Sterling Bank
The one-customer bank.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

Enriching Lives

Sterling Bank Plc, 'the one-customer bank', is a full service national commercial bank in Nigeria.

In over 50 years of operations, Sterling Bank has evolved from the nation's pre-eminent investment banking institution to a full-fledged commercial bank.

Overview

Strategic report

Governance

Financial statements

Milestones

1960

Commenced operations as Nigeria Acceptances Limited (NAL) Bank – the pioneer merchant bank in Nigeria

1992

Partly privatised and listed as a PLC on the NSE

2000

Fully privatised following the Government's sale of its residual interest

2001

Became a universal bank

2006

Merged with Indo-Nigeria Merchant Bank (INMB), Magnum Trust Bank, NBM, and Trust Bank of Africa to form Sterling Bank Plc

2008

Raised $95 million from Citibank

Launched our "One Customer" proposition

2011

Sold non-core businesses following the repeal of the Universal Banking Act by the CBN

Acquired Equitorial Trust Bank (ETB)

2012

Completed the integration of ETB in six months

Launched retail banking

2013

Raised N12.1 billion through a rights issue

Obtained non-interest banking license

Launched agency banking

Sterling at a glance
Performance highlights

Gross earnings (N'm)

N91,629

+33%

2013	**91,629**
2012	**68,857**

Total assets (N'm)

N707,797

+22%

2013	**707,797**
2012	**580,226**

NPL ratio

2.1%

2013	**2.1%**
2012	**3.8%**

Operating income (N'm)

N57,469

+47%

2013	**57,469**
2012	**39,209**

Loans and advances (N'm)

N321,744

+40%

2013	**321,744**
2012	**229,421**

Return on average equity*

15.0%

2013	**15.0%**
2012	**15.9%**

Profit before tax (N'm)

N9,310

+24%

2013	**9,310**
2012	**7,500**

Deposits (N'm)

N570,511

+22%

2013	**570,511**
2012	**466,845**

Cost-to-income ratio**

69.4%

2013	**69.4%**
2012	**81.5%**

Profit after tax (N'm)

N8,275

+19%

2013	**8,275**
2012	**6,954**

Shareholders' funds (N'm)

N63,458

+36%

2013	**63,458**
2012	**46,642**

Earnings per share

52k

2013	**52k**
2012	**44k**

* Return on average equity excluding rights issue proceeds received in December 2013 was 16.9%
** Excludes cost of risk

Our business

Our history

Sterling Bank Plc, 'the one-customer bank', is a full service national commercial bank in Nigeria with asset base above $4.4 billion (N707 billion) and shareholders' funds in excess of $395 million (N63 billion). In over 50 years of operations, Sterling Bank has evolved from the nation's pre-eminent investment banking institution to a full-fledged commercial bank and completed a merger with four other banks – Indo-Nigeria Merchant Bank, Magnum Trust Bank, NBM Bank and Trust Bank of Africa – as part of the 2006 consolidation of the Nigerian banking industry. With the acquisition of the business interest of the defunct Equitorial Trust Bank in 2011, the Bank enhanced its position in the hierarchy of major players in the sector.

Our channels

168
Branches

300
ATMs

5,000
POS terminals

Our vision

To be the financial institution of choice

Our mission

We deliver solutions that enhance stakeholders' value

Our values

Our values are integral to how we do business and make up a large part of who we are

Customer Focus

The customer is 'one'.
We are committed to having a holistic understanding of the customer's individuality, business and way of life to creatively meet his needs proactively and effectively

Integrity

Fidelity and confidentiality geared towards winning the customers' implicit trust

Team Work

'The success of one is the success of all'. Seamless interface of all parts of the business

Excellence

Commitment to excellence in all our engagements

Sterling at a glance continued
Our purpose: Enriching lives

1

In our communities, we support and collaborate to improve the lives of the people in the places where we do business

2

For our employees, we strive to build an organisation that motivates and inspires all to achieve their full potentials

3

With our partners and vendors, we prioritise long-term relationships and offer fair terms in our dealings

4

To our customers, we place a premium on value enhancement in our relationships

5

For our shareholders, we compete to be the best without compromising the future

Sterling Bank
The one-customer bank.

2013

Enriching Lives

Chairman's statement

Our Bank delivered a profit before tax (PBT) of N9.31 billion, a 24% increase on the 2012 figure. This performance was achieved in spite of a challenging business environment, and for this I must commend the Management and Staff of the Bank for their hard work and dedication.

"Esteemed Shareholders, Distinguished Ladies and Gentlemen, I am pleased to welcome you on behalf of the Board of Directors to the 52nd Annual General Meeting (AGM) of Sterling Bank Plc.

The operating environment

Despite a shaky start to 2013, the global economy closed the year on a positive note, propelled largely by the growth momentum witnessed in advanced economies – particularly the United States, the Eurozone and Japan. There was an obvious reversal of roles, with emerging economies losing pace (notably with China recording a growth rate of 7.7% – its slowest expansion since 1999).

On the domestic front, provisional data from the National Bureau of Statistics (NBS) showed that the economy grew by 7.67% in Q4 2013, up from 6.81% recorded in the previous quarter, with full year growth estimated at 6.87% compared to 6.57% achieved in 2012. Key milestones were achieved during the year notably in the Power and Agriculture sectors. The nation's electricity distribution and generation companies were privatised while plans are underway for the sale of the generating plants built under the National Integrated Power Project (NIPP). Also, agricultural value chains are being strengthened through key policy measures, while a new automotive policy aimed at developing local capacity for vehicle manufacturing has been put forward. These initiatives should translate to growth in the coming periods. Upon the conclusion of the GDP re-basing exercise by the NBS, we expect Nigeria to take its place as Africa's largest economy – albeit at a moderate growth rate.

Building blocks for sustainable growth

During the last AGM you affirmed the Bank's capital raising plans and I am pleased to inform you that your Bank successfully commenced this process with a rights issue which was over-subscribed. Total proceeds amounted to N12.9 billion, representing a 103.3% subscription rate. Consequently, we closed the year with a total equity capital of N63 billion. This, we achieved through your support and is a measure of your confidence in the Bank's strategy and its execution capabilities. Other components of our capital raising exercise are on course and ongoing.

Sustainability

Our Bank remains committed to running a responsible and concerned business. In sync with these guiding principles, the Board and Management have redefined our purpose as an institution – "to enrich lives". This captures our essence and forms the fulcrum of our engagement with stakeholders, without whom our existence would be meaningless. In this light, our pledge to our critical stakeholders is captured below:

Host communities	We will support and collaborate to improve the lives of the people in the communities where we do business
Employees	We will strive to build an organisation that motivates and inspires employees to achieve their full potential
Partners and vendors	We will prioritise long-term relationships and offer fair terms in our dealings with our partners
Customers	We will place a premium on value enhancement in our relationship with our customers
Shareholders	We will compete to be the best without compromising the future

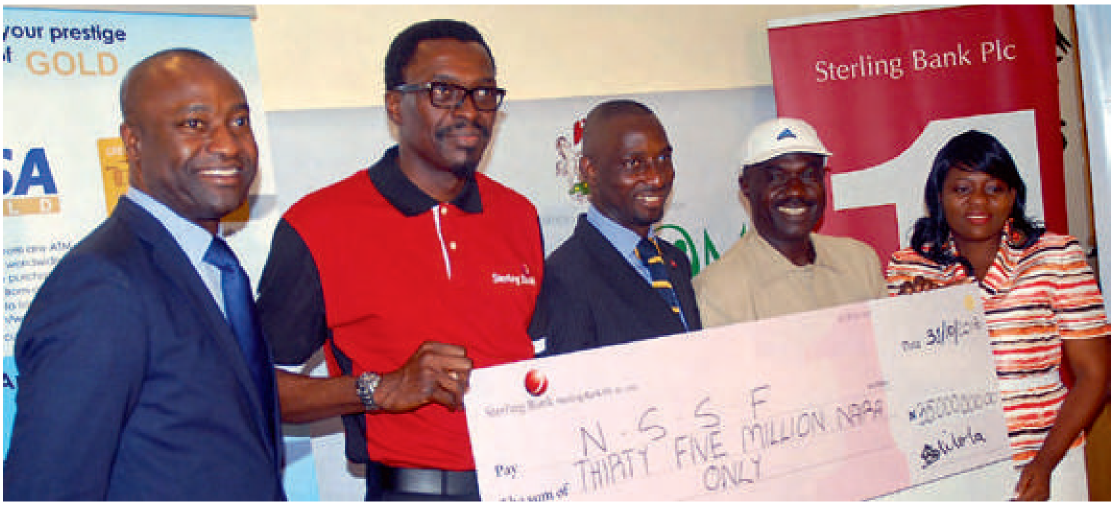
Chairman's statement continued

Last year, I mentioned that the CBN launched the Financial Inclusion framework in Nigeria and also indicated the intention of Sterling Bank to participate in this scheme wholeheartedly. As most of you are already aware, our Bank was the first in the industry to launch its Financial Inclusion initiative at Asejere Market in Makoko, Lagos. This was a huge success by any measure and further corroborates the Bank's commitment to creating wealth and ultimately enriching lives.

Other notable initiatives undertaken by the Bank during the year include:

- extension of the street cleaning initiative to five more states (in addition to Lagos) – Abuja, Kano, Anambra, Oyo and Rivers;
- reaching out to the youth through the 'Get-ready-for-work' concert to drive career and entrepreneurial development;
- major sponsorship of the sixth National School Sports Festival held in Ilorin, Kwara State; and
- support of the Sickle Cell Foundation through the sponsorship of the Foundation's Arabian fund-raising night.

Cleaning exercise by staff of Sterling Bank Plc



National schools sports festival sponsorship

Business outlook

The outlook for the global economy in 2014 is positive, with a principally harmonised growth expected, whereby demand from advanced nations will drive and support growth in developing markets. The IMF has projected a global growth rate of 3.7% for 2014, up from its forecast of 3.0% for 2013.

In spite of the security situation and heightening political tension, the outlook for the Nigerian economy remains positive as the nation is expected to reap from ongoing reforms. As a business, we will continue to focus on key growth sectors of the Nigerian economy and leverage on our enhanced capital position to enrich the lives of our various stakeholders in a sustainable manner.

Dividend payment

In view of our increased capital strength and earnings performance, the Board has proposed a dividend 25 kobo per share for the financial year ended 2013 as against 20 kobo per share in 2012.

Board changes

Our Board strives for diversity in order to strengthen its governance and oversight competencies. In compliance with the requirement by the CBN for banks to have 30% female Board membership by December 2014, I am happy to announce that two additional female Independent Directors – Tamarakare Yekwe and Dr. (Mrs.) Omolola Ololade Akanji – have been appointed to the Board.

- **Tamarakare Yekwe (LL.B)** is currently the Principal Partner at Kare Yekwe & Co. (Legal Practitioners & Consultants) and the pioneer Attorney General and Commissioner for Justice for Bayelsa State. She comes on board with a great wealth of experience as a Director in several companies in the financial services sector including the Federal Savings Bank of Nigeria, Continental Merchant Bank of Nigeria Plc, International Merchant Bank Plc and the Federal Mortgage Bank of Nigeria. She was also a member of the Governing Council of the Nigerian Institute of International Affairs (NIIA) and the Presidential Technical Committee on Housing and Urban Development.

- **Dr. (Mrs.) Omolara Ololade Akanji (PhD.)** is a retired Director Trade and Exchange Department of the CBN. A distinguished economist and author, she has worked in various advisory capacities for the apex bank, notably as Special Adviser to the CBN Governor on Statistics (2008 – 2011) as well as spearheading major change management initiatives. She is currently a member of the Petroleum Revenue Special Task Force.

Closing remarks

It is with mixed feelings that I inform you that three of your Non-executive Directors will be retiring from the Board of Sterling Bank before the end of this year. This is in line with the twelve-year maximum tenor stipulated by the CBN for Non-executive Directors. The retiring Directors are Alhaji. Bashir Borodo, Mr. Yemi Idowu and my humble self. This is therefore our last AGM with you.

With all sense of modesty, I am proud to say that over the years Sterling Bank witnessed steady and impressive growth on all key financial metrics. Between 2006 and 2013, shareholders' equity grew from N26.32 billion to N63.46 billion, the Balance Sheet grew from N142.43 billion to N909.43 billion (including contingents), gross earnings grew from N16.59 billion to N91.63 billion, while PBT stood at N9.31 billion in 2013 compared to N0.57 billion in 2006.

With the injection of new but experienced Non-executive Directors, I remain confident that our Bank is well positioned to continue to offer competitive returns to shareholders on a sustained basis. I have been most fortunate to have worked with remarkable individuals whose passion and commitment have enabled our success thus far. I assure you that my successor will continue to move Sterling Bank forward and further enhance its standing as a force to reckon with in the Nigerian banking industry. I therefore count on you to extend the same gracious co-operation and support to my successor, as you did with me.

It has been a tremendous honour to have served you in this capacity, and my sincere appreciation goes to my colleagues on the Board, our esteemed shareholders, our friends from the media, our resourceful management team, the hardworking and committed staff of Sterling Bank, our customers and partners.

Finally, I wish to extend my heartfelt thanks to the Central Bank of Nigeria, Nigeria Deposit Insurance Corporation, The Nigerian Stock Exchange, Securities and Exchange Commission, Corporate Affairs Commission, Asset Management Corporation of Nigeria, Federal Ministry of Finance, other government agencies and regulatory bodies for their invaluable and continued support.

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

Managing Director/Chief Executive Officer's report
A successful year of growth

A lot of what we achieved in 2013 was attributed to the hard work and commitment of the Sterling Bank team, and I would like to begin by thanking everyone who contributed to our success.

The year was largely characterised by a role reversal between advanced and emerging economies, with the former gathering growth momentum, while the latter lost pace.

Nevertheless, the global economy closed the year on a positive note on the back of improving fiscal conditions and accommodative monetary policies in advanced economies. Portfolio outflows from emerging and frontier markets following the US Fed's commencement of tapering on its monthly bond buying programme heightened pressure on their national currencies prompting upward interest rate reviews.

The domestic market was no different. Regulatory policy options were constrained by sustained pressure on the Naira occasioned by dwindling foreign exchange revenue, reserve depletion, fiscal expansion and heightened foreign exchange demand. As a result, the Nigerian banking industry was burdened with tight monetary policies, making it a tough year for banks. In addition, cost pressures arising from the country's infrastructural deficit did not abate as key sector reforms did not attain completion.

However, I am pleased to inform you that our Bank rode these challenges to achieve robust growth underpinned by improved profitability, disciplined loan growth and enhanced operational and credit risk management frameworks. We are actively laying the foundation for a sustainable business through a variety of initiatives which I will highlight in the course of this address.

> "Distinguished Shareholders, Ladies and Gentlemen, I am pleased to report that our bank, Sterling Bank Plc, made good progress on all key parameters and witnessed landmark achievements even in the face of a testing operating environment.

Performance highlights

Our performance for the 2013 financial year highlights our underlying institutional strength despite the pressure on the earnings of banks arising from regulatory changes during the year:

- gross earnings increased 33% to N91.63 billion as interest and other income outpaced interest expense and operating expenses;
- the Bank's market share (by assets) grew to 3% from 2.7% in 2012;
- achieved an NPL ratio of 2.1% down from 3.8% in 2012; and
- achieved an EPS growth of 18% to 52 kobo.

Business developments

We made incremental investments in key infrastructure during the year to drive business improvements.

The Bank upgraded its CORE Banking Infrastructure (Application and Database) to increase its capacity to meet the demands of an enlarged entity and ensure optimal system availability. Back-up links were acquired for branches to ensure maximum uptime and improve service delivery across all channels.

As part of our retail strategy, we committed to the remodelling of our existing branches and the development of model branches to enhance our retail appeal. I am pleased to inform you that we delivered the first set of remodeled branches and new retail branches during the year.

Our remodelled corporate branch at Yaba in Lagos state

Our service centre at Oworonsoki in Lagos state

Our model retail branch at Ogijo in Ogun state

Managing Director/Chief Executive Officer's report continued

Business developments continued

These branches with contemporary store designs reflect the strong retail thrust of our brand. Our branch expansion and re-design initiatives will gain further momentum in 2014.

Still on the implementation of our retail strategy, we launched: a savings product – Sterling Kia Kia Account, targeted at that segment of the retail market requiring minimal KYC – and our Agent Banking Project at Makoko – two firsts in the industry. We also secured a non-interest banking licence, and expect to execute a comprehensive rollout on all fronts towards strengthening our retail base from 2014 onwards.

In line with our quest to enhance our brand presence, we secured a partnership with Arsenal Football Club, a global football brand, giving us a foothold among the numerous football fans that pervade the domestic landscape and the diaspora market. We have already started to reap considerable gains from this brand investment and expect increased returns in coming periods.

Customer service

Our continued investments in technology, branch infrastructure and people are aimed at strengthening our affinity for our customers by giving them a unique experience across all our channels. We are not where we aspire to be yet, but we are pleased that the market continues to take notice of our strides. You will be pleased to know that the Bank was among the top ten banks in the SME and Retail Markets segments in the KPMG 2013 Customer Satisfaction Survey, highlighting our focus on being a customer-centric institution.

