# Sterling Bank Plc

## Unaudited IFRS Interim Financial Statements for the Period ended 31 March 2015

**Directors' Report**
***For the period ended 31 March 2015***

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, 2015.

**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 products and other banking activities.

**Legal form**

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

In October, 2011, the Bank had a business combination with Equitorial Trust Bank Limited to re-position itself to better compete in the market space. The enlarged entity 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* | March 2015 | March 2014 |
|---|---|---|
| Gross earnings | 27,226,310 | 24,714,240 |
| Profit before taxation | 4,041,867 | 3,542,001 |
| Taxation | (129,557) | (404,865) |
| Profit after taxation | 3,912,310 | 3,137,136 |
| Transfer to statutory reserve | 1,173,693 | 941,141 |
| Transfer to general reserve | 2,738,617 | 2,195,995 |
| | 3,912,310 | 3,137,136 |
| Earnings per share (kobo) - Basic | 14k | 20k |
| Earnings per share (kobo) - diluted | 14k | 20k |

| | March 2015 | December 2014 |
|---|---|---|
| NPL Ratio | 3.6% | 3.10% |

**Directors who served during the period**

The following Directors served during the period under review:

| | Name | Designation | Date appointed /resigned | Interest represented |
|---|---|---|---|---|
| 1 | Mr. Asue Ighodalo | Chairman | | |
| 2 | Mr. Yinka Adeola | Non-Executive Director | | Concept Features Limited<br>Alfanoma Nigeria Limited<br>Plural Limited<br>Reduvita Investment Limited<br>Quaker Intergrated Services Limited |
| 3 | Mr. Rasheed Kolarinwa | Independent Director | | |
| 4 | Ms. Olufunmilola Osunsade | Non-Executive Director | | Dr. Mike Adenuga |
| 5 | Dr. (Mrs.) Omolara Akanji | Independent Director | | |
| 6 | Ms. Tamarakare Yekwe (MON) | Independent Director | | |
| 7 | Mr. Raghavan Karthikeyan (Indian) | Non-Executive Director | | |
| 8 | Mr. Olaitan Kajero | Non-Executive Director | | Eban Odan Industrial & Commercial Company<br>STB Building Society Limited<br>Eltees Properties<br>Rebounds Integrated Services Limited<br>L.A Kings Limited |
| 9 | Mrs. Tairat Tijani | Non-Executive Director | | Ess-ay Investment Limited |
| 10 | Mrs. Egbichi Akinsanya | Non-Executive Director | Appointed 02/03/2015 | |
| 11 | Mr. Yemi Adeola | Managing Director/CEO | | |
| 12 | Mr. Lanre Adesanya | Executive Director | | |
| 13 | Mr. Kayode Lawal | Executive Director | | |
| 14 | Mr. Abubakar Suleiman | Executive Director | | |
| 15 | Mr. Grama Narasimhan (Indian) | Executive Director | Appointed 31/03/2015 | |
| 16 | Mr. Yemi Odubiyi | Executive Director | Appointed 05/02/2015 | |

**Going Concern**

The Directors assess the bank's future performance and financial performance on an on-going basis and have no reason to believe that the Bank will not be a going concern in the period ahead. For this reason, these financial statement are prepared on a going concern basis.

**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** | March 2015 Direct | March 2015 Indirect | December 2014 Direct | December 2014 Indirect |
| Mr. Asue Ighodalo | - | 69,137,500 | - | 69,137,500 |
| Mr. Yinka Adeola | 17,494,903 | 1,043,738,342 | 17,494,903 | 1,043,738,342 |
| Mr. Rasheed Kolarinwa | - | - | - | - |
| Ms. Olufunmilola Osunsade | - | 1,620,376,969 | - | 1,620,376,969 |
| Dr. (Mrs) Omolara Akanji | - | - | - | - |
| Ms. Tamarakare Yekwe (MON) | - | - | - | - |
| Mr. Raghaven Karthikeyan | - | 2,549,505,026 | - | 2,549,505,026 |
| Mr. Olaitan Kajero | - | 1,485,659,766 | - | 1,383,753,342 |
| Mr. Tairat Tijani | - | 1,377,727,551 | - | 1,372,301,560 |
| Mrs. Egbichi Akinsanya | - | 1,682,815,136 | - | - |
| Mr. Yemi Adeola | 25,535,555 | - | 25,535,555 | - |
| Mr. Lanre Adesanya | 5,110,960 | - | 5,110,960 | - |
| Mr. kayode Lawal | 3,180,642 | - | 3,180,642 | - |
| Mr. Abubakar Suleiman | 12,540,403 | - | 16,326,849 | - |
| Mr. Grama Narasimhan | - | - | - | - |
| Mr. Yemi Odubiyi | 4,549,667 | - | - | - |

