bank's provision for a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 31 March 2014. Effective 1 January 2013, the Bank was required to contribute an equivalent of 0.5% (2012 : 0.3%) of both its total assets and 33.3% of contingents as at the preceding period end (31 December 2013) to AMCON's sinking fund in line with existing guidelines.

**11 Income tax expense**

<i>In thousands of Naira</i>	March 2014	March 2013
(a) Income tax	404,865	296,929
Deferred tax expense:		
Origination of temporary differences	-	-
Total income tax expense	<u>404,865</u>	<u>296,929</u>

**(b) Current income tax liabilities**

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

<i>In thousands of Naira</i>	March 2014	December 2013
Balance, beginning of the year	1,112,289	803,422
Estimated charge for the period	404,865	942,232
payments/adjustment during the period	(3,400)	(633,365)
	<u>1,513,754</u>	<u>1,112,289</u>

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

The calculation of basic earnings per share as at 31 March 2014 was based on the profit attributable to ordinary shareholders of N3,137,136,000 and weighted average number of ordinary shares outstanding of 21,592,814,000 calculated as follows:

<i>In thousands of Unit</i>	March 2014	March 2013
Weighted average number of ordinary shares	<u>21,592,814</u>	<u>15,703,863</u>
<i>In thousands of Naira</i>	March 2014	March 2013
Profit for the year attributable to equity holders of the Bank	3,137,136	2,723,199
Basic earning per share	15k	17k
Diluted earning per share	15k	17k

**13 Cash and balances with Central Bank**

<i>In thousands of Naira</i>	March 2014	December 2013
Cash and foreign monies	9,079,055	8,189,877
Unrestricted balances with Central Bank of Nigeria	8,167,711	6,514,235
Deposits with the Central bank of Nigeria	94,605,311	82,196,450
	<u>111,852,077</u>	<u>96,900,562</u>

Deposits with the Central Bank of Nigeria represent mandatory reserve deposits and are not available for use in the bank's day-to-day operations.

**14 Due from banks**

<i>In thousands of Naira</i>	March 2014	December 2013
Balances held with local banks	1,335,307	2,131,951
Balances held with banks outside Nigeria	32,840,095	42,455,064
Due from Central Bank of Nigeria	-	3,000,000
Money market placements	25,506,986	38,014,007
	<u>59,682,388</u>	<u>85,601,022</u>

**15 Pledged Assets**

<i>In thousands of Naira</i>	March 2014	December 2013
Pledged Treasury bills	20,830,000	15,090,000
Pledged Bonds	49,900,000	54,100,000
Other pledged assets	13,136,812	10,581,732
	<u>83,866,812</u>	<u>79,771,732</u>

The Bank pledges assets that are on its statement of financial position in various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements.

Pledged for clearing activities, as collection bank for government taxes and Interswitch electronic card transactions

Pledged as security for long term loan from Citibank International, clearing activities with First Bank Plc and loan facility from Bank of Industry.

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

**16 Loan and Advances to Customers**

<i>In thousands of Naira</i>	March 2014	December 2013
Loans to individuals	42,961,219	28,335,809
Loans to corporate entities and other organizations	301,823,646	300,329,095
	<u>344,784,865</u>	<u>328,664,904</u>
Less:		
Specific impairment allowance	(4,820,295)	(4,392,026)
Collective impairment allowance	(2,779,130)	(2,529,130)
	<u>337,185,440</u>	<u>321,743,748</u>

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

**Specific impairment**

<i>In thousands of Naira</i>	March 2014	December 2013
Balance, beginning of year	4,392,026	5,834,100
Impairment charge for the period	791,053	4,343,334
Reversal for the period	(32,353)	(1,479,271)
Write-offs/Reclass	(330,431)	(4,306,137)
Balance, end of period	<u>4,820,295</u>	<u>4,392,026</u>

**Portfolio impairment**

<i>In thousands of Naira</i>	March 2014	December 2013
Balance, beginning of year	2,529,130	876,298
Impairment charge for the period	250,000	-
Reversal for the period	-	1,652,832
Balance, end of period	<u>2,779,130</u>	<u>2,529,130</u>