Risk management and controls

While our risk profile remains fairly conservative, we continue to strengthen our risk management and control frameworks across the business. The staffing competencies in these functions were built up significantly during the course of the year, and we will continue to place a premium on optimal performance in these functions.

Human resources

Our remarkable journey, so far, is a testament to the quality of our people and the human capital investments we are making. Two key development initiatives were introduced during the year – the Sterling Management Associate Programme (SMAP) and a Job-Swap Programme aimed at equipping staff with not only leadership skills but also a vast knowledge of the business as a whole.

It is the Bank's goal to build an intelligent and committed work force and create a work environment that is focused on results. In this regard, the Bank will continue to improve its performance measurement process and instil a culture of reward and recognition for outstanding performance. We also encourage employees to achieve their life goals, leaning towards a congruence in objectives.

Looking ahead

Global economic recovery is expected to gather pace in 2014 on the back of further recovery in advanced economies, which should have a "pull effect" on emerging and frontier markets, including Nigeria. Sector reforms should begin to birth modest gains, supporting the domestic economy's resilience.

The monetary policy environment in Nigeria will be dominated by a tight regime in the face of external and internal threats, thus sustaining the pressure on banks' earnings as emphasis will continue to be on maintaining adequate liquidity rather than asset growth.

As we continue this journey, I am confident in the resilience of our business model and execution capabilities. We will pursue our capital raising programme with single-mindedness and prioritise risk management in order to strengthen the foundation for an enduring institution. We will also speed up investments to grow our retail funding base and emphasise service delivery across all channels to enhance our customers' experiences. We will continue to emphasise sustainable growth across all market segments by deepening our social and environmental interactions.

To our valued customers, communities, business and media partners, I say a big thank you for your support and faith in us. Our bank is truly exceptional, and it is my firm belief that the best is yet to come. We will remain steadfast as we focus on the reason for our being – to enrich lives.

Yemi Adeola
Managing Director/Chief Executive Officer

Our strategic objectives

Our strategy is driven by our goals and aspirations. We are currently operating within our five-year medium-term strategic plan (2011 – 2016) with clear objectives measured against key performance indicators. We have also set forth long-term aspirations consistent with the medium-term goals.

Strategic goals

Medium term: 2011-2016

- 3.5% market share measured by assets and 5% by deposits
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- Diversified funding base
- <3% in non-performing loans
- Diversified income stream with top quartile position in all our operating areas
- Investment grade credit rating
- Double digit revenue growth year-on-year

Long term: 2016+

- Globally competitive financial services franchise by financial and non-financial measures
- Fully scaled business model with institutionalised processes beyond the stewardship of current owners and managers
- Systemically important operator, materially impacting all sectors of business participation
- Great place to work

Key performance indicators

Market share by assets

Measure

The proportion of total assets to banking industry assets

Target set: 3%

Achievement

3.0%

Target achieved

2013	**3.0%**
2012	**2.7%**

Dividend per share

Measure

Total dividend divided by the number of outstanding shares

Target set: 20k

Achievement

25k

Target achieved

Dividend per share was driven by the enhanced performance achieved in 2013

2013	**25k**
2012	**20k**

Earnings growth

Measure

Percentage increase in total income year-on-year

Target set: >20%

Achievement

33.1%

Target achieved

Revenue growth was driven by growth in both interest and fee-based income

2013	**33.1%**
2012	**44.2%**

Non-performing loan ratio (NPLR)

Measure

The proportion of non-performing loans to total loans

Target set: <3%

Achievement

2.1%

Target achieved

Target achieved mainly due to internal loan recovery efforts and rigorous credit policies

2013	**2.1%**
2012	**3.8%**

Net interest margin

Measure

The proportion of net interest income to interest income

Target set: >50%

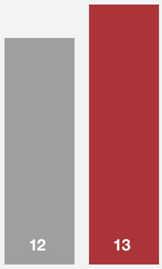
Achievement

51.2%

Target achieved

Improvements in net interest margin was due to a slower growth in interest expenses relative to the growth in interest income

2013	**51.2%**
2012	**44.6%**



Return on average equity

Measure

Profit after tax divided by average equity

Target set: >20%

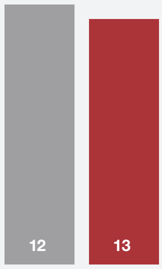
Achievement

15.0%

On track

Return on average equity excluding Rights Issue proceeds received in December 2013 was 16.9%

2013	**15.0%**
2012	**15.9%**



Cost-to-income ratio

Measure

Operating expenses divided by operating income

Target set: <80%

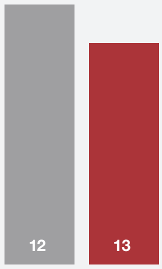
Achievement

69.4%

Target achieved

Improvement in cost-to-income was driven by growth in operating income

2013	**69.4%**
2012	**81.5%**



Loan growth

Measure

Percentage increase in net loans year-on-year

Target set: >30%

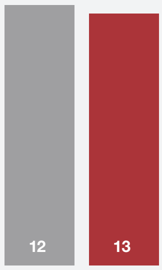
Achievement

40.2%

Target achieved

Loans and advances was driven by growth in corporate lending

2013	**40.2%**
2012	**41.6%**



Deposit growth

Measure

Percentage increase in customer deposits year-on-year

Target set: >35%

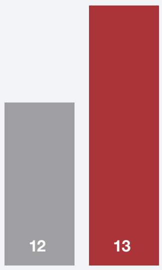
Achievement

22.2%

On track

Growth in customer deposits reflects progress in the execution of our retail strategy

2013	**22.2%**
2012	**13.9%**



Performance review

The operating environment in 2013 was marked by tighter monetary policy measures amongst which was the imposition of a 50% cash reserve requirement on public sector deposits. Consequently, interest rates rose across all tenor buckets exerting downward pressure on margins. Earnings potential was further constrained by the review of banks' charges resulting in a phased removal of commission on turnover (COT), increase in savings interest rate and an increase in AMCON sinking fund contribution. Despite these regulatory headwinds, our performance in 2013 showed a` marked improvement from the 2012 position.

Income statement

		Common size		Common size	
Items (N'm)	2013	2013	2012	2012	Growth
Gross earnings	91,629	100%	68,857	100%	33%
Interest and similar income	69,973	76%	53,542	78%	31%
Interest and similar expense	(34,160)	37%	(29,648)	43%	15%
Net interest margin	35,813	39%	23,894	35%	50%
Net fees and commission	14,564	16%	9,958	14%	46%
Net trading income	3,714	4%	1,553	2%	139%
Other operating income	3,378	4%	3,804	6%	(11)%
Non-interest income	21,656	24%	15,315	22%	41%
Operating income	57,469	63%	39,209	57%	47%
Impairment charge	(8,259)	9%	243	–	–
Net operating income	49,210	54%	39,452	57%	25%
Personnel expenses	(10,267)	11%	(9,393)	14%	9%
Depreciation and amortisation	(2,694)	3%	(2,568)	4%	5%
Other operating expenses	(26,938)	29%	(19,991)	29%	35%
Operating expenses	(39,899)	44%	(31,952)	46%	25%
Profit before tax	9,310	10%	7,500	11%	24%
Income tax	(1,035)	1%	(546)	1%	90%
Profit after tax	8,275	9%	6,954	10%	19%

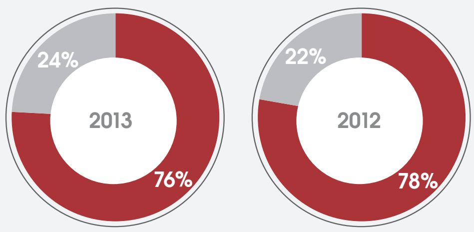
Gross earnings

Top-line revenues rose by 33% to N91.6 billion representing a compound annual growth rate of 27% (CAGR: 2009 – 2013). Growth in earnings was supported by increased transaction volumes and activities and a diversified revenue base. Interest income accounted for 76% of earnings and remained a major driver of earnings on the back of increased lending activities, while non-interest income accounted for 24%. Driven by efficiency, we recorded a 47% increase in operating income, which far outweighed the 25% increase in operating expenses resulting in a marked improvement in cost-to-income ratio to 69% from 81% in 2012. However, the Bank suffered a one-time charge of N2.5 billion on other assets, which drove net impairment charges to N8.3 billion, impacting negatively on the bottom line. Notwithstanding, the Bank recorded a strong improvement in profit after tax with a 19% growth year-on-year.

Net interest income

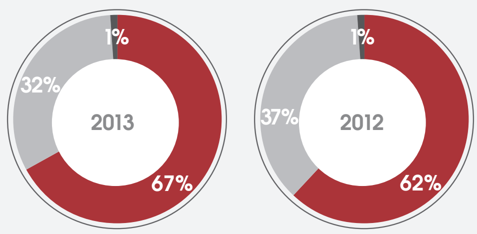
Net interest income rose by 50% in 2013 to N35 billion largely due to growth in lending activities reflecting the 31% growth in interest income. The growth in interest income was strong enough to douse the effect of a 15% increase in interest expense resulting in a 560 basis points improvement in net interest margin to 51%. Despite a high interest rate regime, we were able to grow our loan book, re-price existing assets and moderate funding costs. Thus, yield on earning assets rose by 150 basis points to 13%, while funding costs moderated by 20 basis points to 6.1% resulting in a 6.8% spread. Two major sources of interest income were revenues from loans and advances and investment in sovereign securities, which accounted for 67% and 32% respectively.

Interest and non-interest income



- Interest income
- Non-interest income

Interest income breakdown

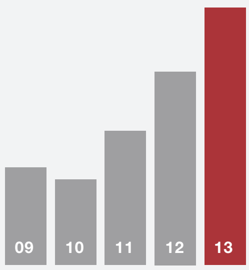


- Loans and advances
- Investment securities
- Cash and cash equivalent

Gross earnings (N'm)

N91,629

2012	**68,857**
2011	**47,741**
2010	**30,387**
2009	**34,772**



Performance review continued

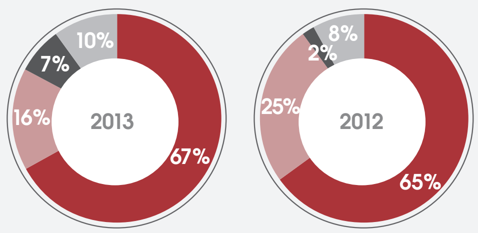
Non-interest income

Non-interest income grew by 41% to N21.7 billion despite a downward review of bank charges by the CBN, which impacted negatively on some traditional revenue lines. A key component of this was net fees and commissions, which rose by 46% and contributed 67% of non-interest income. Given that pricing concessions were previously approved on COT rates for a large number of clients, the impact of the reduction in COT charges to N3.00/mille was minimal and offset by increased transaction volume. Trading revenue rose significantly by 139%, driven mainly by a 274% and 95% increase in revenue from fixed income and foreign exchange trading activities respectively. Other income was driven by cash recoveries on previously written off accounts and income from cashless policy and insurance claim.

Operating expenses

Operating expenses rose by 25% to N39.9 billion in 2013 driven by general administrative expenses and AMCON sinking fund contribution, which increased from 0.3% to 0.5% of total assets and 33.3% of off-balance sheet assets as mandated by CBN. While general administrative expenses increased by 54% due to inflationary pressures and ongoing investments in branch refits and expansion, AMCON surcharge grew by 106%. Personnel costs increased 9%, reflecting an increase in headcount and staff promotion exercises during the year. Depreciation and amortisation costs increased marginally by 5% due to ongoing investments in fixed assets. Although expenses increased, the cost-to-income ratio (adjusted for cost of risk) declined to 69% (81% unadjusted) from 81% in 2012 reflecting improvements in operating efficiency.

Non-interest income breakdown



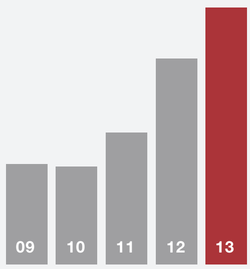
- Net fee and commission income
- Foreign exchange earnings
- Fixed income trading
- Other income

Operating expenses (N'm)

N39,899

2012	31,952
2011	20,493
2010	15,163
2009	15,547*

*Annualised

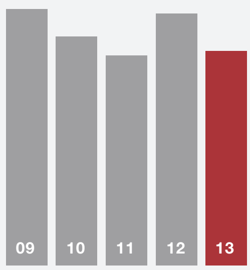


Cost-to-income (%)

69.4%

2012	81.5
2011	68
2010	74
2009	83*

*Annualised



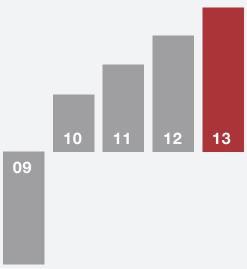
Profitability

Overall, the Bank sustained its profit growth momentum with 24% increase in profit before tax to N9.3 billion (N11.8 billion, adjusted for the one-time impairment charge). As a result, profit after tax grew by 19% to N8.3 billion. We have consistently delivered a competitive return on average equity (ROAE) and in 2013 we achieved a 100 basis points increase to 16.9% (adjusted for the rights issue proceeds received at year end). Earnings per share increased from 44 kobo in 2012 to 52 kobo evidencing value creation for shareholders. We have also paid a dividend consistently from 10 kobo in 2011 to 20 kobo in 2012. For the 2013 financial year, the Board of Directors has proposed a dividend of 25 kobo per share representing a 25% increase year-on-year.

Profit before tax (N'm)

N9,310

2012	7,500
2011	5,640
2010	3,688
2009	(7,258)*

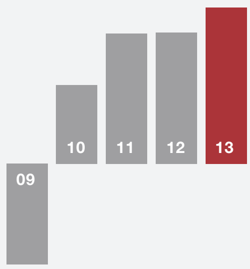


*Annualised

Profit after tax (N'm)

N8,275

2012	6,954
2011	6,909
2010	4,178
2009	(5,328)*

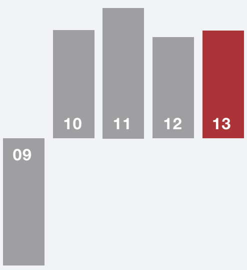


*Annualised

Return on average equity (%)

16.9%

2012	15.9
2011	20.5
2010	17
2009	-20*



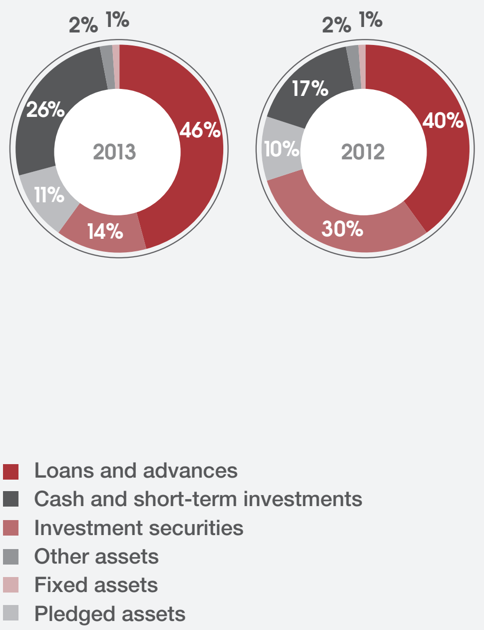
*Annualised

Performance review continued

Highlights from the statement of financial position

Items (N'm)	2013	Common size 2013	2012	Common size 2012	Growth
ASSETS					
Cash and balances with CBN	**96,901**	13.7%	63,622	11.0%	52.3%
Due from banks	**85,601**	12.1%	33,879	5.8%	152.7%
Pledged financial assets	**79,772**	11.3%	57,412	9.9%	38.9%
Loans and advances	**321,744**	45.5%	229,421	39.5%	40.2%
Investment securities	**97,821**	13.8%	174,792	30.1%	(44.0)%
Other assets	**9,317**	1.3%	6,132	1.1%	51.9%
Property, plant and equipment	**9,069**	1.3%	7,793	1.3%	16.4%
Intangible assets	**601**	0.1%	203	–	195.6%
Deferred tax assets	**6,971**	1.0%	6,971	1.2%	–
TOTAL ASSETS	**707,797**	**100.0%**	**580,226**	**100.0%**	**22.0%**
LIABILITIES					
Deposits from banks	**–**		3,119	0.5%	
Deposits from customers	**570,511**	80.6%	463,726	79.9%	23.0%
Other borrowed funds	**38,795**	5.5%	30,356	5.2%	27.8%
Debt securities issued	**4,564**	0.6%	4,564	0.8%	–
Other liabilities	**30,469**	4.3%	31,819	5.5%	-4.2%
TOTAL LIABILITIES	**644,339**	**91.0%**	**533,584**	**92.0%**	**20.8%**
EQUITY	**63,458**	9.0%	46,642	8.0%	36.1%
TOTAL LIABILITIES AND EQUITY	**707,797**	100.0%	580,226	100.0%	22.0%

Asset composition



Assets

We structured our balance sheet to adapt swiftly to the changing operating conditions with liquid assets accounting for 51% of total assets while risk assets accounted for 45%. Total assets grew by 22% to N707.8 billion representing a compound annual growth rate of 36% (CAGR: 2009-2013). Growth was boosted by loans and advances, which rose by 40% to N321.7 billion, driven by enlarged delivery channels and growing customer relationships. Cash and balances with the CBN increased by 52% due to an increase in the cash reserve requirement on public sector deposits from 12% to 50%. Despite the ensuing liquidity challenges in the banking system, Sterling Bank was a net placer of funds in the money market as reflected in the 153% rise in "due from banks". Pledged assets increased by 39% to N79.8 billion. These were treasury bills and bonds pledged for clearing activities, letters of credit and as collateral for long-term loans. Investment securities declined by 44% arising from the redemption of AMCON bonds as well as matured sovereign bonds re-invested in higher yield asset classes. Thus, securities held to maturity declined by 51% N76.1 billion. Overall, earning assets rose by 18% to N584.9 billion and accounted for 83% of total assets with a 150 basis points increase in yield to 13%.

