

**ANNUAL  
REPORT  
& ACCOUNTS**



**Sterling Bank**

**Sterling Bank Plc and subsidiary companies**

**Group financial statements for 15 months**

**Period ended 31 December 2009**

**Together with Directors' and Auditor's Reports**

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## Corporate Governance

The Bank is committed to the principle of best practice in corporate governance, which aims at ensuring integrity, openness, credibility, transparency and accountability in all facets of its business.

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

### Board Composition and Committee

#### *Board Credit Committee*

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

		Attendance	No. of Meetings	
1	Alhaji Lawal Kankia Ibrahim	Chairman	2	8
2	Mr Yemi Idowu	Member	6	8
3	Captain Harrison Kuti	Member	7	8
4	Mr Yinka Adeola	Member	8	8
5	Mr Yemi Adeola	Member	7	8
6	Mr T.P.N. Rao	Member	6	8

#### *Board Finance and General Purpose Committee*

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

		Attendance	No. of Meetings	
1	Captain Harrison Kuti	Chairman	4	4
2	Alhaji Aliyu A. Alkali, mni (Died)	Member	2	4
3	Alhaji Bashir M. Borodo, MFR	Member	4	4
4	Mr. Yemi Adeola	Member	4	4
5	Mr T.P.N. Rao	Member	4	4

#### *Board Establishment Committee*

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

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

**Board Risk Management Committee**

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

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

**Audit Committee**

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

		Attendance	No. of Meetings
1 Mr. Mustapha Jinadu	Chairman	6	6
2 Mr. Labaran Tanko	Member	6	6
3 Mr. Jerome Akpan	Member	6	6
4 Captain Harrison Kuti	Member	6	6
5 Mr. Yemi Idowu	Member	5	6
6 Alhaji Bashir M. Borodo, MFR	Member	6	6

**Board Meetings**

**Attendance at Board meetings for the period ended 31 December 2009**

Director	Attendance	No of Meetings
Alhaji (Dr) S Adebola Adegunwa, OFR	7	7
Mr Yemi Adeola	7	7
Mr. T.C.A Ranganathan	1	7
Mr. Yemi Idowu	7	7
Captain Harrison Kuti	7	7
Alhaji Bashir M Borodo, MFR	5	7
Alhaji Aliyu A Alkali mni	7	7
Mr. Yinka Adeola	7	7
Mr Lanre Adesanya	7	7
Mallam Garba Imam	7	7
Mr. T.P.N. Rao	7	7

## **Management Committees**

### **1 *Executive Committee (EXCO)***

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

### **2 *Assets and Liability Committee (ALCO)***

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

### **3 *Management Credit Committee (MCC)***

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

### **4 *Management Performance Review Committee (MPR)***

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

### **5 *Criticised Assets Committee (CAC)***

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

### **6 *Computer Steering Committee (CSC)***

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

### **7 *Management Risk Committee (MRC)***

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

## **Succession Planning**

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

The policy identifies six critical roles comprising 298 positions in respect of which there is a formal succession planning.

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

**Code of Ethics**

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

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

**Whistle Blowing Process**

Sterling Bank recognizes that an effective whistle-blowing programme is a key element of good corporate governance and risk management.

An essential attribute of the whistle-blowing process is the guaranty of confidentiality and protection of the whistle-blower’s rights. It is also designed to ensure a sound, clean and high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

The Bank has therefore provided for a whistle blowing channel via the Bank’s website, dedicated telephone hotlines and email 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.

This robust whistle blowing process allows for reporting suspected breaches of the Bank’s internal policies and unethical activities by all stakeholders of the Bank (i.e. Staff, Customers, Suppliers and Applicants etc).

The Bank’s Chief Compliance Officer (CCO) is responsible for monitoring and reporting on whistle blowing.

## **Directors' Report**

*For the period ended 31 December 2009*

The Directors present their annual report on the affairs of Sterling Bank Plc (“the Bank”) and the subsidiary companies (“the Group”), together with the audited financial statements and auditors' report for the period ended 31 December 2009

### **Change in accounting year end**

The Group changed its financial year end from 30 September to 31 December based on the circular BSD/DIR/GEN/CIR/03/017 issued by the Central Bank of Nigeria in respect of a common year end for all banks. These Group financial statements have therefore been prepared for the fifteen-months period ended 31 December 2009.

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

### **Legal form**

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

The Bank has four (4) (2008: 5) non-bank subsidiaries; Sterling Asset Management and Trustees Limited, which is engaged in investment and trusteeship business, Sterling Capital Markets Limited, engaged in investment banking, financial advisory and asset management services, Sterling Registrars Limited, which act as registrars to public companies, and SBG Insurance Brokers Limited, engaged in insurance brokerage business. The financial result of these entities have been consolidated in these financial statements.

The Bank disposed 40% of the 60% equity interest in Nigerian Stockbrokers Limited (NSL) during the period. Consequently, Nigerian Stockbrokers Limited which was previously a subsidiary, is now accounted for at the period end as an Associate within the Group financial statements.



## Operating results

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

	Group 31 December 2009	Group 30 September 2008	Bank 31 December 2009	Bank 30 September 2008
	15 months N'000	12 months N'000	15 months N'000	12 months N'000
Gross earnings	46,717,490	36,129,278	43,464,716	32,777,845
(Loss)/profit before taxation and exceptional items	(11,632,428)	6,289,809	(9,072,908)	6,096,985
Exceptional income	-	4,774,732	-	4,774,732
Exceptional charge	-	(3,081,993)	-	(3,081,993)
(Loss)/profit before taxation Taxation	(11,632,428) 2,612,826	7,982,548 (1,398,669)	(9,072,908) 2,412,502	7,789,724 (1,266,571)
(Loss)/profit after taxation Non-controlling interest	(9,019,602) -	6,583,879 (20,212)	(6,660,406) -	6,523,153 -
(Loss)/profit attributable to group	(9,019,602)	6,563,667	(6,660,406)	6,523,153
Transfer to statutory reserve	-	1,956,946	-	1,956,946
Transfer to general reserve	(9,019,602)	4,606,721	(6,660,406)	4,566,207
	(9,019,602)	6,563,667	(6,660,406)	6,523,153
Total non-performing loan	22,842,806	7,196,566	22,289,082	7,196,566
Total non-performing loan as % of gross loan	23.61%	9.67%	23.26%	9.81%
Earnings per share (kobo) - Basic	(72)k	52k	(53)k	52k

**Beneficial ownership**

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

**Directors who served during the year**

The following directors served during the year under review:

Name	Designation	Date appointed /resigned	Interest represented
Alh.(DR).S.A Adegunwa,(OFR)	Chairman		Ess-ay Investment Limited
Mr.Yemi Adeola	Group Managing Director		-
Mr.Lanre Adesanya	Executive Director		-
Mr.T.P.N Rao (Indian)	Executive Director		-
Mallam Garba Imam	Executive Director		-
Mr. T. C. A. Rangannathan (Indian)	Non-Executive Director	Resigned on 22/10/2009	State Bank of India
Mr.Abhay Kumar Singh (Indian)	Non-Executive Director	Appointed on 22/10/2009	State Bank of India
Capt. Harrison Kuti	Non-Executive Director		Hak Air Limited
Mr. Yemi Idowu	Non-Executive Director		Eban Odan Industrial & Commercial Company
Alh. Aliyu A. Alkali (mni)	Non-Executive Director	Died 25/09/2009	New Nigeria Development Company Limited
Alh.L.K Ibrahim	Non-Executive Director	Appointed on 22/10/2009	New Nigeria Development Company Limited
Alh Bashir Borodo (MFR)	Non-Executive Director		Dantata Investment & Securities Company Limited
Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited

### Directors interests in shares

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

Names	Number of shares			
	December	December	September	September
	2009	2009	2008	2008
	Direct	Indirect	Direct	Indirect
Alh.(DR).S.A Adegunwa,(OFR)		900,962,953	18,841,522	771,902,130
Mr.Abhay Kumar Singh	-	1,854,185,474	-	1,854,185,474
Capt. Harrison kuti	-	704,149,559	-	704,149,559
Mr. Yemi Idowu	-	191,248,789	-	937,313,460
Alh. Lawal Kankia Ibrahim	-	121,615,633	-	116,902,603
Alh Bashir Borodo (MFR)	22,401	268,298,525	22,401	262,643,422
Mr. Yinka Adeola	12,723,566	248,444,153	12,723,566	687,794,972
Mr.Yemi Adeola	15,299,487	-	15,299,487	11,852,038
Mr.Lanre Adesanya	2,888,664	-	2,888,664	-
Mr.T.P.N Rao	-	-	-	-
Mallam Garba Imam	1,052,631	-	1,052,631	-

### Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2009 is as follows:

Range of shares	Number of holders	%	Number of units	%
1 - 1,000	32,717	35.31%	14,914,384	0.12%
1001 - 5,000	28,431	30.69%	63,681,612	0.51%
5,000 - 10,000	10,267	11.08%	68,468,997	0.55%
10,001 - 20,000	8,328	8.99%	111,883,733	0.89%
20,001 - 50,000	5,875	6.34%	179,337,822	1.43%
50,001 - 100,000	3,080	3.32%	204,489,345	1.63%
100,001 - 200,000	1,672	1.80%	231,927,286	1.85%
200,001 - 500,000	1,099	1.19%	333,609,996	2.66%
500,001 - 10,000,000	1,083	1.17%	1,725,154,023	13.73%
Above 10,000,001	87	0.09%	6,679,242,503	53.17%
Foreign shareholding	5	0.01%	2,950,381,842	23.48%
	<u>92,644</u>	<u>100.00%</u>	<u>12,563,091,543</u>	<u>100.00%</u>

The following shareholders have shareholdings of 5% and above as at 31 December 2009:

	December 2009 % holding	September 2008 % holding
State Bank of India	14.76	14.75
Essay Investments Ltd	7.17	5.33
HAK Air Limited	5.6	5.6
Eba-Odan Commercial and Industrial Co. Ltd	1.42	7.46

#### **Retirement of directors**

Mr. Abhay Kumar Singh who was appointed as a Director since the last Annual General Meeting hereby retires and offers himself for election. In accordance with Articles 92 of our Articles of Association, Captain Harison Kuti and Mr. Yinka Adeola retire by rotation and being eligible, offer themselves for re-election.

#### **Donations**

The Group during the year donated a total sum of ₦25,355,000 (September 2008: ₦83,572,000) to various charitable organizations and higher education institutions in the country details of which are shown below. No donation was made to any political organization.

<b>Details of donations</b>	<b>Purpose</b>	<b>₦'000</b>
Lagos Monarch Community Hall Project	Cultural Development	5,000
Lagos State Waste Management Authority	Donation Of Uniforms	4,700
Land Registry Company (LASG)	Donation Of Pick-Up Vehicle	4,200
National Petroleum Investment Management Services	Training Programme	4,125
Lagos State Government	Educational Summit	2,500
Nigerian Immigration Service Authority	Jingles For E-Payment	1,575
Women In Management And Business	1st Wimbiz Conference	1,000
Northern Nigeria Economic Summit Group	Annual Summit	500
Ondo State Government	Support For Ekimogun Day	500
Fate Foundation	Youth Development Programme	480
Lagos State Ministry Of Transportation	Commisioning Of Lagos State Drivers Institute, Ikorodu	300
Sponsorship Of Children's Parliament	Children's Parliament	250
National Sports Commission	Sports Stakeholders Conference	225
		25,355

#### **Acquisition of own shares**

The Bank did not acquire any of its shares during the period ended 31 December 2009 (30 September 2008: Nil).

#### **Property and equipment**

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

## **Employment and employees**

### ***Employment of disabled persons:***

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

### ***Health, safety and welfare of employees:***

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

### ***Employee involvement and training:***

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

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

## **Post balance sheet event**

There were no post balance sheet events which could have had a material effect on the state of affairs of the Bank as at 31 December 2009 or the profit for the period ended on that date, which have not been adequately provided for or disclosed.

## **Auditors**

KPMG Professional Services have indicated their willingness to continue in office. In accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria, a resolution will be proposed at the Annual General Meeting to authorize the Directors to fix their remuneration.

## **BY ORDER OF THE BOARD:**

Justina Lewa  
Company Secretary  
20, Marina, Lagos, Nigeria.  
10 May 2010

**STATEMENTS OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2009**

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

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities;
- (b) the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, 1990, Banks and Other Financial Institutions Act, 1991, Prudential Guidelines, Nigerian Accounting Standards and relevant Circulars issued by the Central Bank of Nigeria;
- (c) the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Bank and its subsidiaries will not continue in business.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with Statements of Accounting Standards, the requirements of the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act, 1991, Prudential Guidelines, and relevant Circulars issued by the Central Bank of Nigeria.

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

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

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

Signed on behalf of the Directors by:

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Alhaji (Dr) S.A. Adegunwa, OFR  
10 May 2010

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Yemi Adeola  
10 May 2010

## **Report of the Audit Committee** *For the period ended 31 December 2009*

To the members of **Sterling Bank Plc:**

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

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audit for the period ended 31 December 2009 were satisfactory and reinforce the Group's internal control systems.
- We are satisfied that the Bank has complied with provisions of Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of directors' related credits in the financial statements of banks", and hereby confirm that an aggregate amount of ₦1.692 billion (September 2008: ₦1.197 billion) was outstanding as at 31 December 2009. The status of performance of these facilities are disclosed in note 38.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's response to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

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Mr. Mustapha Jinadu  
Chairman, Audit Committee

10 May, 2010

Members of the Audit Committee are:

1 Mr. Mustapha Jinadu	Chairman
2 Mr. Labaran Tanko	Member
3 Mr. Jerome Akpan	Member
4 Captain Harrison Kuti	Member
5 Mr. Yemi Idowu	Member
6 Alhaji Bashir M. Borodo, MFR	Member

In attendance:  
Justina Lewa

Secretary

To the Members of **Sterling Bank Plc**:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Sterling Bank Plc (“the Bank”) and its subsidiaries (“the Group”), which comprise the group and separate balance sheets as at 31 December 2009, and the group and separate profit and loss accounts, group and separate statements of cash flow and group and separate statements of value added for the period then ended, and the statement of accounting policies, notes to the financial statements and five years financial summary, as set out on pages 16 to 104.

### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Sterling Bank Plc ("the Bank") and its subsidiaries (together "the Group") as at 31 December 2009, and of the Group and Bank's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.



***Emphasis of matter***

Without qualifying our opinion, we draw attention to Note 43 to the financial statements which indicates that the Group and Bank incurred losses of ₦9.020billion and ₦6.660billion respectively during the period ended 31 December 2009 and as of that date, the Group and Bank had shareholders' funds of ₦21.074billion and ₦22.142billion respectively. The Note also explains the details of the on-going recapitalisation plans of the Bank.

**Report on Other Legal and Regulatory Requirements**

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Bank and its subsidiaries, so far as appears from our examination of those books and the group and separate balance sheets and profit and loss accounts are in agreement with the books of accounts.

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

- i. The Bank contravened the provisions of Sections 25 of the Banks and Other Financial Institutions Act of Nigeria during the period ended 31 December 2009. Details of these and other contraventions are stated in Note 40 to the financial statements.
- ii. Related party transactions and balances are disclosed in Note 38 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

10 May, 2010

Lagos, Nigeria

## **Statement of significant accounting policies**

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding periods, is set out below: except for the waiver of the requirement for a one percent (1%) general provision on performing loans as described in note h.

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

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

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

### **(b) Reporting period:**

The Group changed its financial year end from 30 September to 31 December based on the circular BSD/DIR/GEN/CIR/03/017 issued by the Central Bank of Nigeria in respect of a common year end for all banks. These Group financial statements have therefore been prepared for the fifteen-months period ended 31 December 2009.

### **(c) Goodwill**

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

### **(d) Basis of consolidation**

#### *Subsidiaries*

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

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

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

*Unrealised gain/losses on intergroup transactions*

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

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

*Associates and joint ventures*

Associates are those entities in which the Bank has significant influence but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and joint ventures are accounted for using the equity method of accounting and are recognised at cost less impairment in the Bank's separate financial statements.

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

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

*SMIEES Investments*

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

(e) **Segment reporting**

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

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

(f) **Foreign currency items**

*i. Reporting currency*

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

*ii. Transactions and balances*

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

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

(g) **Income recognition**

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

- (i) Interest is recognised on accrual basis except for interest on non-performing credit facilities, which is recognised on a cash basis.
- (ii) Credit-related fee income constituting at least 10% of the projected annual yield of the related facility is deferred and amortised over the life of the related credit in proportion to the outstanding balance. Otherwise it is recognised at the time the credit is granted.
- (iii) Non - credit related fees are recognised when the successful outcome of the assignment can be determined and the assignment is considered substantially completed.
- (iv) Income from advances under finance lease is recognised on a basis that provides a constant yield on the outstanding principal over the lease term.
- (v) Commissions and fees charged to customers for services rendered are recognised at the time the service or transaction is effected.

- (v) Investment income is recognised on an accrual basis and credited to the profit and loss account.
- (vi) Dividend income is recognised when the right to receive the dividend is established.
- (vii) Brokerage income is recognised on an accrual basis.

**(h) Loans and advances**

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

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

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

A minimum of 1% general allowance is made on all loans and advances not specifically provided for. In the current year, the Nigerian Accounting Standard Board (NASB), via its publication dated 08 February 2010 at the request of the Central Bank of Nigeria (CBN) granted a waiver for financial statements ended on or before 31 December 2009 of the 1% general provision required by paragraph 55 of "Statement of Accounting Standards – SAS 10 on Accounting for Banks and Non-bank financial institutions". Accordingly, the Bank did not make a general provision on loans and advances. The general provision brought forward in the Bank from the prior period has been written back to the profit and loss account (see Note 13 (b)(ii)).

Margin facilities are classified as either performing or non-performing loans. Allowance for losses on non performing margin facilities are determined by writing down the outstanding balance of the loans to the net realisable value of the underlying securities. The excess of the loan amount above the net realisable value of the underlying securities is charged to the profit and loss account.

Bad debts are written off when the extent of the loss has been determined. Recoveries are written back to profit and loss account on a cash basis.