**17 Investment securities:**

<i>In thousands of Naira</i>	March 2014	December 2013
<b>(a) Held for Trading (HFT)</b>		
- Bonds	428,400	230,440
- Treasury bills	3,340,036	1,970,554
	<u>3,768,436</u>	<u>2,200,994</u>
<b>(b) Available for Sale (AFS)</b>		
Government bond	6,823,197	3,002,924
Equity securities	1,943,278	1,895,190
Euro bond	2,004,109	1,069,074
Treasury bills	20,573,449	14,067,001
	<u>31,344,033</u>	<u>20,034,189</u>
Impairment on AFS instruments	(537,995)	(537,995)
	<u>30,806,038</u>	<u>19,496,194</u>

Fair value of unquoted equity securities has not been disclosed, their fair value cannot be measured reliably. These are investments in small and medium scale enterprises with a carrying cost of N1.94billion (2013:N1.89billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. These investments are recouped through redemption rather than disposal.



(c) <b>Held to maturity (HTM)</b>		
Government bonds	37,418,427	40,999,806
Corporate bonds	1,905,551	2,012,675
Treasury bills	6,606,063	33,111,453
	<u>45,930,041</u>	<u>76,123,934</u>
<b>Total Investment securities</b>	<u>80,504,515</u>	<u>97,821,122</u>

Specific allowance for impairment on AFS

<i>In thousands of Naira</i>	March 2014	December 2013
Balance, beginning of year	537,995	854,935
Charge for the period	-	468,217
Amounts written off	-	(785,157)
Balance, end of period	<u>537,996</u>	<u>537,995</u>

**18**

**Other Assets**

Other assets comprise:

<i>In thousands of Naira</i>	March 2014	December 2013
Accounts receivable	7,988,463	7,400,345
Prepayments and other receivables	7,940,085	5,867,229
Stock of cheque books and admin	<u>220,870</u>	<u>209,282</u>
	16,149,418	13,476,856
Impairment on other assets	(4,175,272)	(4,159,765)
	<u>11,974,146</u>	<u>9,317,091</u>

Movement in impairment on other assets

<i>In thousands of Naira</i>	March 2014	December 2013
Balance, beginning of year	4,159,765	1,848,300
impairment on other assets (note 8)	-	3,162,590
Reclassification	-	(380,153)
Write-offs	15,507	(470,972)
Balance, end of period	<u>4,175,272</u>	<u>4,159,765</u>

**19 Property, plant and equipment**

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
<i>In thousands of Naira</i>						
<b>(a) Cost</b>						
<b>Balance as at 1 January, 2013</b>	<b>6,474,898</b>	<b>373,674</b>	<b>9,406,986</b>	<b>6,618,643</b>	<b>4,197,138</b>	<b>27,071,339</b>
Additions for the period	145,830	723,689	841,058	1,213,139	1,013,873	3,937,589
Disposals	(40,097)	-	(66,350)	(32,386)	(735,929)	(874,761)
Reclassification	134,445	(274,550)	82,205	38,642	19,257	-
<b>Balance as at 31 December 2013</b>	<b>6,715,077</b>	<b>822,813</b>	<b>10,263,900</b>	<b>7,838,039</b>	<b>4,494,339</b>	<b>30,134,168</b>
<b>Balance as at 1 January, 2014</b>	<b>6,715,077</b>	<b>822,813</b>	<b>10,263,900</b>	<b>7,838,039</b>	<b>4,494,339</b>	<b>30,134,168</b>
Additions for the period	73,063	252,047	378,278	83,383	89,668	876,440
Disposals	-	-	(64,489)	(1,380)	(62,500)	(128,369)
Reclassification	210,827	(262,397)	46,272	5,298	-	-
<b>Balance as at 31 March, 2014</b>	<b>6,998,968</b>	<b>812,463</b>	<b>10,623,961</b>	<b>7,925,339</b>	<b>4,521,507</b>	<b>30,882,238</b>
<b>(b) Depreciation and impairment losses</b>						
<b>Balance as at 1 January, 2013</b>	<b>3,330,499</b>	<b>-</b>	<b>6,945,368</b>	<b>5,892,304</b>	<b>3,109,853</b>	<b>19,278,023</b>
Charge for the period	367,023	-	1,058,746	608,253	531,825	2,565,846
Impairment Losses	-	-	-	-	-	-
Disposals	(307)	-	(65,492)	(31,831)	(681,438)	(779,069)
<b>Balance as at 31 December 2013</b>	<b>3,697,214</b>	<b>-</b>	<b>7,938,622</b>	<b>6,468,725</b>	<b>2,960,240</b>	<b>21,064,800</b>
<b>Balance as at 1 January, 2014</b>	<b>3,697,214</b>	<b>-</b>	<b>7,938,622</b>	<b>6,468,725</b>	<b>2,960,240</b>	<b>21,064,801</b>
Charge for the period	94,892	-	233,834	193,118	150,444	672,287
Impairment Losses	-	-	-	-	-	-
Disposals	-	-	(63,637)	(543)	(56,114)	(120,294)
<b>Balance as at 31 March, 2014</b>	<b>3,792,106</b>	<b>-</b>	<b>8,108,819</b>	<b>6,661,299</b>	<b>3,054,570</b>	<b>21,616,794</b>
<b>Carrying amounts</b>						
<b>Balance as at 31 March, 2014</b>	<b>3,206,862</b>	<b>812,463</b>	<b>2,515,142</b>	<b>1,264,040</b>	<b>1,466,936</b>	<b>9,265,444</b>
<b>Balance as at 31 December 2013</b>	<b>3,017,863</b>	<b>822,813</b>	<b>2,325,278</b>	<b>1,369,313</b>	<b>1,534,099</b>	<b>9,069,368</b>
<b>Balance as at 1 January, 2013</b>	<b>3,144,399,28</b>	<b>373,674</b>	<b>2,461,618</b>	<b>726,339</b>	<b>1,087,285</b>	<b>7,793,316</b>