Loans and advances

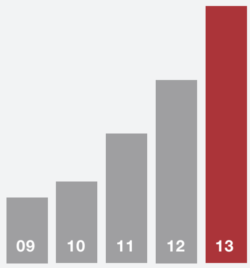
Our improved capital and liquidity positions provided adequate support for loan growth. On the back of this, gross loans and advances to customers grew by 39% to N328.7 billion, while net loans grew by 40% to N321.8 billion representing a compound annual growth rate of 41% (CAGR: 2009-2013). Loans to corporate entities and organisations rose by 44% and accounted for 91% of total loans (2012: 88%), while loans to individuals contributed 9%. Growth was driven by increased exposure to sectors such as Agriculture, Real Estate, Construction and Power. Oil and Gas recorded the highest sectoral contribution (30%) given its significance as the country's major source of foreign exchange earnings. However, loan exposure to the sector was spread across the various sub-sectors – upstream (26%), downstream (40%) and servicing (34%). Loans classified as general were largely domestic trade transactions and exposures to the hospitality industry. We continued to de-risk our loan book by focusing on the corporate banking space where risks are minimal.

Asset quality improved significantly as the non-performing loans declined by 24% to N6.9 billion, while the proportion of non-performing loans to gross loans also declined from 4% in 2012 to 2% despite a 39% growth in gross loans and advances. Our loans were adequately covered with coverage ratio at 80% and the difference represented by collateral value in line with IFRS provisions.

Net loans and advances (N'm)

N321,744

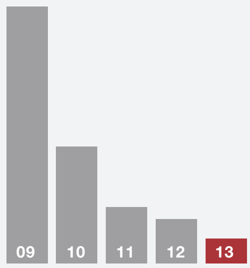
2012	**229,421**
2011	**162,063**
2010	**101,937**
2009	**82,407**



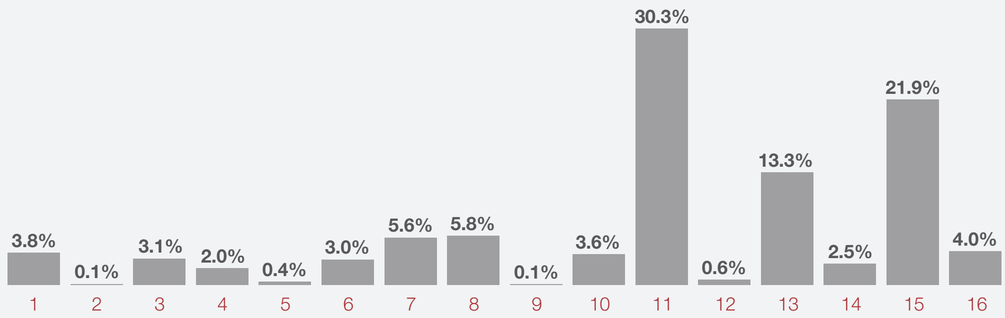
NPL ratio (%)

2.1%

2012	**3.8%**
2011	**4.8%**
2010	**10%**
2009	**22%**



Gross loans by sector: 2013



1	Agriculture	(2012: 2.8%)
2	Capital market	(2012: 0.2%)
3	Communication	(2012: 4.6%)
4	Consumer	(2012: 3.2%)
5	Education	(2012: 0.5%)
6	Finance and insurance	(2012: 4.5%)
7	Government	(2012: 5.4%)
8	Manufacturing	(2012: 6.2%)
9	Mining and quarrying	(2012: 0.1%)
10	Mortgage	(2012: 3.7%)
11	Oil and gas	(2012: 29.2%)
12	Other public utilities	(2012: 0.1%)
13	General	(2012: 24.2%)
14	Power	(2012: 0.1%)
15	Real estate and construction	(2012: 10.9%)
16	Transportation	(2012: 4.5%)

Performance review continued

Sector classification	2013	2012	Growth
Agriculture	**12,430**	6,508	91.0%
Capital market	**240**	383	(37.5)%
Communication	**10,041**	10,951	(8.3)%
Consumer	**6,558**	7,442	(11.9)%
Education	**1,434**	1,063	34.9%
Finance and insurance	**9,782**	10,590	(7.6)%
Government	**18,428**	12,866	43.2%
Manufacturing	**19,077**	14,728	29.5%
Mining and quarrying	**200**	196	2.0%
Mortgage	**11,834**	8,655	36.7%
Oil and gas	**99,733**	68,950	44.6%
Other public utilities	**1,869**	148	1165.8%
General	**43,685**	57,079	(23.5)%
Power	**8,271**	216	3730.6%
Real estate and construction	**72,068**	25,643	181.0%
Transportation	**13,015**	10,713	21.5%
Total	328,665	236,131	39.2%

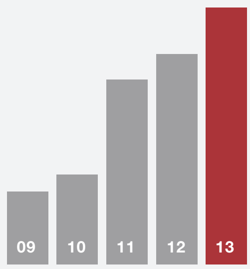
Deposits

Our balance sheet was funded mainly by deposits, which grew by 22% and accounted for 81% of total assets. Over the last five years, deposits have grown at a compound annual growth rate of 37%. Growth was driven by demand and savings deposits, which grew by 25% and accounted for 67% of total deposits (2012: 66%) as a result of a larger customer base arising from ongoing investments in our retail business. Thus, cost of funds moderated by 20 basis points to 6.1% amidst liquidity pressures in the banking system and the resulting spike in interest rates.

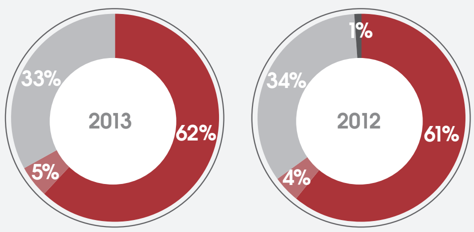
Deposits (N'm)

N570,511

2012	**466,845**
2011	**409,794**
2010	**199,274**
2009	**161,277**



Deposit mix

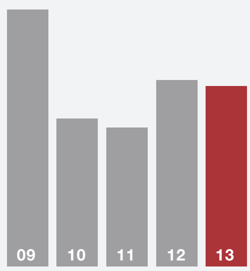


- Demand
- Time
- Savings
- Interbank

Cost of funds (%)

6.1%

2012	**6.3%**
2011	**4.7%**
2010	**5.0%**
2009	**8.7%**



Capital and liquidity

Items (N'm)	2013	2012	Growth
Tier 1 capital	**56,181**	38,833	44.7%
Tier 2 capital	**6,797**	6,075	11.9%
Total regulatory capital	**62,978**	**44,908**	**40.2%**
Risk-weighted assets	**448,520**	**308,113**	**45.6%**
Tier 1 capital ratio	**12.5%**	12.6%	
Tier 2 capital ratio	**1.5%**	2.0%	
Capital adequacy ratio	**14.0%**	14.6%	

Our capital position remained very strong providing a buffer for risk taking. Capital adequacy and liquidity ratio were above the regulatory benchmarks at 14% and 62% respectively. Total regulatory capital increased by 40% with tier 1 capital accounting for 89%. We successfully completed a rights issue, which was fully subscribed with net proceeds of N12.1 billion received to boost our capital position. Our plan is to further increase our capital adequacy ratio, which is currently below our internal benchmark of 15% with a private placement of about US$120 million (tier 1) and multi-currency debt capital of US$200 million (tier 2).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 52nd Annual General Meeting of Sterling Bank Plc will be held at Eko Hotel & Suites, Plot 23, Adetokunbo Ademola Street, Victoria Island, Lagos on Wednesday 30 April 2014 at 11.00 a.m. to transact the following business:

Ordinary business

1. To receive the Audited Financial Statements for the year ended 31 December 2013, together with the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare a dividend.
3. To elect/re-elect Directors.
4. To approve the remuneration of the Directors.
5. To authorise the Directors to fix the remuneration of the Auditors.
6. To elect members of the Audit Committee.

Special business

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

7. "That the Authorised Share Capital of the Company be and is hereby increased from N12,000,000,000 (twelve billion naira) to N16,000,000,000 (sixteen billion naira) by the creation of additional 8,000,000,000 Ordinary Shares of 50 kobo each. Such new shares to rank pari passu in all respects with the existing shares in the capital of the Company"

Proxy

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. To be valid, a completed and duly stamped Proxy form must be deposited at the office of the Registrar, Sterling Registrars Limited, Akuro House (8th floor), 24 Campbell Street, Lagos not less than 48 hours prior to the time of the meeting.

Dated this 27 March 2014

By order of the Board

Justina Lewa
Company Secretary
20 Marina
Lagos

Notes

1. Dividend

If approved, dividend warrants for the sum of 25 kobo for every share of 50 kobo will be posted on 30 April 2014 to shareholders whose names are registered in the Register of Members at the close of business on 11 April 2014, while shareholders who have provided relevant accounts will be credited same day.

2. Closure of Register of Members

The Register of Members and Transfer Books of the Company will be closed from 14 to 18 April 2014 (both dates inclusive), to enable the Registrar prepare for payment of dividend.

3. Audit Committee

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

Directors, officers and professional advisers

DIRECTORS:

Alhaji (Dr) Sulaiman Adebola Adegunwa, OFR	Chairman
Alhaji Bashir Mohammed Borodo, OON	Director
Mr. Adeyinka Abdulwaheed Adeola	Director
Mr. Adeyemi Oluyemi Idowu	Director
Mr. Rasheed Aderemi Kolarinwa	Director
Ms. Olufunmilola Osunsade	Director
Tamarakare Yekwe, MON	Director (appointed with effect from 26 February 2014)
Dr. (Mrs) Omolara Akanji	Director (appointed with effect from 26 February 2014)
Mr. Raghavan Karthikeyan	Director (appointed with effect from 26 February 2014)
Mr. Razack Adeyemi Adeola	Managing Director/Chief Executive Officer
Mr. Olanrewaju Olugbenga Adesanya	Executive Director
Mr. Devendra Puri	Executive Director
Mr. Abubakar Danlami Sule	Executive Director

COMPANY SECRETARY:

Justina Lewa

REGISTERED OFFICE:

20, Marina, Lagos
Tel: 2690380-8

REGISTRATION NUMBER:

2392

AUDITORS:

Ernst & Young
2A, Bayo Kuku Road
Ikoyi
Lagos

REGISTRARS:

Sterling Registrars Limited
Akuro House (8th floor)
24, Campbell Street
Lagos

FINANCIAL ADVISERS:

Sterling Capital Markets Limited
Stock Exchange House
Customs Street
Lagos

STOCKBROKERS:

Nigerian Stockbrokers Limited
Akuro House (8th Floor)
24, Campbell Street
Lagos

Board of Directors

Top to bottom, left to right:

1 Sulaiman Adebola Adegunwa, OFR
2 Bashir Mohammed Borodo, OON
3 Adeyinka Abdulwaheed Adeola
4 Adeyemi Oluyemi Idowu
5 Rasheed Aderemi Kolarinwa
6 Olufunmilola Osunsade
7 Tamarakare Yekwe, MON
8 Omolara Akanji
9 Raghavan Karthikeyan
10 Razack Adeyemi Adeola
11 Olanrewaju Olugbenga Adesanya
12 Devendra Puri
13 Abubakar Danlami Sule

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Board of Directors continued

1. Sulaiman Adebola Adegunwa, OFR
Chairman

Alhaji (Dr.) S.A. Adegunwa is the founder and Executive Chairman of Essay Holdings Limited, the parent company of various commercial photography outfits including Fototek Industries Ltd, Photo Palace Ltd, Prints Specialty Ltd and Top Communications Ltd. He was trained at the Institute of Photography, New York and is an accomplished player in the Photography Industry.

He was appointed a Non-executive Director in the erstwhile Magnum Trust Bank in May 2002, and subsequently as Chairman of Sterling Bank in November 2007.

2. Bashir Mohammed Borodo, OON
Non-executive Director

Alhaji Borodo is currently the President of the West African Manufacturers Association, prior to which he was President of the Manufacturers Association of Nigeria.

He started his banking career in 1971 with the Bank of the North Limited, after which he moved on to the Ministry of External Affairs and served as Economic Counsellor in the Nigerian Embassy, Washington DC, from 1974 till 1980. He was Chairman of Tropical Commercial Bank Plc from 1989 to 1993 and subsequently held the position of Chairman of NAL Bank Plc from 2002 to 2005.

He holds a B.Sc. in Economics from Ahmadu Bello University, Nigeria and an M.Sc. in Economics from Queens University, Ontario, Canada.

3. Adeyinka Abdulwaheed Adeola
Non-executive Director

Mr. Yinka Adeola is presently the Managing Director of Safetrust Savings & Loans Limited.

He started his finance career as an Assistant Manager at the Central Bank of Nigeria in 1985, after which he joined Pacific Merchant Bank in 1990 where he later became the Managing Director/CEO, a position he held for many years. He then proceeded to Trust Bank of Africa Limited where he served as Managing Director/CEO from 2003 until 2005.

He holds a B.Sc in Economics from the University of Ibadan and an M.Sc in Economics from the University of Jos, both in Nigeria.

4. Adeyemi Oluyemi Idowu
Non-executive Director

Mr. Yemi Idowu holds a B.Sc in Accounts and Financial Analysis from Newcastle-upon-Tyne University, England and a Post-Graduate Diploma in Human Resources from Middlesex University, London. He joined Anglo European Equipment in London, England in 1990 as a Business Development Manager (Africa and Middle East).

Mr. Idowu currently sits on the board of various companies including Aircom Nigeria Limited, Eba-Odan Commercial and Industrial Company, Lekki Foreshore Limited and Millenium Court Trustees Limited.

5. Rasheed Aderemi Kolarinwa
Independent Director

Mr. Rasheed Kolarinwa is presently the Chairman of Capiflex Management Ltd.

His banking career started in 1981 with International Merchant Bank Nigeria Ltd, after which he moved to Chartered Bank Plc in 1989. He assumed various senior management roles and went on to assume Executive positions in Stanbic IBTC, serving as an Executive Director and thereafter as Deputy Managing Director between 2005 and 2007.

He holds a BA in Economics from the University of Toronto, Canada as well as an M.Sc in Business Administration with concentration in Finance and International Business from the Schulich School of Business, York University, also in Canada.

6. Olufunmilola Osunsade
Non-executive Director

Ms. Osunsade holds a Bachelor of Science Degree in Business Administration from the University of Lagos and an MBA in Finance from Enugu State University of Science and Technology. She has garnered over 24 years of experience in senior capacities in various industries including manufacturing, marketing, sales, finance and banking.

7. Tamarakare Yekwe, MON
Independent Director

Yekwe is currently the Principal Partner of Kare Yekwe & Co. (Legal Practitioners & Consultants). Prior to this, she was a member of the Governing Council, Nigerian Institute of International Affairs (NIIA) and the Presidential Technical Committee on Housing and Urban Development.

In addition to being the pioneer Attorney General and Commissioner for Justice, Bayelsa State, Ms. Yekwe served as a Director in a number of institutions including the Federal Savings Bank of Nigeria, Continental Merchant Bank of Nigeria Plc, International Merchant Bank Plc and the Federal Mortgage Bank of Nigeria.

She holds a Bachelor of Laws (LL.B) degree from the University of Lagos. She was called to the Nigerian Bar in 1981.

8. Omolara Akanji
Independent Director

Dr. (Mrs.) Akanji is currently a member of the Petroleum Revenue Special Task Force.

Her early career started with the Central Bank of Nigeria (CBN) in 1978 as an Assistant Economist. She rose through the ranks and retired in December 2007 as Director, Trade and Exchange Department. She also served as a Consultant to the CBN between 2008 and 2011.

She holds a B.Sc. in Agricultural Economics from the University of Ibadan, an M.Sc. in Agricultural Economics from the University of Reading, a Diploma in Statistics from the University of Kent Mathematical Institute, and a PhD. in Finance from the European-American University, Commonwealth of Dominica.

9. Raghavan Karthikeyan
Non-executive Director

Mr. Karthikeyan is presently the Chief General Manager, International Banking in State Bank of India (SBI) Mumbai and is a Certified Associate of the Indian Institute of Bankers (CAIIB).

He joined SBI in 1980 and has worked in various capacities across several aspects of banking. Before assuming his current role, he was the Chief General Manager of Corporate, Strategy and New Businesses.

He holds a Bachelor of Arts from St. John's College, Tirunelveli, India and a Master of Arts from Madurai University, India.

10. Razack Adeyemi Adeola
Managing Director/Chief Executive Officer

Mr. Yemi Adeola is the Managing Director and Chief Executive Officer of Sterling Bank Plc – a position he has held in a substantive capacity since February 2009. Under his leadership, the Bank has been transformed into a fast-growing, competitive institution with a strong foundation in spite of challenging economic conditions in recent periods.

