Sterling Bank Plc

Unaudited IFRS Interim Financial Statements for the Period ended 30 September 2014

Directors' Report
For the period ended 30 September 2014

The Directors present their third quarter report on the affairs of Sterling Bank Plc, together with the unaudited financial statements for the period ended 30 September, 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, investment banking activities and non-interest banking. 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 subsidiaries and one associate company on 30 December, 2011.

Operating results

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

In thousands of Naira	September 2014	September 2013
Gross earnings	73,005,822	65,120,660
Profit before taxation	8,502,740	6,016,599
Taxation	(1,439,623)	(942,232)
Profit after taxation	7,063,117	5,074,367
Transfer to statutory reserve	2,118,935	1,522,310
Transfer to general reserve	4,944,182	3,552,057
	7,063,117	5,074,367
Earnings per share (kobo) - Basic	33k	32k
NPL Ratio	2.1.%	2.00%

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	Resigned 22/07/2014	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. Kayode Lawal	Executive Director	Appointed 28/04/2014	
6	Mr. Abubakar Suleiman	Executive Director	Appointed 28/04/2014	
7	Mr. Raghavan Karthikeyan (Indian)	Non-Executive Director	Appointed 26/02/2014	State Bank of India
8	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
9	Alh Bashir Borodo (OON)	Non-Executive Director		Dantata Investment & Securities Company Limited
10	Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited
11	Ms. Olufunmilola Osunsade	Non-Executive Director		Dr. Mike Adenuga
12	Mr. Rasheed Kolarinwa	Independent Director		
13	Ms. Tamarakare Yekwe (MON)	Independent Director	Appointed 26/02/2014	
14	Dr. (Mrs.) Omolara Akanji	Independent Director	Appointed 26/02/2014	
15	Mr. Asue Ighodalo	Non-Executive Director	Appointed 02/05/2014	

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:

	Number of shares			
Names	September 2014 Direct	September 2014 Indirect	December 2013 Direct	December 2013 Indirect
Alh.(DR).S.A Adegunwa,(OFR)	-	1,364,179,440	-	1,356,679,440
Mr. Raghavan Karthikeyan	-	2,549,505,026	-	2,549,505,026
Alh Bashir Borodo (OON)	61,841	2,631,578	61,841	79,388,653
Mr. Yinka Adeola	17,494,903	1,043,738,342	17,494,903	920,035,820
Mr. Yemi Idowu	-	1,383,753,953	-	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 Suleiman	16,326,849	-	16,628,687	-
Mr. Rasheed Kolarinwa	-	-	-	-
Ms. Olufunmilola Osunsade	-	1,620,376,969	-	1,620,376,969
Mr. Kayode Lawal	3,180,642	-	3,180,642	-
Mr. Asue Ighodalo	-	3,437,500	-	-
Dr. (Mrs) Omolara Akanji	-		-	-
Ms. Tamarakare Yekwe (MON)	-		-	-

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 30 September 2014 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	31,769	36.36%	14,417,299	0.07%
1001 - 5,000	26,664	30.52%	60,072,483	0.28%
5,000 - 10,000	9,193	10.52%	61,923,926	0.29%
10,001 - 20,000	7,392	8.46%	99,974,146	0.46%
20,001 - 50,000	5,838	6.68%	178,876,832	0.83%
50,001 - 100,000	2,720	3.11%	187,390,749	0.87%
100,001 - 200,000	1,512	1.73%	212,928,271	0.99%
200,001 - 500,000	1,089	1.25%	346,285,120	1.60%
500,001 - 10,000,000	1061	1.21%	1,745,045,320	8.08%
Above 10,000,001	130	0.15%	14,768,323,172	68.39%
Foreign shareholding	5	0.01%	3,917,576,275	18.14%
	87,373	100%	21,592,813,593	100.00%

The following shareholders have shareholdings of 5% and above as at 30 September 2014:

	September 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	7.71	7.37
Ess-ay Investments Ltd	6.32	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 30 September 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 training and Development***

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

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

iv ***Events after reporting date***

There were no events after reporting date which could have had a material effect on the state of affairs of the Bank as at 30 September 2014 or the profit for the period ended on that date which have not been adequately provided for or disclosed.