**Analysis of shareholding**

The range analysis of the distribution of the shares of the Bank as at 31 March 2015 is as follows:

| Range of shares | Number of holders | % | Number of units | % |
|---|---|---|---|---|
| 1 - 1,000 | 31,732 | 36.45% | 14,395,006 | 0.05% |
| 1001 - 5,000 | 26,521 | 30.46% | 59,669,709 | 0.21% |
| 5,001 - 10,000 | 9,134 | 10.49% | 61,523,640 | 0.21% |
| 10,001 - 20,000 | 7,330 | 8.42% | 99,102,125 | 0.34% |
| 20,001 - 50,000 | 5,303 | 6.09% | 165,212,333 | 0.57% |
| 50,001 - 100,000 | 3,227 | 3.71% | 213,188,731 | 0.74% |
| 100,001 - 200,000 | 1,607 | 1.85% | 228,243,689 | 0.79% |
| 200,001 - 500,000 | 1,066 | 1.22% | 334,813,346 | 1.16% |
| 500,001 - 10,000,000 | 1,010 | 1.16% | 1,634,387,669 | 5.68% |
| Above 10,000,001 | 125 | 0.14% | 14,808,032,109 | 51.43% |
| Foreign shareholding | 6 | 0.01% | 11,171,849,767 | 38.80% |
| | 87,061 | 100% | 28,790,418,124 | 100.00% |

The following shareholders have shareholdings of 5% and above as at 31 March 2015:

| | March 2015 Holding (units) | March 2015 % holding | December 2014 Holding (units) | December 2014 % holding |
|---|---|---|---|---|
| Silverlake Investment Limited | 7,197,604,531 | 25 | 7,197,604,531 | 25 |
| State Bank of India | 2,549,505,026 | 8.86 | 2,549,505,026 | 8.86 |
| SNNL/Asset Management Corporation of Nigeria - Main | 1,682,815,136 | 5.85 | 1,682,712,505 | 5.84 |
| Dr. Mike Adenuga | 1,620,376,969 | 5.63 | 1,620,376,969 | 5.63 |

**Acquisition of own shares**

The Bank did not acquire any of its shares during the period ended 31 March 2015 (31 December 2014: 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 the reporting date which could have had a material effect on the state of affairs of the Bank as at 31 March 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.**
**April 8, 2015**

**Corporate Governance**

In line with the code of corporate governance issued by the Central Bank of Nigeria in October 2014, 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 | Chairman |
| 2 | Mr. Yinka Adeola | Member | Non-Executive Director |
| 3 | Mr. Rasheed Kolarinwa | Member | Independent Director |
| 4 | Ms. Olufunmilola Osunsade | Member | Non-Executive Director |
| 5 | Dr. (Mrs.) Omolara Akanji | Member | Independent Director |
| 6 | Ms. Tamarakare Yekwe (MON) | Member | Independent Director |
| 7 | Mr. Raghavan Karthikeyan (Indian) | Member | Non-Executive Director |
| 8 | Mr. Olaitan Kajero | Member | Non-Executive Director |
| 9 | Mrs. Tairat Tijani | Member | Non-Executive Director |
| 10 | Mrs. Egbichi Akinsanya | Member | Non-Executive Director |
| 11 | Mr. Yemi Adeola | Member | Managing Director/CEO |
| 12 | Mr. Lanre Adesanya | Member | Executive Director |
| 13 | Mr. Kayode Lawal | Member | Executive Director |
| 14 | Mr. Abubakar Suleiman | Member | Executive Director |
| 15 | Mr. Grama Narasimhan (Indian) | Member | Executive Director |
| 16 | Mr. Yemi Odubiyi | Member | Executive Director |

***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. Olaitan Kajero | Member |
| 5 | Mr. Yemi Adeola | Member |
| 6 | Mr. Lanre Adesanya | Member |
| 7 | 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 | Ms. Olufunmilola Osunsade | Chairman |
| 2 | Mr. Yinka Adeola | Member |
| 3 | Ms. Tamarakare Yekwe (MON) | Member |
| 4 | Mr. Yemi Adeola | Member |
| 5 | Mr. Lanre Adesanya | Member |
| 6 | Mr. Abubakar Suleiman | Member |

***Board governance and nominations 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 | Dr. (Mrs.) Omolara Akanji | Member |
| 5 | Mr. Olaitan Kajero | Member |
| 6 | Mr. Yemi Adeola | Member |
| 7 | 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 | Mr. Olaitan Kajero | Chairman |
| 2 | Mr. Rasheed Kolarinwa | Member |
| 3 | Ms. Olufunmilola Osunsade | Member |
| 4 | Dr. (Mrs) Omolara Akanji | Member |
| 5 | Mr. Yemi Adeola | Member |
| 6 | Mr. Lanre Adesanya | Member |
| 7 | Mr. Kayode Lawal | Member |

***Board Audit Committee***

The Committee acts on behalf of the Board of Directors on financial reporting, internal control and audit matters. Decisions and actions of the Committee are presented to the Board for approval/ratification. The members are as follows:

| | | |
|---|---|---|
| 1 | Mr. Rasheed Kolarinwa | Chairman |
| 2 | Mr. Yinka Adeola | Member |
| 3 | Dr. (Mrs) Omolara Akanji | Member |
| 4 | Ms. Tamarakare Yekwe (MON) | Member |

***Statutory Audit Committee***

The Committee acts on behalf of the Bank on all audit matters. Report and Actions of the Committee are presented to the shareholders at the Annual General Meeting. 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 |
| 6 | Mr. Olaitan Kajero | 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 31 MARCH 2015**

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 31 March 2015.