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

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

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

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

(i) **Other assets**

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

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

(j) **Investment**

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

*i. Short-term investments*

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

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

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

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

*ii. Long-term investments*

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

Long term investments in marketable securities are stated at the lower of cost and net realizable value.

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

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

*iii. Investments in subsidiaries*

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

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

*iv. Investments in associates*

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

**(k) Investment properties**

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

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

**(l) Property and equipments**

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

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

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

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

Leasehold properties	-	2%
Leasehold improvements	-	10%
Furniture, fittings and equipment	-	20%
Computer software and equipment	-	33⅓%
Motor vehicles	-	25%

Capital work in progress is not depreciated.

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

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

**(m) Leases**

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

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

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

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

*i. Where a Group Company is the lessor*

When assets are held subject to a finance lease, the transactions are recognized in the books of the Group at the net investments in the lease. Net investment in the lease is the gross investment in the lease

discounted at the interest rate implicit in the lease. The gross investment is the sum of the minimum lease payments plus any residual value payable on the lease. The discount on lease is defined as the difference between the gross investment and the present value of the asset under the lease.

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

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

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

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



*ii. Where a Group Company is the lessee*

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

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

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

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

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

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

**(n) Cash and cash equivalents**

*(i). Cash and balances with CBN*

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

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

*(ii). Due from other banks*

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

**(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(p) Off balance sheet transactions/contingent liabilities and contingent assets**

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

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

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

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

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

#### *Acceptances*

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

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

#### *Guarantees and performance bonds*

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

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

#### *Commitments*

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

#### *Letters of credit*

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

### **(q) Retirement benefits**

#### *Pension costs*

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

(r) **Deferred taxation**

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer possible that the related tax benefit will be realised.

(s) **Taxation**

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

(t) **Borrowings**

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

(u) **Ordinary share capital**

*Share issue costs*

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

(v) **Dividends**

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

(w) **Sale of loans or securities**

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

Profits or losses on sale of loans and securities without recourse to the seller is recognised by the seller when the transaction is completed.

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

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

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

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

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

(x) **Offsetting**

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

(y) **Funds under management**

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

(z) **Earnings per share**

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

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

## Consolidated Profit and Loss Accounts

*For the Period Ended 31 December 2009*

	Notes	Group Dec. 2009 15 months N'000	Group Sept. 2008 12months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12months N'000
GROSS EARNINGS		46,717,490	36,129,278	43,464,716	32,777,845
Interest and similar income	3	34,009,601	22,405,298	32,587,287	22,177,928
Interest and similar expenses	4	(20,613,620)	(10,240,379)	(20,134,503)	(10,457,211)
<i>Net interest margin</i>		13,395,981	12,164,919	12,452,784	11,720,717
Fee and commission income	5	6,085,807	10,679,177	5,599,130	6,725,479
Fee and commission expenses		-	-	-	-
<i>Net fee and commission income</i>		6,085,807	10,679,177	5,599,130	6,725,479
Foreign exchange earnings		994,697	564,830	994,697	564,830
Income from investments	6	2,668,755	1,214,766	2,071,836	2,044,401
Other income		2,958,630	1,265,207	2,211,766	1,265,207
<i>Operating income</i>		26,103,870	25,888,899	23,330,213	22,320,634
Operating expenses	7	(22,068,318)	(16,467,429)	(19,434,227)	(13,966,433)
Loan loss expenses	13	(12,532,003)	(2,146,593)	(11,513,630)	(2,134,555)
Diminution in value of other risk assets	8	(3,024,310)	(985,068)	(1,455,264)	(122,661)
Group's share of post tax result of associates and joint ventures		(111,667)	-	-	-
<i>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS</i>		(11,632,428)	6,289,809	(9,072,908)	6,096,985
Exceptional income		-	4,774,732	-	4,774,732
Exceptional charge	24(b)	-	(3,081,993)	-	(3,081,993)
<i>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</i>		(11,632,428)	7,982,548	(9,072,908)	7,789,724
Taxation	9	2,612,826	(1,398,669)	2,412,502	(1,266,571)
<i>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</i>		(9,019,602)	6,583,879	(6,660,406)	6,523,153
Non-controlling interest	33	-	(20,212)	-	-
<i>(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK</i>		(9,019,602)	6,563,667	(6,660,406)	6,523,153
APPROPRIATIONS					
Transfer to statutory reserve	32	-	1,956,946	-	1,956,946
Transfer to general reserve	32	(9,019,602)	4,606,721	(6,660,406)	4,566,207
		(9,019,602)	6,563,667	(6,660,406)	6,523,153
Earnings per share (kobo) - Basic	37	(72)k	52k	(53)k	52k

*The accounting policies on pages 16 to 27 and financial statements and notes on page 28 to 104. form an integral part of these financial statements*

## Consolidated Balance Sheets

As at 31 December 2009

	Notes	Group Dec. 2009 N'000	Group Sept. 2008 N'000	Bank Dec. 2009 N'000	Bank Sept. 2008 N'000
<b>ASSETS</b>					
Cash in hand and balances with CBN	10	8,573,674	16,150,062	8,573,234	16,149,550
Treasury bills	11	9,607,738	21,378,831	9,607,738	21,378,831
Due from other banks	12	57,833,221	84,799,102	56,592,146	80,847,858
Loans and advances to customers	13	78,035,834	66,882,520	78,140,098	65,787,520
Other facilities	14(a)	350,000	-	350,000	-
Advances under finance lease	15	4,548,757	3,366,161	3,917,488	3,362,144
Investment securities	16	27,505,802	36,210,808	25,738,514	31,451,241
Investment in subsidiaries	17	-	-	2,467,622	1,550,405
Investment in associates	18	43,377	258,661	260,093	232,500
Investment properties	19	12,584,288	1,945,651	60,000	154,276
Other assets	20	12,421,527	12,309,161	10,762,879	9,207,117
Deferred tax assets	21(a)	4,601,074	1,158,674	4,081,815	1,163,816
Property and equipment	22	5,212,873	5,387,190	5,089,200	5,217,665
Equipment on lease	23	-	-	-	-
Goodwill	24	-	-	-	-
<b>TOTAL ASSETS</b>		<b>221,318,165</b>	<b>249,846,821</b>	<b>205,640,827</b>	<b>236,502,923</b>
<b>LIABILITIES</b>					
Customers' deposits	25	161,276,895	176,916,144	160,470,381	184,730,209
Due to other banks	26	2,650,000	5,418,920	150,000	-
Current income tax payable	9	1,026,117	1,750,366	393,405	1,157,102
Other liabilities	27	20,674,674	23,164,531	7,878,686	9,236,795
Other facilities	14(b)	350,000	-	350,000	-
Defined contribution obligations	28	54,945	66,889	54,811	66,739
Deferred tax liabilities	21(b)	10,428	15,714	-	-
Long-term borrowing	29	14,201,550	11,073,200	14,201,550	11,073,200
<b>TOTAL LIABILITIES</b>		<b>200,244,609</b>	<b>218,405,764</b>	<b>183,498,833</b>	<b>206,264,045</b>
<b>NET ASSETS</b>		<b>21,073,556</b>	<b>31,441,057</b>	<b>22,141,994</b>	<b>30,238,878</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	30	6,281,545	6,281,545	6,281,545	6,281,545
Share premium	31	12,314,019	12,314,019	12,314,019	12,314,019
Share reserve	32	5,276,423	5,276,423	5,276,423	5,276,423
Retained earnings	32	(7,321,736)	2,638,933	(6,214,608)	1,702,107
Other reserves	32	4,523,305	4,761,101	4,484,615	4,664,784
Attributable to equity holders of the Bank		21,073,556	31,272,021	22,141,994	30,238,878
Non-controlling interest	33	-	169,036	-	-
		21,073,556	31,441,057	22,141,994	30,238,878
Guarantees and other commitments on behalf of customers	34(c)	25,198,318	91,180,933	25,198,318	91,180,933

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

\_\_\_\_\_  
Yemi Adeola  
Group MD/CEO

Approved by the Board of Directors on 10 May 2010

The accounting policies on pages 16 to 27 and financial statements and notes on page 28 to 104. form an integral part of these financial statements

## Statements of Cash Flow

*For the period ended 31 December 2009*

Notes	Group Dec. 2009 N'000	Group Sept. 2008 N'000	Bank Dec. 2009 N'000	Bank Sept. 2008 N'000	
<b>OPERATING ACTIVITIES</b>					
Net cash flow from operating activities	35	(32,810,525)	66,618,027	(43,406,468)	70,142,565
Income tax paid	9(b)	(1,414,458)	(276,072)	(1,207,789)	(157,352)
Net cash flow from operating activities		(34,224,983)	66,341,955	(44,614,257)	69,985,213
<b>INVESTING ACTIVITIES</b>					
Proceeds from disposal of property and equipments		93,156	512,276	87,351	376,503
Purchase of property and equipment	22(a)&(b)	(1,637,449)	(1,808,540)	(1,575,822)	(1,656,453)
Dividend received		-	-	-	1,670,544
Additions to quoted bonds and equities		5,242,729	(12,969,866)	5,150,414	(12,969,866)
Disposal of unquoted equities & SMEEIS		(529,130)	(22,952)	(138,555)	(12,952)
Proceeds from disposal of investment/trading properties	19(b)	193,017	4,232,911	193,017	3,157,886
Additions to investment properties		(10,792,913)	(1,791,375)	(60,000)	-
Proceeds from disposal of investment in SMEEIS		-	120,000	-	120,000
Redemption of promissory notes		193,259	279,653	193,259	60,252
Purchase of additional investment in subsidiary	17(a)	-	-	(1,000,000)	-
Proceeds from disposal of subsidiary		-	-	93,600	-
Net cash flows from investing activities		(7,237,331)	(11,447,893)	2,943,264	(9,254,086)
<b>FINANCING ACTIVITIES</b>					
Proceeds from long term borrowings		-	11,073,200	-	11,073,200
Dividend paid to non-controlling interest		-	(37,440)	-	-
Dividend paid during the period		(1,256,309)	-	(1,256,309)	-
Net cash flows from financing activities		(1,256,309)	11,035,760	(1,256,309)	11,073,200
<b>Net increase in cash and short-term funds</b>		(42,718,623)	65,929,822	(42,927,302)	71,804,327
Cash and short term funds, beginning of year		114,970,953	49,041,131	116,438,117	44,633,790
<b>Cash and short term funds, end of year</b>	39	72,252,330	114,970,953	73,510,815	116,438,117

*The accounting policies on pages 16 to 27 and financial statements and notes on page 28 to 104. form an integral part of these financial statements*

**Notes to the Consolidated Financial Statements**  
**For the period ended 31 December 2009**

**1 General information**

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

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

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

	<b>Country of Incorporation</b>	<b>Percentage holding</b>
Sterling Capital Markets Limited	Nigeria	100%
Sterling Assets Management and	Nigeria	100%
Sterling Registrars Limited	Nigeria	100%
SBG Insurance Broker Limited	Nigeria	100%

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

*Associate*

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

*Joint ventures*

Knight Rook Limited	Nigeria	34.6%
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**2 Segment analysis**

(a) By business segment

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

(i) *Retail*

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

(ii) *Corporate banking*

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

(iii) *Treasury*

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

(iv) *Insurance brokerage*

Provides insurance brokerage services to individual and corporate bodies.

(v) *Asset management*

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

(vi) *Registrar*

Provides registrar services to corporate customers.

(vii) *Investment banking*

Provides capital market and financial advisory services to corporate customers.



2 (b) Business segments:

	Corporate Banking Dec. 2009 N'000 15 months	Treasury Dec. 2009 N'000 15 months	Retail Banking Dec. 2009 N'000 15 months	Investment Banking Dec. 2009 N'000 15 months	Asset Management Dec. 2009 N'000 15 months	Insurance Brokers Dec. 2009 N'000 15 months	Registrar Dec. 2009 N'000 15 months
<b>Gross earnings:</b>							
Derived from external customers	3,430,375	8,783,163	30,798,264	1,076,079	1,824,176	202,370	451,700
Derived from other business segments	-	-	-	-	-	-	-
	<u>3,430,375</u>	<u>8,783,163</u>	<u>30,798,264</u>	<u>1,076,079</u>	<u>1,824,176</u>	<u>202,370</u>	<u>451,700</u>
Interest and similar expenses	(2,095,968)	(4,135,995)	(13,555,617)	(8,354)	(817,686)	-	-
Fee and commission expenses	-	-	-	-	-	-	-
Segment results	<u>1,334,407</u>	<u>4,647,168</u>	<u>17,242,647</u>	<u>1,067,725</u>	<u>1,006,490</u>	<u>202,370</u>	<u>451,700</u>
(Loss)/profit on ordinary activities before taxation	<u>445,493</u>	<u>3,745,028</u>	<u>(13,417,073)</u>	<u>(1,951,889)</u>	<u>110,527</u>	<u>118,048</u>	<u>273,360</u>
Taxation	-	-	-	-	-	-	-
Loss/profit after tax							
<b>Other segment information:</b>							
Depreciation	<u>33,114</u>	<u>82,786</u>	<u>1,539,807</u>	<u>28,634</u>	<u>20,040</u>	<u>6,879</u>	<u>14,560</u>
Group's share of post tax result of associates and joint ventures	-	-	-	-	-	-	-
<b>Assets and Liabilities:</b>							
Tangible segment assets	13,457,322	73,403,500	111,539,699	3,266,997	16,087,031	551,350	3,012,260
Intangible segment assets	-	-	-	-	-	-	-
Unallocated segment assets	-	-	-	-	-	-	-
<b>Total assets</b>	<u>13,457,322</u>	<u>73,403,500</u>	<u>111,539,699</u>	<u>3,266,997</u>	<u>16,087,031</u>	<u>551,350</u>	<u>3,012,260</u>
Segment liabilities	4,418,114	24,069,500	150,749,620	2,554,633	15,502,083	414,082	2,536,570
Unallocated liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>4,418,114</u>	<u>24,069,500</u>	<u>150,749,620</u>	<u>2,554,633</u>	<u>15,502,083</u>	<u>414,082</u>	<u>2,536,570</u>
<b>Net Assets</b>	<u>9,039,208</u>	<u>49,334,000</u>	<u>(39,209,921)</u>	<u>712,364</u>	<u>584,948</u>	<u>137,268</u>	<u>475,690</u>

**2 (c) Business segments:**

	Corporate Banking Sept. 2008 N'000	Treasury Sept. 2008 N'000	Retail Banking Sept. 2008 N'000	Investment Banking Sept. 2008 N'000	Asset Management Sept. 2008 N'000	Insurance Brokers Sept. 2008 N'000	Registrars Sept. 2008 N'000
	12 months	12 months	12 months	12 months	12 months	12 months	12 months
<b>Gross earnings:</b>							
Derived from external customers	5,737,028	3,588,359	21,505,186	2,571,275	1,484,197	89,826	314,000
Derived from other business segments	-	-	-	-	-	-	-
	<u>5,737,028</u>	<u>3,588,359</u>	<u>21,505,186</u>	<u>2,571,275</u>	<u>1,484,197</u>	<u>89,826</u>	<u>314,000</u>
Interest and similar expenses	(554,797)	(1,352,310)	(7,921,707)	-	(254,853)	-	-
Fee and commission expenses	-	-	-	-	-	-	-
Segment results	<u>5,182,231</u>	<u>2,236,049</u>	<u>13,583,479</u>	<u>2,571,275</u>	<u>1,229,344</u>	<u>89,826</u>	<u>314,000</u>
Profit on Ordinary Activities Before Taxation	<u>3,174,772</u>	<u>1,091,626</u>	<u>2,095,655</u>	<u>412,313</u>	<u>792,663</u>	<u>12,914</u>	<u>222,000</u>
Taxation							
Profit after tax							
Depreciation	<u>(129,797)</u>	<u>(493,000)</u>	<u>(507,000)</u>	<u>(28,495)</u>	<u>(13,770)</u>	<u>(3,802)</u>	<u>(11,000)</u>
<b>Assets and Liabilities:</b>							
Tangible segment assets	55,243,257	98,592,517	77,898,287	7,148,264	8,801,611	464,989	672,000
Intangible segment assets	-	-	-	-	-	-	-
Unallocated segment assets	-	-	-	-	-	-	-
<b>Total assets</b>	<u>55,243,257</u>	<u>98,592,517</u>	<u>77,898,287</u>	<u>7,148,264</u>	<u>8,801,611</u>	<u>464,989</u>	<u>672,000</u>
Segment liabilities	30,383,534	56,837,281	108,951,820	6,526,299	7,477,155	373,971	5,038,000
Unallocated liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>30,383,534</u>	<u>56,837,281</u>	<u>108,951,820</u>	<u>6,526,299</u>	<u>7,477,155</u>	<u>373,971</u>	<u>5,038,000</u>
<b>Net Assets</b>	<u>24,859,723</u>	<u>41,755,236</u>	<u>(31,053,533)</u>	<u>621,965</u>	<u>1,324,456</u>	<u>91,018</u>	<u>(4,366,000)</u>

**Notes to the Financial Statements**  
**As at 30 September 2008**

**3 Interest and similar income**

(a) Interest and similar income was derived as follows:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Placements	2,393,296	1,102,860	1,428,038	1,066,192
Treasury bills and investment securities	12,574,860	8,877,680	12,574,860	8,877,680
Loans and advances	18,213,579	11,946,849	17,943,262	11,756,147
Advance under finance lease	827,866	477,909	641,127	477,909
	<u>34,009,601</u>	<u>22,405,298</u>	<u>32,587,287</u>	<u>22,177,928</u>

(b) Interest income by source

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Lending to financial institutions	6,719,402	1,102,860	5,754,144	1,066,192
Lending to non-bank customers	19,041,445	12,424,758	18,584,389	12,234,056
Discount income	8,248,754	8,877,680	8,248,754	8,877,680
	<u>34,009,601</u>	<u>22,405,298</u>	<u>32,587,287</u>	<u>22,177,928</u>

(c) Included in interest and discount income is an amount of ₦29.8million earned from outside Nigeria. (September 2008: ₦84.16 million)

**4 Interest and similar expenses**

(a) Interest and similar expenses comprise:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Current account	567,352	131,996	567,352	131,996
Savings accounts	374,702	231,947	374,702	231,947
Time deposits	14,186,950	8,621,802	14,533,873	8,621,802
Inter-bank-takings/borrowings	3,122,982	1,241,723	3,122,982	1,458,555
Borrowed funds	2,361,634	12,911	1,535,594	12,911
	<u>20,613,620</u>	<u>10,240,379</u>	<u>20,134,503</u>	<u>10,457,211</u>

(b) Interest expenses outside Nigeria during the year amount to ₦1.54billion, (September 2008 Nil).