BY ORDER OF THE BOARD:

Justina Lewa
Company Secretary
(FRC/2013/NBA/00000001255)
20 Marina, Lagos, Nigeria.
October 9, 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 of Directors

The Board of Directors (the 'Board') is made up of the Non-Executive Chairman, Non-Executive Directors and Executive Directors who oversee the corporate governance of the Bank. The members are as follows:

1	Mr. Asue Ighodalo	Chairman	Non Executive
2	Mr. Yinka Adeola	Member	Non Executive
3	Ms. Olufunmilola Osunsade	Member	Non Executive
4	Mr. Raghavan Karthikeyan	Member	Non Executive
5	Mr. Rasheed Kolarinwa	Member	Independent
6	Ms. Tamarakare Yekwe MON	Member	Independent
7	Dr. (Mrs) Omolara Akanji	Member	Independent
8	Mr. Yemi Adeola	Member	Executive
9	Mr. Lanre Adesanya	Member	Executive
10	Mr. Kayode Lawal	Member	Executive
11	Mr. Abubakar Suleiman	Member	Executive

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	Dr. (Mrs) Omolara Akanji	Chairman
2	Mr. Yinka Adeola	Member
3	Mr. Rasheed Kolarinwa	Member
4	Mr. Yemi Adeola	Member
5	Mr. Lanre Adesanya	Member
6	Mr. Kayode Lawal	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	Ms. Olufunmilola Osunsade	Member
3	Mr. Yinka Adeola	Member
4	Mr. Yemi Adeola	Member
5	Mr. Lanre Adesanya	Member
6	Mr. Abubakar Suleiman	Member
7	Dr. (Mrs) Omolara Akanji	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	Ms. Tamarakare Yekwe MON	Chairman
2	Mr. Rasheed Kolarinwa	Member
3	Ms. Olufunmilola Osunsade	Member
4	Mr. Yemi Adeola	Member
5	Mr. Abubakar Suleiman	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. Olufunmilola Osunsade	Chairman
2	Mr. Rasheed Kolarinwa	Member
3	Mr. Yemi Adeola	Member
4	Mr. Lanre Adesanya	Member
5	Dr. (Mrs) Omolara Akanji	Member
6	Mr. Kayode Lawal	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	Mr. Idongesit E. Udoh	Chairman
2	Alhaji Mustapha Jinadu	Member
3	Miss Christie O. Vincent	Member
4	Mr. Yinka Adeola	Member
5	Ms. Tamarakare Yekwe MON	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 the policy, a new Unit was set-up in the Human Resources 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 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 Management is responsible for the implementation and compliance of the "Code of Ethics".

Whistle Blowing Process

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

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

It ensures a 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2014

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 Institution Act, CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of financial statements which present fairly, in all material respects, the financial position of 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 and performance 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, 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.

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, 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 present fairly, in all material respect, the financial position and financial performance of the Bank as of and for the quarter ended 30 September 2014.

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 as a going concern for at least twelve months from the date of this statement.

Condensed Statement of Comprehensive Income
For the period ended 30 September 2014

In thousands of Naira	Notes	September 2014	September 2013
Interest income	3	56,691,003	49,384,941
Interest expense	4	(24,534,171)	(25,161,647)
Net interest income		32,156,832	24,223,294
Fees and commission income	5	10,121,461	10,567,329
Net fee and commission		10,121,461	10,567,329
Net Trading income	6	4,399,819	3,184,098
Other operating income	7	1,793,539	1,984,292
Operating income		48,471,651	39,959,013
Impairment charges	8	(3,439,260)	(4,885,534)
Net operating income after impairment		45,032,391	35,073,479
Personnel expenses	9	(8,607,363)	(7,321,521)
Depreciation and amortisation	19(b)&20	(2,263,191)	(1,997,019)
Other operating expenses	10	(25,659,097)	(19,738,340)
Total expenses		(36,529,651)	(29,056,880)
Profit before income tax		8,502,740	6,016,599
Income tax expense	11(a)	(1,439,623)	(942,232)
Profit for the period		7,063,117	5,074,367
Other comprehensive income			
Fair value gain/(loss) on available for sale investments		(142,513)	(266,382)
Reclassification adjustment for gain/(loss) included in the income statement		75,036	-
Other comprehensive income for the period; net of tax		(67,478)	(266,382)
Total comprehensive income		6,995,639	4,807,985
Earnings per share - basic (in kobo)	12	33k	32k
Earnings per share - diluted (in kobo)	12	33k	32k