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 31 March 2015***

| *In thousands of Naira* | Notes | March 2015 | March 2014 |
|---|---|---|---|
| Interest income | 3 | 19,237,806 | 18,659,077 |
| Interest expense | 4 | (10,087,642) | (8,396,956) |
| **Net interest income** | | 9,150,164 | 10,262,121 |
| Fees and commission income | 5 | 5,006,762 | 3,315,207 |
| Net Trading income | 6 | 2,211,431 | 2,288,473 |
| Other operating income | 7 | 770,311 | 451,483 |
| **Operating income** | | 17,138,668 | 16,317,284 |
| Impairment charges | 8 | (933,748) | (1,042,325) |
| **Net operating income after impairment** | | 16,204,920 | 15,274,959 |
| Personnel expenses | 9 | (2,978,959) | (2,752,503) |
| Other operating expenses | 10 (a) | (2,896,139) | (3,042,435) |
| General and administative expenses | 10 (b) | (3,985,044) | (3,954,732) |
| Other property, plant and equipment cost | 10(c) | (1,366,540) | (1,271,123) |
| Depreciation and amortisation | 19(b)&20 | (936,371) | (712,165) |
| **Total expenses** | | (12,163,053) | (11,732,958) |
| **Profit before income tax** | | 4,041,867 | 3,542,001 |
| Income tax expense | 11(a) | (129,557) | (404,865) |
| **Profit for the period** | | 3,912,310 | 3,137,136 |
| ***Other comprehensive income*** | | | |
| Fair value gain/(loss) on available for sale investments | | (1,366,772) | (450,394) |
| Fair value gain/(loss) on available for sale securities sold included in profit or loss | | 1,131,739 | 295,931 |
| **Other comprehensive income for the period; net of tax** | | (235,033) | (154,463) |
| **Total comprehensive income** | | 3,677,276 | 2,982,673 |
| Earnings per share - basic (in kobo) | 12 | 14k | 20k |
| Earnings per share - diluted (in kobo) | 12 | 14k | 20k |

## Condensed Statement of Financial Position
***As at 31 March 2015***

| *In thousands of Naira* | Notes | March 2015 | December 2014 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances | 13 | 169,915,484 | 174,759,962 |
| Due from banks | 14 | 66,429,217 | 67,330,073 |
| Pledged financial assets | 15 | 84,166,865 | 78,750,860 |
| Loans and advances to Customers | 16 | 392,406,916 | 371,246,273 |
| **Investment securities:** | | | |
| - Held for trading | 17(a) | 4,817,160 | 1,949,460 |
| - Available-for-sale | 17(b) | 40,147,210 | 49,039,378 |
| - Held to maturity | 17(c) | 41,753,184 | 45,581,835 |
| Other assets | 18 | 19,851,937 | 14,136,957 |
| Property, plant and equipment | 19 | 14,382,287 | 13,952,027 |
| Intangible assets | 20 | 1,058,706 | 821,456 |
| Deferred tax assets | 11(c) | 6,971,145 | 6,971,145 |
| **Total Assets** | | 841,900,112 | 824,539,426 |
| **Liabilities** | | | |
| Deposits from Customers | 21 | 622,188,116 | 655,944,127 |
| Current income tax liabilities | 11(b) | 1,931,746 | 1,802,189 |
| Other borrowed funds | 22 | 59,988,593 | 45,371,097 |
| Debt securities issue | 23 | 4,707,531 | 4,563,584 |
| Other liabilities | 24 | 64,691,566 | 32,143,144 |
| **Total Liabilities** | | 753,507,551 | 739,824,141 |
| **Equity** | | | |
| Share capital | 25 | 14,395,209 | 14,395,209 |
| Share premium | 25 | 42,759,214 | 42,759,214 |
| Retained earnings | | 8,492,594 | 5,753,977 |
| Equity reserves | | 22,745,545 | 21,806,885 |
| *Total equity* | | 88,392,561 | 84,715,285 |
| **Total liabilities and equity** | | 841,900,112 | 824,539,426 |

Signed on behalf of the Board of Directors by:

Adebimpe Olambiwonnu
Finance Controller
FRC/2013/ICAN/00000001253

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

## Condensed Statement of changes in equity

***For the period ended 31 March 2015***

| *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 2015** | 14,395,209 | 42,759,214 | 13,546,960 | (1,131,739) | 3,880,738 | 5,276,423 | 234,503 | | 5,753,977 | 84,715,285 |
| Comprehensive income for the period | - | - | - | - | - | - | - | - | 3,912,310 | 3,912,310 |
| Other comprehensive income net of tax | | - | - | (235,033) | - | - | - | - | - | (235,033) |
| Realised during the period | - | - | - | - | - | - | - | - | - | - |
| Transfer to other reserve | - | - | 1,173,693 | - | - | - | - | - | (1,173,693) | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - |
| **Balance at 31 March 2015** | **14,395,209** | **42,759,214** | **14,720,653** | **(1,366,772)** | **3,880,738** | **5,276,423** | **234,503** | **-** | **8,492,594** | **88,392,561** |

| *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 | 63,457,896 |
| Comprehensive income for the year | - | - | - | - | - | - | - | - | 3,137,136 | 3,137,136 |
| Other comprehensive income net of tax | - | - | - | (154,463) | - | - | - | - | - | (154,463) |
| Realised during the year | - | - | - | - | - | - | - | - | - | - |
| Transfer to other reserve | - | - | 941,141 | - | - | - | - | - | (941,141) | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - |
| **Balance at 31 March 2014** | **10,796,407** | **27,871,589** | **11,786,609** | **(450,394)** | **943,684** | **5,276,423** | **234,503** | **-** | **9,981,748** | **66,440,569** |