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N16,491,045,837.22 (2013: N15,780,677,090)

**20 Intangible asset**

Purchased Software

*In thousands of Naira*

	March 2014	December 2013
<b>Cost</b>		
Beginning of year	1,971,653	1,445,084
Additions	32,862	526,569
Transfers	-	-
Balance end of period	<u>2,004,515</u>	<u>1,971,653</u>
<b>Amortisation and impairment losses</b>		
Beginning of year	1,370,262	1,241,620
Amortisation for the period	39,878	128,642
Impairment losses	-	-
Transfers	-	-
Balance end of period	<u>1,410,140</u>	<u>1,370,262</u>
<b>Carrying amounts</b>	<u>594,375</u>	<u>601,391</u>

**21 Deferred tax assets and liabilities**

	Balance at 31 December 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 March 2014
Property, plant and equipment	3,380,319	-	-	3,380,319
Tax loss carry forward	7,146,021	-	-	7,146,021
Allowances for loan losses	800,078	-	-	800,078
Unrecognised deferred tax	<u>(4,355,273)</u>	<u>-</u>	<u>-</u>	<u>(4,355,273)</u>
	<u>6,971,145</u>	<u>-</u>	<u>-</u>	<u>6,971,145</u>
	Balance at 1 December 2012	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2013
<i>In thousands of Naira</i>				
Property, plant and equipment	2,545,386	834,933	-	3,380,319
Tax loss carry forward	6,715,559	430,462	-	7,146,021
Allowances for loan losses	1,011,229	(211,151)	-	800,078
Unrecognised deferred tax	<u>(3,301,029)</u>	<u>(1,054,244)</u>	<u>-</u>	<u>(4,355,273)</u>
Net tax assets/(liabilities)	<u>6,971,145</u>	<u>-</u>	<u>-</u>	<u>6,971,145</u>

**22 Deposits from Banks**

<i>In thousands of Naira</i>	March 2014	December 2013
Money Market	-	-
	<u>-</u>	<u>-</u>

**23 Deposits from customers**

<i>In thousands of Naira</i>	March 2014	December 2013
Current accounts	326,623,867	355,849,731
Savings accounts	26,850,346	25,405,414
Term deposits	186,535,806	189,255,952
	<u>540,010,018</u>	<u>570,511,097</u>

**24 Other borrowed Funds**

<i>In thousands of Naira</i>	March 2014	December 2013
Due to Citibank (See (i) below)	15,683,341	14,756,696
Due to BOI (see (ii) & (v) below)	6,894,827	6,605,496
Due to CBN-Agric-Fund (See (iii) & (iv) below)	12,278,651	12,329,516
Due to NEXIM (See (vi) below)	407,836	408,121
Due to Standard Chartered Bank (See (vii) below)	4,986,240	4,694,698
Due to Foreign Banks-Deutsche Bank (See (viii) below)	7,950,899	-
Due to African Finance Corporation (See (ix) below)	2,231,936	-
	<u>50,433,730</u>	<u>38,794,527</u>