Condensed Statement of Financial Position
As at 30 September 2014

In thousands of Naira	Notes	September 2014	December 2013
Assets			
Cash and balances	13	124,567,909	96,900,562
Due from banks	14	119,664,312	85,601,022
Pledged financial assets	15	92,224,471	79,771,732
Loans and advances to Customers	16	325,030,470	321,743,748
Investment securities:			
- Held for trading	17(a)	10,354,232	2,200,994
- Available-for-sale	17(b)	93,161,545	19,496,194
- Held to maturity	17(c)	44,026,547	76,123,934
Other assets	18	18,126,545	9,317,091
Property, plant and equipment	19	11,912,584	9,069,368
Intangible assets	20	693,465	601,391
Deferred tax assets	21	6,971,145	6,971,145
Total Assets		846,733,225	707,797,181
Liabilities			
Deposits from Banks	22	-	-
Deposits from Customers	23	678,983,195	570,511,097
Current income tax liabilities	11(b)	1,428,466	1,112,289
Other borrowed funds	24	50,812,059	38,794,527
Debt securities issue	25	4,709,138	4,563,598
Other liabilities	26	45,745,034	29,357,774
Total Liabilities		781,677,892	644,339,285
Equity			
Share capital	27	10,796,407	10,796,407
Share premium	27	27,871,589	27,871,589
Retained earnings	27(d)	7,331,732	7,785,753
Equity reserves	27©	19,055,605	17,004,147
Total equity		65,055,333	63,457,896
Total liabilities and equity		846,733,225	707,797,181

Signed on behalf of the Board of Directors by:

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

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

Condensed Statement of changes in equity

For the period ended 30 September 2014

In thousands of Naira	Share capital	Share premium	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2014	10,796,407	27,871,589	10,845,468	(295,931)	943,684	5,276,423	234,503		7,785,753	63,457,897
Comprehensive income for the period	-	-	-	-	-	-	-	-	7,063,117	7,063,117
Proceeds from issue	-	-								-
Other comprehensive income net of tax		-	-	(67,478)	-	-	-	-	-	(67,478)
Realised during the period	-	-	-	-	-	-	-	-	-	-
Transfer to other reserve	-	-	2,118,935	-	-	-	-	-	(2,118,935)	-
Dividends to equity holders	-	-	-	-	-	-	-	-	(5,398,203)	(5,398,203)
	10,796,407	**27,871,589**	**12,964,403**	**(363,409)**	**943,684**	**5,276,423**	**234,503**	**-**	**7,331,732**	**65,055,333**

In thousands of Naira	Share capital	Share premium	Other regulatory reserves	Fair value reserves	Regulatory risk reserves	Share capital reserve	SMIEIS reserve	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2013	7,851,931	18,689,788	7,877,009	148,935	58,727	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	2,944,476	9,181,801								12,126,277
Balance at 31 December 2013	**10,796,407**	**27,871,589**	**10,845,468**	**(295,931)**	**943,684**	**5,276,423**	**234,503**	**-**	**7,785,753**	**63,457,896**

Condensed Statements of Cash Flow
For the period ended 30 September 2014

In thousands of Naira	Notes	September 2014	September 2013
Operating activities			
Profit before tax		8,502,740	6,016,599
Adjustment for:			
Depreciation and amortisation	19(b)&20	2,263,191	1,997,019
Net impairment on investment securities		-	229,849
Impairment loss on other assets		(90,339)	2,534,665
Net impairment on loan		3,529,599	2,121,020
Gain on disposal of property and equipment		1,100	(19,925)
Loss on sale of investment		-	(486)
Dividend received		(36,219)	(31,877)
Foreign exchange gain		(8,261)	(1,457,306)
Net interest income		(32,156,832)	(24,223,294)
Net gain on investment securities at fair value through profit or loss		17,602	(713,413)
Net changes in other comprehensive income		(67,478)	(514,031)
		(18,044,897)	**(14,061,180)**
Changes in			
Change in pledged assets		(12,452,739)	(45,766,255)
Change in loans and advances to customers		(3,359,447)	(81,579,339)
Change in due from Central Bank of Nigeria		3,000,000	-
Change in restricted balance with Central bank		(31,963,653)	(44,995,104)
Change in other assets		(8,743,765)	(11,380,608)
Change in deposits from banks		-	42,016,962
Change in deposits from customers		108,472,098	91,625,662
Change in other liabilities		16,345,662	(2,791,633)
		53,253,259	**(66,931,495)**
Interest received		53,104,562	48,865,280
Interest paid		(24,085,644)	(25,502,404)
Dividend received		36,219	31,877
		82,308,395	**(43,536,742)**
Income tax paid		(1,038,443)	(556,468)
Vat paid		(351,145)	(920,120)
Net cash flows from operating activities		**80,918,806**	**(45,013,330)**
Investing activities			
Net sale/(purchase) of investment securities		(49,531,202)	31,727,670
Purchase of property and equipment		(5,063,028)	(2,828,860)
Redemption of investments		10,039	-
Proceeds from the sale of property and equipment		30,712	99,054
Purchase of intangible assets		(217,596)	(359,190)
Net cash flows from/(used in) investing activities		**(54,771,075)**	**28,638,674**
Financing activities			
Proceeds from borrowing		18,045,184	6,412,840
Repayment of long term borrowing		(6,027,729)	(1,528,414)
Proceeds of Right issue		-	-
Dividends paid to equity holders		(5,398,203)	(3,140,773)
Net cash flows from/(used in) financing activities		**6,619,252**	**1,743,654**
Net increase/(decrease) in cash and cash equivalents		32,766,984	(14,631,001)
Cash and cash equivalents at 1 January		97,305,134	49,193,566
Cash and cash equivalents at 30 September 2014	28	**130,072,118**	**34,562,564**