## Condensed Statements of Cash Flow
***For the period ended 31 March 2015***

| *In thousands of Naira* | Notes | March 2015 | March 2014 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 4,041,867 | 3,542,001 |
| Adjustment for: | | | |
| Net impairment on loan | 8 | 1,154,631 | 1,042,325 |
| Impairment loss on other assets | 8 | (220,883) | - |
| Depreciation and amortisation | 19(b)&20 | 936,371 | 712,165 |
| Gain on disposal of property and equipment | 7 | (29,685) | (4,374) |
| Gain on sale of investment | 7 | (64,506) | - |
| Foreign exchange gain | 7 | (442) | (10,874) |
| Net gain on investment securities at fair value through profit or loss | | (7,160) | (78,843) |
| Net changes in other comprehensive income | | 235,033 | 154,463 |
| | | **6,045,226** | **5,356,863** |
| **Changes in** | | | |
| Change in pledged assets | | (5,416,005) | (4,095,080) |
| Change in loans and advances to customers | | (22,311,930) | (16,119,961) |
| Change in due from Central Bank of Nigeria | | - | 3,000,000 |
| Change in restricted balance with Central bank | | (15,767,076) | (12,408,861) |
| Change in other assets | | (5,451,805) | (2,672,562) |
| Change in deposits from customers | | (33,756,011) | (30,501,079) |
| Change in other liabilities | | 32,548,422 | 9,424,393 |
| | | **(44,109,179)** | **(48,016,287)** |
| Income tax paid | | - | - |
| **Net cash flows from operating activities** | | **(44,109,179)** | **(48,016,287)** |
| **Investing activities** | | | |
| Net sale/(purchase) of investment securities | | 9,590,423 | 16,884,575 |
| Purchase of property and equipment | 19 | (1,347,745) | (876,440) |
| Purchase of intangible assets | 20 | (305,512) | (32,862) |
| Proceeds from the sale of property and equipment | | 41,666 | 12,449 |
| Redemption of investments | | - | 2,509 |
| **Net cash flows from/(used in) investing activities** | | **7,978,832** | **15,990,231** |
| **Financing activities** | | | |
| Proceeds from borrowing | | 18,974,961 | 11,690,354 |
| Repayment of long term borrowing | | (4,357,466) | (51,151) |
| **Net cash flows from/(used in) financing activities** | | **14,617,495** | **11,639,203** |
| Effect of exchange rate changes on cash and cash equivalents | | 442 | 10,874 |
| Net increase/(decrease) in cash and cash equivalents | | (21,512,852) | (20,386,853) |
| Cash and cash equivalents at 1 January | | 108,769,104 | 97,305,134 |
| Cash and cash equivalents at 31 March | 26 | **87,256,694** | **76,929,154** |
| **Operational cash flow from Interest** | | | |
| Interest Received | | 17,990,868 | 17,857,869 |
| Interest Paid | | (9,657,902) | (8,530,385) |

## Notes to the Financial Statements
***For the period ended 31 March 2015***

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 three months ended 31 March, 2015 have been prepared in accordance with International Financial Reporting Standards (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, 2014 has not been approved by the Shareholders, thus not paid. However, the Directors did not recommend the payment of any dividend for the Bank's interim results to 31 March 2015.

**(g) Significant events after the end of the reporting period**
There were no significant events that occurred after 31 March 2015 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 31 March 2015.

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 2014. 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 31 March 2015 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 5, Non current Asset Held for Sale and Discontinued operations
IFRS 7 Financial Instruments: Disclosures
IAS 19 Employee Benefits

**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 |
|---|---|---|---|---|---|
| **For the period ended 31 March 2015** | | | | | |
| Interest income and NIB income | 11,984,931 | 4,943,387 | 2,284,596 | 24,892 | 19,237,806 |
| Interest expenses and NIB expense | (7,738,181) | (853,511) | (1,487,328) | (8,623) | (10,087,642) |
| **Net interest income NIB margin** | 4,246,750 | 4,089,876 | 797,268 | 16,269 | 9,150,164 |
| Fees and Commission income | 1,182,935 | 1,362,636 | 2,456,653 | 4,538 | 5,006,762 |
| Depreciation of property & Equipment | (900,249) | (20,765) | (5,583) | (9,774) | (936,371) |
| IMPAIRMENT | 312,657 | (931,260) | (315,145) | - | (933,748) |
| **Segment Profit (loss)** | **538,925.92** | **1,454,090** | **2,072,289** | **(23,438)** | **4,041,867** |
| **For the period ended 31 march 2015** | | | | | |
| **Assets:** | | | | | |
| Capital expenditure | | | | | |
| Property, plant and equipment/Intangible | 1,258,039 | 28,508 | 13,344 | 47,853 | 1,347,745 |
| Intangible segment assets | 305,512 | - | - | - | 305,512 |
| **Total Assets** | **456,579,021** | **193,872,040** | **189,672,459** | **1,776,592** | **841,900,112** |
| **Total Liabilities** | **589,519,644** | **113,994,394** | **48,531,677** | **1,461,836** | **753,507,551** |