**5 Fee and commission income**

Fee and commission income comprise:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Commission on turnover	1,671,033	1,633,263	1,671,033	1,633,263
Facility management fees	1,214,074	2,068,883	1,192,774	2,068,883
Commission on letter of credit and off balance sheet transactions	613,705	296,613	613,705	296,613
Commissions and similar income	1,836,792	2,576,129	1,788,235	2,047,077
Insurance brokerage commission	82,520	110,648	-	-
Other fees and commission	667,683	3,993,641	333,383	679,643
	<u>6,085,807</u>	<u>10,679,177</u>	<u>5,599,130</u>	<u>6,725,479</u>

**6 Income from investments**

Income from investments comprises:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Profit on disposal of government bonds	1,864,562	-	1,864,562	-
Profit on disposal of investment & investment properties	658,268	940,910	146,297	100,001
Dividend income from subsidiaries	-	-	-	1,670,544
Dividend others	145,925	273,856	60,977	273,856
	<u>2,668,755</u>	<u>1,214,766</u>	<u>2,071,836</u>	<u>2,044,401</u>

7 (a) **Operating expenses**

Analysis of operating expenses

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Wages, salaries & related staff cost (see note (b)(i))	6,415,855	6,140,104	5,857,029	5,584,317
Profit on disposal of fixed assets	(38,771)	(171,265)	(38,771)	(173,070)
Director's remuneration and expenses	85,205	47,376	73,680	41,103
Repairs and maintenance	1,422,903	921,917	1,417,464	957,893
Rent and rates	597,095	368,068	597,095	368,068
Insurance cost	980,359	729,811	1,043,419	727,879
Depreciation on property and equipment	1,725,825	1,169,103	1,655,707	1,099,744
Depreciation on equipment on lease	-	30,053	-	30,053
Information technology levy	2,257	88,379	-	81,584
Auditors' remuneration	100,615	81,767	75,500	65,000
Other professional fees	13,822	5,263	8,500	-
Business combination expenses	-	264,730	-	264,730
Contract service	455,867	369,470	455,867	369,470
Advertising & business promotion	1,236,598	423,572	1,236,598	423,572
General administrative expenses	9,070,688	5,999,081	7,052,139	4,126,090
	22,068,318	16,467,429	19,434,227	13,966,433

(b) **Staff and executive directors' costs**

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

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Wages and salaries	6,004,845	5,812,730	5,434,494	5,264,089
Other pension costs	496,215	374,750	496,215	361,331
	6,501,060	6,187,480	5,930,709	5,625,420

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

	Group Dec. 2009 Number	Group Sept. 2008 Number	Bank Dec. 2009 Number	Bank Sept. 2008 Number
Executive directors	4	6	4	4
Management staff	86	94	63	65
Non-management staff	1,521	1,440	1,488	1,384
	1,611	1,540	1,555	1,453

- (b) (iii) Employees other than directors, earning more than ₦60,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:

	Group Dec. 2009 15 months <u>Number</u>	Group Sept. 2008 12 months <u>Number</u>	Bank Dec. 2009 15 months <u>Number</u>	Bank Sept. 2008 12 months <u>Number</u>
₦161,001 - ₦261,000	1	4	-	-
₦261,001 - ₦361,000	-	-	-	-
₦361,001 - ₦461,000	-	5	-	-
₦461,001 - ₦561,000	-	6	-	-
₦561,001 - ₦661,000	206	209	206	209
₦661,001 - ₦761,000	5	12	5	4
₦761,001 - ₦861,000	117	80	117	76
₦861,001 - ₦961,000	15	43	15	43
₦961,001 - ₦1,061,000	3	1	-	-
₦1,061,001 - ₦1,161,000	-	-	-	-
₦1,161,001 - ₦1,261,000	6	4	-	-
₦1,461,001 - ₦1,561,000	-	14	-	-
₦2,061,001 - ₦2,161,000	13	-	-	-
₦2,161,001 - ₦2,261,000	3	8	-	-
₦2,761,001 - ₦2,861,000	412	307	401	307
₦3,161,001 - ₦3,261,000	3	9	-	-
₦3,361,001 - ₦3,461,000	-	-	-	-
₦4,061,001 - ₦4,161,000	239	266	239	266
₦4,161,001 - ₦4,261,000	-	-	-	-
₦5,061,001 - ₦5,161,000	167	156	152	156
₦5,161,001 - ₦5,261,000	1	18	-	-
₦5,961,001 - ₦6,061,000	149	130	149	130
₦6,461,001 - ₦6,561,000	-	-	-	-
₦7,361,001 - ₦7,461,000	86	68	86	68
₦7,461,001 - ₦7,561,000	-	-	-	-
₦8,461,001 - ₦8,561,000	-	-	-	-
₦8,861,001 - ₦8,961,000	64	72	64	72
₦9,961,001 - ₦10,061,000	-	-	-	-
₦10,761,001 - ₦10,861,000	54	60	54	57
₦11,000,001 and above	63	62	63	61
	<u>1,607</u>	<u>1,534</u>	<u>1,551</u>	<u>1,449</u>

(c) **Directors' remuneration**

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

	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Fees as directors	23,750	16,800
Executive compensation	97,221	71,794
Other emoluments	29,386	7,400
-	150,357	95,994

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

	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Chairman	5,350	3,800
Highest paid director	32,950	19,765

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

	Bank Dec. 2009 15 months Number	Bank Sept. 2008 12 months Number
Below N1,000,000	-	-
N1,000,000 - N5,000,000	2	7
N10,000,001- N15,000,000	5	3
N15,000,001 - N20,000,000	-	1
N20,000,001 - N25,000,000	3	-
N25,000,001 - N30,000,000	-	-
	10	11

**8 Diminution in value of other risk assets**

Diminution in value of other risk assets comprise:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Specific allowance on long-term investments (see note 16(j))	507,609	34,524	507,609	34,524
Specific allowance on short term investments	1,285,137	-	-	-
Specific allowance on other assets (see note 20(b))	1,231,564	950,544	947,655	88,137
	<u>3,024,310</u>	<u>985,068</u>	<u>1,455,264</u>	<u>122,661</u>

**9 Taxation**

**(a) Tax charge**

The tax charge for the period comprise:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Company income tax	656,237	198,227	365,834	178,181
Education tax	16,552	90,956	-	69,629
Capital gains tax	10,748	477,473	10,748	477,473
NITDA	2,716	-	-	-
	<u>686,253</u>	<u>766,656</u>	<u>376,582</u>	<u>725,283</u>
Prior year additional charge (See (b) below)	76,808		67,510	
Deferred tax (credit)/charge (see note 21(a))	(3,380,995)	642,324	(2,856,594)	541,288
Deferred tax charge/(credit) (see note 21(b))	5,108	(10,311)	-	-
	<u>(2,612,826)</u>	<u>1,398,669</u>	<u>(2,412,502)</u>	<u>1,266,571</u>



- (b) Current income tax payable  
 The movement on this account during the year was as follows:

	Group Dec. 2009 15 months N'000	Group Sept. 2008 12 months N'000	Bank Dec. 2009 15 months N'000	Bank Sept. 2008 12 months N'000
Balance, beginning of year	1,750,366	1,326,703	1,157,102	606,413
Disposal of subsidiary	(67,204)	-	-	-
Prior year underprovision (see (a) above)	76,808	-	67,510	-
Charge for the year (see (a) above)	686,253	766,656	376,582	725,283
Payments during the year	(1,414,458)	(276,072)	(1,207,789)	(157,352)
Reclassification to other liabilities	(5,648)	(66,921)	-	(17,242)
Balance, end of year	<u>1,026,117</u>	<u>1,750,366</u>	<u>393,405</u>	<u>1,157,102</u>

#### 10 Cash in hand and balances with CBN

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Cash and foreign monies	3,046,683	2,570,140	3,046,243	2,569,628
Operating account held with the Central Bank of Nigeria (CBN)	4,414,688	11,641,800	4,414,688	11,641,800
	<u>7,461,371</u>	<u>14,211,940</u>	<u>7,460,931</u>	<u>14,211,428</u>
Mandatory reserve deposits with Central Bank of Nigeria (CBN)	1,112,303	1,938,122	1,112,303	1,938,122
	<u>8,573,674</u>	<u>16,150,062</u>	<u>8,573,234</u>	<u>16,149,550</u>

#### 11 Treasury bills

- (a) Treasury bills investments comprise:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Treasury bills (see (ii) & (iii) below)	9,764,933	22,054,882	9,764,933	22,054,882
Unearned interest	(157,195)	(676,051)	(157,195)	(676,051)
	<u>9,607,738</u>	<u>21,378,831</u>	<u>9,607,738</u>	<u>21,378,831</u>

- (b) Included in treasury bills are amounts of N5.2billion pledged for clearing activities and as collection bank for government taxes and for electronic card transactions. (30 September 2008: Nil).

- (c) Investment in treasury bills are stated at market value, the cost of the investment is N9.56billion (31 September 2008: N20.7billion)

## 12 Due from other banks

(a) Due from other banks comprise:

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Balance held with other local banks				
- Current account	9,032,648	14,437,599	8,522,891	10,486,355
- Placements (see note (b) below)	36,425,160	54,262,136	35,693,842	54,262,136
Balances held with banks outside Nigeria (see note (c) below)	12,375,413	16,099,367	12,375,413	16,099,367
	57,833,221	84,799,102	56,592,146	80,847,858

(b) Included in placement is an amount of ₦8billion held with other banks and financial institutions as at 30 September 2008 secured by treasury bills.

(c) Included in balances with other banks and financial institutions outside Nigeria is ₦1.07billion (September 2008: ₦1.27billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability for this amount is included in other liabilities (see Note 27).

(d) Included in balances held with other banks outside Nigeria is an amount of ₦5.23billion (\$35,000,000), held in lien by Citibank International on a loan facility availed to the Bank. (30 September 2008: Nil) (see note 29)

## 13 Loans and advances to customers

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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Overdraft	41,115,957	34,655,920	41,936,063	34,655,920
Term loans	38,898,723	35,336,061	37,826,091	35,336,061
Others	16,734,737	4,467,383	16,054,732	3,350,413
	96,749,417	74,459,364	95,816,886	73,342,394
<i>Loan loss allowance</i>				
- Specific (see (b)(i)) below	(16,256,733)	(5,800,986)	(15,703,009)	(5,800,986)
- General (see (b)(ii)) below	(483,071)	(690,031)	-	(668,061)
- Interest -in- suspense (see (b)(iii)) below	(1,973,779)	(1,085,827)	(1,973,779)	(1,085,827)
	(18,713,583)	(7,576,844)	(17,676,788)	(7,554,874)
	78,035,834	66,882,520	78,140,098	65,787,520

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

(b) (i) Specific allowance

The movement in specific loan loss allowance during the period is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	5,800,986	7,348,436	5,800,986	7,348,436
Charge for the period (see note(g))	16,952,599	2,696,484	16,398,875	2,696,484
Allowance no longer required (see note (g))	(4,486,839)	(835,536)	(4,486,839)	(835,536)
Write-offs	(2,010,013)	(3,408,398)	(2,010,013)	(3,408,398)
Balance, end of period/year	<u>16,256,733</u>	<u>5,800,986</u>	<u>15,703,009</u>	<u>5,800,986</u>

(b) (ii) General allowance

The movement in general loan loss allowance during the period was as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period/year	690,031	417,694	668,061	405,970
Writeback during the period (see note(g)&(b)(iv)below)	(672,197)	-	(668,061)	-
Charge for the period (see note(g))	465,237	272,337	-	262,091
Balance, end of period/year	<u>483,071</u>	<u>690,031</u>	<u>-</u>	<u>668,061</u>

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

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	1,085,827	1,286,436	1,085,827	1,286,436
Interest suspended during the period	2,524,166	962,935	2,524,166	962,935
Allowance no longer required	(1,016,138)	(336,626)	(1,016,138)	(336,626)
Amount written-off	(620,076)	(826,918)	(620,076)	(826,918)
Balance, end of period	<u>1,973,779</u>	<u>1,085,827</u>	<u>1,973,779</u>	<u>1,085,827</u>

- (b) (iv) In the current year, the Bank did not make a general provision on loans and advances and reversed the general provision of N668,061,000 carried forward from prior period. The change which represents a change in accounting estimates was based on a publication by the Nigerian Accounting Standard Board (NASB) dated 08 February 2010 at the request of Central Bank of Nigeria (CBN) in which a waiver was granted on the

1% general provision required by paragraph 55 of "Statement of Accounting Standards – SAS 10 on Accounting for Banks and Non-bank financial institutions" for financial statements for periods ended on or before 31 December 2009.

Pursuant to the above and having ensured that full provisions were made on a case by case basis for all loan impairments by the Bank, the Board of Directors reversed the balance of N668,061,000 of general provisions which stood to the credit of the Bank as at 31 December 2009.

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Secured against real estate	36,959,008	19,947,048	36,959,008	19,435,545
Margin lending	16,852,938	16,272,748	16,172,933	14,708,872
Otherwise secured	42,715,860	36,039,662	42,683,850	39,196,152
Unsecured	221,611	2,199,906	1,095	1,825
	<u>96,749,417</u>	<u>74,459,364</u>	<u>95,816,886</u>	<u>73,342,394</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
1 - 3 months	53,881,341	44,871,988	54,998,108	44,886,556
3 - 6 months	4,876,782	4,647,539	4,876,782	4,072,027
6 - 12 months	12,406,890	5,089,910	12,406,890	5,033,884
Over 12 months	25,584,404	19,849,927	23,535,106	19,349,927
	<u>96,749,417</u>	<u>74,459,364</u>	<u>95,816,886</u>	<u>73,342,394</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Performing	73,906,611	67,262,798	73,527,804	66,145,828
Non-performing				
Sub-standard	2,086,534	49,480	2,085,534	49,480
Doubtful	10,131,846	640,746	10,131,846	640,746
Lost	10,624,426	6,506,340	10,071,702	6,506,340
	<u>96,749,417</u>	<u>74,459,364</u>	<u>95,816,886</u>	<u>73,342,394</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Agriculture	723,314	726,161	723,314	726,161
Oil and Gas	8,414,941	7,146,930	8,414,941	7,146,930
Capital Market	14,688,065	14,578,219	14,904,311	13,461,249
Consumer Credit	4,601,680	11,099,446	4,601,680	11,099,446
Manufacturing	12,510,073	12,711,336	12,510,073	12,711,336
Mortgage	3,772,952	1,623,470	3,772,952	1,623,470
Real Estate and Construction	16,412,008	4,858,410	16,412,008	4,858,410
Finance and Insurance	5,919,961	752,757	5,919,961	752,757
Government	5,900,588	10,397	4,751,811	10,397
Other public utilities	45,833	54,753	45,833	54,753
Transportation	4,396,926	3,081,936	4,396,926	3,081,936
Communication	467,567	713,263	467,567	713,263
Education	261,735	179,580	261,735	179,580
Mining and Quarrying	-	-	-	-
Power	94	-	94	-
Others	18,633,680	16,922,706	18,633,680	16,922,706
	<u>96,749,417</u>	<u>74,459,364</u>	<u>95,816,886</u>	<u>73,342,394</u>

(g) Loan loss expenses

Analysis of loan loss expenses is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Loans and advances to customers				
- General allowance				
Writeback (see note (b)(ii))	(672,197)	-	(668,061)	-
Charge (see note (b)(ii))	465,237	272,337	-	262,091
- Specific allowance				
(see note (b)(i))	16,952,599	2,696,484	16,398,875	2,696,484
- Allowance no longer required				
(see note (b)(i))	(4,486,839)	(835,536)	(4,486,839)	(835,536)
- Amounts written off	303,616	-	303,616	-
	<u>12,562,416</u>	<u>2,133,285</u>	<u>11,547,591</u>	<u>2,123,039</u>
Advances under finance lease				
- General allowance				
Writeback during the period				
(see note 15(c))	(33,961)	-	(33,961)	-
Charge during the year				
(see note 15(c))	2,182	13,308	-	11,516
- Specific allowance				
(see note 15(c))	1,366	-	-	-
	<u>(30,413)</u>	<u>13,308</u>	<u>(33,961)</u>	<u>11,516</u>
	<u>12,532,003</u>	<u>2,146,593</u>	<u>11,513,630</u>	<u>2,134,555</u>

**14 Other facilities**

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Gross	350,000	-	350,000	-
Allowance	-	-	-	-
	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>

- (b) Analysis of performance:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Performing	350,000	-	350,000	-
Non-performing	-	-	-	-
	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>

- (c) Maturity profile of other facilities:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
1-3 months	-	-	-	-
3-6 months	350,000	-	350,000	-
6-12 months	-	-	-	-
Over 12 months	-	-	-	-
	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>