Following the evolution of Sterling Bank Plc in January 2006, he served as Executive Director, Corporate & Commercial Banking. Prior to this, Mr. Adeola was the Deputy Managing Director of Trust Bank of Africa Ltd – a position he held from June 2003 till December 2005.

Earlier in his career, he served in various general/executive management roles at Citibank spanning a 16-year period (notably Chief Legal Counsel, Executive Director, Emerging Target Markets (Commercial Banking) and Head, Public Sector & Infrastructure Finance).

He holds a Master of Laws (LL.M) with specialisation in Secured Credit Transactions, Comparative Company Law and International Economics Law, from the University of Lagos, Nigeria.

He is a JFK Scholar.

11. Olanrewaju Olugbenga Adesanya
Executive Director

Mr. Lanre Adesanya currently serves as an Executive Director at Sterling Bank – a position he has held since January 2006.

Prior to this, he served in various senior management capacities at NBM Bank Limited (former Nigbel Merchant Bank Limited) during the 1990s, rising to become Executive Director in 2004, and subsequently Managing Director/CEO in 2005.

He obtained a B.Sc. and M.Sc. in Economics, both from the University of Lagos, Nigeria.

12. Devendra Puri
Executive Director

Mr. Devendra Puri is an alumnus of the A.N College, Patna. He started his banking career as a Probationary Officer with the State Bank of India (SBI) in 1984. He has held senior positions in personnel and human resources, training, operations and risk management. He is an Associate of the India Institute of Bankers.

He is presently serving SBI internationally in Nigeria as Executive Director of Sterling Bank – a position he has held since December 2009.

13. Abubakar Danlami Sule
Executive Director

Mr. Abubakar Sule holds a B.Sc. in Accounting from the Ahmadu Bello University, Zaria. The first six years of his working life were spent in supervisory and management roles at the Central Bank of Nigeria (CBN). He thereafter held management positions in Guaranty Trust Bank and Continental Trust Bank from where he joined Sterling Bank (legacy NAL Bank Plc) in the General Management cadre in February 2003 where he has assumed responsibilities in different business areas including treasury, trade services and corporate banking.

He was the Managing Director of Sterling Capital Markets Limited and was subsequently appointed as Executive Director at Intercontinental Bank Plc by the Central Bank of Nigeria. While at Intercontinental Bank, he was responsible for the North Bank Directorate, operations, information technology and services.

Upon the successful completion of his assignment at Intercontinental Bank Plc, he was appointed Executive Director of North and Corporate Banking at Sterling Bank in November, 2011.

Report of the Directors

for the year ended 31 December 2013

The Directors have pleasure in presenting to the members their report together with the audited financial statements for the year ended 31 December 2013.

Corporate structure and business

Principal activity and business review

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

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

Legal form

Following the reforms introduced and driven by the Central Bank of Nigeria (CBN) 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 3 January 2006 and the Bank's shares are currently quoted on the Nigerian Stock Exchange (NSE).

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

In compliance with the CBN guidelines on the review of the universal banking model, the Bank divested its four subsidiaries and one associate company on 30 December 2011.

Operating results

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

	31 December 2013 N'000	31 December 2012 N'000
Gross earnings	**91,628,840**	68,856,815
Profit before income tax	**9,310,198**	7,499,651
Income tax	**(1,035,334)**	(546,112)
Profit after income tax	**8,274,864**	6,953,539
Profit attributable to equity holders	**8,274,864**	6,953,539
Appropriation:		
Transfer to other regulatory reserve	**2,482,459**	2,086,062
Transfer to retained earnings	**5,792,405**	4,867,477
	8,274,864	6,953,539
Total non-performing loans as % of gross loan	**2.1%**	3.8%
Earnings per share – basic (in kobo)	**52k**	44k
Earnings per share – diluted (in kobo)	**52k**	44k
Dividend per share – proposed (in kobo)	**25k**	20k

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		Essay Investments Limited
Mr. Yemi Adeola	Managing Director/CEO		–
Mr. Lanre Adesanya	Executive Director		–
Mr. Devendra Nath Puri (Indian)	Executive Director		–
Mr. Abubakar Sule	Executive Director		–
Mr. Rajan Srinivasan (Indian)	Non-executive Director	Retired 30 April 2013	State Bank of India
Mr. Yemi Idowu	Non-executive Director		Eba Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
Alh. Bashir Borodo (OON)	Non-executive Director		Dantata Investment & Securities Company Limited
Mr. Yinka Adeola	Non-executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited
Ms. Olufunmilola Osunsade	Non-executive Director		Dr. Mike Adenuga
Mr. Rasheed Kolarinwa	Independent Director		–

Note:

(i) The Bank nominated two additional independent Directors, Ms. Tamarakare Yekwe and Mrs. Omolara Ololade Akanji, on 18 December 2013 and they were duly approved by the Central Bank of Nigeria on 26 February 2014.

(ii) Mr. Raghavan Karthikeyan was also appointed as Non-executive Director of the Bank on 18 December 2013 and was approved by Central Bank of Nigeria on 26 February 2014 to replace Mr. Rajan Srinivasan.

Going concern

The Directors assess the Bank's future performance and financial position on an ongoing basis and have no reason to believe that the Bank will not be a going concern in the year ahead. For this reason, these annual financial statements are prepared on a going concern basis.

Report of the Directors continued

for the year ended 31 December 2013

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:

	As at 31 December 2013 Direct	As at 31 December 2013 Indirect	As at 31 December 2012 Direct	As at 31 December 2012 Indirect
Alh. (Dr.) S.A. Adegunwa (OFR)	–	1,356,679,440	–	983,001,060
Mr. Rajan Srinivasan	–	2,549,505,026	–	1,854,185,474
Mr. Yemi Idowu	–	1,575,038,742	–	934,875,259
Alh Bashir Borodo (OON)	61,841	79,388,653	22,401	204,685,534
Mr. Yinka Adeola	17,494,903	920,035,820	12,723,566	687,337,465
Mr. Yemi Adeola	25,535,555	–	18,571,313	–
Mr. Lanre Adesanya	5,110,960	–	5,110,960	–
Mr. Devendra Nath Puri	–	–	–	–
Mr. Abubakar Sule	2,117,284	–	1,539,843	–
Mr. Rasheed Kolarinwa	–	–	–	–
Ms. Olufunmilola Osunsade	–	1,620,376,969	–	1,570,386,444

Directors' interests in contracts

For the purpose of section 277 of the Company and Allied Matters Act, none of the existing Directors had direct or indirect interest in contracts or proposed contracts with the Bank during the year.

Beneficial ownership

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

Analysis of shareholding

The range analysis of the distribution of the shares of the Bank as at 31 December 2013 is as follows:

Range of shares	Number of holders	%	Number of units	%
1–1,000	31,705	36.56	14,415,411	0.07
1,001–5,000	26,763	30.86	60,211,543	0.28
5,000–10,000	9,304	10.73	62,552,435	0.29
10,001–20,000	7,411	8.55	99,982,574	0.46
20,001–50,000	5,095	5.87	157,174,483	0.73
50,001–100,000	2,648	3.05	180,667,839	0.84
100,001–200,000	1,532	1.77	216,299,192	1.00
200,001–500,000	1,107	1.28	351,058,744	1.63
500,001–10,000,000	1,008	1.16	1,762,443,058	8.16
Above 10,000,001	149	0.17	14,771,760,840	68.41
Foreign shareholding	5	0.01	3,916,247,474	18.14
	86,727	100.00	21,592,813,593	100.00

Analysis of shareholding continued

The following shareholders have shareholdings of 5% and above:

	31 December 2013 % holding	31 December 2012 % holding
State Bank of India	**11.81**	11.81
Dr. Mike Adenuga	**7.50**	7.12
SNNL/Asset Management Corporation of Nigeria – Main	**7.37**	10.00
Ess-ay Investments Limited	**6.28**	6.26
STB Building Society Limited	**5.02**	3.22

Donations and charitable gifts

The Bank during the year ended 31 December 2013 donated a total sum of N133,172,000 (31 December 2012: N117,760,000) to various charitable organisations and institutions of higher learning in the country, details of which are shown below. No donation was made to any political organisation.

Details of donation	Purpose	Amount (N'000)
Lagos State Waste Management Authority	Corporate social responsibility	65,000
6th National Schools Sport Festival	National Schools Sport Festival sponsorship	35,000
Rural and Water Sanitation and Supply Agency (RUWASSAK) Katsina	Corporate social responsibility	10,000
Lagos State Traffic Management Authority	Corporate social responsibility	7,500
National Social Security Fund (NSSF)	Corporate social responsibility	5,586
Access to Basic Care Foundation	Corporate social responsibility	5,000
Olabisi Onabanjo University Teaching Hospital	Purchase of medical equipment	1,000
Sickle Cell Arabian Night	Corporate social responsibility	1,000
Towunmi Coker	Corporate social responsibility	1,000
Indian Women Association	Corporate social responsibility	750
Federal Interagency Committee on Aviation Noise (FICAN) 2013	Annual conference and workshop	600
Indian Fine Arts Society	Corporate social responsibility	500
Chike Okoli Foundation	Purchase of medical equipment	236
		133,172

Report of the Directors continued
for the year ended 31 December 2013

Gender analysis of staff

Analysis of staff employed by the Bank during the year ended 31 December 2013

Description	Number	% of total staff
Female new hire	147	5.38
Male new hire	174	6.36
Total new hire	321	11.74
Total staff	2,735	100.00
Female as at 31 December 2013	1,612	58.94
Male as at 31 December 2013	1,123	41.06

Analysis of top management positions by gender as at 31 December 2013

Grade	Female	Male	Number
Senior management (AGM–GM)	12	32	44
Middle management (DM–SM)	52	142	194
Total	64	174	238

Analysis of Executive and Non-executive positions by gender as at 31 December 2013

Grade	Female	Male	Number
Executive Director	–	3	3
Managing Director	–	1	1
Non-executive Director	1	6	7
Total	1	10	11

Acquisition of own shares

The Bank did not acquire any of its own shares during the year ended 31 December 2013 (2012: nil).

Property, plant and equipment

Information relating to changes in property, plant and equipment 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 training and development

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

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

Events after the reporting date

There were no events after reporting date which could have had a material effect on the state of affairs of the Bank as at 31 December 2013 or the profit for the year ended on that date which have not been adequately provided for or disclosed.

Auditors

Messrs Ernst & Young have indicated their willingness to continue in office as auditors of the Bank in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

By order of the Board:

Justina Lewa
Company Secretary
(FRC/2013/NBA/00000001255)
20 Marina, Lagos, Nigeria
4 March 2014

Corporate governance report

for the year ended 31 December 2013

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

Board composition and committees

Board of Directors

The Board of Directors (the 'Board') is made up of the Non-executive Chairman, Non-executive Directors and Executive Directors who oversee the corporate governance of the Bank.

Attendance at Board meetings for the year ended 31 December 2013 are as follows:

S/N	Name	21 February 2013	30 April 2013	9 July 2013	6 August 2013	28 November 2013	18 December 2013	Total attendance
1	Alhaji (Dr.) S. A. Adegunwa, OFR	✓	✓	✓	✓	✓	✓	6
2*	Mr. Rajan Srinivasan	–	–	–	–	–	–	–
3	Alhaji Bashir Borodo, OON	✓	✓	✓	✓	✓	✓	6
4	Mr. Yinka Adeola	✓	✓	✓	✓	✓	✓	6
5	Mr. Yemi Idowu	✓	✓	✓	×	✓	✓	5
6	Mr. Rasheed Kolarinwa	✓	✓	✓	×	✓	✓	5
7	Ms. Olufunmilola Osunsade	✓	✓	×	✓	✓	✓	5
8	Mr. Yemi Adeola	✓	✓	✓	✓	✓	✓	6
9	Mr. Lanre Adesanya	✓	✓	×	✓	✓	✓	5
10	Mr. Devendra Puri	✓	✓	✓	✓	✓	×	5
11	Mr. Abubakar Sule	✓	✓	✓	×	✓	✓	5

* Retired with effect from 30 April 2013.

Board Credit Committee

The Committee acts on behalf of the Board of Directors on credit matters, and reports to the Board for approval/ratification. The members and respective attendance at committee meetings are as follows:

S/N	Name		4 February 2013	23 April 2013	1 July 2013	30 October 2013	Total attendance
1	Mr. Yemi Idowu	Chairman	✓	✓	✓	✓	4
2	Alhaji Bashir Borodo, OON	Member	✓	✓	✓	✓	4
3	Mr. Yinka Adeola	Member	✓	✓	✓	✓	4
4	Mr. Rasheed Kolarinwa	Member	✓	✓	✓	✓	4
5	Mr. Yemi Adeola	Member	✓	✓	✓	✓	4
6	Mr. Lanre Adesanya	Member	✓	✓	✓	✓	4
7	Mr. Devendra Puri	Member	✓	×	✓	✓	3
8	Mr. Abubakar Sule	Member	✓	✓	✓	✓	4

Board composition and committees continued

Board Finance and General Purpose Committee

The Committee acts on behalf of the Board of Directors on all matters relating to financial management, and reports to the Board for approval/ ratification. The members and respective attendance at committee meetings are as follows:

S/N	Name		12 March 2013	5 July 2013	29 October 2013	27 November 2013	Total attendance
1	Mr. Rasheed Kolarinwa	Chairman	✓	✓	✓	✓	4
2	Alhaji Bashir Borodo, OON	Member	✓	✓	✓	✓	4
3	Mr. Yinka Adeola	Member	✓	✓	✓	✓	4
4	Ms. Olufunmilola Osunsade	Member	✓	✓	✓	✓	4
5	Mr. Yemi Adeola	Member	✓	✓	✓	✓	4
6	Mr. Lanre Adesanya	Member	✓	✓	✓	✓	4
7	Mr. Abubakar Sule	Member	✓	✓	✓	✓	4

Board Establishment Committee

The Committee acts on behalf of the Board of Directors on all matters relating to the workforce. The members and respective attendance at committee meetings are as follows:

S/N	Name		25 March 2013	4 July 2013	8 October 2013	Total attendance
1	Alhaji Bashir Borodo, OON	Chairman	✓	✓	✓	3
2	Mr. Rasheed Kolarinwa	Member	✓	✓	✓	3
3	Mr. Yemi Idowu	Member	✓	✓	✓	3
4	Ms. Olufunmilola Osunsade	Member	✓	×	✓	2
5	Mr. Yemi Adeola	Member	✓	✓	✓	3
6	Mr. Devendra Puri	Member	✓	✓	✓	3
7	Mr. Abubakar Sule	Member	✓	✓	✓	3

Board Risk Management Committee

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

S/N	Name		24 April 2013	5 July 2013	31 October 2013	Total attendance
1	Ms. Olufunmilola Osunsade	Chairman	✓	✓	✓	3
2	Mr. Yinka Adeola	Member	✓	✓	×	2
3	Mr. Yemi Idowu	Member	✓	✓	✓	3
4	Mr. Rasheed Kolarinwa	Member	✓	✓	✓	3
5	Mr. Yemi Adeola	Member	✓	✓	✓	3
6	Mr. Lanre Adesanya	Member	✓	✓	✓	3
7	Mr. Devendra Puri	Member	✓	✓	✓	3

Corporate governance report continued

for the year ended 31 December 2013

Board composition and committees continued

Audit Committee

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

S/N	Name		5 March 2013	4 July 2013	31 July 2013	6 November 2013	Total attendance
1	Alhaji Mustapha Jinadu	Chairman	✓	✓	✓	✓	4
2	Mr. Idongesit Udoh	Member	✓	✓	✓	✓	4
3	Ms. Christie Vincent	Member	✓	✓	✓	✓	4
4	Mr. Yemi Idowu	Member	✓	✓	✓	✓	4
5	Mr. Yinka Adeola	Member	✓	✓	✓	✓	4
6	Alhaji Bashir Borodo, OON	Member	✓	✓	✓	✓	4

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. Asset and Liability Committee (ALCO)

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

3. Management Credit Committee (MCC)

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

4. Management Performance Review Committee (MPR)

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

5. Criticised Assets Committee (CAC)

The Committee reviews the Bank's credit portfolio and collateral documentation. It reviews the non-performing loans 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 utilising technology resources to meet the 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 Unit was set up in the Human Resource Management Group to implement, amongst others, a succession plan for the Bank.

Successors are nominated based on experience, skills and competencies through an automated process by current role holders in conjunction with the Human Resource 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 behaviour of its staff, in the staff handbook. It is a requirement that all staff should sign a confirmation that they have read and understood the document upon employment.

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

Whistle blowing process

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

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

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

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any persons or act that might jeopardise its reputation. Staff are encouraged to speak up when faced with information that would help protect the Bank’s reputation.

An essential attribute of the process is the guarantee of confidentiality and protection of the whistle blower’s identity and rights. It should be noted that the ultimate aim of this policy is to ensure efficient service to the customer, good corporate image and business continuity in an atmosphere compliant with best industry practice.

The Bank has a whistle blowing channel via the 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.