- (i) This represents the Naira equivalent of a USD95,000,000 facility granted to the Bank by Citibank International Plc payable in 4 years commencing October 2008 and interest is payable quarterly at a LIBOR plus a margin of 475 basis point. The facility was renegotiated to mature in September 2017 at a fixed rate of 7.5% annually. The loan is secured with pledged assets as indicated in Note 15.
- (ii) This is a facility from Bank of Industry under Central Bank of Nigeria N200billion intervention fund for refinancing and restructuring of banks' existing loan portfolios to Nigeria SME/Manufacturing sector. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. 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 1 year with provision for roll over.
- (iii) This represents a facility granted by the Central Bank of Nigeria (CBN) in Ref DFD/PMO/GEN/001/273. This was granted in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA &WR) by establishing a Commercial Agricultural Credit Scheme (CACS) to promote commercial agricultural enterprise in Nigeria. All facilities approved by the participating banks under the scheme is for a maximum period of 7 years while overdraft facilities approved are for a period of 1 year. The loans are at all-in-interest rate of 9%.
- (iv) Also included therein are facilities granted by the Bank, under The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) scheme. This is an initiative of the Central Bank of Nigeria (CBN), the Bankers Committee (BC) and the Federal Ministry of Agriculture & Rural Development (FMA&RD). Facilities are approved by the participating Bank at commercial rate, and the Customer enjoys an interest rebate of 35% - 50% on the rate depending on the category of the project. NIRSAL also sells Credit Risk Guarantee, at a cost of 3% of the facility amount, to give coverage of 40%-75% of the facility amount depending on the category of the project.
- (v) This is a facility from Bank of Industry under Central Bank of Nigeria N300billion Power and Aviation intervention fund for financing projects in the Power and Aviation sectors of the economy. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. Specifically, the managing agent (BOI) shall be entitled to a 1% management fee while the participating Bank earns a spread of 6%. Loans under this fund have tenors ranging between 10 - 15 years.
- (vi) This loan is a Stocking Facility granted by Nigerian Export Import (NEXIM) to the Bank for on-lending to an exporter. The facility is targeted towards encouraging participants in the non-oil export sector. It was granted to the Bank at the rate of 13% and the Bank is statutorily allowed a maximum spread of 3%. The tenor of this facility is 2-years.
- (vii) This is a short-term finance facility from Standard Chartered Bank London in a maximum principal amount of up to \$30million. The facility is for Dollar trade financing and funding of the Sub borrowers. The tenure of the facility is twelve months; the rate of interest on the loan for the relevant interest period is the percentage rate per annum determined by the lender to be the aggregate of the applicable margin (3.35%) and LIBOR. Interest payable on the loan shall be calculated by reference to successive interest periods each of the (3) months' duration.
- (viii) This represents the Naira equivalent of a USD50million facility granted to the Bank for general lending purposes by Deutsche Bank. The facility has a tenor of 365days commencing January 2014 and interest is payable quarterly at a fixed rate of 2.55% per annum. The loan is secured with pledged assets.
- (ix) This represents a short term unsecured placement of \$13.5million for a tenor of 60days at the rate of 3% per annum.

**25 Debt securities in issue**

<i>In thousands of Naira</i>	March 2014	December 2013
Debt securities carried at amortised cost	4,716,135	4,563,598
	<u>4,716,135</u>	<u>4,563,598</u>

This represents N4.716billion 7 year 13% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 19 December 2011 and 30 December 2011 by the Central Bank of Nigeria and Securities Exchange Commission respectively. The Bank is obliged to pay the Trustee (Skye Bank Plc) interest semi-annually on the non convertible debenture stock due 2018 until all the entire stock have been redeemed.