**15 Advances under finance lease**

- (a) The advances under finance lease comprise:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Gross investment in leases	5,724,468	4,358,120	5,085,487	4,191,596
Less: unearned income	(1,167,999)	(953,834)	(1,167,999)	(795,491)
	<u>4,556,469</u>	<u>3,404,286</u>	<u>3,917,488</u>	<u>3,396,105</u>
Less: general allowance (see note (b) below)	(6,346)	(38,125)	-	(33,961)
specific allowance (see note (c) below)	(1,366)	-	-	-
	<u>4,548,757</u>	<u>3,366,161</u>	<u>3,917,488</u>	<u>3,362,144</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	38,125	24,817	33,961	22,445
Write-back during the period (see note 13(g))	(33,961)	-	(33,961)	-
Charge for the year (see note 13(g))	2,182	13,308	-	11,516
Balance, end of period	<u>6,346</u>	<u>38,125</u>	<u>-</u>	<u>33,961</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	-	-	-	-
Charge for the period (see note 13(g))	1,366	-	-	-
Balance, end of period	<u>1,366</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
1-3 months	122,017	52,360	122,017	52,360
3-6 months	287,484	157,378	287,484	157,378
6-12 months	435,064	558,249	435,064	527,358
Over 12 months	3,711,904	2,636,299	3,072,923	2,659,009
	<u>4,556,469</u>	<u>3,404,286</u>	<u>3,917,488</u>	<u>3,396,105</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Performing	4,555,103	3,404,286	3,917,488	3,396,105
Non performing	1,366	-	-	-
	<u>4,556,469</u>	<u>3,404,286</u>	<u>3,917,488</u>	<u>3,396,105</u>

## 16 Investment securities

Investment securities comprise:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
(a) <i>Investment securities - long term</i>				
Quoted:				
- Equities (see (c) below)	569,631	518,312	569,631	485,404
- Bonds (see (d) below)	23,355,641	28,649,689	23,355,641	28,590,282
	<u>23,925,272</u>	<u>29,168,001</u>	<u>23,925,272</u>	<u>29,075,686</u>
Unquoted:				
- Equities (see (e) below)	529,655	523,743	358,602	352,237
- Nigerian Sovereign Debt Instrument (see (f) below)	70,954	264,213	70,954	264,213
- Equities in small and medium scale enterprises (see (g) below)	474,758	342,568	474,758	342,568
- Joint venture (see (h) below)	1,621,232	1,592,779	1,592,779	1,592,779
- Crusader debentures (see (i) below)	350,000	-	-	-
- Other unquoted equities	12,575	-	-	-
	<u>3,059,174</u>	<u>2,723,303</u>	<u>2,497,093</u>	<u>2,551,797</u>
Allowance made on long-term investments (j)	(683,851)	(176,242)	(683,851)	(176,242)
	<u>26,300,595</u>	<u>31,715,062</u>	<u>25,738,514</u>	<u>31,451,241</u>
 (b) <i>Investment securities - short term</i>				
Short term Investments comprises:				
Proprietary trading stock (cost: N2.70billion, September 2008: N2.71billion)	1,201,007	2,357,770	-	-
Portfolio of quoted investments (market value: N4.29million, September 2008: N2.31billion)	4,200	2,137,976	-	-
	<u>1,205,207</u>	<u>4,495,746</u>	<u>-</u>	<u>-</u>
	<u>27,505,802</u>	<u>36,210,808</u>	<u>25,738,514</u>	<u>31,451,241</u>
 (c) Long term quoted equities investment comprise investment in Nigeria Energy Sector Fund and Frontier Fund. The market value of the investment as at 31 December 2009 was N363.8million. (September 2008: N485.4million). Provision has been made for diminution in the value of the investment.				



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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Neimeth Debenture	-	38,800	-	-
Lagos State Revenue Bond	-	20,600	-	-
Federal Government Bond (see (d)(ii) and (iii) below)	23,355,641	28,590,289	23,355,641	28,590,282
	<u>23,355,641</u>	<u>28,649,689</u>	<u>23,355,641</u>	<u>28,590,282</u>

(ii) The investment in long-term bonds are stated at cost, the market value of the investment is ₦24.3billion. (September 2008: Market value ₦30.7billion). Investments in the other bonds and debenture are stated at cost.

(iii) Included in FGN Bonds is an amount of ₦21.7billion pledged as security for interbank takings and the long term loan from Citibank International (see note 29(b)).

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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Africa Export/Import Bank	29,898	23,533	29,898	23,533
Central Securities Clearing Systems Limited	7,000	7,800	-	-
National Association of Securities Dealers Limited	416	874	416	416
Nigeria Interbank Settlement Scheme Plc	52,583	52,583	52,583	52,583
Opticom Leasing Limited	21,000	21,000	21,000	21,000
Valucard Nigeria Plc	18,811	18,811	18,811	18,811
Associated Discount House Limited	10,734	10,734	10,734	10,734
Kraft Konsult Limited	7,300	7,300	7,300	7,300
Saddle Ind. Limited	10,200	10,200	10,200	10,200
Peugeot Automobile Nigeria Ltd	153,248	153,248	-	-
Kakawa Discount Equity Fund	10,000	10,000	-	-
OGE Insurance Brokers Limited	805	-	-	-
Safetrust Savings and Homes	207,660	207,660	207,660	207,660
	<u>529,655</u>	<u>523,743</u>	<u>358,602</u>	<u>352,237</u>

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

(f) This represents the Bank's investment in US dollar denominated Nigerian Sovereign Debt Promissory Notes issued in 1988, which is redeemable in installment and maturing on 05 January 2010. Interest is earned on the Note at 5.0919775% per annum.

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Pathcare Nigeria Limited (see (g)(ii) below)	6,287	6,287	6,287	6,287
Capetex Ind. Limited (see (g)(iii) below)	6,200	6,200	6,200	6,200
Woodmasters Nigeria Limited (see (g)(iv) below)	5,000	5,000	5,000	5,000
Eltel Communication Limited (see (g)(v) below)	23,056	23,056	23,056	23,056
Trust Hospital Limited (see (g)(vi) below)	50,000	50,000	50,000	50,000
Best Food Global Limited (see (g)(vii) below)	15,000	15,000	15,000	15,000
Pyramid Bag Manufacturing Limited (see (g)(viii) below)	22,360	22,360	22,360	22,360
Diamond Foam Limited (see (g)(ix) below)	10,422	10,422	10,422	10,422
Unique Ventures CML (see (g)(x) below)	8,000	8,000	8,000	8,000
Cards Technology Limited (see (g)(xi) below)	76,000	76,000	76,000	76,000
Investments through SME Manager (see (g)(xii) below)	252,433	120,243	252,433	120,243
	474,758	342,568	474,758	342,568

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

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

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

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

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

(g) (vii) This represents the Bank's 5.19% equity investment in Best Food Global Limited.

(g) (viii) This represents the Bank's 28% equity investment in Pyramid Bag Manufacturing Limited.

(g) (ix) This represents the Bank's 37.89% equity investment in Diamond Foam Limited.

(g) (x) This represents the Bank's 20% equity investment in Unique Ventures CML.

(g) (xi) This represents the Bank's 10% equity investment in Cards Technology Limited.

(g) (xii) This represents the Bank's indirect equity investment in SMEEIS entities through SME Manager. During the year, the Bank made additional investment of ₦132.2million through SME Manager (September 2008: Nil)

(g) (xiii) The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) based on the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). A total of ₦474.8million (September 2008: ₦342.6million) has so far been invested under the scheme. Due to the effective percentage holding of the Bank in these companies, some of them qualify as associates. However, equity method of accounting for associates are not applied as they are held for sale and the value of the Bank's residual interest in the individual investee companies is not material.

(h) Investment in joint venture

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

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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Balance, beginning of the year	1,592,779	1,592,779	1,592,779	1,592,779
Previously unconsolidated reserve	62,785	-	-	-
Current year share of loss	(34,332)	-	-	-
	1,621,232	1,592,779	1,592,779	1,592,779

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

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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Balance, beginning of year	176,242	227,439	176,242	177,422
Allowance made during the year (see note 8)	507,609	34,524	507,609	34,524
Allowances no longer required	-	(85,721)	-	(35,704)
Balance, end of year	683,851	176,242	683,851	176,242

## 17 Investment in subsidiaries

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

	Group Dec 2009 ₦'000	Group Sept 2008 ₦'000	Bank Dec 2009 ₦'000	Bank Sept 2008 ₦'000
Sterling Capital Markets Limited (see (c) below)	-	-	1,346,312	1,346,312
Sterling Assets Management and Trustee Limited (see (d) below)	-	-	1,100,000	100,000
Sterling Registrars Limited (see (e) below)	-	-	11,310	11,310
SBG Insurance Broker Limited (see (f) below)	-	-	10,000	10,000
Nigerian Stock Brokers Limited	-	-	-	82,783
	-	-	2,467,622	1,550,405

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of the period				
/year	-	-	1,550,405	1,550,405
Addition during the period (see note (a)(iii))	-	-	1,000,000	-
Disposal during the period (see note (a)(iv))	-	-	(55,190)	-
Reclassification to investment in associates (see note 18(c))	-	-	(27,593)	-
	<u>-</u>	<u>-</u>	<u>2,467,622</u>	<u>1,550,405</u>

- (iii) The Bank acquired additional investment of 20million units of ordinary share in Sterling Asset Management Limited during the year. The additional investment which represents 16.7% of share capital of Sterling Asset Management Limited was acquired from Sterling Capital Market, a wholly owned subsidiary of the Bank.

- (iv) During the year, the Bank disposed 40% of its equity holding in Nigerian Stock Brokers Limited. The disposal of the investment in the subsidiary was accounted for as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Sales Proceed	-	-	93,600	-
Cost of disposal	-	-	(55,190)	-
Profit on disposal	<u>-</u>	<u>-</u>	<u>38,410</u>	<u>-</u>

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

	<i>Country of Incorporation</i>	<i>Company Name</i>	<i>Nature of Business</i>	<i>Percentage of equity capital held</i>	<i>Period end</i>
1	Nigeria	Sterling Capital Markets Limited	Banking	100%	31/12/2009
2	Nigeria	Sterling Assets Management and Trustees Limited	Asset Management	100%	31/12/2009
3	Nigeria	Sterling Registrars Limited	Registrars	100%	31/12/2009
4	Nigeria	SBG Insurance Broker Limited	Insurance Brokers	100%	31/12/2009

- (c) This represents the cost of the Bank's 100% equity investment in Sterling Capital Markets Limited of 1,346,312,000 ordinary shares of ₦1 each.
- (d) This represents the cost of the Bank's 100% equity investment in Sterling Asset Management Limited of 120,000,000 ordinary shares of ₦1 each.
- (e) This represents the cost of the Bank's 100% equity investment in Sterling Registrars Limited of 50,000,000 ordinary shares of ₦1 each.
- (f) This represents the cost of the Bank's 100% equity investment in SBG Insurance Broker Limited of 10,000,000 ordinary shares of ₦1 each.

Condensed results of consolidated entities

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

	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets</i>	<i>Sterling Asset Mgt &amp; Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>Sterling Registrars</i>	<i>St (U</i>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>(U</u>
<b>Condensed profit and loss account</b>								
Operating income	26,103,870	(105,991)	23,330,213	1,067,725	1,006,490	202,370	451,700	
Operating expenses	(22,068,318)	159,684	(19,434,227)	(1,821,358)	(341,541)	(74,846)	(174,270)	
Loan loss expenses	(12,532,003)	-	(11,513,630)	(1,017,961)	(412)	-	-	
Diminution on other risk values	(3,024,310)	-	(1,455,264)	(275,965)	(554,010)	(9,476)	(4,065)	
Group's share of post tax result of associates and joint ventures	(111,667)	-	-	-	-	-	-	
<i>Profit before tax</i>	<u>(11,632,428)</u>	<u>53,693</u>	<u>(9,072,908)</u>	<u>(2,047,559)</u>	<u>110,527</u>	<u>118,048</u>	<u>273,365</u>	
Taxation	2,612,826	-	2,412,502	519,259	(188,905)	(49,400)	(80,630)	
<i>Profit after tax</i>	<u>(9,019,602)</u>	<u>53,693</u>	<u>(6,660,406)</u>	<u>(1,528,300)</u>	<u>(78,378)</u>	<u>68,648</u>	<u>192,735</u>	
<b>Condensed financial position</b>								
<i>Subsidiary companies/parent company</i>								
	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset Mgt &amp; Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>Sterling Registrars Limited</i>	
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	
<b>Assets</b>								
Cash in hand and balances with CBN	8,573,674	-	8,573,234	181	-	195	64	
Treasury bills	9,607,738	-	9,607,738	-	-	-	-	
Due from other banks	57,833,221	(2,170,856)	56,592,146	62,022	231,308	172,217	2,946,384	
Loans and advances to customers	78,035,834	(1,116,767)	78,140,098	795,182	217,321	-	-	
Other facilities	350,000	-	350,000	-	-	-	-	
Advances under finance lease	4,548,757	-	3,917,488	-	631,269	-	-	
Investment securities	27,505,802	28,453	25,738,514	1,278,654	424,539	23,067	12,575	
Investment in subsidiaries	-	(2,467,622)	2,467,622	-	-	-	-	
Investment in associates	43,377	(242,877)	260,093	-	26,161	-	-	
Investment properties	12,584,288	-	60,000	-	12,524,288	-	-	
Other assets	12,421,527	(1,270,638)	10,762,879	563,323	1,996,224	336,420	33,317	
Deferred tax assets	4,601,074	-	4,081,815	519,259	-	-	-	
Property and equipment	5,212,873	-	5,089,200	48,376	35,922	19,451	19,926	
Equipment on lease	-	-	-	-	-	-	-	
Goodwill	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<u>221,318,165</u>	<u>(7,240,307)</u>	<u>205,640,827</u>	<u>3,266,997</u>	<u>16,087,032</u>	<u>551,350</u>	<u>3,012,266</u>	

	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets</i>	<i>Sterling Asset Mgt &amp; Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>Sterling Registrars Limited</i>	<i>M S (U</i>
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	
<b>LIABILITIES &amp; RESERVES</b>								
Customers' deposits	161,276,895	(2,170,856)	160,470,381	-	2,977,370	-	-	
Due to other banks	2,650,000	(820,106)	150,000	820,106	2,500,000	-	-	
Current income tax payable	1,026,117	-	393,405	312,250	193,402	40,155	86,905	
Other liabilities	20,674,674	(1,270,637)	7,878,686	1,422,277	9,824,530	372,002	2,447,816	
Other facilities	350,000	-	350,000	-	-	-	-	
Defined contribution obligations	54,945	-	54,811	-	-	-	134	
Deferred tax liabilities	10,428	-	-	-	6,781	1,925	1,722	
Long-term borrowing	14,201,550	-	14,201,550	-	-	-	-	
Equity and reserves	21,073,556	(2,978,708)	22,141,994	712,364	584,949	137,268	475,689	
<b>TOTAL LIABILITIES &amp; RESERVES</b>	<b>221,318,165</b>	<b>(7,240,307)</b>	<b>205,640,827</b>	<b>3,266,997</b>	<b>16,087,032</b>	<b>551,350</b>	<b>3,012,266</b>	
<b><i>Subsidiary companies/parent company</i></b>								
	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset Mgt &amp; Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>Sterling Registrars Limited</i>	
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	
<b>Condensed cash flow</b>								
Net cash flow from operating activities	(34,224,983)	16,328,137	(44,614,257)	(2,865,071)	(690,113)	(58,124)	(2,325,555)	
Net cash flow from investing activities	(7,237,331)	(10,669,465)	2,943,264	740,820	(225,829)	(15,010)	(11,111)	
Net cash flow from financing activities	(1,256,309)	2,738,616	(1,256,309)	(675,000)	(1,988,616)	-	(75,000)	
Increase in cash and cash equivalents	(42,718,623)	8,397,288	(42,927,302)	(2,799,251)	(2,904,558)	(73,134)	(2,411,666)	
Cash balance, beginning of year	114,970,953	(13,068,032)	116,438,117	2,861,454	3,135,754	245,546	5,358,114	
Cash balance, end of year	<b>72,252,330</b>	<b>(4,670,744)</b>	<b>73,510,815</b>	<b>62,203</b>	<b>231,196</b>	<b>172,412</b>	<b>2,946,448</b>	

Condensed results of consolidated entities

(h) Condensed results of the consolidated entities as at **30 September 2008**, are as follows:

***Subsidiary companies/parent company***

	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset and Management Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>St...</i>
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>Condensed profit and loss</b>							
Operating income	25,888,899	(1,273,877)	22,320,634	2,330,077	1,230,008	142,568	
Operating expenses	(16,467,429)	(547,715)	(13,966,433)	(582,164)	(534,006)	(76,912)	
Loan loss expenses	(2,146,593)	(12,038)	(2,134,555)	-	-	-	
Diminution on other risk values	(985,068)	-	(122,661)	(845,950)	(16,457)	-	
Exceptional income	4,774,732	-	4,774,732	-	-	-	
Exceptional charge	(3,081,993)	-	(3,081,993)	-	-	-	
<i>Profit before tax</i>	<u>7,982,548</u>	<u>(1,833,630)</u>	<u>7,789,724</u>	<u>901,963</u>	<u>679,545</u>	<u>65,656</u>	
Taxation	(1,398,669)	-	(1,266,571)	205,946	(232,167)	(21,016)	
<i>Profit after tax</i>	<u><u>6,583,879</u></u>	<u><u>(1,833,630)</u></u>	<u><u>6,523,153</u></u>	<u><u>1,107,909</u></u>	<u><u>447,378</u></u>	<u><u>44,640</u></u>	

**Condensed financial position**

***Subsidiary companies/parent company***

	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset and Management Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>St...</i>
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
<b>Assets</b>							
Cash in hand and balances with CBN	16,150,062	-	16,149,550	254	-	9	
Treasury bills	21,378,831	-	21,378,831	-	-	-	
Due from other banks	84,799,102	(8,364,540)	80,847,858	2,840,555	3,135,754	245,537	
Loans and advances to customers	66,882,520	(1,080,092)	65,787,520	1,548,237	626,855	-	
Advances under finance lease	3,366,161	(421,487)	3,362,144	-	425,504	-	
Investment securities	36,210,808	1,847	31,451,241	1,573,665	790,819	34,201	
Investment in subsidiaries	-	(2,536,751)	1,550,405	973,771	-	-	
Investment in associates	258,661	26,161	232,500	-	-	-	
Investment properties	1,945,651	-	154,276	-	1,791,375	-	
Other assets	12,309,161	(1,805,704)	9,207,117	1,125,883	3,142,489	175,682	
Deferred tax assets	1,158,674	(5,142)	1,163,816	-	-	-	
Property and equipment	5,387,190	(24,697)	5,217,665	64,812	64,812	9,662	
Equipment on lease	-	-	-	-	-	-	
Goodwill	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<u><u>249,846,821</u></u>	<u><u>(14,210,405)</u></u>	<u><u>236,502,923</u></u>	<u><u>8,127,177</u></u>	<u><u>9,977,608</u></u>	<u><u>465,091</u></u>	