Notes to the Financial Statements
For the period ended 30 September 2014

1 **Corporate information**

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

The Bank is engaged in corporate, commercial, retail banking and also licenced to operate in the Non Interest banking window.

2 **Accounting policies**

2.1 **(a) Basis of preparation**
The condensed financial statements for the nine months ended September 30, 2014 have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB).

(b) Seasonality of operations

The impact of seasonality or cyclicality 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 within 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 dividend declared on the audited results of the Bank for the year ended December 31, 2013 was paid within the period however, the Directors did not recommend the payment of any dividend for the Bank's interim results to 30 September 2014.

(g) Significant events after the end of the reporting period
There were no significant events that occurred after 30 June 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 period ended 30 June 2014 however, additional provision of N15.1million was made thus bringing the cumulative provision to N278.81million (31 December 2013 : N263million).

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

(a) Interest Income and Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sales and financial instruments designated at fair value through profit or loss, 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 takes into account contractual terms which includes prepayment options, claw-back, contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis; and
- 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.

(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 and unrealised fair value changes, dividends and foreign exchange differences.

(d) Financial assets and liabilities

(i) Initial recognition

The Bank initially recognises loans and advances, deposits; debt securities issued and 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.

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(ii) Subsequent measurement

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

(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.

Held-to-maturity investments are carried at amortised cost, using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the 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
- the group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the profit or loss in 'net trading income' for trading assets and 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 advances

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.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 reporting 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 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.

(i) Assets carried at amortised cost

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

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

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

The 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 reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. 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 Standards issued but not yet effective

Standards and improvement that are issued but not yet effective up to the period ended 30 September 2014 are disclosed below. The Bank intends to adopt the standards and improvements below , if applicable when if 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 IABS 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 Fair Value Option. 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
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from Contracts with Customers
IAS 27 Separate Financial Statements
IAS 32: Offsetting Financial Assets and Financial Liabilities Consequential amendments
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 four reportable segments; Retail Banking, Corporate Banking, Treasury and Non Interest Banking 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:

- Corporate Banking provides banking solutions to corporate and commercial enterprises.
- Retail Banking provides banking solutions to individuals, small businesses and partnerships among others.
- Treasury conducts the Bank's financial advisory and securities trading activities.
- Non Interest Banking provides specialised banking services that are sharia compliant.

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

In thousands of Naira	Retail Banking	Corporate Banking	Treasury	Non-Interest Banking	Total
(i) For the period ended 30 September 2014					
Interest and similar income	35,255,522	11,754,035	9,640,806		56,650,363
Interest and similar expenses	(18,791,647)	(2,703,754)	(3,016,319)		(24,511,720)
Return on investment	-	-	-	40,641	40,641
Share of Income	-	-	-	(22,451)	(22,451)
Net interest income	16,463,874	9,050,281	6,624,487	18,190	32,156,832
Net fees and Commission income	8,430,689	3,724,773	4,159,356	-	16,314,819
Depreciation of property & Equipment	(2,226,829)	(15,573)	(4,187)	(16,601)	(2,263,191)
IMPAIRMENT	**(2,966,211)**	**(788,194)**	**315,145**	**-**	**(3,439,260)**
Segment Profit (loss)	861,875	4,958,792	2,861,255	(179,183)	8,502,740
For the period ended 30 Septemner 2014					
Assets:					
Capital expenditure					
Property, plant and equipment/Intangible	4,837,119	44,865	13,375	167,669	5,063,028
Intangible segment assets	217,596				217,596
Total Assets	**657,762,545**	**132,575,340**	**55,068,206**	**1,327,135**	**846,733,226**
Total Liabilities	**419,303,577**	**94,668,709**	**266,717,479**	**988,127**	**781,677,893**