| In thousands of Naira | Retail Banking | Corporate Banking | Treasury | Non-Interest Banking | Total |
|---|---|---|---|---|---|
| **For the period ended 31 March 2014** | | | | | |
| Interest income and NIB income | 10,779,755 | 4,102,542 | 3,776,780 | | 18,659,077 |
| Interest expenses and NIB expense | (6,198,163) | (1,108,502) | (1,090,291) | | (8,396,956) |
| **Net interest income NIB margin** | 4,581,591 | 2,994,040 | 2,686,489 | | 10,262,121 |
| Fees and Commission income | 410,586 | 983,945 | 1,920,676 | | 3,315,207 |
| Depreciation of property & Equipment | (706,525) | (4,518) | (1,122) | | (712,165) |
| IMPAIRMENT | (767,742) | (190,500) | (84,083) | | (1,042,325) |
| **Segment Profit (loss)** | **748,768** | **885,457** | **1,907,777** | | **3,542,001** |
| **For the year ended 31 December 2014** | | | | | |
| **Assets:** | | | | | |
| Capital expenditure | | | | | |
| Property, plant and equipment | 7,787,927 | 97,551 | 29,082 | 47,853 | 7,962,413 |
| Intangible segment assets | 397,256 | - | - | | 397,256 |
| **Total Assets** | **468,882,625** | **164,887,691** | **191,332,728** | **1,436,382** | **824,539,426** |
| **Total Liabilities** | **582,025,810** | **110,900,409** | **45,790,051** | **1,107,871** | **739,824,141** |

## 3 Interest income

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Cash and cash equivalent | 429,914 | 910,288 |
| Loan and advances to customers | 14,350,813 | 13,476,507 |
| Investment securities | 4,155,911 | 4,266,234 |
| Interest on impaired loans | 301,168 | 6,048 |
| | 19,237,806 | 18,659,077 |
| Interest from Investment securities were derived from: | | |
| Avaliable-for-sale | 1,801,724 | 830,914 |
| Held to maturity | 2,354,187 | 3,435,320 |
| | 4,155,911 | 4,266,234 |

## 4 Interest expense

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Deposits from banks | 157,631 | 87,434 |
| Deposits from customers | 9,278,554 | 7,838,822 |
| Debt issued and other borrowed funds | 651,457 | 470,700 |
| | 10,087,642 | 8,396,956 |

## 5 Fees and commission income

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Facility management fees | 482,354 | 1,398,473 |
| Commission on turnover | 404,454 | 719,061 |
| Commissions and similar income | 1,368,135 | 450,118 |
| Commission on letter of credit and Off Balance Sheet transactions | 370,485 | 379,801 |
| Other fees and commission (See note below) | 2,381,334 | 367,754 |
| | 5,006,762 | 3,315,207 |

Other 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

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Foreign exchange trading | 1,843,987 | 1,419,767 |
| Bonds | 53,715 | 11,633 |
| Treasury bills | 313,729 | 857,073 |
| | 2,211,431 | 2,288,473 |

## 7 Other operating income

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Rental income | 58,113 | 67,517 |
| Other sundry income | 246,815 | 259,736 |
| Foreign exchange gain | 442 | 10,874 |
| Net gain on trading securties | - | - |
| Dividends on available-for-sale equity securities | - | - |
| Gains on disposal of property, plant and equipment | 29,685 | 4,374 |
| Gain on sale of investment securities | 64,506 | - |
| Cash recoveries on previously written off accounts | 370,750 | 108,982 |
| | 770,311 | 451,483 |

**8 Net impairment**

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Credit losses | | |
| - Specific impairment allowance (see note 16) | 1,208,270 | 791,053 |
| - Collective impairment | - | 250,000 |
| Bad debt written off | 3,343 | 33,625 |
| Allowances no longer required | (56,982) | (32,353) |
| | 1,154,631 | 1,042,325 |
| Other financial asset impairment | | |
| - Impairment on other assets | (220,883) | - |
| | 933,748 | 1,042,325 |

**9 Personnel expenses**

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Wages and salaries | 2,681,377 | 2,642,169 |
| Defined contribution plan | 297,582 | 110,334 |
| | 2,978,959 | 2,752,503 |

**10 (a) Other operating expenses**

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| AMCON surcharge (see note below) | 1,031,062 | 1,272,340 |
| Audit fees | 55,000 | 55,000 |
| Contract Services | 548,308 | 501,779 |
| Insurance | 893,342 | 1,045,502 |
| Other Professional Fees | 103,249 | 74,892 |
| Net foreign exchange loss | - | - |
| Loss on disposal of property, plant and equipment | - | - |
| Net loss on trading securties | 265,178 | 92,922 |
| | 2,896,139 | 3,042,435 |

**AMCON surcharge**

This represents the Bank's contribution to a fund established by Asset Management Corporation of Nigeria (AMCON) for the period ended 31 March 2015. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2014 : 0.5%) of its total assets plus 33.3% of off-financial position assets (loan-related) as at the period preceding year end to AMCON's sinking fund in line with existing guidelines.