	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset and Management Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>St Reg L</i>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>
<b>LIABILITIES &amp; RESERVES</b>							
Customers' deposits	176,916,144	(7,814,065)	184,730,209	-	-	-	-
Due to other banks	5,418,920	5,418,920	-	-	-	-	-
Current income tax payable	1,750,366	33,686	1,157,102	233,433	147,670	21,016	-
Other liabilities	23,164,531	(9,315,286)	9,236,795	5,645,531	9,161,469	372,967	-
Other facilities	-	-	-	-	-	-	-
Defined contribution obligations	66,889	150	66,739	-	-	-	-
Deferred tax liabilities	15,714	(5,142)	-	7,551	5,142	2,488	-
Long-term borrowing	11,073,200	-	11,073,200	-	-	-	-
Equity and reserves	31,441,057	(2,528,668)	30,238,878	2,240,662	663,327	68,620	-
<b>TOTAL LIABILITIES &amp; RESERVES</b>	<u>249,846,821</u>	<u>(14,210,405)</u>	<u>236,502,923</u>	<u>8,127,177</u>	<u>9,977,608</u>	<u>465,091</u>	<u>₦'000</u>
<b><i>Subsidiary companies/parent company</i></b>							
	<i>Group Balance</i>	<i>Elimination Entries</i>	<i>Bank</i>	<i>Sterling Capital Markets Limited</i>	<i>Sterling Asset and Management Trustees Ltd</i>	<i>SBG Insurance Brokers Limited</i>	<i>St Reg L</i>
	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>	<u>₦'000</u>
<b>Condensed cash flow</b>							
Net cash flow from operating activities	66,341,955	1,591,578	69,985,213	(2,865,071)	(441,344)	51,876	(1,316)
Net cash flow from investing activities	(11,447,893)	(2,676,023)	(9,254,086)	740,820	(211,158)	(30,692)	-
Net cash flow from financing activities	11,035,760	(2,151,788)	11,073,200	(675,000)	2,944,594	(22,500)	-
Increase in cash and cash equivalents	65,929,822	(3,236,233)	71,804,327	(2,799,251)	2,292,092	(1,316)	(1,316)
Cash balance, beginning of year	49,041,131	(5,364,607)	44,633,790	2,861,454	843,662	246,862	-
Cash balance, end of year	<u>114,970,953</u>	<u>(8,600,840)</u>	<u>116,438,117</u>	<u>62,203</u>	<u>3,135,754</u>	<u>245,546</u>	<u>₦'000</u>

**18 Investment in associates**

(a) Investment in associate is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Crusader Sterling Pension Ltd (see note (b) below)	43,377	258,661	232,500	232,500
Nigerian Stock Brokers Limited (see note (c)(i) below)	-	-	27,593	-
	<u>43,377</u>	<u>258,661</u>	<u>260,093</u>	<u>232,500</u>

(b) This represents the Bank's 20% interest in Crusader Sterling Pension Limited and was accounted for as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance beginning of the period				
/year	258,661	258,661	232,500	232,500
Share of loss carried forward	(236,296)	-	-	-
Current year share of profit	21,012	-	-	-
	<u>43,377</u>	<u>258,661</u>	<u>232,500</u>	<u>232,500</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Reclassified from subsidiary account during the period (see note 17(a)(ii))	27,593	-	27,593	-
Share of loss carried forward	(27,593)	-	-	-
	<u>-</u>	<u>-</u>	<u>27,593</u>	<u>-</u>

(d) (ii) During the year, the Bank sold 40% of its equity holding in Nigerian Stock Brokers Limited. The balance of investment in the entity of 20% was accounted for using the equity method of accounting.

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

	Crusader		Total
	Sterling Pension	NSL	
	Dec 2009	Dec 2009	
	₦'000	₦'000	₦'000
Total assets	284,142	2,812,279	3,096,421
Total liabilities	198,061	4,433,551	4,631,612
Net assets	<u>86,081</u>	<u>(1,621,272)</u>	<u>(1,535,191)</u>
Gross income	<u>352,883</u>	<u>119,544</u>	<u>472,427</u>
(Loss)/profit after taxation	<u>32,841</u>	<u>(2,084,950)</u>	<u>(2,052,109)</u>

**19 Investment properties**

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

	Group	Group	Bank	Bank
	Dec 2009	Sept 2008	Dec 2009	Sept 2008
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	1,945,651	5,836,513	154,276	5,602,394
Addition during the period (See (b))	10,792,913	1,791,375	60,000	-
Disposal	(154,276)	(5,682,237)	(154,276)	(5,448,118)
Balance, end of year	<u>12,584,288</u>	<u>1,945,651</u>	<u>60,000</u>	<u>154,276</u>

- (b) Included in investment properties purchased during the year is an amount of ₦10.73 billion representing private and commercial properties purchased by the Bank's subsidiary; Sterling Asset Management and Trustees Limited in various locations within Lagos state.

**20 Other assets**

(a) Analysis of other assets is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Other assets comprise:				
Prepayments	2,399,771	2,066,303	2,270,799	1,905,360
Interest receivable	869,280	847,582	866,222	734,316
Stock	159,409	86,132	159,409	86,132
Receivable from insured	335,762	175,682	-	
Receivable - sale of trading properties	1,915,467	3,001,690	-	
Deferred exchange difference	1,932,216	-	1,932,216	-
Pledged bonds	-	1,500,000	-	1,500,000
Intercompany receivable	-	-	-	1,272,521
Other receivable accounts	6,820,030	5,950,827	6,840,743	4,067,643
	<u>14,431,935</u>	<u>13,628,216</u>	<u>12,069,389</u>	<u>9,565,972</u>
Allowance for other assets (see note (b) )	(2,010,408)	(1,319,055)	(1,306,510)	(358,855)
	<u><u>12,421,527</u></u>	<u><u>12,309,161</u></u>	<u><u>10,762,879</u></u>	<u><u>9,207,117</u></u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of year	1,319,055	1,538,094	358,855	1,421,660
Disposal of subsidiary	(12,629)	-	-	-
Allowances made during the year (see note 8)	1,231,564	950,544	947,655	88,137
Allowances no longer required	(47,600)	(22,531)	-	-
Allowance written off	(479,982)	(1,147,052)	-	(1,150,942)
Balance, end of year	<u><u>2,010,408</u></u>	<u><u>1,319,055</u></u>	<u><u>1,306,510</u></u>	<u><u>358,855</u></u>

**21 Deferred taxation**

(a) **Deferred tax asset**

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	1,158,674	460,087	1,163,816	376,326
Realised from revaluation reserve	61,405	140,226	61,405	140,226
Transfer to revaluation reserve	-	1,188,552	-	1,188,552
Charge/(reversal) during the period (see note 9(a))	3,380,995	(630,191)	2,856,594	(541,288)
Balance, end of period	<u>4,601,074</u>	<u>1,158,674</u>	<u>4,081,815</u>	<u>1,163,816</u>

(b) **Deferred tax liability**

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	15,714	24,203	-	-
Transfer to cost of disposal of subsidiary	(2,843)	-	-	-
Write back of deferred tax	(7,551)	1,822	-	-
Current year credit/charge (see note 9(a))	5,108	(10,311)	-	-
Balance, end of period	<u>10,428</u>	<u>15,714</u>	<u>-</u>	<u>-</u>

(c) **Deferred tax**

Deferred tax comprises:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Deferred tax liability	(10,428)	(15,714)	-	-
Deferred tax asset	4,601,074	1,158,674	4,081,815	1,163,816
	<u>4,590,646</u>	<u>1,142,960</u>	<u>4,081,815</u>	<u>1,163,816</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Property and equipment	1,383,736	1,037,050	1,395,322	1,050,032
Unrelieved losses	2,918,792	-	2,401,255	-
General provision	2,880	202,733	-	210,607
Revaluation loss/(gain)	358,840	(96,823)	358,840	(96,823)
Others	(73,602)	-	(73,602)	-
	<u>4,590,646</u>	<u>1,142,960</u>	<u>4,081,815</u>	<u>1,163,816</u>

## 22 Property and equipment

(a) **The Group:**

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer software and equipment	Motor vehicles
	N'000	N'000	N'000	N'000	N'000
<b>(a) (i) Cost</b>					
Beginning of the period	2,974,299	284,898	3,117,780	2,868,719	2,013,482
Additions	106,499	168,466	435,771	443,736	482,000
Transfers	26,644	(211,490)	134,091	50,499	-
Disposals	(1,772)	-	(86,341)	(1,750)	(277,000)
Disposal of subsidiary	-	-	(37,615)	-	(29,000)
End of the period	<u>3,105,670</u>	<u>241,874</u>	<u>3,563,686</u>	<u>3,361,204</u>	<u>2,189,482</u>
<b>(a) (ii) Accumulated depreciation</b>					
Beginning of the period	743,456	-	1,842,228	2,204,353	1,082,000
Charge for the year	152,965	-	527,480	572,212	473,000
Disposals	-	-	(63,855)	(1,462)	(247,000)
Disposal of subsidiary	-	-	(17,549)	-	(18,000)
End of the period	<u>896,421</u>	<u>-</u>	<u>2,288,304</u>	<u>2,775,103</u>	<u>1,289,000</u>
<b>Net book value</b>					
At 31 December, 2009	<u>2,209,249</u>	<u>241,874</u>	<u>1,275,382</u>	<u>586,101</u>	<u>900,482</u>
At 30 September, 2008	<u>2,230,843</u>	<u>284,898</u>	<u>1,275,552</u>	<u>664,366</u>	<u>931,482</u>

(a) (iii) There are no leased movable assets included in property and equipments. (September 2008: Nil)

The Group had capital commitments of ₦393.5 million (30 September 2008: ₦14.17million) as at the balance sheet date in respect of authorized and contracted capital projects.

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

(b) **The Bank:**

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

	Leasehold Land and Building	Capital work-in- progress	Furniture, fittings and equipment	Computer software and equipment	Motor vehicles
	N'000	N'000	N'000	N'000	N'000
<b>(b) (i) Cost</b>					
Beginning of the period	2,967,792	276,938	2,992,456	2,856,667	1,838,
Additions	106,499	176,026	404,040	431,899	457,
Transfers	26,644	(211,490)	134,091	50,499	
Disposals	(1,772)	-	(86,341)	(1,429)	(261,
End of the period	<u>3,099,163</u>	<u>241,474</u>	<u>3,444,246</u>	<u>3,337,636</u>	<u>2,034,</u>
<b>(b) (ii) Accumulated depreciation</b>					
Beginning of year	736,550	-	1,774,038	2,200,549	1,003,
Charge for the year	152,965	-	508,892	561,988	431,
Disposals	-	-	(60,481)	(1,429)	(240,
End of year	<u>889,515</u>	<u>-</u>	<u>2,222,449</u>	<u>2,761,108</u>	<u>1,195,</u>
<b>Net book value</b>					
At 31 December, 2009	<u>2,209,648</u>	<u>241,474</u>	<u>1,221,797</u>	<u>576,528</u>	<u>839,</u>
At 30 September, 2008	<u>2,231,242</u>	<u>276,938</u>	<u>1,218,418</u>	<u>656,118</u>	<u>834,</u>

(b) (iii) There are no leased movable assets included in property and equipments. (September 2008: Nil)

The Bank had capital commitments of ₦393.5 million (30 September 2008: ₦14.17million) as at the balance sheet date in authorized and contracted capital projects.

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



## 23 Equipment on lease

The movement on equipment on lease during the period is as follows:

	Furniture, machinery and equipment N'000	Motor Vehicle N'000	Total N'000
<b>Cost</b>			
Beginning of year	119,392	57,294	176,686
Retirement	(119,392)	(57,294)	(176,686)
End of year	-	-	-
<b>Accumulated depreciation</b>			
Beginning of year	119,392	57,294	176,686
Retirement	(119,392)	(57,294)	(176,686)
End of year	-	-	-
At 31 December 2009	-	-	-
At 30 September 2008	-	-	-

## 24 Goodwill

(a) Movement on the goodwill account during the year is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of year	-	3,081,993	-	3,081,993
Amortisation during the year	-	-	-	-
Impairment charge	-	(3,081,993)	-	(3,081,993)
Balance, end of year	-	-	-	-

## 25 Customers' deposits

(a) Deposits and other accounts comprise:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Time	85,846,059	45,574,248	84,982,537	50,646,153
Savings	6,931,309	5,691,384	6,931,309	5,691,384
Demand	47,933,755	112,041,672	47,990,763	114,783,832
Domiciliary	7,591,272	3,872,290	7,591,272	3,872,290
Interbank takings	12,974,500	9,736,550	12,974,500	9,736,550
	161,276,895	176,916,144	160,470,381	184,730,209

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Under 1 month	120,087,625	155,597,473	120,144,633	163,909,747
1-3 months	28,009,891	10,398,003	27,146,369	9,661,759
3-6 months	2,356,139	238,035	2,356,139	238,035
6-12 months	1,975,240	54,844	1,975,240	54,844
Over 12 months	8,848,000	10,627,789	8,848,000	10,865,824
	<u>161,276,895</u>	<u>176,916,144</u>	<u>160,470,381</u>	<u>184,730,209</u>

**26 Due to other banks**

Due from other banks comprise:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Borrowings (see (b) below)	2,650,000	5,418,920	150,000	-
	<u>2,650,000</u>	<u>5,418,920</u>	<u>150,000</u>	<u>-</u>

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

**27 Other liabilities**

Analysis of other liabilities is as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Foreign currency denominated liabilities (see note 12 (c))	1,073,437	1,267,626	1,073,437	1,267,626
Interest payable	871,566	804,439	871,566	827,634
Dividend payable	110,305	21,449	110,305	21,449
Certified cheques	3,281,370	1,624,289	3,281,370	1,624,289
Unearned income	95,069	1,569,369	95,069	1,569,369
Other credit balances	1,464,566	2,146,424	1,194,810	2,026,463
Due to insurance companies	347,075	320,501		
Information technology levy	-	95,645	-	88,850
Funds under management	-	1,556,970	-	-
Funds held on behalf of customers	1,064,509	602,001	-	-
Intercompany balances	-	-	649,678	727,850
Customers' deposit for properties	1,311,465	97,289	-	-
Deposit for shares	13,770	-	-	-
Funds awaiting remittance	-	4,701,268	-	-
Property investment payable	7,768,497	2,129,625	-	-
Other account payable	3,273,045	6,227,636	602,451	1,083,265
	<u>20,674,674</u>	<u>23,164,531</u>	<u>7,878,686</u>	<u>9,236,795</u>

## 28 Defined contribution obligations

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of the period/ year	66,889	197,342	66,739	197,342
Charge for the year	725,420	361,542	723,212	361,392
Contribution remitted	(737,364)	(491,995)	(735,140)	(491,995)
Balance, end of the period/year	<u>54,945</u>	<u>66,889</u>	<u>54,811</u>	<u>66,739</u>

## 29 Long-term borrowing

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Due to Citi Bank Int'l Plc	<u>14,201,550</u>	<u>11,073,200</u>	<u>14,201,550</u>	<u>11,073,200</u>

(b) Long-term borrowing represents the Naira equivalent of a USD95,000,000 (30 September 2008: \$95,000,000) facility granted to the Bank by Citi Bank International Plc payable in 3 years commencing October 2008. Interest is payable quarterly at a LIBOR plus a margin of 475 basis point and the principal is due at maturity in September 2011. FGN Bond amount of ₦12.1billion held in investment securities and cash sum of \$35million (₦5.23billion) held in cash collateral with banks outside Nigeria are pledged as securities to the borrowing (see note 16(d)(iii)) and (see note 12(d)) respectively.