In thousands of Naira	Retail Banking	Corporate Banking	Treasury	Non-Interest Banking	Total
(ii) For the period ended 30 September 2013					
Interest and similar income	29,787,995	10,850,151	8,746,795		49,384,941
Interest and similar expenses	(16,872,818)	(3,591,496)	(4,697,333)		(25,161,647)
Net interest income	**12,915,177**	**7,258,655**	**4,049,462**		**24,223,294**
Net fees and Commission income	12,064,909	1,770,793	1,900,017		15,735,719
Depreciation of property & Equipment	(1,981,637)	(10,490)	(4,892)		(1,997,019)
IMPAIRMENT	**(1,559,371)**	**(743,390)**	**(2,582,774)**		**(4,885,534)**
Segment Profit (loss)	**911,707**	**4,433,265**	**671,628**		**6,016,599**
For the year ended 31 December 2013					
Assets:					
Capital expenditure					
Property, plant and equipment	3,923,503	11,734	2,352		3,937,589
Intangible segment assets	526,569	-	-		526,569
Total Assets	**469,314,972**	**128,250,783**	**110,231,426**		**707,797,181**
Total Liabilities	**510,489,051**	**95,863,524**	**37,986,710**		**644,339,285**

3 Interest income

In thousands of Naira	September 2014	September 2013
Cash and cash equivalent	2,573,174	782,011
Loan and advances to customers	41,394,116	31,850,473
Investment securities	12,688,240	16,250,714
Interest on impaired loans	35,473	501,743
	56,691,003	49,384,941
Interest from investment securities were derived from:		
Avaliable-for-sale	3,505,543	1,466,807
Held to maturity	9,182,697	14,783,907
	12,688,240	16,250,714

4 Interest expense

In thousands of Naira	September 2014	September 2013
Deposits from banks	233,864	1,674,591
Deposits from customers	22,715,316	21,928,558
Debt issued and other borrowed funds	1,584,991	1,558,498
	24,534,171	25,161,647

5 Fees and commission income

In thousands of Naira	September 2014	September 2013
Facility management fees	3,743,582	3,684,138
Commission on turnover	1,977,117	2,692,309
Commissions and similar income	1,173,336	2,228,564
Commission on letter of credit and Off Balance Sheet transactions	1,286,390	1,333,648
Other fees and commission	1,941,036	628,670
	10,121,461	10,567,329

6 Net trading income

In thousands of Naira	September 2014	September 2013
Foreign exchange trading	2,808,979	1,568,509
Bonds	1,088,833	1,223,246
Treasury bills	502,007	392,343
	4,399,819	3,184,098

7 Other operating income

In thousands of Naira	September 2014	September 2013
Rental income	269,593	124,302
Other sundry income	780,211	506,375
Foreign exchange gain/(loss)	(8,261)	(111,203)
Revaluation on trading securties	(17,602)	713,413
Dividends on available-for-sale equity securities	36,219	31,877
Gains on disposal of property, plant and equipment	(1,100)	19,925
Profit/loss on sale of investment	-	486
Cash recoveries on previously written off accounts	734,479	699,117
	1,793,539	1,984,292

8 Net impairment

In thousands of Naira	September 2014	September 2013
Credit losses		
- Specific impairment allowance	3,472,406	2,221,079
- Collective impairment	450,000	1,333,720
Bad debt written off	41,774	469
Allowances no longer required	(434,581)	(1,434,248)
	3,529,599	2,121,020
Other financial asset impairment		
- Impairment charge on investment securities	-	229,849
- Impairment on other assets	(90,339)	2,534,665
	3,439,260	4,885,534

9 Personnel expenses

In thousands of Naira	September 2014	September 2013
Wages and salaries	8,221,597	7,006,094
Defined contribution plan	385,766	315,427
	8,607,363	7,321,521

10 Other operating expenses

In thousands of Naira	September 2014	September 2013
Other premises and equipment costs	3,933,576	3,441,561
Audit fees	165,000	191,071
Other Professional Fees	393,232	354,658
AMCON surcharge (see note below)	2,453,486	2,332,997
Contract Services	1,489,638	1,234,304
Insurance	2,834,139	2,156,293
General and administrative expenses	14,390,026	10,027,456
	25,659,097	19,738,340

AMCON surcharge

This represents the Bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 30 September 2014. Effective 1 January 2013, the Bank was required to contribute an equivalent of 0.5% of both its total assets and 33.3% of contingents in Bankers Acceptance as at the preceding period end to AMCON's sinking fund in line with existing guidelines.

11 Income tax expense

	In thousands of Naira	September 2014	September 2013
(a)	Income tax	1,354,621	942,232
	Information Technology levy	85,002	
		1,439,623	942,232
	Deferred tax expense:	-	-
	Origination of temporary differences		
	Total income tax expense	1,439,623	942,232

(b) ***Current income tax liabilities***

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

In thousands of Naira	September 2014	December 2013
Balance, beginning of the year	1,112,289	803,422
Estimated charge for the period	1,354,621	942,232
payments/adjustment during the period	(1,038,443)	(633,365)
	1,428,466	1,112,289

(c) **Reconciliation of total income tax charge**

The basis of income tax is 30% of N5,398,203,750 pro-rated for nine months dividend paid to shareholders in 2014 relating to the 2013 financial year results . This is in compliance with Section 15A of Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.