**(b) General and administative expenses**

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Administrative expenses | 1,644,716 | 1,442,339 |
| Office expenses | 662,345 | 865,340 |
| Advertising and business promotion | 694,284 | 592,635 |
| Communication cost | 316,755 | 457,977 |
| Transport, travel, accomodation | 144,071 | 122,262 |
| Seminar and conferences | 114,125 | 97,742 |
| Rents and rates | 47,500 | 70,049 |
| Security | 72,507 | 65,142 |
| Other general expenses | 114,704 | 61,186 |
| Annual general meeting expenses | 60,000 | 50,000 |
| Stationery and printing | 44,566 | 41,198 |
| Directors other expenses | 25,644 | 25,000 |
| Membership and subscription | 31,635 | 25,401 |
| Fines and penalties | - | 28,792 |
| Directors fee | 10,250 | 7,750 |
| Newspapers and periodicals | 1,942 | 1,919 |
| | 3,985,044 | 3,954,732 |

**(c) Other property, plant and equipment cost**

This represents the cost the Bank incurred on assets expensed in line with the bank's capitalisation policy, cost incurred on repair, maintenance and other running cost on property, plant and equipment.

## 11 Income tax expense

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| **(a)** Income tax | 129,557 | 404,865 |
| Total income tax expense | 129,557 | 404,865 |

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

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

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of the year | 1,802,189 | 1,112,289 |
| Income tax and education tax for the year | 129,557 | 1,635,532 |
| payments during the period | - | (942,232) |
| Excess provision no longer required | | (3,400) |
| | 1,931,746 | 1,802,189 |

**(c) Deferred tax**

31 March 2015

| *In thousands of Naira* | Balance as at 1 January 2015 | Recognised in profit or loss | Recognised deferred tax liability/(asset) |
|---|---|---|---|
| Accelerated depreciation of property, plant and equipment | 1,299,207 | | 1,299,207 |
| Unutilised tax credit (capital allowance) | (3,811,478) | | (3,811,478) |
| Tax losses | (4,225,437) | | (4,225,437) |
| Deductible temporary difference | (233,438) | | (233,438) |
| | (6,971,145) | - | (6,971,145) |

31 December 2014

| *In thousands of Naira* | Balance as at 1 January 2014 | Recognised in profit or loss | Recognised deferred tax liability/(asset) |
|---|---|---|---|
| Accelerated depreciation of property, plant and equipment | 1,350,846 | (51,639) | 1,299,207 |
| Unutilised tax credit (capital allowance) | (3,115,935) | (695,543) | (3,811,478) |
| Tax losses | (4,706,353) | 480,917 | (4,225,437) |
| Deductible temporary difference | (499,703) | 266,266 | (233,438) |
| | (6,971,145) | - | (6,971,145) |

## 12 Earning per share (basic and diluted)

The calculation of basic earnings per share as at 31 March 2015 was based on the profit attributable to ordinary shareholders of N3,912,309,000 and weighted average number of ordinary shares outstanding of 28,790,418,000 calculated as follows:

| *In thousands of Unit* | March 2015 | March 2014 |
|---|---|---|
| Weighted average number of ordinary shares | 28,790,418 | 15,703,863 |

| *In thousands of Naira* | March 2015 | March 2014 |
|---|---|---|
| Profit for the year attributable to equity holders of the Bank | 3,912,310 | 3,137,136 |
| Basic earning per share | 14k | 20k |
| Diluted earning per share | 14k | 20k |

## 13 Cash and balances with Central Bank

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Cash and foreign monies | 14,202,679 | 10,777,660 |
| Unrestricted balances with Central Bank of Nigeria | 6,624,798 | 30,661,371 |
| Deposits with the Central bank of Nigeria | 149,088,007 | 133,320,931 |
| | 169,915,484 | 174,759,962 |

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

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balances held with local banks | 12,713,005 | 1,866,518 |
| Balances held with banks outside Nigeria | 21,410,776 | 35,580,692 |
| Money market placements | 32,305,436 | 29,882,863 |
| | 66,429,217 | 67,330,073 |

## 15 Pledged Assets

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Pledged Treasury bills (see note (a) below) | 4,615,000 | 7,785,977 |
| Pledged Bonds - FGN (see note (b) below) | 42,565,745 | 46,791,931 |
| Pledged Bonds - State Government (see note (b) below) | 13,930,121 | 4,483,474 |
| Pledged Euro Bonds (see note (b) below) | 17,035,875 | 12,930,835 |
| Other pledged assets (see note (c) below) | 6,020,124 | 6,758,643 |
| | 84,166,865 | 78,750,860 |

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.

(a) Pledged for clearing activities, as collection bank for governmnet taxes and Interswitch electronic card transactions

(b) Pledged as security for long term loan from Citibank International, Goldman Sachs International, clearing activities with First Bank Plc.