## 30 Share capital

(a) Authorised:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
24,000,000,000 Ordinary shares of 50k each (September 2008: 24,000,000,000 of 50k each)	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>

(b) Issued and fully-paid:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
12.563 billion Ordinary shares of 50k each (September 2008: 12.563billion ordinary shares of 50k each)	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period/year	6,281,545	5,276,423	6,281,545	5,276,423
Transfer from share premium for share compensation	-	6,658,513	-	6,658,513
Transfer to share premium from share reconstruction	-	(5,653,391)	-	(5,653,391)
Balance, end of period/year	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>	<u>6,281,545</u>

(c) (ii) Movement in nominal share capital

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Beginning of period/year	12,563,090	10,552,846	12,563,090	10,552,846
Issue of compensation shares	-	13,317,026	-	13,317,026
Eliminated from share reconstruction	-	(11,306,782)	-	(11,306,782)
Balance, end of period/year	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>

**31 Share premium**

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period/year	12,314,019	13,319,141	12,314,019	13,319,141
Transfer from share premium for share compensation	-	(6,658,513)	-	(6,658,513)
Transfer to share premium from share reconstruction (see 30(c)(i))	-	5,653,391	-	5,653,391
Balance, end of period/year	<u>12,314,019</u>	<u>12,314,019</u>	<u>12,314,019</u>	<u>12,314,019</u>

32 Reserves

(a) (i) Group

	Share Reserves	Other reserves				Capital Reserves	Total Other reserves
		Statutory Reserves	SMEEIS Reserves	Revaluation Reserves	Translation Reserves		
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance, beginning of the year (01 October 2007)	5,276,423	1,761,422	234,503	3,455,879	489,203	96,317	6,037,324
Transferred from profit and loss account	-	1,956,946	-	-	-	-	1,956,946
Transfer to non-controlling interests	-	-	-	98,998	-	-	98,998
Realised on disposal	-	-	-	(3,961,840)	(311,382)	-	(4,273,222)
Reversals during the year	-	-	-	(247,497)	-	-	(247,497)
Realised from disposal of investment properties	-	-	-	1,188,552	-	-	1,188,552
Balance, beginning of the period	5,276,423	3,718,368	234,503	534,092	177,821	96,317	4,761,101
Dividend paid (see note 32(a))	-	-	-	-	-	-	-
Transferred from profit and loss account	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	(57,627)	(57,627)
Previously unconsolidated reserves:							
associates and joint ventures	-	-	-	-	-	-	-
Realised during the period	-	-	-	(48,092)	(132,077)	-	(180,169)
Balance, end of the period (31 December 2009)	5,276,423	3,718,368	234,503	486,000	45,744	38,690	4,523,305

(b) (i) Bank

	Other reserves					Total Other reserves	
	Share Reserves	Statutory Reserves	SMEEIS Reserves	Revaluation Reserves	Translation Reserves		Capital Reserves
	₺'000	₺'000	₺'000	₺'000	₺'000	₺'000	
Balance, beginning of the year (01 October 2007)	5,276,423	1,761,422	234,503	3,307,380	489,203	-	5,792,508
Transferred from profit and loss account	-	1,956,946	-	-	-	-	1,956,946
Transfer to non-controlling interests	-	-	-	-	-	-	-
Realised on disposal	-	-	-	(2,773,288)	(311,382)	-	(3,084,670)
Balance, beginning of the period (01 October 2008)	5,276,423	3,718,368	234,503	534,092	177,821	-	4,664,784
Dividend paid (see note 32(a))	-	-	-	-	-	-	-
Transferred from profit and loss account	-	-	-	-	-	-	-
Realised during the period	-	-	-	(48,092)	(132,077)	-	(180,169)
Balance, end of the period (31 December 2009)	5,276,423	3,718,368	234,503	486,000	45,744	-	4,484,615

### 33 Non-controlling interest

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Balance, beginning of period	169,036	285,262	-	-
Share of profit for the period	-	20,212	-	-
Dividend received	-	(37,440)	-	-
Writeback of revaluation reserve	-	(98,998)	-	-
Disposal of subsidiary during the period	(169,036)	-	-	-
Balance, end of period	-	169,036	-	-

### 34 Contingent liabilities

(a) *Litigation and claims*

There are litigation and claims against the Group as at 31 December 2009 amounting to N3.8billion (September 2008: N3.29billion). These claims arose in the normal course of business and are being contested by the Bank. The directors, having sought advice of professional counsel, are of the opinion that no significant liability will crystallise from these claims. Provisions of N172million have been made in these financial statements on crystalised claims.

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

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Bonds, guarantees and indemnities	19,433,968	27,598,600	19,433,968	27,598,600
Letters of credit	5,753,562	12,819,190	5,753,562	12,819,190
Bankers acceptance	-	39,749,558	-	39,749,558
Forward Purchase	-	11,012,060	-	11,012,060
Others	10,788	1,525	10,788	1,525
	25,198,318	91,180,933	25,198,318	91,180,933

(b) (ii) All the transaction-related bonds and guarantees are fully collateralised. The cash component out of the balance was N4.814billion (30 September 2008: N119.2million).

**35 Net cash flow from operating activities**

Reconciliation of profit before tax to cash generated from operating activities

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Profit after tax	(9,019,602)	6,583,879	(6,660,406)	6,523,153
Add back: taxation charge	(2,612,826)	1,398,669	(2,412,502)	1,266,571
Profit before tax	<u>(11,632,428)</u>	<u>7,982,548</u>	<u>(9,072,908)</u>	<u>7,789,724</u>
<b>Adjustment to reconcile profit before tax to net cash flow from operating activities:</b>				
Allowance for bad and doubtful loans	12,532,003	2,146,593	11,513,630	2,134,555
Loan written off				
Diminution in value of other risk assets - investments	507,609	34,524	507,609	34,524
Diminution in value of short term securities	1,285,137	-	-	-
Allowance on other assets	1,231,564	950,544	947,655	88,137
Profit on disposal of subsidiary (see note 17(a)(v))	-	-	(38,410)	
Profit on disposal of trading properties (see note 19(b))	(107,444)	(5,615,641)	(107,444)	(4,774,732)
Depreciation on equipment on lease	-	30,053	-	30,053
Depreciation on property and equipment (see note 22(a) &(b))	1,725,825	1,169,103	1,655,707	1,099,744
Profit on disposal of property and equipments	(38,771)	(171,265)	(38,771)	(173,070)
Goodwill amortized during the year	-	3,081,993	-	3,081,993
Revaluation gain on redemption of investment	(132,077)	(140,226)	(132,077)	(140,226)
Amortisation of deferred cost	-	264,731	-	264,731
Loss on investment	-	69,641	-	85,774
Write-back of investment	-	(3,996)	-	(3,996)
Allowance no longer required on other assets (see note 20(b))	(47,600)	(22,531)	-	-
Allowance no longer required on investments	-	(85,721)	-	(35,704)
Dividend income	-	-	-	(1,670,544)
Gain on disposal of investment	-	(100,001)	-	(100,001)
Exchange loss on long-term borrowing	1,196,134	-	1,196,134	-
	<u>6,519,952</u>	<u>9,590,349</u>	<u>6,431,125</u>	<u>7,710,962</u>



**(Increase)/decrease in operating assets**

Cash reserve balance	825,819	(1,938,122)	825,819	(1,938,122)
Investment securities - short term	2,005,402	13,882,597	-	13,721,471
Loans and advances	(23,715,730)	(21,902,199)	(23,900,169)	(21,952,724)
Other facilities	(350,000)	-	(350,000)	-
Advances under finance lease	(1,152,183)	(1,146,146)	(521,383)	(1,151,653)
Other assets	841,617	(4,780,622)	(611,995)	(1,836,230)
	<u>(21,545,075)</u>	<u>(15,884,492)</u>	<u>(24,557,728)</u>	<u>(13,157,258)</u>
Deposits and other accounts	(15,639,249)	77,698,075	(24,259,828)	77,796,482
Other liabilities	(2,484,209)	(4,785,905)	(1,358,109)	(2,207,621)
Other facilities	350,000	-	350,000	-
Defined contribution obligations	(11,944)		(11,928)	
	<u>(17,785,402)</u>	<u>72,912,170</u>	<u>(25,279,865)</u>	<u>75,588,861</u>
	<u>(32,810,525)</u>	<u>66,618,027</u>	<u>(43,406,468)</u>	<u>70,142,565</u>

**36 Dividend**

	Group Dec 2009 <u>N'000</u>	Group Sept 2008 <u>N'000</u>	Bank Dec 2009 <u>N'000</u>	Bank Sept 2008 <u>N'000</u>
Dividend declared : Nil (September 2008: ₦0.10)	1,256,309	-	1,256,309	-
	<u>1,256,309</u>	<u>-</u>	<u>1,256,309</u>	<u>-</u>

During the year, a dividend of ₦0.10 per share was declared and paid to ordinary shareholders.

**37 Earnings per share**

	Group Dec 2009 <u>N'000</u>	Group Sept 2008 <u>N'000</u>	Bank Dec 2009 <u>N'000</u>	Bank Sept 2008 <u>N'000</u>
Loss/profit attributable to group shareholders	<u>(9,019,602)</u>	<u>6,563,667</u>	<u>(6,660,406)</u>	<u>6,523,153</u>
Number of ordinary shares in issue at year end	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>	<u>12,563,090</u>
Basic earnings per share	<u>(72)k</u>	<u>52k</u>	<u>(53)k</u>	<u>52k</u>

### 38 Related party transactions

- (a) During the period, the Bank granted various credit facilities to companies whose directors are also directors of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of ₦1.692billion (September 2008: ₦1.197billion) was outstanding on these facilities at the end of the period, of which ₦6.323million was non-performing. Details of these insider related credits are:

Name of Borrowers	Relationship	Facility type	Authorised ₦'000	Balance ₦'000	Status	Security
Lecky Silver Touch	Yemi Idowu	Overdraft	490,000	472,274	Performing	Legal Mortgage
Touchdown Travels Limited	Yinka Adeola	Term loan	100,000	98,830	Performing	Equitable Mortgage
Touchdown Travels Limited	Yinka Adeola	Overdraft	600,000	601,562	Performing	Equitable Mortgage
Adeola, Rilwan Adedayo	Yinka Adeola	Overdraft	-	327	Performing	Legal Mortgage, Personal Guarantee
Adeola, Rilwan Adedayo	Yinka Adeola	Term loan	12,000	2,984	Performing	Legal Mortgage, Personal Guarantee
Adeola, Rilwan Adedayo	Yinka Adeola	Term loan	20,000	14,314	Performing	Legal Mortgage, Personal Guarantee
Fareast Mercantile Co. Ltd	Yemi Idowu	Overdraft	300,000	42,205	Performing	Debenture on Fixed & Floating Assets of Company
Fareast Mercantile Co. Ltd	Yemi Idowu	Overdraft	-	15	Performing	Debenture on Fixed & Floating Assets of Company
UTC Nigeria Plc	Yinka Adeola	Overdraft	-	38,071	Performing	Legal Mortgage
UTC Nigeria Plc	Yinka Adeola	Term loan	286,000	265,876	Performing	Legal Mortgage
Lykarock Nigeria Limited	Alhaji Aliyu Alkali	Overdraft	10,000	6,323	Non-Performing	Tripartite Legal Mortgage
General Agro Oil Indus .Ltd	Yemi Idowu	Overdraft	40,000	29,198	Performing	Debenture on Fixed & Floating Assets of Company
Century Exports Limited	Yemi Idowu	Overdraft	75,000	57,986	Performing	Debenture on Fixed & Floating Assets of Company
Eterna Oil & Gas Plc	Yinka Adeola	Trade finance facility	500,000	61,864	Performing	Equitable Mortgage on Tank Farm
<b>TOTAL</b>			<u>2,433,000</u>	<u>1,691,829</u>	-	

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

Entity	Dec 2009 ₦'000	Sept 2008 ₦'000
SBG Insurance Brokers Limited	83,294	3,818
Sterling Asset & Management Trustees Limited	734,129	2,593,975
Sterling Capital Markets Limited	862	792
Sterling Registrars Limited	665,634	1,068,721
	<u>1,483,919</u>	<u>3,667,306</u>

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

	Dec 2009 ₦'000	Sept 2008 ₦'000
Touchdown Travels Limited	4,000	-
Fareast Mercantile Co. Ltd	130,350	-
	<u>134,350</u>	<u>-</u>

### 39 Cash and cash equivalents

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

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Cash in hand and balances with CBN (less restricted balances) (see note 10(a))	7,461,371	14,211,940	7,460,931	14,211,428
Treasury bills (see note 11)	9,607,738	21,378,831	9,607,738	21,378,831
Due from other bank (see note 12)	57,833,221	84,799,102	56,592,146	80,847,858
Due to other banks (see note 26)	(2,650,000)	(5,418,920)	(150,000)	-
	<u>72,252,330</u>	<u>114,970,953</u>	<u>73,510,815</u>	<u>116,438,117</u>

### 40 Compliance with banking regulations

The Bank contravened certain sections of the Banks and Other Financial Institutions Act 1991 and circulars issued by the Central Bank of Nigeria. Details of the contraventions during the period is as follows:

	Section	Nature	Penalty N'000
BOFIA 1991	S. 25	Rendition of inaccurate monthly report (MBR) in September, 2008	2,000
Money Laundering (Prohibition) Act of 2004	S.3 (1)	Opening of accounts with inadequate documentation	2,000
BSD/FE/48/VOL.6/304 28th March, 1995		Inability to provide required minimum stipulated information in the Bank's credit print-out	2,000
BSD/PA/4/97 12th August & September 2008		Treatment of credits as Contingents Commercial Paper	2,000
			<u>8,000</u>

### 41 Events after balance sheet date

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2009 and loss attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

### 42 Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the the current year, as required by the 18 January 2010 CBN circular BSD/DIR/CEN/CIR/04/004 on "minimum information to be contained in the financial statements".

**43 Recapitalisation plans:**

As a consequence of the difficult economic environment in the months leading up to the Bank's financial year end of December 2009, a significant portion of its risk assets portfolio suffered significant impairment as a large number of obligors fell into arrears in respect of their loan obligations. The provision for loan losses on these facilities resulted in losses after tax for the Group and Bank of ₦9.020billion and ₦6.660billion respectively for the period ended 31 December 2009. As a result of these losses, shareholders funds for the Group and Bank stood at ₦21.074billion and ₦22.141billion respectively. These are stated after recognition of a Group and Bank deferred tax asset of ₦4.601billion and ₦4.082billion respectively. This level of shareholders' fund is below the minimum regulatory requirement of ₦25billion. However, Group and Bank still maintained a regulatory capital adequacy ratio in excess of 10%.

The Board of the Bank has therefore initiated the following actions aimed at increasing the capital level above the regulatory minimum requirement:

- i Aggressive recovery on non-performing loans to improve the Bank's profitability in 2010.
- ii Capital infusion by a number of institutional investors.
- iii A possible business combination with another bank.

The directors have also estimated income and cash flow projections based on the assumptions that represent the best estimates of economic conditions in the short and medium term. Arising from the projections, the directors consider that it is probable that future taxable profits will be available against which the accumulated tax losses can be utilised and, accordingly, have retained the deferred tax asset referred to in this note.

## **44 Financial Risk Management**

*For the period ended 31 December 2009*

### **(a) Principal Credit Policies**

#### ***Introduction:***

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

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

- Credit risk analysis,
- Credit approval,
- Credit Administration and
- Reporting of credit risk exposures.

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

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

#### ***Integrated Risk Management Process***

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

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

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

### **(b) Risk rating methodology:**

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

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

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

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

**(c) Enterprise risk management**

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

- An appropriate Risk Governance Structure at the Board and Management level.
- Adoption of an Enterprise Risk Management policy for the bank.
- Development of Risk Management frameworks and policies for each of the 3 core risk areas of the Bank i.e Credit, Market (Liquidity, Interest Rate & Investment) and Operational Risk Management Units.
- Setting up of acceptable risk management systems, tools and limits to significantly improve the Bank's overall risk management capabilities.
- The process for identification, measurement, monitoring, control and reporting of risks throughout its operations and its various business lines.

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

- Credit Risk
- Market Risk
- Operational Risk

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

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

**(d) Credit Risk:**

Credit Risk is most simply defined as the potential that a bank borrower or counter party will fail to meet obligations in accordance with agreed terms.

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

Major credit risks that affect Sterling Bank include:

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

The Objectives of Credit Risk Management in Sterling Bank are:

- To identify the credit risk in each investment, loan or other activity that exposes the bank to credit risk.
- To achieve optimal mix of loans volume and asset quality.
- To maintain single digit and above industry average ratio of Non-performing Loan-to-Total Loan ratio.
- To incur, monitor and manage credit risk in a manner that complies with all applicable laws and regulations and international best practices.
- Maintain acceptable levels of credit risk for credit risk exposures.
- Ensure effective diversification of credit exposures to various industry segments as approved by the board and operate within the exposure limit for each industry.

**Credit risk measurements**

Loans and Advances

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

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

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

**Risk Rating Scale and its External Rating Equivalent**

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

***Credit risk control and mitigation policy:***

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

***Collateral policies***

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

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

- Acceptable collateral for each credit product.
- Required documentation/ perfection of collateral.
- Conditions for waivers of collateral requirement and guidelines for approval of collateral waiver.
- Acceptability of cash and other forms of collateral denominated in Foreign Currency

Master netting arrangements

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

**(e) Provisioning policy**

The Bank's provisioning policy is designed to ensure compliance with the CBN's prudential guidelines.

The policy entails that Non-performing exposures are adequately provided for based on number of days past due.