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

Statement of Directors' responsibility in relation to the financial statements

for the year ended 31 December 2013

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and sections 24 and 28 of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of financial statements which present fairly, in all material respects, the financial position of the Bank, and of the financial performance for the year. The responsibilities include ensuring that:

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

(b) the Bank keeps accounting records which disclose with reasonable accuracy the financial position and performance of the Bank and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, International Financial Reporting Standards and relevant circulars issued by the Central Bank of Nigeria;

(c) the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, and relevant circulars issued by the Central Bank of Nigeria.

The Directors are of the opinion that the financial statements present fairly, in all material respects, the financial position and the financial performance of the Bank as of and for the year ended 31 December 2013.

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

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

Signed on behalf of the Directors by:

Alhaji (Dr.) S.A. Adegunwa, OFR	**Yemi Adeola**
Chairman	**Managing Director/CEO**
FRC/2013/IODN/00000001256	FRC/2013/CIBN/00000001257

4 March 2014

Report of the audit committee
for the year ended 31 December 2013

To the members of Sterling Bank Plc

In accordance with the provision of section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the members of the Audit Committee of Sterling Bank Plc hereby report as follows:

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with International Financial Reporting Standards and legal requirements and agreed ethical practices.
- We believe that the scope and planning of both the external and internal audits for the year ended 31 December 2013 were satisfactory and reinforce the Bank's internal control systems.
- We have deliberated with the External Auditors, who have confirmed that necessary co-operation was received from management in the course of their audit and we are satisfied with management's response to the external auditor's recommendations on accounting and internal control matters.
- The Internal Control and Internal Audit functions were operating effectively.
- We have exercised our statutory functions under section 359 (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

We are satisfied that the Bank has complied with the provision of the Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on 'Disclosure of Directors' related credits in the financial statements of banks', we reviewed insider-related credits of the Bank and found them to be as analysed in the financial statements. The status of performance of these facilities is disclosed in note 37 to the financial statements.

Alhaji Mustapha Jinadu
Chairman, Audit Committee
FRC/2013/ICRMNG/00000001516 — 25 February 2014

Members of the Audit Committee are:

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

In attendance:

Justina Lewa	Secretary

Report of external consultants on the board appraisal of Sterling Bank Plc

J.K. RANDLE
INTERNATIONAL
Chartered Accountants
& Management Consultants

"X KPMG HOUSE"
One King Ologunkutere Street,
Park View, Ikoyi, Lagos,
P.O. Box 75429, Victoria Island, Lagos.
Tel: 234-1-8181381 Telefax: 234-1-2701137
E-mail: jkrandleco@21ctl.com, jkrandleintuk@gmail.com
Website: www.jkrandleandco.co.uk

REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF STERLING BANK PLC, FOR THE YEAR ENDED 31ST DECEMBER 2013

In conformity with regulatory requirements, the Board of Sterling Bank Plc. (Sterling) renewed its mandate to J. K. Randle International for the review of the performance of the Board of Sterling in respect of the year ended December 31, 2013. The exercise was guided by the provisions of the Central Bank of Nigeria Code of Good Corporate Governance and other recognized Best Practices.

The Board comprises of thirteen members, nine of whom are Non-Executive Directors (including the Chairman of the Board), while four are Executive Directors (including the Managing Director/Chief Executive Officer). Three of the Non-Executive Directors are "Independent Directors" appointed based on criteria laid down by the Central Bank of Nigeria for the appointment of Independent Directors and core values enshrined in the Bank's Code of Corporate Governance.

A Non-Executive Director was appointed onto the Board to replace the Director who retired from the Board during the year. The composition of the Board is in line with Best Practice and in conformity with regulations in terms of number of Executive Directors relative to the number of Non-Executive Directors. With two additional female members on the Board as at 31st December 2013, the Board moved closer to satisfying the CBN gender ratio requirement. The ratio in favour of women now stands at 23% against the minimum requirement of 30% effective 2014. The skills mix, experience base and diversity remained adequate for the conduct of the business of the Bank.

Board members remained conscious of their responsibilities in respect of the operations of the Board and their performance met with the CBN Code of Good Corporate Governance and Best Practices. Accordingly, frequency of meetings, level of attendance and formation of quorum at the Board and Committee levels met the minimum requirements. Meetings were effectively managed with focus on relevant and strategic issues affecting the Bank. All the members had equal opportunity and they contributed constructively to the deliberations of the Board. Management provided quality information while the Company Secretariat kept accurate records of the proceedings of the Board which facilitated decision making and monitoring. Decisions were arrived at based on consensus in a conducive environment. The operations of the Board followed due process and reflected transparency and a high degree of Board dynamics.

The Board performed to the full extent of its mandate which covered all the significant activities of Sterling Bank Plc., particularly Risk Management, supervision of the internal audit process, monitoring of the operating environment, responding proactively to emerging imperatives and monitoring the performance of Management as well as re-enforcing governance policies and practices. The Board took some new initiatives aimed at strengthening the Bank and increasing its value to shareholders. The Board also performed other statutory responsibilities including rendering the accounts of the operations and activities of Sterling to the shareholders.

The Board participated in setting the goals and monitoring implementation thereof which improved its overall effectiveness. The performance of the Board is adjudged to be satisfactory.

Bashorun J. K. Randle, OFR
Chairman/Chief Executive
FRC/2013/ICAN/00000002703
Dated 28 March, 2014

Ernst & Young
2A Bayo Kuku Road, Ikoyi
P.O. Box 2442, Marina
Lagos, Nigeria

Tel: +234 (01) 463 0479 / 80
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Website: www.ey.com

Independent auditors' report to the members of Sterling Bank Plc

Report on the financial statements

We have audited the accompanying financial statements of Sterling Bank Plc, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sterling Bank Plc as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars.

Report on other legal and regulatory requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

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

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

(iii) the Bank's balance sheet (statement of financial position) and statement of profit and loss (statement of comprehensive income) are in agreement with the books of account.

Building a better working world

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Website: www.ey.com

Independent auditors' report to the members of Sterling Bank Plc continued

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by Central Bank of Nigeria:

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

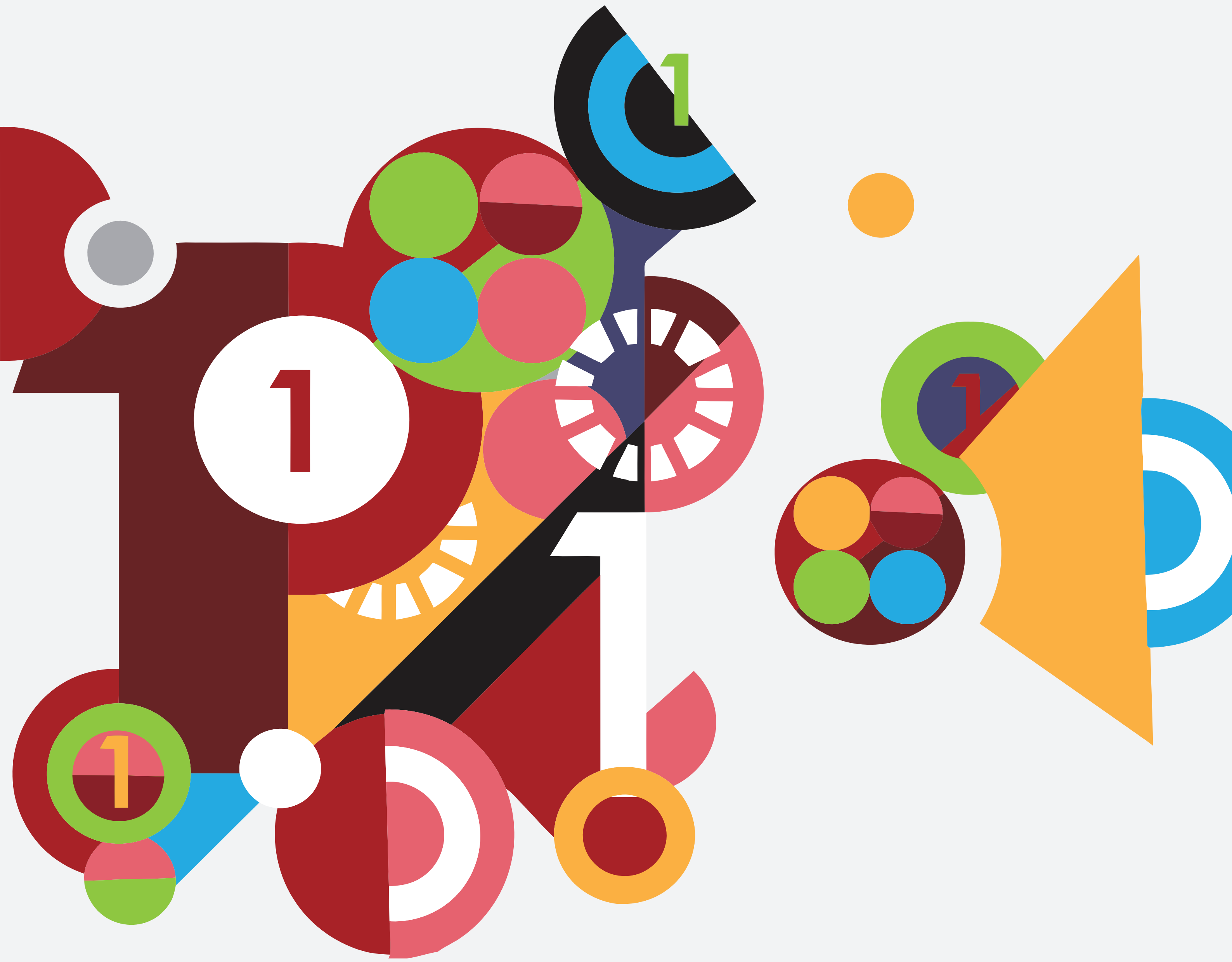
(ii) Related party transactions and balances are disclosed in note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

(iii) Customer complaints are disclosed in note 40 to the financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

(iv) As disclosed in note 39 to the financial statements the Bank contravened certain provisions of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and certain Central Bank of Nigeria circulars.

Dayo Babatunde, FCA
FRC/2013/ICAN/00000000702
For: **Ernst & Young**
Lagos, Nigeria
4 March 2014

Financial statements



Statement of comprehensive income
for the year ended 31 December 2013

	Notes	2013 N'000	2012 N'000
Interest income	6	**69,972,761**	53,541,994
Interest expense	7	**(34,160,115)**	(29,648,039)
Net interest income		**35,812,646**	23,893,955
Fees and commission income	8	**14,564,349**	9,957,659
Net trading income	9	**3,714,144**	1,552,685
Other operating income	10	**3,377,586**	3,804,477
Operating income		**57,468,725**	39,208,776
Impairment (charge)/reversal	11	**(8,259,094)**	242,732
Net operating income after impairment		**49,209,631**	39,451,508
Personnel expenses	12	**(10,266,623)**	(9,392,577)
Depreciation and amortisation	22/23	**(2,694,489)**	(2,567,870)
Other operating expenses	13	**(26,938,321)**	(19,991,410)
Total expenses		**(39,899,433)**	(31,951,857)
Profit before income tax		**9,310,198**	7,499,651
Income tax expense	14	**(1,035,334)**	(546,112)
Profit for the year		**8,274,864**	6,953,539
Other comprehensive income:			
Other comprehensive income to be reclassified to profit/(loss) in subsequent periods:			
Fair value (loss)/gain on available-for-sale investments*		**(295,931)**	148,935
Reclassification adjustment for (loss)/gain included in the income statement		**(148,935)**	98,714
Other comprehensive (loss)/income for the year, net of tax		**(444,866)**	247,649
Total comprehensive income for the year, net of tax		**7,829,998**	7,201,188
Profit attributable to:			
Equity holders of the Bank		**8,274,864**	6,953,539
Total comprehensive income attributable to:			
Equity holders of the Bank		**7,829,998**	7,201,188
Earnings per share – basic (in kobo)	15	**52k**	44k
Earnings per share – diluted (in kobo)	15	**52k**	44k

* Income from these instruments is exempted from tax.

The accompanying notes in pages 52 to 108 form part of these financial statements.

Statement of financial position
as at 31 December 2013

	Notes	31 December 2013 N'000	31 December 2012 N'000
Assets			
Cash and balances with Central Bank of Nigeria	16	96,900,562	63,622,016
Due from banks	17	85,601,022	33,878,671
Pledged financial assets	18	79,771,732	57,412,053
Loans and advances to customers	19	321,743,748	229,420,874
Investment securities:			
– Held for trading	20(a)	2,200,994	1,998,860
– Available-for-sale	20(b)	19,496,194	16,857,561
– Held to maturity	20(c)	76,123,934	155,935,974
Other assets	21	9,317,091	6,132,005
Property, plant and equipment	22	9,069,368	7,793,316
Intangible assets	23	601,391	203,465
Deferred tax assets	14(f)	6,971,145	6,971,145
Total assets		707,797,181	580,225,940
Liabilities			
Deposits from banks	24	–	3,118,775
Deposits from customers	25	570,511,097	463,726,325
Current income tax liabilities	14(b)	1,112,289	803,422
Other borrowed funds	26	38,794,527	30,356,039
Debt securities issued	27	4,563,598	4,563,612
Other liabilities	28	29,357,774	31,015,373
Total liabilities		644,339,285	533,583,546
Equity			
Share capital	29	10,796,407	7,851,931
Share premium		27,871,589	18,689,788
Retained earnings		7,785,753	6,019,078
Equity reserves	31	17,004,147	14,081,597
Total equity		63,457,896	46,642,394
Total liabilities and equity		707,797,181	580,225,940

The financial statements were approved by the Board of Directors on 4 March 2014 and signed on its behalf by:

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

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

Alhaji (Dr.) S. A. Adegunwa, OFR
Chairman
FRC/2013/IODN/00000001256

The accompanying notes in pages 52 to 108 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2013

	Share capital N'000	Share premium N'000	Revaluation reserve N'000	Fair value reserve N'000
Balance at 1 January 2013	7,851,931	18,689,788	486,000	148,935
Comprehensive income for the year:				
Profit for the year	–	–	–	–
Other comprehensive income, net of tax:				
Net changes in fair value of available-for-sale investment securities	–	–	–	(444,866)
Transactions with equity holders, recorded directly in equity:				
Dividends to equity holders (note 30a)	–	–	–	–
Transfer to regulatory reserves (note 31)	–	–	–	–
Reclassification	–	–	(486,000)	–
Additions from rights issue (note 29b)	2,944,476	9,181,801	–	–
Balance at 31 December 2013	10,796,407	27,871,589	–	(295,931)

The accompanying notes in pages 52 to 108 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2012

	Share capital N'000	Share premium N'000	Revaluation reserve N'000	Translation reserve N'000
Balance at 1 January 2012	7,851,931	18,689,788	486,000	45,744
Comprehensive income for the year:				
Profit for the year	–	–	–	–
Other comprehensive income net of tax:				
Net changes in fair value of available-for-sale investment securities	–	–	–	–
Transactions with equity holders, recorded directly in equity:				
Dividends to equity holders (note 30b)	–	–	–	–
Transfers to regulatory reserve (note 31)	–	–	–	(45,744)
Balance at 31 December 2012	7,851,931	18,689,788	486,000	–

The accompanying notes in pages 52 to 108 form part of these financial statements.