**26 Other liabilities**

<i>In thousands of Naira</i>	March 2014	December 2013
Creditors and accruals	5,618,823	4,781,267
Certified cheques	6,460,953	5,526,064
Defined contribution obligations	80,051	77,636
Customers' deposits for foreign trade	15,805,747	11,221,413
Provisions	2,595,815	1,326,774
Information Technology Levy	93,102	93,102
Deferred income	428,429	-
Other credit balances	7,699,217	6,331,518
	<u>38,782,137</u>	<u>29,357,774</u>

**27 Capital and reserves**

**(a) Share capital**

<i>In thousands of Naira</i>	March 2014	December 2013
Authorised:		
24,000,000,000 Ordinary shares of 50k each	<u>12,000,000</u>	<u>12,000,000</u>
Issued and fully-paid:		
21.593 billion (2013: 21.593 billion) Ordinary shares of 50k each	<u>10,796,407</u>	<u>10,796,407</u>

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meeting of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the bank

**(b) Share premium**

<i>In thousands of Naira</i>	March 2014	December 2013
Share premium	<u>27,871,589</u>	<u>27,871,589</u>

(c) **Other regulatory reserves**

(i) **Fair value reserve**

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(ii) **Regulatory risk reserve**

The regulatory risk reserve warehouses the difference between total provision on financial assets computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRSs.

(iii) **Other reserves**

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory. In prior year, 10% of profit after taxation was transferred to SMEEIS reserves in accordance with Small and Medium Enterprise Equity Investment Scheme as revised in April 2005. The Bank has suspended further appropriation to SMEEIS (now known as Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN.

(d) **Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

**28 Cash and cash equivalents**

For the purpose of cash flow, cash and cash equivalents include cash and foreign monies, unrestricted balances with Central Bank of Nigeria, balances held with local Banks, balances held with bank outside Nigeria and money market placements.

<i>In thousands of Naira</i>	March 2014	December 2013
Cash and foreign monies	9,079,055	8,189,877
Unrestricted balances with Central Bank of Nigeria	8,167,711	6,514,235
Balances held with local banks	1,335,307	2,131,951
Balances held with banks outside Nigeria	32,840,095	42,455,064
Money market placements	25,506,986	38,014,007
	<u>76,929,154</u>	<u>97,305,134</u>

**29 Related party and transactions**

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

**(i) Transactions with all related parties of the Bank**

	March 2014 N'000	December 2013 N'000
Loans and advances		
(a) Secured loans and advances	15,649,581	16,236,568
(b) Contingent liabilities	17,760,724	14,622,420

**(ii) Transactions with key management personnel**

Key management personnel have been defined as the executive directors and non-executive directors of the Bank. Key management personnel and their close family members engaged in the following transactions with the Bank during the period

	March 2014 N'000	December 2013 N'000
Secured loans and advances	164,184	199,283
Deposit liabilities	27,514,623	42,828,000

**(iii) Compensation of key management personnel**

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

	March 2014 N'000	March 2013 N'000
Executive compensation	30,289	30,289
Pension contributions	1,671	1,671
Termination benefits	-	-
Share-based payment transactions	-	-
Total compensation paid to key management personnel	31,960	31,960

(iv) Directors' remuneration below relates to provisions made for non-executive directors and charged as expense during the period. The non-executive directors do not received pension entitlements from the Bank.

	March 2014 N'000	March 2013 N'000
Directors' remuneration:		
Fees as Directors	10,250	7,750
Other emoluments	11,444	9,563
	21,694,15	17,313

**30 Movements in level 3 financial instruments measured at fair value**

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

Financial Assets	At 1 January 2014 N'000	Total gains/(losses) recorded in profit or loss N'000	Total gains/(losses) recorded in equity N'000	Purchases N'000	Sales N'000	Settlement N'000	At 31 March 2014 N'000
Investment Securities	1,357,195	50,597		-	-	(2,509)	1,405,283
<b>Total Level 3 financial Assets</b>	<b>1,357,195</b>	<b>50,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,509)</b>	<b>1,405,283</b>

Financial Assets	At 1 January 2013 N'000	Total gains/(losses) recorded in profit or loss N'000	Total gains/(losses) recorded in equity N'000	Purchases N'000	Sales N'000	Settlement N'000	At 31 December 2013 N'000
Investment Securities	1,101,039	313,976		18,810	(27,594)	(49,036)	1,357,195
<b>Total Level 3 financial Assets</b>	<b>1,101,039</b>	<b>313,976</b>	<b>-</b>	<b>18,810</b>	<b>(27,594)</b>	<b>(49,036)</b>	<b>1,357,195</b>

Loss/ Gain	Other Sundry Income	Net Impairment Charge
Investment Securities	<b>50,597</b>	<b>-</b>