(c) 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* | March 2015 | December 2014 |
|---|---|---|
| Loans to individuals | 44,677,629 | 23,070,714 |
| Loans to corporate entities and other organizations | 358,558,701 | 357,853,686 |
| | 403,236,330 | 380,924,400 |
| Less: | | |
| Specific impairment allowance | (7,682,741) | (6,531,453) |
| Collective impairment allowance | (3,146,673) | (3,146,674) |
| | 392,406,916 | 371,246,273 |

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

**Specific impairment**

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of year | 6,531,453 | 4,392,026 |
| Impairment charge for the period (see note 8) | 1,208,270 | 6,995,737 |
| Reversal for the period | (56,982) | (787,408) |
| Write-offs | - | (4,068,902) |
| Balance, end of period | 7,682,741 | 6,531,453 |

**Collective impairment**

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of year | 3,146,674 | 2,529,130 |
| Impairment charge for the period | - | 617,544 |
| Balance, end of period | 3,146,674 | 3,146,674 |

**17 Investment securities:**

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| **(a) *Held for Trading (HFT)*** | | |
| - Bonds | - | 288,025 |
| - Treasury bills | 4,817,160 | 1661435 |
| | 4,817,160 | 1,949,460 |
| **(b) *Available for Sale (AFS)*** | | |
| Government bond | 15,990,005 | 6,654,211 |
| Equity securities | 1,913,478 | 1,759,111 |
| Euro bond | 473,208 | 1,076,428 |
| Treasury bills | 22,158,234 | 39,937,343 |
| | 40,534,925 | 49,427,093 |
| Impairment on AFS instruments | (387,715) | (387,715) |
| | 40,147,210 | 49,039,378 |

Unquoted available for sale equity securities are carried at cost, their fair value cannot be measured realiably. These are investments in small and medium scale enterprises with a carrying cost of N1.9 billion (2014: 1.7 billion). There is no similar investment that the price can be reliably benchmarked because there is no active market. These investments are recouped through redemption or disposal to existing equity holders

| | | |
|---|---|---|
| **( c) *Held to maturity (HTM)*** | | |
| Government bonds | 40,668,362 | 43,914,339 |
| Corporate bonds | 1,084,822 | 1,667,496 |
| | 41,753,184 | 45,581,835 |
| **Total Investment securities** | 86,717,554 | 96,570,673 |

Specific allowance for impairment on AFS

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of year | 387,715 | 537,995 |
| Charge for the period | - | 39,720 |
| Amounts written off | - | (190,000) |
| Balance, end of period | 387,715 | 387,715 |

**18 Other Assets**

Other assets comprise:

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Accounts receivable | 8,365,251 | 5,895,670 |
| Prepayments | 12,772,490 | 9,752,773 |
| Prepaid staff cost | 2,475,664 | 2,520,566 |
| Stock of cheque books and admin | 353,117 | 345,708 |
| | 23,966,522 | 18,514,717 |
| Impairment on other assets | (4,114,585) | (4,377,760) |
| | 19,851,937 | 14,136,957 |

Movement in impairment on other assets

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of year | 4,377,760 | 4,159,765 |
| impairment on other assets (note 8) | (220,883) | 230,799 |
| Write-offs | (42,292) | (12,804) |
| Balance, end of period | 4,114,585 | 4,377,760 |

## 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, 2014 | 6,715,076 | 822,813 | 10,263,901 | 7,838,040 | 4,494,339 | 30,134,169 |
| Additions for the period | 1,017,532 | 2,319,855 | 2,917,176 | 619,154 | 1,088,696 | 7,962,413 |
| Disposals | (1,536,920) | - | (3,212,144) | (1,982,532) | (914,679) | (7,646,275) |
| Reclassification | 402,715 | (475,191) | 66,528 | 5,948 | - | - |
| Balance as at 31 Decemebr 2014 | 6,598,403 | 2,667,477 | 10,035,461 | 6,480,610 | 4,668,356 | 30,450,307 |
| Balance as at 1 January, 2015 | 6,598,403 | 2,630,083 | 10,035,461 | 6,480,610 | 4,668,356 | 30,412,913 |
| Additions for the period | 101,131 | 463,680 | 436,645 | 106,131 | 240,158 | 1,347,745 |
| Disposals | 0 | 0 | (355,074) | (3,005) | (43,873) | (401,951) |
| Reclassification | 239,589 | (599,848) | 329,535 | 17,599 | 13,125 | (0) |
| Balance as at 31 March 2015 | 6,939,123 | 2,493,915 | 10,446,567 | 6,601,335 | 4,877,766 | 31,358,706 |
| (b) Depreciation and impairment losses | | | | | | |
| 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 | 399,480 | - | 1,069,028 | 772,951 | 720,947 | 2,962,406 |
| Disposals | (1,485,934) | - | (3,187,081) | (1,981,484) | (874,428) | (7,528,927) |
| Balance as at 31 Decemebr 2014 | 2,610,760 | - | 5,820,569 | 5,260,192 | 2,806,760 | 16,498,280 |
| Balance as at 1 January, 2015 | 2,610,760 | - | 5,820,569 | 5,260,192 | 2,806,760 | 16,498,281 |
| Charge for the period | 111,761 | - | 343,995 | 207,676 | 204,677 | 868,108 |
| Disposals | - | - | (346,097) | (2,962) | (40,911) | (389,970) |
| Balance as at 31 March 2015 | 2,722,521 | - | 5,818,467 | 5,464,905 | 2,970,526 | 16,976,419 |
| Carrying amounts | | | | | | |
| **Balance as at 31 March 2015** | 4,216,602 | 2,493,915 | 4,628,100 | 1,136,430 | 1,907,240 | 14,382,287 |
| **Balance as at 31 December 2014** | 3,987,643 | 2,667,477 | 4,214,892 | 1,220,418 | 1,861,596 | 13,952,027 |
| **Balance as at 1 January, 2014** | 3,017,862 | 822,813 | 2,325,279 | 1,369,315 | 1,534,099 | 9,069,368 |

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N10.061billion (2014: N10.107billion).