	Equity reserves						
	Share capital reserve N'000	Regulatory risk reserve N'000	SMEEIS reserve N'000	Other regulatory reserves N'000	Total equity reserves N'000	Retained earnings N'000	Total N'000
	5,276,423	58,727	234,503	7,877,009	14,081,597	6,019,078	46,642,394
	–	–	–	–	–	8,274,864	8,274,864
	–	–	–	–	(444,866)	–	(444,866)
	–	–	–	–	–	(3,140,773)	(3,140,773)
	–	884,957	–	2,482,459	3,367,416	(3,367,416)	–
	–	–	–	486,000	–	–	–
	–	–	–	–	–	–	12,126,277
	5,276,423	943,684	234,503	10,845,468	17,004,147	7,785,753	63,457,896

	Equity reserves							
	Fair value reserves N'000	Share capital reserve N'000	Regulatory risk reserves N'000	SMEEIS reserve N'000	Other regulatory reserves	Total equity reserves N'000	Retained earnings N'000	Total N'000
	(98,714)	5,276,423	–	234,503	5,790,947	11,734,903	2,780,714	41,057,336
	–	–	–	–	–	–	6,953,539	6,953,539
	247,649	–	–	–	–	247,649	–	247,649
	–	–	–	–	–	–	(1,570,386)	(1,570,386)
	–	–	58,727	–	2,086,062	2,099,045	(2,144,789)	(45,744)
	148,935	5,276,423	58,727	234,503	7,877,009	14,081,597	6,019,078	46,642,394

Statement of cash flows

for the year ended 31 December 2013

	Notes	2013 N'000	2012 N'000
Cash flows from operating activities			
Profit before income tax		**9,310,198**	7,499,651
Adjustments for:			
Depreciation and amortisation	22/23	**2,694,489**	2,567,870
Net impairment on investment securities	11	**468,217**	312,657
Impairment charge/(reversal) on other assets	11	**2,782,437**	(255,783)
Impairment charge/(reversal) on loans and advances	11	**5,008,440**	(299,606)
Net gain on disposal of property, plant and equipment	10	**(33,536)**	(110,841)
(Gain)/loss on sale of investment securities	10	**(486)**	4,073
Dividend income	10	**(51,768)**	(24,704)
Foreign exchange loss		**54,563**	98,449
Net interest income		**(35,812,646)**	(23,893,955)
Net gain on investment securities held for trading		**(776,467)**	(18,690)
Net changes in other comprehensive income		**(444,866)**	349,764
		(16,801,424)	(14,990,244)
Change in pledged financial assets		**(22,359,679)**	(7,711,834)
Change in loans and advances		**(92,533,633)**	(64,663,995)
Change in due from Central bank of Nigeria		**(3,000,000)**	–
Change in restricted balance with Central Bank of Nigeria		**(33,889,329)**	(24,398,863)
Change in other assets		**(5,496,511)**	6,789,743
Change in deposits from banks		**(3,118,775)**	(14,625,521)
Change in deposits from customers		**106,784,722**	71,676,444
Change in other liabilities		**(1,137,303)**	10,660,288
		(71,551,922)	(37,263,982)
Interest received		**63,192,830**	51,664,406
Interest paid		**(34,491,598)**	(28,658,220)
Dividends received		**51,768**	24,704
		(43,952,582)	(14,233,090)
Income tax paid	14b	**(633,365)**	(345,619)
VAT paid		**(520,296)**	(300,313)
Net cash used in operating activities		**(43,952,582)**	(14,879,023)
Cash flows from investing activities			
Sale/(purchase) of investment securities held to maturity		**18,485,673**	(2,629,137)
Acquisition of property, plant and equipment	22	**(3,937,590)**	(3,194,986)
Redemption of investments		**58,802,540**	–
Proceeds from sales of property, plant and equipment		**1,875,470**	1,952,775
Acquisition of intangible assets	23a	**(526,569)**	(137,669)
Net cash from/(used in) investing activities		**74,699,524**	(4,009,017)
Cash flows from financing activities			
Proceeds from other borrowed funds		**10,490,012**	4,530,525
Proceeds from rights issue		**12,126,277**	–
Dividends paid to equity holders	30	**(3,140,773)**	(1,570,386)
Repayments of other borrowed funds		**(2,051,524)**	(1,475,863)
Net cash from financing activities		**17,423,992**	1,484,276
Effect of exchange rate changes on cash and cash equivalents		**(59,367)**	49,473
Cash and cash equivalents at beginning of the year		**49,193,566**	66,597,331
Net increase/(decrease) in cash and cash equivalents		**48,170,935**	(17,453,238)
Cash and cash equivalents at end of the year	35	**97,305,134**	49,193,566

The accompanying notes in pages 52 to 108 form part of these financial statements.

Statement of prudential adjustments
for the year ended 31 December 2013

The Central Bank of Nigeria, the banking regulatory body, stipulates that impairment provisions recognised in the profit or loss account shall be determined based on the requirements of International Financial Reporting Standards (IFRS). The IFRS impairment provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in retained earnings should be treated as follows:

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

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

	As at 31 December 2013 N'000	As at 31 December 2012 N'000
Prudential impairment provision	13,889,373	11,811,635
Total prudential impairment provision	13,889,373	11,811,635
IFRS impairment provision		
Individual impairment for loans and advances	4,392,026	5,834,100
Collective impairment for loans and advances	2,529,130	876,298
Impairment provision for other assets	4,159,765	1,848,300
Impairment provision for investment securities	537,995	854,935
Other impairment provision	1,326,774	2,339,275
	12,945,690	11,752,908
Difference in the impairment provision balances	943,684	58,727
Movement in the regulatory risk reserve		
Balance at the beginning of the year	58,727	–
Transfer to regulatory risk reserve	884,957	58,727
Balance as at end of the year	943,684	58,727

Notes to the financial statements
for the year ended 31 December 2013

1. Corporate information

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

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

The financial statements of Sterling Bank Plc for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 4 March 2014.

2. Accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 December 2011, the Bank prepared its financial statements in accordance with Nigerian Generally Accepted Accounting Principles (Nigerian GAAP). The financial statements for the year ended 31 December 2012 were the first financial statements the Bank has prepared in accordance with IFRS.

The financial statements have been prepared on a historical cost basis, except for available-for-sale investments, other financial assets and liabilities held for trading, as well as financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value.

The financial statements are presented in Nigerian naira and all values are rounded to the nearest thousand (N'000) except when otherwise indicated.

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB.

(b) Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 36 to the financial statements.

The amendment to IAS 1 requires that items presented within other comprehensive income be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Bank in preparing its financial statements.

2.2.1 Interest income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate takes into account contractual terms which includes prepayment options, claw-back, contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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

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

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

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.2 Fees and commission

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

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

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

2.2.3 Net trading income

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

2.2.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income, net income from other financial instruments at fair value through profit and loss or other operating income based on the underlying classification of the equity investment. Dividend income on available-for-sale securities is recognised as a component of other operating income.

2.2.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2.2.6 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year determined in accordance with the Companies Income Tax Act (CITA), using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects profit or loss; and
- deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.6 Taxes continued

(ii) Deferred tax continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in profit or loss.

Tax assessments are recognised when assessed and agreed to by the Bank with the tax authorities, or when appealed, upon receipt of the results of the appeal.

2.2.7 Financial assets and liabilities

Below are classes of items in the statement of financial position that are categorised under financial assets and liabilities.

(i) Initial recognition

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

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

(ii) Subsequent measurement

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

1. Financial assets held at fair value through profit and loss

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

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

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

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

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

2. Available-for-sale

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

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in the profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

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

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.7 Financial assets and liabilities continued

(ii) Subsequent measurement continued

3. Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity.

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

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

4. Loans and advances

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

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

Loans and advances include loans granted to customers and corporate entities.

(iii) Amortised cost measurement

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

(iv) 'Day 1' profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

(v) Fair value definition and measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

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

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

Notes to the financial statements continued

for the year ended 31 December 2013

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.7 Financial assets and liabilities continued

(vi) Derecognition of financial instruments

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of the financial position. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(vii) Due from banks and loans and advances

Due from banks and loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- those that the Bank, upon initial recognition, designates as available-for-sale; and
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment are recognised in the statement of comprehensive income in impairment losses.

The Bank may enter into certain lending commitments where the loan, on draw-down, is expected to be classified as held for trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on draw-down, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when it is an onerous contract that is likely to give rise to a loss (e.g., due to a counterparty credit event).

(viii) Debts issued and other borrowed funds

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Debts issued and Other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debts issued and other borrowed funds are subsequently measured at amortised cost using the effective interest rate (EIR). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

2.2.8 Impairment of financial assets

(i) Assets carried at amortised cost

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

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.8 Impairment of financial assets continued

(i) Assets carried at amortised cost continued

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

- whether the customer is more than 90 days past due;
- the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated material forgiveness of debt or postponement of scheduled payments; or
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

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

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past due status and other relevant factors).

These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

(ii) Available-for-sale financial assets

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

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

Notes to the financial statements continued
for the year ended 31 December 2013

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.8 Impairment of financial assets continued

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and then revalued on periodic basis as deemed necessary; however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

2.2.9 Cash and cash equivalents

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

2.2.10 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.10 Property, plant and equipment continued

(iv) Depreciation continued

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for property, plant and equipment are as follows:

Leasehold land	Over the lease period
Leasehold buildings	50 years
Computer equipment	3 years
Furniture, fittings and equipment	5 years
Motor vehicles	4 years
Leasehold improvements	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if applicable.

(v) Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

2.2.11 Intangible assets

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years. Amortisation method, useful lives, and residual values are reviewed at each financial year end and adjusted if appropriate.

2.2.12 Leased assets

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases in terms of which the Bank transfers substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Bank's statement of financial position. Investment property held under an operating lease is recognised in the Bank's statement of financial position at its fair value.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.13 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than goodwill and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.2.14 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

2.2.15 Financial guarantee contracts

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the amount received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with IAS 18. Crystallised financial guarantees are included within other liabilities.

2.2.16 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than twelve months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004. The employer and the employee contributions are 7.5% each of the qualifying employee's salary. Obligations in respect of the Bank's contributions to the scheme are recognised as an expense in the profit or loss account on an annual basis.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.16 Employee benefits continued

(b) Short-term benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.2.17 Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except to those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the Bank's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

2.2.18 Contingencies

(a) Contingent asset

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 entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

(b) Contingent liability

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 entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

2.2.19 Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Share premium

Any excess of the fair value of the consideration received over the par value of shares issued is recognised as share premium.

(iii) Dividend on ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are approved and declared by the Bank's shareholders.

(iv) Treasury shares

Where the Bank purchases its share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.20 Equity reserves

(i) Revaluation reserve

The revaluation reserve is used to record increases in the fair value of investment properties and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The existing balance in this reserve has been moved to other regulatory reserves to align with international financial reporting standards.

(ii) Translation reserve

This is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

(iii) Fair value reserve

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

(iv) Share capital reserve

The share capital reserve represents the surplus nominal value of the shares of the Bank which were reconstructed in June 2006.

(v) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between the impairment on loans and advances computed based on the Central Bank of Nigeria Prudential Guidelines compared with the incurred loss model used in calculating the impairment under IFRS.

(vi) SMEEIS reserve

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium-scale enterprises.

(vii) Other regulatory reserves

This represents regulatory appropriation to statutory reserves of 30% of profit after tax if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

2.2.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.2.22 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. The Bank segment reporting is based on the following operating segments: Corporate Banking, Retail Banking and Treasury.

2.2.23 Foreign currency translation

The Bank's functional and presentation currency is Nigerian naira ("N"). Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken over to other operating income in the income statement, with the exception of differences in foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity, if any. These differences are taken directly to equity until the disposal of the net investment, at which time, they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.23 Foreign currency translation continued

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income.

2.2.24 Pledged financial assets

Financial assets pledged as collateral are classified separately from other assets when the counterparty has the right to sell or re-pledge the collateral (by custom or contract) and so financial assets held for trading and as available-for-sale are shown separately in the statement of financial position if they can be sold or pledged by the transferee.

2.3 New standards and improvements

New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the 2013 financial statements are consistent with those followed in the preparation of the Bank's 2012 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2013.

The nature and the impact of each new standard/amendment are described below:

2.3.1 IAS 1 – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Bank's financial position or performance.

2.3.2 IAS 1 – Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim financial statements do not include a third balance sheet. The amendment had no impact on the Bank's financial position or performance as there was no retrospective application of accounting policy, nor retrospective restatement or reclassification.

2.3.3 IAS 32 – Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements of the Bank, as there is no tax consequences attached to cash or non-cash distribution.

2.3.4 IAS 34 – Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The Bank provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Bank now also includes disclosure of total segment liabilities as these are reported to the CODM.

2.3.5 IAS 16 Property, Plant and Equipment (Amendments) – Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Notes to the financial statements continued
for the year ended 31 December 2013

2. Accounting policies continued

2.3 New standards and improvements continued

New standards, interpretations and amendments adopted by the Bank continued

2.3.6 IAS 19 – Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit; and loss expected returns on plan assets that are no longer recognised in profit or loss (instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation); and unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures such as quantitative sensitivity disclosures.

In case, the transition to IAS 19R had an impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets and unvested past service costs. This has no impact on the Bank.

2.3.7 IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set off financial instruments and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Bank is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Bank.

2.3.8 IFRS 10 – Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the Bank's financial statements.

2.3.9 IFRS 11 – Joint Arrangements and IAS 28 – Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. This has no effect on the financial statements.

2.3.10 IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable to the Bank.

2.3.11 IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Bank.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim financial statements period. The Bank provides these disclosures in note 38.

2. Accounting policies continued

2.3 New standards and improvements continued

New standards, interpretations and amendments adopted by the Bank continued

2.3.12 IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). This Interpretation addresses the following issues-recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. This standard is applicable for annual periods beginning on or after 1 January 2013. This is not applicable to the Bank.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Bank is not a first-time adopter of IFRS; therefore, this amendment is not relevant to the Bank.

The Bank has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumptions and estimates could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Estimates and assumptions

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Bank based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(i) Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(ii) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy note 2.2.8.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

Notes to the financial statements continued
for the year ended 31 December 2013

3. Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

(iii) Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy note 2.2.7. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iv) Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that the future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely.

Judgements

In the process of applying the Bank's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

(i) Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

(ii) Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash-generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash-generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(iii) Determination of collateral value

Management monitors market value of collateral in a regular basis. Management uses its experienced judgement on independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterpart.

4. Standards issued but not yet effective

Standards and improvement that are issued but not yet effective up to the date of review of the Bank's financial statements are disclosed below. The Bank intends to adopt the standards and improvements, if applicable, below when it becomes effective:

(i) IFRS 9 Financial Instrument: Classification and Measurement

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

4. Standards issued but not yet effective continued

(i) IFRS 9 Financial Instrument: Classification and Measurement continued

Improvement to IFRSs

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

- IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- IAS 27 Separate Financial Statements;
- IAS 32 Offsetting Financial Assets and Financial Liabilities;
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- IFRIC 21 Levies.

5. Segment information

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

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

(b) Reportable segment

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

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

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

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

The activity of the segments are centrally financed, thus the cash flow for the entity is presented in the statement of cash flows.

Notes to the financial statements continued

for the year ended 31 December 2013

5. Segment information continued

(i) For the year ended 31 December 2013	Retail Banking N'000	Corporate Banking N'000	Treasury N'000	Total N'000
Interest income	**37,516,596**	**16,433,340**	**16,022,825**	**69,972,761**
Interest expense	**(12,886,968)**	**(7,189,699)**	**(14,083,448)**	**(34,160,115)**
Net interest income	**24,629,628**	**9,243,641**	**1,939,377**	**35,812,646**
Net fees and commission income	**8,809,878**	**3,224,043**	**2,530,428**	**14,564,349**
Net impairment charge	**(752,092)**	**(7,038,785)**	**(468,217)**	**(8,259,094)**
Depreciation and amortisation	**(2,669,607)**	**(18,676)**	**(6,206)**	**(2,694,489)**
Segment profit	**1,285,898**	**6,628,729**	**1,395,571**	**9,310,198**
As at 31 December 2013				
Assets				
Capital expenditures:				
– Property, plant and equipment	**3,923,505**	**11,734**	**2,352**	**3,937,591**
– Other intangible assets	**526,569**	**–**	**–**	**526,569**
– Total assets	**469,314,972**	**128,250,783**	**110,231,426**	**707,797,181**
Total liabilities	**510,489,051**	**95,863,524**	**37,986,710**	**644,339,285**

(ii) For the year ended 31 December 2012	Retail Banking N'000	Corporate Banking N'000	Treasury N'000	Total N'000
Interest income	22,038,120	12,628,454	18,875,420	53,541,994
Interest expense	(18,941,848)	(3,835,584)	(6,870,607)	(29,648,039)
Net interest income	3,096,272	8,792,870	12,004,813	23,893,955
Net fees and commission income	6,391,340	1,933,042	1,633,296	9,957,659
Depreciation and amortisation	(2,542,988)	(18,676)	(6,206)	(2,567,870)
Segment profit	672,033	5,862,164	965,455	7,499,651
As of 31 December 2012				
Assets				
Capital expenditures:				
– Property, plant and equipment	3,136,664	44,834	13,488	3,194,986
– Other intangible assets	137,669	–	–	137,669
– Total assets	244,593,206	115,209,170	220,423,564	580,225,940
Total liabilities	429,097,725	86,582,121	17,903,700	533,583,546

6. Interest income

	2013 N'000	2012 N'000
Loans and advances	**45,810,871**	32,729,465
Investment securities	**22,330,879**	19,658,138
Cash and cash equivalents	**813,582**	839,889
Interest on impaired loans	**1,017,429**	314,502
	69,972,761	53,541,994
Interest from investment securities were derived from:		
Available-for-sale	**1,498,626**	504,449
Held to maturity	**20,832,253**	19,153,689
	22,330,879	19,658,138

7. Interest expense

	2013 N'000	2012 N'000
Deposits from customers	29,799,605	26,822,634
Deposits from banks	2,361,686	655,903
Debt securities issued and other borrowed funds	1,998,824	2,169,502
	34,160,115	29,648,039

8. Fees and commission income

	2013 N'000	2012 N'000
Facility management fees	5,211,207	2,248,316
Commissions on turnover	3,642,171	3,770,748
Commissions and similar income	2,759,692	2,336,291
Commissions on letters of credit transactions	1,842,602	1,165,070
Other fees and commissions	1,108,677	437,234
	14,564,349	9,957,659

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

9. Net trading income

	2013 N'000	2012 N'000
Foreign exchange trading	2,282,249	1,169,656
Bonds	1,036,765	358,912
Treasury bills	395,131	24,117
	3,714,145	1,552,685

10. Other operating income

	2013 N'000	2012 N'000
Cash recoveries on previously written off accounts	1,353,706	2,496,019
Other sundry income (note 10b)	1,116,693	939,318
Net gain on revaluation on bond – trading (note 10a)	776,467	18,690
Rental income	158,860	267,954
Dividends on available-for-sale equity securities	51,768	24,704
Gains on disposal of property, plant and equipment	33,536	110,841
Net gain/(loss) on sale of investments	486	(4,073)
Net foreign exchange loss	(113,930)	(48,976)
	3,377,586	3,804,477
a. Net gain on financial assets and liabilities designated at fair value through profit or loss		
Financial assets designated at fair value through profit or loss	776,467	18,690
	776,467	18,690

b. Other sundry income includes income from cashless policy and insurance claim.