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

Loans and advances are summarised as follows:

	Group Dec 2009 N'000	Group Sept 2008 N'000	Bank Dec 2009 N'000	Bank Sept 2008 N'000
Performing	73,906,611	67,262,798	73,527,804	66,145,828
Non-Performing				
Substandard	2,086,534	49,480	2,085,534	49,480
Doubtful	10,131,846	640,746	10,131,846	640,746
Lost	10,624,426	6,506,340	10,071,702	6,506,340
<b>TOTAL</b>	<b>96,749,417</b>	<b>74,459,364</b>	<b>95,816,886</b>	<b>73,342,394</b>

(f) **Performing but past due loans**

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

**Group**

	Retail Dec. 2009 N'000	Corporate Dec. 2009 N'000	Financial Institutions Dec. 2009 N'000	SME Dec. 2009 N'000	Total Dec. 2009 N'000
As at 31 December 2009					
Not yet due	58,541,532	9,752,814	-	-	68,294,346
Past due 0 - 30 days	1,981,076	1,768,976	-	-	3,750,052
Past due up to 30 - 60 days	390,444	137,207	-	-	527,651
Past due up to 60 - 90 days	445,895	888,667	-	-	1,334,562
	<b>61,358,947</b>	<b>12,547,664</b>	<b>-</b>	<b>-</b>	<b>73,906,611</b>

**Bank**

	Retail Dec. 2009 N'000	Corporate Dec. 2009 N'000	Financial Institutions Dec. 2009 N'000	SME Dec. 2009 N'000	Total Dec. 2009 N'000
As at 31 December 2009					
Not yet due	58,162,725	9,752,814	-	-	67,915,539
Past due 0 - 30 days	1,981,076	1,768,976	-	-	3,750,052
Past due up to 30 - 60 days	390,444	137,207	-	-	527,651
Past due up to 60 - 90 days	445,895	888,667	-	-	1,334,562
	<b>60,980,140</b>	<b>12,547,664</b>	<b>-</b>	<b>-</b>	<b>73,527,804</b>

(g) **Non-performing loans by industry**

	Group Dec. 2009 N'000	Group Sept. 2008 N'000	Bank Dec. 2009 N'000	Bank Sept. 2008 N'000
Agriculture	65,651	47,638	65,651	47,638
Oil and gas	2,063,961	1,518,012	2,063,961	1,518,012
Capital market	10,833,531	88,406	10,279,807	88,406
Consumer credit	1,089,188	88,406	1,089,188	88,406
Manufacturing	2,082,614	1,172,503	2,082,614	1,172,503
Mortgage	64,221	46,736	64,221	46,736
Real Estate and Construction	699,129	227,849	699,129	227,849
Finance and Insurance	32,699	172,640	32,699	172,640
Other Public Utilities	2	6,089	2	6,089
Transportation	722,003	448,969	722,003	448,969
Communication	81,440	204,930	81,440	204,930
Education	34,073	10,129	34,073	10,129
Others	5,074,294	3,164,259	5,074,294	3,164,259
<b>Total</b>	<b>22,842,806</b>	<b>7,196,566</b>	<b>22,289,082</b>	<b>7,196,566</b>

**Non-performing loans by geography**

	Group 2009 N'000	Group 2008 N'000	Bank 2009 N'000	Bank 2008 N'000
South South	1,071,825	840,789	1,071,825	840,789
Lagos/South west	19,485,738	5,457,714	19,485,738	5,457,714
South East	1,719,056	144,818	1,165,332	144,818
North West	251,864	258,472	251,864	258,472
Abuja/North Central	314,323	494,773	314,323	494,773
North East	-	-	-	-
<b>TOTAL</b>	<b>22,842,806</b>	<b>7,196,566</b>	<b>22,289,082</b>	<b>7,196,566</b>

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

(i) **Geographical sectors**

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

**Group**

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

**Group**

	Due from banks	Loans	Advances under finance lease	Debt Instruments	Total
As at 30 September 2008	Sept. 2008	Sept. 2008	Sept. 2008	Sept. 2008	Sept. 2008
	₦'000	₦'000	₦'000	₦'000	₦'000
South South	-	6,258,692	1,273,618	-	7,532,310
Lagos/South west	84,799,102	60,402,907	1,915,702	-	147,117,711
South East	-	1,678,979	107,590	-	1,786,569
North West	-	3,235,311	625	-	3,235,936
Abuja/North Central	-	2,390,302	97,105	28,649,689	31,137,096
North East	-	493,173	9,646	-	502,819
	<u>84,799,102</u>	<u>74,459,364</u>	<u>3,404,286</u>	<u>28,649,689</u>	<u>191,312,441</u>

**Bank**

	Due from banks Dec. 2009 N'000	Loans & Other facilities Dec. 2009 N'000	Advances under finance lease Dec. 2009 N'000	Debt Instruments Dec. 2009 N'000	Total Dec. 2009 N'000
As at 31 December 2009					
South South	-	5,130,141	817,617	-	5,947,758
Lagos/South west	56,592,146	79,347,781	2,913,427	-	138,853,354
South East	-	2,052,314	63,705	-	2,116,019
North West	-	2,839,632	49,484	23,355,641	26,244,757
Abuja/North Central	-	6,640,764	72,049	-	6,712,813
North East	-	156,254	1,206	-	157,460
	<u>56,592,146</u>	<u>96,166,886</u>	<u>3,917,488</u>	<u>23,355,641</u>	<u>180,032,161</u>

**Bank**

	Due from banks Sept. 2008 N'000	Loans Sept. 2008 N'000	Advances under finance lease Sept. 2008 N'000	Debt Instruments Sept. 2008 N'000	Total Sept. 2008 N'000
As at 30 September 2008					
South South	-	6,258,692	1,273,618	-	7,532,310
Lagos/South west	80,847,858	59,285,937	1,907,521	-	142,041,316
South East	-	1,678,979	107,590	-	1,786,569
North West	-	3,235,311	625	-	3,235,936
Abuja/North Central	-	2,390,302	97,105	28,590,282	31,077,689
North East	-	493,173	9,646	-	502,819
	<u>80,847,858</u>	<u>73,342,394</u>	<u>3,396,105</u>	<u>28,590,282</u>	<u>186,176,639</u>

**Group**  
**Industry Sectors**

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

**Group**

As at 30 September 2008	Due from banks	Loans	Advances under finance lease	Debt Instruments	Total
	Sept 2008	Sept 2008	Sept 2008	Sept 2008	Sept 2008
	N'000	N'000	N'000	N'000	N'000
Agriculture	-	726,161	-	-	726,161
Oil and Gas	-	7,146,930	4,105	-	7,151,035
Capital market	-	13,945,033	773,421	-	14,718,454
Consumer Credit	-	11,099,446	16,460	-	11,115,906
Manufacturing	-	12,711,336	-	-	12,711,336
Mining and quarrying	-	-	592,258	-	592,258
Mortgage	-	1,623,470	-	-	1,623,470
Real Estate and Construction	-	4,858,410	-	-	4,858,410
Finance and Insurance	84,799,102	752,757	31,710	-	85,583,569
Government	-	10,397	1,244,682	28,649,689	29,904,768
Other Public Utilities	-	54,753	-	-	54,753
Transportation	-	3,081,935	15,339	-	3,097,274
Communication	-	713,263	136,961	-	850,224
Education	-	179,579	46,486	-	226,065
Others	-	17,555,894	542,864	-	18,098,758
<b>Total</b>	<b>84,799,102</b>	<b>74,459,364</b>	<b>3,404,286</b>	<b>28,649,689</b>	<b>191,312,441</b>

(ii) **Industry Sectors**

**Bank**

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

**Bank**

	Due from banks	Loans	Advances under finance lease	Debt Instruments	Total
As at 30 September 2008	2008	2008	2008	2008	2008
	₦'000	₦'000	₦'000	₦'000	₦'000
Agriculture	-	726,161	4,105	-	730,266
Oil and Gas	-	7,146,930	773,421	-	7,920,351
Capital market	-	13,461,249	16,460	-	13,477,709
Consumer Credit	-	11,099,446	-	-	11,099,446
Manufacturing	-	12,711,336	592,258	-	13,303,594
Mining and quarrying	-	-	-	-	-
Mortgage	-	1,623,470	-	-	1,623,470
Real Estate and Construction	-	4,858,410	31,710	-	4,890,120
Finance and Insurance	80,847,858	752,757	521,951	-	82,122,566
Government	-	10,397	-	28,590,282	28,600,679
Other Public Utilities	-	54,753	15,339	-	70,092
Transportation	-	3,081,935	136,961	-	3,218,896
Communication	-	713,263	46,486	-	759,749
Education	-	179,579	20,913	-	200,492
Others	-	16,922,708	1,236,501	-	18,159,209
Total	<u>80,847,858</u>	<u>73,342,394</u>	<u>3,396,105</u>	<u>28,590,282</u>	<u>186,176,639</u>

**Analysis by Portfolio Distribution and Risk Rating**

<b>As at 31 December</b>	Group Dec 2009 N'000	Group Sept. 2008 N'000	Bank Dec 2009 N'000	Bank Sept. 2008 N'000
<b>Risk rating</b>				
RR1 - RR2	4,881,208	52,387	4,881,208	52,387
RR3 - RR4	62,569,236	62,994,509	63,688,003	62,994,509
RR5 - RR6	6,456,167	4,215,902	4,958,593	3,098,932
RR7	2,086,534	49,480	2,085,534	49,480
RR8	10,131,846	640,746	10,131,846	640,746
RR9	10,624,426	6,506,340	10,071,702	6,506,340
	<u>96,749,417</u>	<u>74,459,364</u>	<u>95,816,886</u>	<u>73,342,394</u>

(i) **Report on market and liquidity risk management**

**Market Risk**

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

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

Market risk management in the Bank covers the following areas;

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

**Liquidity Risk**

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

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

***Liquidity risk management process & objective***

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

The bank's liquidity management policy objective includes;

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

**Funding approach**

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

**Interest Rate Risk**

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

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

**Foreign Exchange Risk**

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

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

Further initiatives on the application of Value-at-Risk (VaR) on the daily holding position using the historical simulation method is in progress to estimate the potential loss on a given holding period for a specified confidence interval, after taking account of historical correlations and volatilities of market prices.



***Operational risk management***

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

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

***Operational risk management philosophy & principles***

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

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

***Monitoring and managing operational risk***

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

***Risk and control self assessment***

This incorporates the use of Checklists, Questionnaires and Workshops to identify and assess inherent risks. The benefits derived from the use of this tool in Sterling Bank Plc are:

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

***Loss data collection and tracking:***

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

***Key Risk Indicators (KRIs):***

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

***Operational risk co-ordinators***

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

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

***Management and board oversight***

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

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

## Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2009. Included in the table are the

Group's assets and liabilities at carrying amounts, categorised by currency.

Group 31 December 2009	Naira	Dollar	GBP	Euro	Others	Total
	Dec 2009	Dec 2009	Dec 2009	Dec 2009	Dec 2009	Dec 2009
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Assets:</b>						
Cash and balances with central banks	7,519,971	527,556	188,668	337,479	-	8,573,674
Treasury bills	9,607,738	-	-	-	-	9,607,738
Due from other banks	44,283,557	12,396,460	178,986	974,218	-	57,833,221
Loans and advances to customers	71,967,723	6,031,579	3,024	33,508	-	78,035,834
Other facilities	-	350,000	-	-	-	350,000
Advances under finance lease	4,020,564	528,193	-	-	-	4,548,757
Investment securities	27,471,971	33,831	-	-	-	27,505,802
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	43,377	-	-	-	-	43,377
Investment properties	12,584,288	-	-	-	-	12,584,288
Other assets	12,363,704	57,141	663	19	-	12,421,527
Deferred tax asset	4,601,074	-	-	-	-	4,601,074
Property and equipment	5,212,873	-	-	-	-	5,212,873
<b>Total financial assets</b>	<b>199,676,840</b>	<b>19,924,760</b>	<b>371,341</b>	<b>1,345,224</b>	<b>-</b>	<b>221,318,165</b>
<b>Liabilities:</b>						
Customer deposits	149,885,689	10,876,288	255,191	259,727	-	161,276,895
Due to other banks	2,500,000	150,000	-	-	-	2,650,000
Current income tax	1,026,117	-	-	-	-	1,026,117
Other liabilities	19,080,843	1,085,692	179,566	328,573	-	20,674,674
Other facilities	-	350,000	-	-	-	350,000
Retirement benefit obligations	54,945	-	-	-	-	54,945
Deferred tax liabilities	10,428	-	-	-	-	10,428
Long-term borrowing	-	14,201,550	-	-	-	14,201,550
<b>Total liabilities</b>	<b>172,558,022</b>	<b>26,663,530</b>	<b>434,757</b>	<b>588,300</b>	<b>-</b>	<b>200,244,609</b>
<b>Net on-balance sheet financial position</b>	<b>27,118,818</b>	<b>(6,738,770)</b>	<b>(63,416)</b>	<b>756,924</b>	<b>-</b>	<b>21,073,556</b>
<b>Off balance sheet</b>	<b>19,433,968</b>	<b>5,764,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,198,318</b>
<b>30 September 2008</b>						
	Naira	Dollar	GBP	Euro	Others	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Total financial assets	223,049,525	25,630,998	456,595	709,703	-	249,846,821
Total financial liabilities	189,882,095	27,388,459	822,117	313,093	-	218,405,764
Net on-balance sheet financial position	33,167,430	(1,757,461)	(365,522)	396,610	-	31,441,057
<b>Off balance sheet</b>	<b>67,348,158</b>	<b>23,832,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,180,933</b>

**Bank**

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

<b>31 December 2009</b>	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
<b>Assets:</b>						
Cash and balances with central banks	7,519,531	527,556	188,668	337,479	-	8,573,234
Treasury bills	9,607,738	-	-	-	-	9,607,738
Due from other banks	43,042,482	12,396,460	178,986	974,218	-	56,592,146
Loans and advances to customers	72,071,987	6,031,579	3,024	33,508	-	78,140,098
Other facilities	-	350,000	-	-	-	350,000
Advances under finance lease	3,389,295	528,193	-	-	-	3,917,488
Investment securities	25,704,683	33,831	-	-	-	25,738,514
Investment in subsidiaries	2,467,622	-	-	-	-	2,467,622
Investment in associates	260,093	-	-	-	-	260,093
Investment properties	60,000	-	-	-	-	60,000
Other assets	10,705,056	57,141	663	19	-	10,762,879
Deferred tax asset	4,081,815	-	-	-	-	4,081,815
Property and equipment	5,089,200	-	-	-	-	5,089,200
<b>Total financial assets</b>	<b>183,999,502</b>	<b>19,924,760</b>	<b>371,341</b>	<b>1,345,224</b>	<b>-</b>	<b>205,640,827</b>
<b>Liabilities:</b>						
Customer deposits	149,079,175	10,876,288	255,191	259,727	-	160,470,381
Due to other banks	-	150,000	-	-	-	150,000
Current income tax	393,405	-	-	-	-	393,405
Other liabilities	6,284,855	1,085,692	179,566	328,573	-	7,878,686
Other facilities	-	350,000	-	-	-	350,000
Retirement benefit obligations	54,811	-	-	-	-	54,811
Deferred tax liabilities	-	-	-	-	-	-
Long-term borrowing	-	14,201,550	-	-	-	14,201,550
<b>Total liabilities</b>	<b>155,812,246</b>	<b>26,663,530</b>	<b>434,757</b>	<b>588,300</b>	<b>-</b>	<b>183,498,833</b>
<b>Net on-balance sheet financial position</b>	<b>28,187,256</b>	<b>(6,738,770)</b>	<b>(63,416)</b>	<b>756,924</b>	<b>-</b>	<b>22,141,994</b>
<b>Off balance sheet</b>	<b>19,433,968</b>	<b>5,764,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,198,318</b>
<b>30 September 2008</b>						
	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Total financial assets	209,705,627	25,630,998	456,595	709,703	-	236,502,923
Total financial liabilities	177,740,376	27,388,459	822,117	313,093	-	206,264,045
<b>Net on-balance sheet financial position</b>	<b>31,965,251</b>	<b>(1,757,461)</b>	<b>(365,522)</b>	<b>396,610</b>	<b>-</b>	<b>30,238,878</b>
<b>Off balance sheet</b>	<b>67,348,158</b>	<b>23,832,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,180,933</b>

Maturity Profile - On Balance Sheet

<b>Group</b>	Up to 1	1 - 3	3 - 6	6 - 12	1 - 5	Over 5
<b>31 December 2009</b>	month	months	months	months	years	years
<b>Assets:</b>	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash in hand and balances with CBN	7,461,371	-	-	-	-	1,112,303
Treasury bills	1,107,738	1,500,000	3,500,000	3,500,000	-	-
Due from other banks	51,623,269	3,209,952	3,000,000	-	-	-
Loans and advances to customers	47,959,105	7,130,107	4,836,170	7,434,417	24,841,782	4,547,836
Other facilities	-	-	350,000	-	-	-
Advances under finance lease	698,058	39,430	243,139	1,463,975	2,111,867	-
Investment securities	2,157,936	-	-	1,904,826	5,602,944	17,156,245
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	43,377
Investment properties	60,000	-	-	-	-	12,524,288
Other assets	10,869,815	17,979	81,961	206	3,453,974	8,000
Deferred tax assets	-	-	-	-	-	4,601,074
Property and equipment	-	-	-	-	-	5,212,873
<b>Total assets</b>	<b>121,937,292</b>	<b>11,897,468</b>	<b>12,011,270</b>	<b>14,303,424</b>	<b>36,010,567</b>	<b>45,205,996</b>
<b>Liabilities</b>						
Customers' deposits	117,973,777	27,146,369	2,356,139	4,952,610	8,848,000	-
Due to other banks	150,000	-	-	2,500,000	-	-
Current income tax payable	-	-	832,715	193,402	-	-
Other liabilities	10,850,144	-	116,699	623,424	9,084,407	-
Other facilities	-	-	-	-	350,000	-
Defined contribution obligations	54,945	-	-	-	-	-
Deferred tax liabilities	-	-	-	6,781	3,647	-
Long-term borrowing	-	-	-	-	14,201,550	-
<b>Total liabilities</b>	<b>129,028,866</b>	<b>27,146,369</b>	<b>3,305,553</b>	<b>8,276,217</b>	<b>32,487,604</b>	<b>-</b>
<b>Gap</b>	<b>(7,091,574)</b>	<b>(15,248,901)</b>	<b>8,705,717</b>	<b>6,027,207</b>	<b>3,522,963</b>	<b>45,205,996</b>

<b>Bank</b>						
<b>31 December 2009</b>	Up to 1 month N'000	1 - 3 months N'000	3 - 6 months N'000	6 - 12 months N'000	1 - 5 years N'000	Over 5 years N'000
<b>Assets:</b>						
Cash in hand and balance with CBN	7,460,931	-	-	-	-	1,112,303
Treasury bills	1,107,738	1,500,000	3,500,000	3,500,000	-	-
Due from other banks	52,246,736	1,345,410	3,000,000	-	-	-
Loans and advances to customers	48,395,867	6,407,321	4,410,179	7,434,417	24,621,266	4,547,836
Other facilities	-	-	350,000	-	-	-
Advances under finance lease	698,058	39,430	243,139	1,463,975	1,472,886	-
Investment securities	1,380,050	-	-	1,454,125	5,224,491	16,995,997
Investment in subsidiaries	-	-	-	-	-	2,467,622
Investment in associates	-	-	-	-	-	260,093
Investment properties	60,000	-	-	-	-	-
Other assets	10,865,007	-	-	-	1,204,382	-
Deferred tax assets	-	-	-	-	-	4,081,815
Property and equipment	-	-	-	-	-	5,089,200
<b>Total assets</b>	<b>122,214,387</b>	<b>9,292,161</b>	<b>11,503,318</b>	<b>13,852,517</b>	<b>32,523,025</b>	<b>34,554,866</b>
<b>Liabilities:</b>						
Customers' deposits	120,144,633	27,146,369	2,356,139	1,975,240	8,848,000	-
Due to other banks	150,000	-	-	-	-	-
Current income tax payable	-	-	393,405	-	-	-
Other liabilities	7,878,686	-	-	-	-	-
Other facilities	-	-	-	-	350,000	-
Defined contribution obligations	54,811	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Long-term borrowing	-	-	-	-	14,201,550	-
<b>Total liabilities</b>	<b>128,228,130</b>	<b>27,146,369</b>	<b>2,749,544</b>	<b>1,975,240</b>	<b>23,399,550</b>	<b>-</b>
<b>Gap</b>	<b>(6,013,743)</b>	<b>(17,854,208)</b>	<b>8,753,774</b>	<b>11,877,277</b>	<b>9,123,475</b>	<b>34,554,866</b>