## 20 Intangible asset

Purchased Software

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| **Cost** | | |
| **Beginning of year** | 1,885,615 | 1,971,653 |
| Additions | 305,512 | 397,256 |
| Disposals | - | (483,295) |
| Balance end of period | 2,191,127 | 1,885,615 |
| **Amortisation and impairment losses** | | |
| Beginning of year | 1,064,158 | 1,370,262 |
| Amortisation for the period | 68,263 | 177,191 |
| Disposals | - | (483,295) |
| Balance end of period | 1,132,421 | 1,064,158 |
| **Carrying amounts** | 1,058,706 | 821,456 |

## 21 Deposits from customers

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Current accounts | 410,122,409 | 447,636,827 |
| Savings accounts | 35,819,517 | 32,643,163 |
| Term deposits | 174,888,475 | 171,456,737 |
| Pledged deposits | 1,357,714 | 4,207,400 |
| | 622,188,116 | 655,944,127 |

## 22 Other borrowed Funds

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| **Foreign Funds** | | |
| Due to Citibank (See (i) below) | 18,946,655 | 16,549,068 |
| Due to Standard Chartered Bank (See (ii) below) | 15,947,436 | - |
| Due to Goldman Sachs Int'l (See (iii) below) | 8,441,676 | 7,821,749 |
| | 43,335,767 | 24,370,817 |
| **Local Funds** | | |
| Due to BOI (see (iv) below) | 6,573,966 | 7,195,262 |
| Due to CBN-Agric-Fund (See (v) below) | 10,068,848 | 13,396,485 |
| Due to CBN - MSME Fund (See (vi) below) | 10,011 | - |
| Due to NEXIM | - | 408,533 |
| | 16,652,825 | 21,000,280 |
| | 59,988,593 | 45,371,097 |

(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 consists of short-term finance facilities of $15million, $14.95million and a currency swap of $50million from Standard Chartered Bank London. The facilities are for Dollar trade financing and funding of Sub borrowers. The tenure of the facilities are two hundred seventy two days and three hundred and sixty three days respectively; the rate of interest is determined by the lender to be the aggregate of LIBOR plus 200 basis points.

(iii) 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.

(iv) 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.

(v) 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.
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.

(vi) This is a fund initiated by the Central Bank of Nigeria to support, promote and deepen access to finance for Micro, Small and Medium Enterprises (MSME) at an all in rate of 9% (fees inclusive).

**23 Debt securities in issue**

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Debt securities carried at amortised cost | 4,707,531 | 4,563,584 |
| | 4,707,531 | 4,563,584 |

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.

**24 Other liabilities**

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Creditors and accruals | 6,824,952 | 7,913,857 |
| Certified cheques | 5,974,104 | 7,442,256 |
| Defined contribution obligations | 95,209 | 749 |
| Customers' deposits for foreign trade | 6,136,484 | 6,818,572 |
| Provisions (See note (i) Below) | 1,306,652 | 278,814 |
| Information Technology Levy | 107,480 | 107,480 |
| Other credit balances (See note (ii) Below) | 44,246,683 | 9,581,416 |
| | 64,691,566 | 32,143,144 |

Movement in provisions in other liabilities

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Balance, beginning of year | 278,814 | 1,326,774 |
| Additions | 1,027,838 | 15,112 |
| Payments | | (1,063,072) |
| | 1,306,652 | 278,814 |

(i) Included in the amount of provision is accrual for AMCON charge

(ii) Included in the amount of Other credit balances are pledged amount serving as collateral for loans and collection of Bond issue proceed on behalf of Kaduna state government.

## 25 Capital and reserves

### (a) *Share capital*

| *In thousands of Naira* | March 2015 | December 2014 |
|---|---|---|
| Authorised: | | |
| 32,000,000,000 Ordinary shares of 50k each | 16,000,000 | 16,000,000 |
| Issued and fully-paid: | | |
| 28.79 billion (2014: 28.79 billion) Ordinary shares of 50k each | 14,395,209 | 14,395,209 |

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* | March 2015 | December 2014 |
|---|---|---|
| Share premium | 42,759,214 | 42,759,214 |

### (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.

## 26 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* | March 2015 | December 2014 |
|---|---|---|
| Cash and foreign monies (See note 13) | 14,202,679 | 10,777,660 |
| Unrestricted balances with Central Bank of Nigeria (See note 13) | 6,624,798 | 30,661,371 |
| Balances held with local banks (See note 14) | 12,713,005 | 1,866,518 |
| Balances held with banks outside Nigeria (See note 14) | 21,410,776 | 35,580,692 |
| Money market placements (See note 14) | 32,305,436 | 29,882,863 |
| | 87,256,694 | 108,769,104 |

## 27 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 related 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* | March 2015 | December 2014 |
|---|---|---|
| Bonds, guarantees and indemnities | 98,896,617 | 106,304,492 |
| Letters of credit | 130,883,807 | 94,438,715 |
| Others | 8,944,897 | 3,099,759 |
| | 238,725,322 | 203,842,966 |