Notes to the financial statements continued

for the year ended 31 December 2013

11. Impairment charges/reversals

	2013 N'000	2012 N'000
(i) Credit charges/reversals		
– Individual impairment charge (note 19a)	**2,864,063**	2,822,012
– Collective impairment charge/(reversals) (note 19b)	**1,652,832**	(3,208,146)
Write offs	**491,545**	86,528
	5,008,440	(299,606)
(ii) Impairment charge on investment securities (note 20d)	**468,217**	312,657
Impairment charge on other assets (note 21)	**3,162,590**	–
Impairment reversal on other assets (note 21)	**(380,153)**	(255,783)
	3,250,654	56,874
Total impairment charge/(reversal)	**8,259,094**	(242,732)

12. Personnel expenses

	2013 N'000	2012 N'000
Salaries and wages	**9,841,203**	8,778,263
Defined pension contributions	**425,420**	614,314
	10,266,623	9,392,577

13. Other operating expenses

	2013 N'000	2012 N'000
General and administrative expenses	**14,042,493**	9,142,327
Other premises and equipment costs	**4,632,084**	4,269,506
AMCON sinking fund contribution (see note below)	**3,114,380**	1,513,267
Insurance	**2,924,518**	2,678,737
Contract services	**1,708,054**	1,367,394
Other professional fees	**336,792**	900,179
Audit fees	**180,000**	120,000
	26,938,321	19,991,410

AMCON sinking fund contribution

This represents the Bank's contribution to a fund established by the Asset Management Corporation of Nigeria (AMCON) for the year ended 31 December 2013. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2012: 0.3%) of its total assets and 33.3% of off-balance sheet assets as at the preceding year end to AMCON's sinking fund in line with existing guidelines.

14. Income tax

	2013 N'000	2012 N'000
a. Current income tax expense		
Income tax (note 14c)	**942,232**	471,116
Information technology levy (note 14d)	**93,102**	74,996
	1,035,334	546,112
Deferred tax expense:		
Origination of temporary differences (note 14f)	–	–
Total income tax expense	**1,035,334**	546,112
b. Current income tax liabilities		
The movement on this account during the year was as follows:		
Balance, beginning of the year	**803,422**	677,926
Estimated charge for the year (see 14a above)	**942,232**	471,116
Payments during the year	**(633,365)**	(345,620)
Balance, end of the year	**1,112,289**	803,422

c. Reconciliation of total tax charge

The basis of income tax is 30% of N3,140,772,886.20 dividend paid to shareholders in 2013 relating to the 2012 financial year results. This is in compliance with Section 15A of the Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.

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

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

f. Deferred tax assets

31 December 2013	Balance at 31 December 2012 N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	Balance at 31 December 2013 N'000
Property, plant and equipment	2,545,386	**834,933**	**–**	**3,380,319**
Tax loss carried forward	6,715,559	**430,462**	**–**	**7,146,021**
Others	1,011,229	**(211,151)**	**–**	**800,078**
	10,272,174	**1,054,244**	**–**	**11,326,418**
Unrecognised deferred tax	(3,301,029)	**(1,054,244)**	**–**	**(4,355,273)**
Net deferred tax assets	6,971,145	**–**	**–**	**6,971,145**

31 December 2012	Balance at 31 December 2011 N'000	Recognised in profit or loss N'000	Recognised in other comprehensive income N'000	Balance at 31 December 2012 N'000
Property, plant and equipment	1,833,346	712,040	–	2,545,386
Tax loss carried forward	3,807,077	2,908,482	–	6,715,559
Others	1,330,722	(319,493)	–	1,011,229
	6,971,145	3,301,029	–	10,272,174
Unrecognised deferred tax	–	(3,301,029)	–	(3,301,029)
Net deferred tax assets	6,971,145	–	–	6,971,145

Notes to the financial statements continued

for the year ended 31 December 2013

15. Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2013 was based on the profit attributable to ordinary shareholders of N8,274,864,000 (2012: N6,953,539,000) and weighted average number of ordinary shares outstanding calculated as follows:

	31 December 2013 Unit ('000)	31 December 2012 Unit ('000)
a. Issued ordinary shares as at 1 January	**15,703,863**	15,703,863
Add: Weighted average share of rights issue during the year	**112,939**	–
Weighted average issued ordinary shares as at 31 December	**15,816,802**	15,703,863
Weighted average number of ordinary shares	**15,816,802**	15,703,863

	31 December 2013 N'000	31 December 2012 N'000
b. Profit for the year attributable to equity holders of the Bank	**8,274,864**	6,953,539
Basic earnings per share	**52k**	44k
Diluted earnings per share	**52k**	44k

16. Cash and balances with Central Bank of Nigeria	31 December 2013 N'000	31 December 2012 N'000
Cash and foreign monies	**8,189,877**	7,982,952
Unrestricted balances with Central Bank of Nigeria	**6,514,235**	7,331,943
Deposits with the Central Bank of Nigeria	**82,196,450**	48,307,121
	96,900,562	63,622,016

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

17. Due from banks	31 December 2013 N'000	31 December 2012 N'000
Balances held with local banks	**2,131,951**	7,862,084
Balances held with banks outside Nigeria	**42,455,064**	16,817,941
Due from Central Bank of Nigeria	**3,000,000**	–
Money market placements	**38,014,007**	9,198,646
	85,601,022	33,878,671
Impairment allowance on due from banks	**(–)**	(–)
	85,601,022	33,878,671

18. Pledged financial assets	31 December 2013 N'000	31 December 2012 N'000
Treasury bills (see note (a) below)	**15,090,000**	–
Government bonds (see note (b) below)	**54,100,000**	47,662,159
Other pledged assets (see note (c) below)	**10,581,732**	9,749,894
	79,771,732	57,412,053

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

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

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

(c) Included in other pledged assets are cash collateral for letters of credit and visa card through Zenith Bank Plc.

The deposits are not part of the fund used by the Bank for day-to-day activities.

19. Loans and advances

	31 December 2013 N'000	31 December 2012 N'000
(a) Loans and advances comprised:		
Loans to corporate entities and other organisations	**300,329,095**	208,005,322
Loans to individuals	**28,335,809**	28,125,950
	328,664,904	236,131,272
Less:		
Individual impairment allowance (note 19(a))	**(4,392,026)**	(5,834,100)
Collective impairment allowance (note 19(b))	**(2,529,130)**	(876,298)
	321,743,748	229,420,874
(b) Individual impairment allowance		
Balance, beginning of year	**5,834,100**	5,319,677
Impairment charge (note 11)	**2,864,063**	2,822,012
Write offs	**(4,306,137)**	(2,307,589)
Balance, end of year	**4,392,026**	5,834,100
(c) Collective impairment allowance		
Balance, beginning of year	**876,298**	4,084,444
Impairment charge/(reversal) (note 11)	**1,652,832**	(3,208,146)
Balance, end of year	**2,529,130**	876,298

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

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

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

	31 December 2013 N'000	31 December 2012 N'000
(e) Classification of loans and advances by category		
Individually impaired	**5,466,815**	7,016,811
Past due but not impaired	**1,404,606**	2,026,231
Neither impaired nor past due	**321,793,483**	227,088,230
	328,664,904	236,131,272

	31 December 2013 N'000	31 December 2012 N'000
(f) Classification of loans and advances by rating		
RR1–RR2	**34,141,195**	24,844,055
RR3–RR4	**231,460,832**	194,625,552
RR5–RR6	**56,191,456**	7,618,624
RR7	**2,188,889**	5,559,775
RR8	**1,183,772**	2,756,329
RR9	**3,498,760**	726,937
	328,664,904	236,131,272

Notes to the financial statements continued
for the year ended 31 December 2013

19. Loans and advances continued

	31 December 2013 N'000	31 December 2012 N'000
(g) Classification of loans and advances by security		
Cash	**7,956,738**	10,577,683
Secured against real estate	**143,073,231**	110,780,090
Stocks/shares	**4,333,490**	7,989,386
Debentures	**41,358,280**	–
Other securities	**131,943,165**	106,784,113
	328,664,904	236,131,272

(h) Classification of loans and advances by performance

31 December 2013 IFRS rating	Individually impaired	Past due but not impaired	Neither past due nor impaired	Total
RR1	–	–	15,239,941	15,239,941
RR2	–	–	18,901,253	18,901,254
RR3	–	–	142,228,423	142,228,423
RR4	–	–	89,232,409	89,232,409
RR5	–	–	50,280,839	50,280,839
RR6	–	–	5,910,618	5,910,618
RR7	1,777,419	411,471	–	2,188,889
RR8	1,056,551	127,221	–	1,183,772
RR9	2,632,846	865,914	–	3,498,760
	5,466,815	1,404,606	321,793,483	328,664,904

31 December 2012 IFRS rating	Individually impaired	Past due but not impaired	Neither past due nor impaired	Total
RR1	–	–	17,621,599	17,621,599
RR2	–	–	7,222,456	7,222,456
RR3	–	–	169,921,453	169,921,453
RR4	–	–	24,704,099	24,704,099
RR5	–	–	5,676,623	5,676,623
RR6	–	–	1,942,000	1,942,000
RR7	4,617,619	942,156	–	5,559,775
RR8	2,140,447	615,883	–	2,756,329
RR9	258,745	468,192	–	726,937
	7,016,811	2,026,231	227,088,230	236,131,272

19. Loans and advances continued

	31 December 2013 N'000	31 December 2012 N'000
(i) Classification of loans and advances by sector		
Agriculture	**12,429,983**	6,507,541
Capital market	**239,763**	383,457
Communication	**10,040,988**	10,950,572
Consumer	**6,557,604**	7,441,600
Education	**1,434,247**	1,063,187
Finance and insurance	**9,782,067**	10,589,873
Government	**18,427,514**	12,866,447
Manufacturing	**19,077,193**	14,728,288
Mining and quarrying	**199,674**	195,707
Mortgage	**11,834,026**	8,654,983
Oil and gas	**99,732,662**	68,950,457
Other public utilities	**1,868,698**	147,634
Others	**43,685,210**	57,079,012
Power	**8,271,419**	215,929
Real estate and construction	**72,068,330**	25,643,222
Transportation	**13,015,528**	10,713,360
	328,664,904	236,131,272

20. Investment securities

	31 December 2013 N'000	31 December 2012 N'000
(a) Held for trading (HFT)		
Government bonds	**230,440**	1,998,860
Treasury bills	**1,970,554**	–
	2,200,994	1,998,860

	31 December 2013 N'000	31 December 2012 N'000
(b) Available-for-sale (AFS)		
Government bonds	**3,002,924**	8,979,265
Equity securities (see note below)	**1,895,190**	1,955,974
Euro bonds	**1,069,074**	4,604,456
	5,967,188	15,539,695
Treasury bills	**14,067,001**	2,172,801
Impairment allowance on AFS (see (d) overleaf)	**(537,995)**	(854,935)
	19,496,194	16,857,561

The fair value of unquoted equity securities has not been disclosed, as their fair value cannot be measured reliably. These are investments in small and medium-scale enterprises with a carrying cost of N1.89 billion (2012: N1.96 billion). There is no similar investment that the price can be reliably benchmarked against because there is no active market. These investments are recouped through redemption rather than disposal.

Notes to the financial statements continued
for the year ended 31 December 2013

20. Investment securities continued

	31 December 2013 N'000	31 December 2012 N'000
(c) Held to maturity (HTM)		
Government bonds	**40,999,806**	149,995,434
Corporate bonds	**2,012,675**	2,125,929
Treasury bills	**33,111,453**	3,814,611
	76,123,934	155,935,974
Total investment securities	**97,821,122**	174,792,395
(d) Individual allowance for impairment on AFS		
Balance, beginning of year	**854,935**	542,278
Charge for the year (note 11)	**468,217**	312,657
Amounts written off	**(785,157)**	–
Balance, end of year	**537,995**	854,935

21. Other assets

	31 December 2013 N'000	31 December 2012 N'000
Accounts receivable	**7,400,345**	2,287,681
Prepayments and other receivables	**4,638,438**	4,839,039
Prepaid staff cost	**1,228,791**	657,986
Stock of cheque books and admin	**209,282**	195,599
	13,476,856	7,980,305
Impairment allowance on other assets	**(4,159,765)**	(1,848,300)
	9,317,091	6,132,005
Movement in impairment on other assets		
Balance, beginning of year	**1,848,300**	1,511,788
Impairment charge (note 11)	**3,162,590**	–
Reversal (note 11)	**(380,153)**	(255,783)
Write-off/reclassification	**(470,972)**	592,295
Balance, end of year	**4,159,765**	1,848,300

22. Property, plant and equipment

The movements during the year were as follows:

	Leasehold land and buildings N'000	Capital work in progress N'000	Furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
(a) 31 December 2013						
Cost						
Balance at 1 January 2013	**6,474,898**	**373,674**	**9,406,986**	**6,618,643**	**4,197,138**	**27,071,338**
Additions	**145,830**	**723,689**	**841,059**	**1,213,139**	**1,013,873**	**3,937,590**
Reclassifications	**134,445**	**(274,550)**	**82,205**	**38,643**	**19,257**	**–**
Disposals	**(40,096)**	**–**	**(66,350)**	**(32,386)**	**(735,929)**	**(874,760)**
Balance at 31 December 2013	**6,715,077**	**822,813**	**10,263,900**	**7,838,039**	**4,494,339**	**30,134,168**
Accumulated depreciation						
Balance at 1 January 2013	**3,330,499**	**–**	**6,945,368**	**5,892,303**	**3,109,853**	**19,278,023**
Charge for the year	**367,023**	**–**	**1,058,746**	**608,253**	**531,825**	**2,565,847**
Disposals	**(308)**	**–**	**(65,492)**	**(31,831)**	**(681,438)**	**(779,067)**
Balance at 31 December 2013	**3,697,214**	**–**	**7,938,622**	**6,468,725**	**2,960,240**	**21,064,800**
Net book value						
Balance at 31 December 2013	**3,017,862**	**822,813**	**2,325,278**	**1,369,314**	**1,534,099**	**9,069,368**

	Leasehold land and buildings N'000	Capital work in progress N'000	Furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
(b) December 2012						
Cost						
Balance at 1 January 2012	6,290,403	1,678,021	8,225,301	6,118,410	4,493,435	26,805,570
Additions	50,811	928,318	960,103	520,958	734,796	3,194,989
Reclassifications	425,821	(2,232,664)	958,342	815,647	32,854	–
Disposals	(292,139)	–	(736,760)	(836,372)	(1,063,947)	(2,929,218)
Balance at 31 December 2012	6,474,898	373,674	9,406,986	6,618,643	4,197,138	27,071,338
Accumulated depreciation						
Balance at 1 January 2012	2,960,517	–	5,917,903	5,513,198	3,483,139	17,874,757
Charge for the year	377,828	–	1,107,102	445,642	559,978	2,490,550
Disposals	(7,846)	–	(79,637)	(66,537)	(933,263)	(1,087,284)
Balance at 31 December 2012	3,330,499	–	6,945,368	5,892,303	3,109,853	19,278,023
Net book value						
Balance at 31 December 2012	3,144,399	373,674	2,461,618	726,340	1,087,285	7,793,315

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N15,780,677,090 (2012: N13,649,207,174).

Notes to the financial statements continued
for the year ended 31 December 2013

23. Intangible assets	31 December 2013 N'000	31 December 2012 N'000
Purchased software		
(a) Cost		
Beginning of the year	**1,445,084**	1,307,415
Additions	**526,569**	137,669
Balance at end of the year	**1,971,653**	1,445,084
(b) Amortisation and impairment losses		
Beginning of the year	**1,241,620**	1,164,300
Amortisation for the year	**128,642**	77,320
Balance at end of the year	**1,370,262**	1,241,620
Carrying amounts	**601,391**	203,464

24. Deposits from banks	31 December 2013 N'000	31 December 2012 N'000
Money market	**–**	3,118,775

25. Deposits from customers	31 December 2013 N'000	31 December 2012 N'000
Current accounts	**355,849,731**	284,103,953
Savings accounts	**25,405,414**	20,698,460
Term deposits	**189,255,952**	158,923,912
	570,511,097	463,726,325

26. Other borrowed funds	31 December 2013 N'000	31 December 2012 N'000
Due to Citibank (see (i) below)	**14,756,696**	14,672,844
Due to BOI (see (ii) overleaf)	**6,605,496**	8,657,020
Due to CBN Agricultural Fund (see (iii) overleaf)	**12,329,516**	7,026,175
Due to NEXIM (see (iv) overleaf)	**408,121**	–
Due to Standard Chartered Bank (see v overleaf)	**4,694,698**	–
	38,794,527	30,356,039

The carrying value of other borrowed funds approximates fair value.

(i) Due to Citibank

This represents the naira equivalent of a USD95,000,000 facility initially granted to the Bank for general corporate purposes by Citibank International Plc payable in four years commencing October 2008 with interest due quarterly at LIBOR plus 475 basis points. The facility was renegotiated to mature on 26 September 2017 at a fixed rate of 7.50% per annum up to and including the interest payment date falling in September 2013 and 6.20% per annum for each interest period falling thereafter. The loan is secured with pledged assets as indicated in note 18.