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

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

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

The calculation of basic earnings per share as at 30 September 2014 was based on the profit attributable to ordinary shareholders of N7,063,117,000 and number of ordinary shares outstanding of 21,592,814,000 calculated as follows:

In thousands of Unit	September 2014	September 2013
Number of ordinary shares	21,592,814	15,703,863

In thousands of Naira	September 2014	September 2013
Profit for the period attributable to equity holders of the Bank	7,063,117	5,074,367
Basic earning per share	33k	32k
Diluted earning per share	33k	32k

13 **Cash and balances with Central Bank**

In thousands of Naira	September 2014	December 2013
Cash and foreign monies	9,798,943	8,189,877
Unrestricted balances with Central Bank of Nigeria	608,863	6,514,235
Deposits with the Central bank of Nigeria	114,160,103	82,196,450
	124,567,909	96,900,562

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

14 Due from banks

In thousands of Naira	September 2014	December 2013
Balances held with local banks	2,922,876	2,131,951
Balances held with banks outside Nigeria	74,360,427	42,455,064
Due from Central Bank of Nigeria	-	3,000,000
Money market placements	42,381,009	38,014,007
	119,664,312	85,601,022

15 Pledged Assets

In thousands of Naira	September 2014	December 2013
Pledged Treasury bills	21,442,367	15,090,000
Pledged Bonds	59,283,223	54,100,000
Other pledged assets	11,498,881	10,581,732
	92,224,471	79,771,732

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 governmnet 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

In thousands of Naira	September 2014	December 2013
Loans to individuals	36,697,855	28,335,809
Loans to corporate entities and other organizations	295,326,496	300,329,095
	332,024,351	328,664,904
Less:		
Specific impairment allowance	(4,014,751)	(4,392,026)
Collective impairment allowance	(2,979,130)	(2,529,130)
	325,030,470	321,743,748

Impairment allowance on loans and advances to customers

Specific impairment

In thousands of Naira	September 2014	December 2013
Balance, beginning of year	4,392,026	5,834,100
Impairment charge for the period	4,206,470	4,343,334
Reversal for the period	(470,100)	(1,479,271)
Write-offs/Reclass	(4,113,645)	(4,306,137)
Balance, end of period	4,014,751	4,392,026

Portfolio impairment

In thousands of Naira	September 2014	December 2013
Balance, beginning of year	2,529,130	876,298
Impairment charge for the period	450,000	-
Reversal for the period	-	1,652,832
Balance, end of period	2,979,130	2,529,130

17 Investment securities:

In thousands of Naira	September 2014	December 2013
(a) *Held for Trading (HFT)*		
- Bonds	668,350	230,440
- Treasury bills	9,685,882	1,970,554
	10,354,232	2,200,994
(b) *Available for Sale (AFS)*		
Government bond	24,810,809	3,002,924
Equity securities	1,739,612	1,895,190
Euro bond	2,579,849	1,069,074
Treasury bills	64,379,270	14,067,001
	93,509,540	20,034,189
Impairment on AFS instruments	(347,995)	(537,995)
	93,161,545	19,496,194

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 N1.74billion (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) *Held to maturity (HTM)*		
Government bonds	40,299,278	40,999,806
Corporate bonds	1,738,569	2,012,675
Treasury bills	1,988,700	33,111,453
	44,026,547	76,123,934
Total Investment securities	147,542,324	97,821,122

Specific allowance for impairment on AFS

In thousands of Naira	September 2014	December 2013
Balance, beginning of year	537,995	854,935
Charge for the period	-	468,217
Amounts written off	(190,000)	(785,157)
Balance, end of period	347,995	537,995

18 Other Assets

Other assets comprise:

In thousands of Naira	September 2014	December 2013
Accounts receivable	6,571,554	7,400,345
Prepayments and other receivables	15,318,577	5,867,229
Stock of cheque books and admin	330,490	209,282
	22,220,621	13,476,856
Impairment on other assets	(4,094,076)	(4,159,765)
	18,126,545	9,317,091

Movement in impairment on other assets

In thousands of Naira	September 2014	December 2013
Balance, beginning of year	4,159,765	1,848,300
impairment on other assets (note 8)	(90,339)	3,162,590
Reclassification	-	(380,153)
Write-offs	24,650	(470,972)
Balance, end of period	4,094,076	4,159,765