<b>Group</b>						
<b>30 September 2008</b>	Up to 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	Over 5 years
<b>Maturity Profile - On Balance Sheet</b>	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Assets:</b>						
Cash in hand and balances with CBN	16,150,062	-	-	-	-	-
Treasury bills	192,164	6,661,667	9,000,000	5,525,000	-	-
Due from other banks	75,698,890	1,100,212	8,000,000	-	-	-
Loans and advances to customers	45,629,970	7,927,305	4,072,000	5,033,000	8,065,000	3,732,089
Other facilities	-	-	-	-	-	-
Advances under finance lease	11,869	2,866	181,067	477,518	2,730,966	-
Investment securities	-	-	-	320,000	17,181,502	18,885,548
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	258,661
Investment properties	-	-	-	-	-	1,945,651
Other assets	13,585,888	29,375	333	-	3,787	8,833
Deferred tax assets	-	8	-	-	23,372	1,135,294
Property and equipment	-	-	-	-	-	5,387,190
	<u>151,268,843</u>	<u>15,721,433</u>	<u>21,253,400</u>	<u>11,355,518</u>	<u>28,004,627</u>	<u>31,353,266</u>
<b>Liabilities</b>						
Customers' deposits	154,804,935	11,947,651	204,023	27,987	194,369	9,737,179
Due to other banks	5,418,920	-	-	-	-	-
Current income tax payable	-	-	1,750,366	-	-	-
Other liabilities	22,730,531	434,000	-	-	-	-
Other facilities	-	-	-	-	-	-
Defined contribution obligations	66,889	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	15,714
Long-term borrowing	-	-	-	-	-	11,073,200
<b>Total liabilities</b>	<u>183,021,275</u>	<u>12,381,651</u>	<u>1,954,389</u>	<u>27,987</u>	<u>194,369</u>	<u>20,826,093</u>
<b>Gap</b>	<u>(31,752,432)</u>	<u>3,339,782</u>	<u>19,299,011</u>	<u>11,327,531</u>	<u>27,810,258</u>	<u>10,527,173</u>

**Bank**  
**Maturity Profile - On Balance Sheet**  
**30 September 2008**

	Up to 1 month N'000	1 - 3 months N'000	3 - 6 months N'000	6 -12 months N'000	1 - 5 years N'000	Over 5 years N'000
<b>Assets:</b>						
Cash in hand and balances with CBN	16,149,550	-	-	-	-	-
Treasury bills	192,164	6,661,667	9,000,000	5,525,000	-	-
Due from other banks	72,847,858	-	8,000,000	-	-	-
Loans and advances to customers	44,513,000	7,927,305	4,072,000	5,033,000	8,065,000	3,732,089
Other facilities	-	-	-	-	-	-
Advances under finance lease	11,869	2,866	181,067	477,518	2,722,785	-
Investment securities	-	-	-	320,000	17,181,502	14,125,981
Investment in subsidiaries	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-
Investment properties	-	-	-	-	-	154,276
Other assets	9,565,972	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	1,163,816
Property and equipment	-	-	-	-	-	5,217,665
<b>Total assets</b>	<b>143,280,413</b>	<b>14,591,838</b>	<b>21,253,067</b>	<b>11,355,518</b>	<b>27,969,287</b>	<b>24,393,827</b>
<b>Liabilities:</b>						
Customers' deposits	162,619,000	11,947,651	204,023	27,987	194,369	9,737,179
Due to other banks	-	-	-	-	-	-
Current income tax payable	-	-	1,157,102	-	-	-
Other liabilities	8,802,795	434,000	-	-	-	-
Other facilities	-	-	-	-	-	-
Defined contribution obligations	66,739	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Long-term borrowing	-	-	-	-	-	11,073,200
<b>Total liabilities</b>	<b>171,488,534</b>	<b>12,381,651</b>	<b>1,361,125</b>	<b>27,987</b>	<b>194,369</b>	<b>20,810,379</b>
<b>Gap</b>	<b>(28,208,121)</b>	<b>2,210,187</b>	<b>19,891,942</b>	<b>11,327,531</b>	<b>27,774,918</b>	<b>3,583,448</b>



**Maturity profile - Off Balance Sheet**

**Group and Bank**

31 December 2009

	Up to 1 month N'000	1 - 3 months N'000	3 - 6 months N'000	6 -12 months N'000	1 - 5 years N'000
Bonds, guarantees and indemnities	1,792,395	5,791,493	1,161,498	6,281,816	4,406,766
Letters of credit	1,545,162	4,208,400	-	-	-
Bankers acceptance	-	-	-	-	-
Forward Purchase	-	-	-	-	-
Others	10,788	-	-	-	-
	<u>3,348,345</u>	<u>9,999,893</u>	<u>1,161,498</u>	<u>6,281,816</u>	<u>4,406,766</u>

**Maturity profile - Off Balance Sheet**

**Group and Bank**

30 September 2008

	Up to 1 month N'000	1 - 3 months N'000	3 - 6 months N'000	6 -12 months N'000	1 - 5 years N'000
Bonds, guarantees and indemnities	7,660,816	6,523,000	1,314,864	7,111,277	4,988,643
Letters of credit	5,565,190	7,254,000	-	-	-
Bankers acceptance/Guaranteed Commercial Papers	18,104,695	13,398,824	70,750	94,289	8,081,000
Forward Purchase	11,012,060	-	-	-	-
Others	1,525	-	-	-	-
	<u>42,344,286</u>	<u>27,175,824</u>	<u>1,385,614</u>	<u>7,205,566</u>	<u>13,069,643</u>

## **Capital management**

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

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis.

The CBN requires each bank to:

- (i) Hold the minimum level of the regulatory capital of ₦25 billion, and
- (ii) Maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.

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

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

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

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

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

	Group Dec. 2009 N'000	Group Sept. 2008 N'000	Bank Dec. 2009 N'000	Bank Sept. 2008 N'000
<b>Tier 1 capital</b>				
Share capital	6,281,545	6,281,545	6,281,545	6,281,545
Share premium	12,314,019	12,314,019	12,314,019	12,314,019
Statutory reserves	3,718,368	1,761,422	3,718,368	1,761,422
SMEEIS reserve	234,503	234,503	234,503	234,503
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423
Retained earnings	(7,321,736)	2,638,933	(6,214,608)	1,702,107
Less: Intangible asset (deferred tax assets)	(4,601,074)	(1,158,674)	(4,081,815)	(1,163,816)
<b>Total qualifying Tier 1 capital</b>	<u>15,902,048</u>	<u>27,348,171</u>	<u>17,528,435</u>	<u>26,406,203</u>
<b>Tier 2 capital</b>				
Preference shares	-	-	-	-
Non controlling interest	-	169,036	-	-
Convertible bonds	-	-	-	-
Revaluation reserve - investment properties	486,000	534,092	486,000	534,092
Capital reserves	38,690	96,317	-	-
Translation reserve	45,744	177,821	45,744	177,821
General provision	489,417	728,156	-	702,022
Other reserves	-	1,956,946	-	1,956,946
<b>Total qualifying Tier 2 capital</b>	<u>1,059,851</u>	<u>3,662,368</u>	<u>531,744</u>	<u>3,370,881</u>
<b>Total regulatory capital</b>	<u>16,961,899</u>	<u>31,010,539</u>	<u>18,060,179</u>	<u>29,777,084</u>
<b>Risk-weighted assets:</b>				
On-balance sheet	128,999,124	112,732,171	115,436,949	104,851,918
Off-balance sheet	12,593,765	65,464,483	12,593,765	65,464,483
<b>Total risk-weighted assets</b>	<u>141,592,889</u>	<u>178,196,654</u>	<u>128,030,714</u>	<u>170,316,401</u>
<b>Risk weighted Capital Adequacy Ratio (CAR)</b>	<b>11.98%</b>	<b>17.40%</b>	<b>14.11%</b>	<b>17.48%</b>

**Statement of Value Added**  
***For the Period Ended 31 December 2009***

**Group:**

	Dec. 2009		Sept. 2008	
	N'000	%	N'000	%
Gross earnings	46,717,490		36,129,278	
Interest expense - local	(20,613,620)		(10,240,379)	
Fee and commission expense	-		-	
	<u>26,103,870</u>		<u>25,888,899</u>	
Group's share of post tax result of associates and joint ventures	(111,667)		-	
Exceptional income	-		4,774,732	
Exceptional charge	-		(3,081,993)	
Loan loss expenses	(12,532,003)		(2,146,593)	
Allowance on other risk assets	(3,024,310)		(985,068)	
Bought-in-materials and services -local	(13,926,638)		(7,892,072)	
Value added	<u>(3,490,748)</u>	<u>100</u>	<u>16,557,905</u>	<u>100</u>
<i>Applied to pay:</i>				
Employee as wages, salaries and pensions	6,415,855	(184)	6,140,104	37
Government taxes	(2,612,826)	75	1,398,669	8
<i>Retained in business:</i>				
Depreciation on properties and equipments	1,725,825	(49)	1,169,103	7
Depreciation on equipment on lease	-	-	30,053	-
To pay proposed dividend	-		1,256,309	8
To augment reserve	(9,019,602)	258	6,563,667	40
	<u>(3,490,748)</u>	<u>100</u>	<u>16,557,905</u>	<u>100</u>

**Statement of Value Added**  
*For the Period Ended 31 December 2009*

**Bank:**

	Dec. 2009		Sept. 2008	
	N'000	%	N'000	%
Gross earnings	43,464,716		32,777,845	
Interest expense	(20,134,503)		(10,457,211)	
Fee and commission expense	-		-	
	<u>23,330,213</u>		<u>22,320,634</u>	
Exceptional income	-		4,774,732	
Exceptional charge	-		(3,081,993)	
Loan loss expenses	(11,513,630)		(2,134,555)	
Allowance on other risk assets	(1,455,264)		(122,661)	
Bought-in-materials and services -local	(11,921,491)		(5,996,010)	
Value added	<u>(1,560,172)</u>	<u>100</u>	<u>15,760,147</u>	<u>100</u>
<i>Applied to pay:</i>				
Employee as wages, salaries and pensions	5,857,029	(376)	5,584,317	35
Government taxes	(2,412,502)	155	1,266,571	8
<i>Retained in business:</i>				
Depreciation on properties and equipments	1,655,707	(105)	1,099,744	7
Depreciation on equipment on lease	-	-	30,053	-
To pay proposed dividend	-		1,256,309	8
Profit for the year including statutory reserves	(6,660,406)	427	6,523,153	42
	<u>(1,560,172)</u>	<u>101</u>	<u>15,760,147</u>	<u>100</u>

	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000	29 December 2005 N'000
<b>Bank</b>					
<b>ASSETS</b>					
Cash in hand and balances with CBN	8,573,234	16,149,550	-	-	-
Treasury bills	9,607,738	21,378,831	13,721,471	17,038,334	12,175
Due from other banks	56,592,146	80,847,858	44,633,790	22,639,039	5,003,948
Loans and advances to customers	78,140,098	65,787,520	45,957,835	38,945,949	1,722,851
Other facilities	350,000	-	-	-	-
Advances under finance lease	3,917,488	3,362,144	2,222,007	1,590,466	989,887
Investment securities	25,738,514	31,451,241	5,602,394	6,877,448	222,489
Investment in subsidiaries	2,467,622	1,550,405	1,550,405	1,550,405	1,728,677
Investment in associates	260,093	232,500	-	-	-
Investment properties	60,000	154,276	19,173,155	4,137,000	1,737,456
Other assets	10,762,879	9,207,117	4,760,856	5,555,186	5,661,262
Deferred tax assets	4,081,815	1,163,816	376,326	40,831	204,093
Property and equipment	5,089,200	5,217,665	4,864,389	7,217,445	2,152,451
Equipment on lease	-	-	30,053	42,025	-
Goodwill	-	-	3,081,993	4,030,299	-
<b>TOTAL ASSETS</b>	<b>205,640,827</b>	<b>236,502,923</b>	<b>145,974,674</b>	<b>109,664,427</b>	<b>19,435,289</b>
<b>LIABILITIES</b>					
Customers' deposits	160,470,381	184,730,209	106,933,727	75,026,350	12,379,926
Due to other banks	150,000	-	-	-	-
Current income tax payable	393,405	1,157,102	606,413	684,735	168,446
Other liabilities	7,878,686	9,236,795	11,634,139	7,634,014	3,633,951
Other facilities	350,000	-	-	-	-
Defined contribution obligations	54,811	66,739	-	-	-
Deferred tax liabilities	-	-	-	-	286,240
Long-term borrowing	14,201,550	11,073,200	-	-	-
<b>TOTAL LIABILITIES</b>	<b>183,498,833</b>	<b>206,264,045</b>	<b>119,174,279</b>	<b>83,345,099</b>	<b>16,468,563</b>
<b>NET ASSETS</b>	<b>22,141,994</b>	<b>30,238,878</b>	<b>26,800,395</b>	<b>26,319,328</b>	<b>2,966,726</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	6,281,545	6,281,545	5,276,423	5,276,423	2,386,986
Share premium	12,314,019	12,314,019	13,319,141	13,319,141	1,886,937
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423	-
Other (Deficit)/ Reserves	(1,729,993)	6,366,891	2,928,408	2,447,341	(1,307,197)
<b>SHAREHOLDERS' FUNDS</b>	<b>22,141,994</b>	<b>30,238,878</b>	<b>26,800,395</b>	<b>26,319,328</b>	<b>2,966,726</b>
Contingents.	25,198,318	91,180,933	54,121,619	32,437,199	9,991,073
<b>PROFIT AND LOSS ACCOUNT</b>					
	31 December 2009 15months N'000	30 September 2008 12 months N'000	30 September 2007 12 months N'000	30 September 2006 12 months N'000	29 December 2005 12 months N'000
Gross earnings	43,464,716	32,777,845	21,057,246	12,444,596	1,611,280
Profit/(loss) before tax	(9,072,908)	7,789,724	605,277	429,357	(4,968,377)
Taxation	2,412,502	(1,266,571)	15,381	532,288	147,819
Profit/(loss) after tax	(6,660,406)	6,523,153	620,658	961,645	(4,820,558)

<b>GROUP:</b>	31 December 2009 N'000	30 September 2008 N'000	30 September 2007 N'000	30 September 2006 N'000	29 December 2005 N'000
Cash in hand and balances with CBN	8,573,674	16,150,062	6,234,795	7,022,527	2,890,959
Treasury bills	9,607,738	21,378,831	13,721,471	12,866,613	12,175
Due from other banks	57,833,221	84,799,102	42,806,336	10,964,794	2,580,635
Loans and advances to customers	78,035,834	66,882,520	47,113,606	38,544,411	4,055,297
Other facilities	350,000	-	-	-	-
Advances under finance lease	4,548,757	3,366,161	2,233,323	1,590,466	222,489
Investment securities	27,505,802	36,210,808	24,510,756	9,951,043	3,061,518
Investment in subsidiaries	-	-	-	-	-
Investment in associates	43,377	258,661	-	-	-
Investment properties	12,584,288	1,945,651	5,836,513	7,600,006	3,209,053
Other assets	12,421,527	12,309,161	5,618,158	11,764,699	2,070,286
Deferred tax assets	4,601,074	1,158,674	460,087	40,831	988,772
Property and equipment	5,212,873	5,387,190	5,088,764	7,347,747	2,250,612
Equipment on lease	-	-	30,053	42,025	-
Goodwill	-	-	3,081,993	4,030,299	-
<b>TOTAL ASSETS</b>	<b>221,318,165</b>	<b>249,846,821</b>	<b>156,735,855</b>	<b>111,765,461</b>	<b>21,341,796</b>
<b>LIABILITIES</b>					
Customers' deposits	161,276,895	176,916,144	99,218,069	68,945,862	12,315,216
Due to other banks	2,650,000	5,418,920	1,412,223	117,096	428,139
Current income tax payable	1,026,117	1,750,366	1,326,703	1,037,564	343,383
Other liabilities	20,674,674	23,164,531	26,330,824	15,401,219	5,234,128
Other facilities	350,000	-	-	-	-
Defined contribution obligations	54,945	66,889	197,048	75,801	-
Deferred tax liabilities	10,428	15,714	24,203	3,823	286,240
Long-term borrowing	14,201,550	11,073,200	-	-	-
	<b>200,244,609</b>	<b>218,405,764</b>	<b>128,509,070</b>	<b>85,581,365</b>	<b>18,607,106</b>
<b>Net Assets</b>	<b>21,073,556</b>	<b>31,441,057</b>	<b>28,226,785</b>	<b>26,184,096</b>	<b>2,734,690</b>
<b>CAPITAL AND RESERVES</b>					
Share capital	6,281,545	6,281,545	5,276,423	5,276,423	2,386,986
Share premium	12,314,019	12,314,019	13,319,141	13,319,141	1,886,937
Share reserve	5,276,423	5,276,423	5,276,423	5,276,423	-
Other (Deficit)/ Reserves	(2,798,431)	7,400,034	4,069,537	2,178,254	(1,640,391)
Non-controlling interest	-	169,036	285,262	133,855	101,158
<b>SHAREHOLDERS' FUNDS</b>	<b>21,073,556</b>	<b>31,441,057</b>	<b>28,226,786</b>	<b>26,184,096</b>	<b>2,734,690</b>
Other Commitments and Contingents.	25,198,318	91,180,933	54,121,619	54,121,619	9,991,073
<b>PROFIT AND LOSS ACCOUNT</b>					
	31 December 2009 15months N'000	30 September 2008 12 months N'000	30 September 2007 12 months N'000	30 September 2006 12 months N'000	29 December 2005 12 months N'000
Gross earnings	46,717,490	36,129,278	23,864,197	12,857,675	1,823,659
Profit/(loss) before tax	(11,632,428)	7,982,548	2,226,708	728,181	(5,593,599)
Taxation	2,612,826	(1,398,669)	(288,699)	345,601	191,603
Profit attributable to equity holders of Banks	<b>(9,019,602)</b>	<b>6,583,879</b>	<b>1,938,009</b>	<b>1,073,782</b>	<b>(5,401,996)</b>





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