19 Property, plant and equipment

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

In thousands of Naira	Leasehold Land and Building	Capital work-in-progress	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Total
(a) **Cost**						
Balance as at 1 January, 2013	6,474,898	373,674	9,406,986	6,618,643	4,197,138	27,071,339
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	-
Balance as at 31 December 2013	6,715,077	822,813	10,263,900	7,838,039	4,494,339	30,134,168
Balance as at 1 January, 2014	**6,715,077**	822,813	10,263,900	7,838,039	4,494,339	30,134,168
Additions for the period	583,590	1,362,106	1,796,086	476,746	844,500	5,063,028
Disposals	(1,486,476)	-	(3,203,855)	(1,971,253)	(765,406)	(7,426,989)
*Adjustment	(50,444)	-	-	-	-	(50,444)
Reclassification	307,517	(375,146)	62,332	5,298	-	-
Balance as at 30 September, 2014	6,069,264	1,809,773	8,918,463	6,348,829	4,573,433	27,719,762
(b) Depreciation and impairment losses						
Balance as at 1 January, 2013	3,330,499	-	6,945,368	5,892,304	3,109,853	19,278,023
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)
Balance as at 31 December 2013	3,697,214	-	7,938,622	6,468,725	2,960,240	21,064,800
Balance as at 1 January, 2014	3,697,214	-	7,938,622	6,468,725	2,960,240	21,064,801
Charge for the period	292,549	-	759,138	574,407	511,576	2,137,670
Impairment Losses	-	-	-	-	-	-
Adjustment	1	-	1,144	(1,260)	1	(115)
Disposals	(1,485,935)	-	(3,184,434)	(1,970,453)	(754,355)	(7,395,177)
Balance as at 30 September, 2014	2,503,829	-	5,514,470	5,071,419	2,717,462	15,807,178
Carrying amounts						
Balance as at 30 September, 2014	3,565,435	1,809,773	3,403,994	1,277,411	1,855,972	11,912,584
Balance as at 31 December 2013	3,017,862	822,813	2,325,278	1,369,314	1,534,099	9,069,368
Balance as at 1 January, 2013	3,144,399	373,674	2,461,618	726,339	1,087,285	7,793,315

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N9.96billion (2013: N15.78billion).
*Lease reclassified to other assets to be amortised over the specified period is N50.48million

20 Intangible asset

Purchased Software

In thousands of Naira	September 2014	December 2013
Cost		
Beginning of year	1,971,653	1,445,084
Additions	217,596	526,569
Disposals	(483,295)	-
Balance end of period	1,705,954	1,971,653
Amortisation and impairment losses		
Beginning of year	1,370,262	1,241,620
Amortisation for the period	125,522	128,642
Impairment losses	-	-
Adjustment	(1.41)	
Disposals	(483,294)	-
Balance end of period	1,012,488	1,370,262
Carrying amounts	693,465	601,391

21 Deferred tax assets and liabilities

	Balance at 31 December 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 September 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	(4,355,273)			(4,355,273)
	6,971,145	-	-	6,971,145

22 Deposits from Banks

In thousands of Naira	September 2014	December 2013
Money Market	-	-
	-	-

23 Deposits from customers

In thousands of Naira	September 2014	December 2013
Current accounts	452,324,056	355,849,731
Savings accounts	28,213,963	25,405,414
Term deposits	198,445,176	189,255,952
	678,983,195	570,511,097

24 Other borrowed Funds

In thousands of Naira	September 2014	December 2013
Foreign Funds		
Due to Citibank (See (i) below)	15,566,690	14,756,696
Due to Standard Chartered Bank (See (ii) below)	-	4,694,698
Due to Foreign Banks-Deutsche Bank (See (iii) below)	7,952,739	-
Due to Goldman Sachs Int'l (See (iv) below)	8,265,151	-
	31,784,580	19,451,394
Local Funds		
Due to BOI (see (v) below)	7,622,462	6,605,496
Due to CBN-Agric-Fund (See (vi) & (vii) below)	10,996,485	12,329,516
Due to NEXIM (See (viii) below)	408,531	408,121
	19,027,479	19,343,133
	50,812,059	38,794,527

(i) This represents the Naira equivalent of a USD95,000,000 facility granted to the Bank for general corporate purposes by Citibank International Plc payable initially in four years commencing October 2008 with interest due quarterly at LIBOR plus 475 basis points. The facility was renegotiated to mature in September 2017 at a fixed rate of 6.2% per annum. The loan is secured with pledged assets as indicated in Note 15.

(ii) 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 is 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 three months' duration.

(iii) 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 one year commencing January 2014 and interest is payable quarterly at a fixed rate of 2.55% per annum. The loan is secured with government securities.

(iv) This represents Naira equivalent of a USD50million facility from Goldman Sachs with two years tenor commencing April 2014 at the interest rate of 3% per annum.

(v) This is a facility from Bank of Industry under Central Bank of Nigeria N200billion intervention fund for refinancing and restructuring of the Bank's existing loan portfolio to Nigeria SME/Manufacturing sector and N500billion 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) is 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.

(vi) 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 are for a maximum period of seven years while overdraft facilities approved are for a period of one year. The loans are at all-in-interest rate of 9% per annum.

(vii) 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 banks 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.

(viii) 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.

25 Debt securities in issue

In thousands of Naira	September 2014	December 2013
Debt securities carried at amortised cost	4,709,138	4,563,598
	4,709,138	4,563,598

This represents N4.56billion seven 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

In thousands of Naira	September 2014	December 2013
Creditors and accruals	19,811,195	4,781,267
Certified cheques	4,846,785	5,526,064
Defined contribution obligations	95,542	77,636
Customers' deposits for foreign trade	12,811,574	11,221,413
Provisions	1,086,062	1,326,774
Information Technology Levy	178,104	93,102
Deferred income	407,675	-
Other credit balances	6,508,096	6,331,518
	45,745,034	29,357,774

27 Capital and reserves

(a) *Share capital*

In thousands of Naira	September 2014	December 2013
Authorised:		
32,000,000,000 Ordinary shares of 50k each	16,000,000	12,000,000
Issued and fully-paid:		
21.593 billion (2013: 21.593 billion) Ordinary shares of 50k each	10,796,407	10,796,407

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

(b) Share premium

In thousands of Naira	September 2014	December 2013
Share premium	27,871,589	27,871,589

(c) Other regulatory reserves

The other regulatory reserves includes movements in the statutory reserves. Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(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 Central Bank of Nigeria stipulates that provisions for loans recognised in the profit or loss account be determined based on the requirements of IFRS. The IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in retained earnings should be treated as follows:

(i) Prudential impairment allowance is greater than IFRS impairment allowance: transfer the difference from the retained earnings to a non-distributable regulatory risk reserve.

(ii) Prudential impairment allowance is less than IFRS impairment allowance: the excess charges resulting should be transferred from the regulatory risk reserve account to the retained earnings to the extent of the non-distributable reserve previously recognised.

(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.

(e) Dividends paid

On 30 April 2014 at the annual general meeting, shareholders of the Bank declared dividend amounting to N5,398,203,398.25 representing 25kobo per ordinary share based on the 2013 audited financial result. This was paid on same day.

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.

In thousands of Naira	September 2014	December 2013
Cash and foreign monies	9,798,943	8,189,877
Unrestricted balances with Central Bank of Nigeria	608,863	6,514,235
Balances held with local banks	2,922,876	2,131,951
Balances held with banks outside Nigeria	74,360,427	42,455,064
Money market placements	42,381,009	38,014,007
	130,072,118	97,305,134

29 Contingent Liabilities and commitments

In the normal course of business, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contigent liabilities and commitments comprise performance bonds, acceptances, guarantees and letters of credit.

To meet the financial needs of customers, the Bank enters into various commitments and contigent liabilities. These consist of Financial guarantees and letters of credits. These obligations are not recognised on the statement of financial position because the risk has not crystallised.

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

The following table summarises the nominal principal amount of contigent liabilities and commitments with off-financial position risk:

In thousands of Naira	September 2014	December 2013
Bonds, guarantees and indemnities	100,616,908	124,900,867
Letters of credit	84,435,253	66,731,854
Others	5,615,257	9,996,500
	190,667,418	201,629,221

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**	**Total gains/(losses) recorded in profit or loss**	**Total gains/(losses) recorded in equity**	**Purchases**	**Sales**	**Settlement**	**At 30 Sept 2014**
In thousands of Naira							
Investment Securities	1,357,195	44,460		300,000	-	(10,039)	1,691,616
Total Level 3 financial Assets	1,357,195	44,460	-	300,000	-	(10,039)	1,691,616

Financial Assets	**At 1 January 2013**	**Total gains/(losses) recored in profit or loss**	**Total gains/(losses) recored in equity**	**Purchases**	**Sales**	**Settlement**	**At 31 December 2013**
In thousands of Naira							
Investment Securities	1,101,039	313,976		18,810	(27,594)	(49,036)	1,357,195
Total Level 3 financial Assets	1,101,039	313,976	-	18,810	(27,594)	(49,036)	1,357,195

Loss/ Gain	**Other Sundry Income**	**Net Impairment Charge**
Investment Securities	**44,460**	**190,000**