26. Other borrowed funds continued

(ii) Due to Bank of Industry (BOI)

This is a facility from Bank of Industry under the Central Bank of Nigeria N200 billion intervention fund for refinancing and restructuring of the Bank's existing loan portfolios to the Nigeria SME/manufacturing sector. The facility is administered at an all-in interest rate/charge of 7% per annum payable on quarterly basis. Specifically, the managing agent (BOI) shall be entitled to a 1% management fee and the Bank a 6% spread. Loans shall have a maximum tenure of 15 years and/or working capital facility of one year with provision for roll-over.

Also included in the figure overleaf is a facility from Bank of Industry under the Central Bank of Nigeria N500 billion intervention fund for the aviation and power sectors.

(iii) Due to CBN Agricultural Fund

This represents a facility granted by the Central Bank of Nigeria (CBN) in Ref DFD/PMO/GEN/001/273. This was granted in collaboration with the Federal Government of Nigeria (FGN) represented by the Federal Ministry of Agriculture and Water Resources (FMA&WR) by establishing a Commercial Agricultural Credit Scheme (CACS) to promote commercial agricultural enterprise in Nigeria. All facilities approved by the participating banks under the scheme are for a maximum period of seven years while overdraft facilities approved are for a period of one year. The loans are at all-in-interest rate of 9% per annum.

Also included therein are facilities granted by the Bank, under the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) scheme. This is an initiative of the CBN, the Bankers' Committee (BC) and the Federal Ministry of Agriculture and Rural Development (FMA&RD). Facilities are approved by the participating banks at the commercial rate, and the customer enjoys an interest rebate of 35% to 50% on the rate depending on the category of the project. NIRSAL also sells a credit risk guarantee, at a cost of 3% of the facility amount, to give coverage of 40%–75% of the facility amount depending on the category of the project.

(iv) Due to NEXIM

This represents a stocking facility of N400 million granted by the Nigerian Export–Import Bank in favour of Armada International Limited. The facility has a tenure of 365 days with quarterly interest repayment and bullet repayment of principal on maturity. Sterling Bank Plc is the primary obligor of the facility and shall upon maturity repay to NEXIM Bank through the RTGS system, the face value of the facility with accrued interest. Upon failure to meet repayment on the due date, NEXIM Bank reserves the right to review the applicable interest rate upwards until the facility is fully liquidated. The loan has an interest rate of 13% per annum.

(v) Due to Standard Chartered Bank

Standard Chartered Bank London makes available to the Bank a short-term finance facility for a maximum principal amount of up to $30,000,000. The facility is for Dollar trade financing and funding of the Sub borrowers. The tenure of the facility is twelve months; the rate of interest on the loan for the relevant interest period is the percentage rate per annum determined by the lender to be the aggregate of the applicable margin (3.35%) and LIBOR. Interest payable on the loan shall be calculated by reference to successive interest periods each of three (3) months' duration.

27. Debt securities issued

	31 December 2013 N'000	31 December 2012 N'000
Debt securities issued carried at amortised cost	**4,563,598**	4,563,612

This represents N4.562 billion seven-year 13% subordinated unsecured non-convertible debenture stock issued by the Bank and approved on 19 December 2011 and 30 December 2011 by the Central Bank of Nigeria and the Securities and Exchange Commission, respectively. The Bank is obliged to pay the Trustee (Skye Bank Plc) interest semi-annually on the non-convertible debenture stock due 2018 until the entire stock has been redeemed.

Notes to the financial statements continued

for the year ended 31 December 2013

28. Other liabilities	31 December 2013 N'000	31 December 2012 N'000
Customers' deposits for foreign trade	**11,221,413**	13,066,151
Creditors and accruals	**4,781,267**	2,615,062
Other credit balances	**6,331,518**	2,218,796
Certified cheques	**5,526,064**	10,602,333
Provisions (see note below)	**1,326,774**	2,339,275
Information technology levy	**93,102**	74,997
Defined contribution obligations	**77,636**	98,759
	29,357,774	31,015,373
Movement in provisions in other liabilities		
Balance, beginning of year	**2,339,275**	2,594,952
Additions	**3,265,131**	1,776,968
Payments	**(4,277,632)**	(2,032,645)
Balance, end of year	**1,326,774**	2,339,275

Included in the amount of provisions are:

(i) obligations to erstwhile Equitorial Trust Bank staff;

(ii) AMCON provision of 0.5% of the sum of total assets and 33.3% of off-balance sheet assets as mandated by CBN; and

(iii) provision for litigations.

29. Capital and reserves	31 December 2013 N'000	31 December 2012 N'000
Share capital		
(a) Authorised		
24,000,000,000 ordinary shares of 50k each	**12,000,000**	12,000,000
(b) Issued and fully paid		
21.593 billion (2012: 15.704 billion) ordinary shares of 50k each	**10,796,407**	7,851,931

(i) Ordinary shareholding

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

	31 December 2013 N'000	31 December 2012 N'000
(ii) Movement in issued and fully paid share capital is as follows:		
Balance at beginning of the year	**7,851,931**	7,851,931
Capital contribution arising from rights issue	**2,944,476**	–
Balance at the end of the year	**10,796,407**	7,851,931

29. Capital and reserves continued

	31 December 2013 in thousand units	31 December 2012 in thousand units
(iii) Movement in units of share capital		
Balance at beginning of the year	**15,703,863**	15,703,863
Increase in units arising from rights issue	**5,888,950**	–
Balance at the end of the year	**21,592,813**	15,703,863

The rights issue was announced by the Bank in July 2013 and duly approved by the Nigerian Securities and Exchange Commission and the Central Bank of Nigeria on 24 December 2013. The basis of the rights issue was three new ordinary shares for eight existing ordinary shares totalling 5,888,949,162 ordinary shares, issued at N2.12 per share, resulting in total proceeds of N12.1 billion after related costs of N345 million had been deducted.

30. Dividends paid/proposed

(a) On 2 May 2013, the annual general meeting of shareholders of the Bank declared dividend amounting to N3,140,772,886.20 comprising 20 kobo per ordinary share based on the 2012 audited financial result. This was fully paid on 3 May 2013.

(b) On 15 May 2012, the annual general meeting of shareholders of the Bank declared dividend amounting N1,570,386,289 of 10 kobo per ordinary share based on the 2011 audited financial result. This was fully paid on 16 May 2012.

(c) In respect of 2013, the Directors proposed that a dividend of 25 kobo per ordinary share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements until approved and declared by the shareholders. The proposed dividend is subject to withholding tax at the appropriate rate and is payable to shareholders whose names appear in the Register of Members at the closure date.

31. Equity reserves

	Revaluation reserve N'000	Translation reserve N'000	Fair value reserves N'000	Share capital reserve N'000	Regulatory risk reserves N'000	SMEEIS reserve N'000	Other regulatory reserves N'000	Total equity reserves N'000
Balance at 1 January 2013	**486,000**	**–**	**148,935**	**5,276,423**	**58,727**	**234,503**	**7,877,009**	**14,081,597**
Other comprehensive income net of tax:								
Net changes in fair value of available-for-sale investment securities	**–**	**–**	**(444,866)**	**–**	**–**	**–**	**–**	**(444,866)**
Reclassification	**(486,000)**						**486,000**	**–**
Transfers to regulatory reserve	**–**	**–**	**–**	**–**	**884,957**	**–**	**2,482,459**	**3,367,416**
Balance at 31 December 2013	**–**	**–**	**(295,931)**	**5,276,423**	**943,684**	**234,503**	**10,845,468**	**17,004,147**

	Revaluation reserve N'000	Translation reserve N'000	Fair value reserves N'000	Share capital reserve N'000	Regulatory risk reserves N'000	SMEEIS reserve N'000	Other regulatory reserves N'000	Total equity reserves N'000
Balance at 1 January 2012	486,000	45,744	(98,714)	5,276,423	-	234,503	5,790,947	11,734,903
Other comprehensive income net of tax:								
Net changes in fair value of available-for-sale investment securities	–	–	247,649	–	–	–	–	247,649
Transfers to regulatory reserves	–	(45,744)	–	–	58,727	–	2,086,062	2,099,045
Balance at 31 December 2012	486,000	–	148,935	5,276,423	58,727	234,503	7,877,009	14,081,597

Notes to the financial statements continued
for the year ended 31 December 2013

31. Equity reserves continued

(a) Other regulatory reserves

The other regulatory reserves include movements in the statutory reserves. Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institutions Act and Cap 33 Laws of the Federation of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

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

32. Contingencies

(a) Litigations and claims

There are litigations and claims against the Bank as at 31 December 2013 which 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 N263million (2012: N263million) have been made in these financial statements on crystallised claims.

(b) Contingent liabilities and commitments

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

Nature of instruments

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

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

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

	31 December 2013 N'000	31 December 2012 N'000
Bonds, guarantees and indemnities	**124,900,867**	74,187,001
Letters of credit	**66,731,854**	47,003,744
Others	**9,996,500**	6,759,130
	201,629,221	127,949,875

Above balances represent contingent liabilities for which the customers have not defaulted to give rise to the Bank being liable to settle the counterparty. As stated in note 2.2.15, any portion that is due for which the Bank has become liable is recognised in the other liabilities (note 28).

33. Related parties and transactions

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

(i) Transactions with all related parties of the Bank

	31 December 2013 N'000	31 December 2012 N'000
Loans and advances		
(a) Secured loans and advances (note 37)	**16,236,568**	16,161,676
(b) Contingent liabilities	**14,622,420**	1,617,248

(ii) Transactions with key management personnel

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

	2013 N'000	2012 N'000
Secured loans and advances	**199,283**	177,870
Deposit liabilities	**42,828,000**	40,484,319

(iii) Compensation of key management personnel

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

	31 December 2013 N'000	31 December 2012 N'000
Executive compensation	**121,157**	121,157
Pension contributions	**6,684**	13,368
Termination benefits	**–**	–
Share-based payment transactions	**–**	–
Total compensation paid to key management personnel	**127,841**	134,526

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

	31 December 2013 N'000	31 December 2012 N'000
Directors' remuneration:		
Fees as Directors	**31,000**	19,250
Other emoluments	**38,253**	32,542
	69,253	51,792

Further disclosure of related party's transactions is reflected in note 37 in compliance with Central Bank of Nigeria circular BSD/1/2004.

34. Events after the reporting date

There were no events after 31 December 2013 which could have a material effect on the financial position of the Bank as at 31 December 2013 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

Notes to the financial statements continued

for the year ended 31 December 2013

35. Cash and cash equivalents for cash flow purposes

	31 December 2013 N'000	31 December 2012 N'000
Cash and foreign monies	**8,189,877**	7,982,952
Unrestricted balances with Central Bank of Nigeria	**6,514,235**	7,331,943
Balances held with local banks	**2,131,951**	7,862,084
Balances held with banks outside Nigeria	**42,455,064**	16,817,941
Money market placements	**38,014,007**	9,198,646
	97,305,134	49,193,566

36. Financial risk management

(a) Introduction and overview

Risks are inherent in the lending, trading and all other intermediation activities of the Bank. In managing these risks, the Bank has adopted an Enterprise Risk Management Philosophy of building a sound, safe and stable financial institution through the efficient management of risks. In achieving this, the Bank has adopted a standard template and common methodology for risk identification, measurement, management and control.

The Bank is exposed to credit risk, liquidity risk and market risk, both in the trading book and banking book, and operational risk among other risks. The Bank has put in place approved policies, procedures and guidelines for identifying, measuring, management and control of these risks.

(b) Risk management structure

The responsibility for management of the total risk exposure of the Bank rests with the Board; this responsibility is delegated to various committees of the Board.

The Board Risk Management Committee (BRMC) is saddled with the responsibility of managing the overall risk exposure of the Bank. The committee reviews and recommends risk management policies and procedures for Board approval.

The Board Credit Committee (BCC) acts on behalf of the Board of Directors on all credit matters. It considers and approves lending exposures, treasury investments exposures, as well as other credit exposures that exceed the mandated approval limit of management.

The Management Risk Committee (MRC) is responsible for the planning, management and control of the Bank`s overall risks, including the determination of the Bank`s risk philosophy, appetite, limits and policies.

The Management Credit Committee (MCC) is saddled with the responsibility of credit policy articulation and credit approval that falls within the mandated approval limit. It reviews and recommends credit policy direction to the BCC.

The Assets and Liability/Market Risk Committee ensures that the Bank has adequate liquidity to meet the funding need of the Bank and also manages the interest rate and foreign exchange risk of the Bank. The Committee also reviews the economic outlook and its likely impact on the Bank`s current and future performance.

The Criticised Assets Committee (CAC) reviews the non-performing loans stock and recommends strategies for recovery of bad loans. The committee also reviews the Bank's loan portfolio and ensure the adequacy of collateral documentation. The Enterprise Risk Management Group is saddled with the responsibility of implementing and supervising all risk management policies, guidelines and procedures.

The Internal Control Department monitors compliance with risk principles, polices and limits across the Bank. Exceptions are reported on a daily basis, where necessary to management and appropriate action are taken to address the identified weaknesses.

The Internal Audit department as part of its annual audit programme, examines the adequacy and level of compliance with the procedures. Result of assessments, findings and recommendations are discussed with the relevant department, and reports to the Board Audit Committee.

(c) Risk measurement and reporting systems

In measuring the risk exposure of the Bank, particular emphasis is placed on the methodologies that estimate both expected and unexpected loss. Central to this is the quantitative and qualitative assessment of credit risks through a rigorous internal ratings system. The Bank also runs sensitivity analysis and stress testing to identify potential exposure under stress market situations.

Monitoring and controlling of risk is done by ensuring that limits established are strictly complied with and that such limit reflects both the quantitative and qualitative risk appetite of the Bank. Particular emphasis is placed on the risk acceptance criteria (RAC) set in identifying customers in the target industries. Furthermore, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

36. Financial risk management continued

(c) Risk measurement and reporting systems continued

Risk Information compiled from all business activities of the Bank is analysed and processed towards identifying and controlling risks on a timely basis. Risk reports are presented on a timely basis for informed management decision. The Management Risk Committee (MRC) and the Board Risk Management Committee (BRMC) which constitute the supervisory body are updated on the risk profile of the Bank by way of quarterly risk reports.

(d) Risk mitigation

The Bank has in place a set of management actions to prevent or mitigate the impact on earnings of business risks. Business risk monitoring, through regular reports and oversight, results in corrective actions to plans and ensure reductions in exposures where necessary. Credit control and mitigation polices are also in place. Collateral policies are designed to ensure that the Bank`s exposure is secured, and to minimise the risk of credit losses to the Bank in the event of decline in quality or delinquency of assets.

Guidelines for accepting credit collateral are documented and articulated in the Credit Policy Guidelines (CPG). These include:

(a) acceptable collateral for each credit product;

(b) required documentation/perfection of collaterals;

(c) conditions for waiver of collateral requirement and approval of collateral waiver; and

(d) acceptance of cash and other forms of collateral denominated in foreign currency.

Finally, master netting arrangements for credit facilities collateralised partly with deposits are settled by set-off based on underlying set-off agreement.

(e) Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, credit concentration limits are set and monitored along industries and sectors, geography, collaterals and products. The ultimate objective of managing credit portfolio concentration risk is to ensure proper diversification of the risk assets portfolio. Concentration limits are also in place to manage the investment portfolio and customer deposit concentration in the management of liquidity risk.

(f) Risk management architecture

To achieve its risk management objectives, the Bank has a risk management framework that comprises the following elements:

- a risk management culture;
- a governance culture;
- risk management policies;
- a review of risk decisions by independent professionals;
- independent oversight by the Compliance Department; and
- an independent assessment by the Internal Audit Department.

(g) Credit risk management

The Bank's credit risk management activities are based on certain fundamental principles.

The effectiveness of risk management process throughout the Bank is based on a simple formal governance structure with regular reporting processes within a well-defined control environment.

The Bank's risk policy allows its personnel take initiatives and responsibility to proactively identify risks in delivering products and services to the market in a value-added manner.

The Bank's risk assets are managed to help provide the liquidity to meet deposit withdrawals, cover all expenses, and still earn sufficient profit to make returns which are competitive with other investments.

Credit risks are examined for all credit-related transactions including investments and trading transactions, in addition to loans and leases. Credit risks are examined and managed for unfunded loan commitments in addition to funded loans and leases.

Credit risks are managed such that loan quality and the Bank's reputation are aligned with the Bank's objective of conservative risk appetite, balanced against a desire for reasonable returns.

Notes to the financial statements continued
for the year ended 31 December 2013

36. Financial risk management continued

(h) Methodology for risk rating

The Bank has an internal credit rating system for the risk assessment and rating of credit exposures.

The Bank's credits are classified into corporate and retail.

Retail loans

They are governed by standard credit product programmes and a credit scoring model is used to rate customers.

Corporate loans

Corporate customers are classified into structured and unstructured.

Separate risk rating grids are maintained for structured and unstructured customers.

Credit scoring system

The Bank's credit scoring system assigns value to various factors. These values are weighted based on their correlation to default predictions and the Bank's business objectives. They are added and averaged to determine a credit score for application. The scoring system either recommends for approval or decline, or refers the application for further analysis.

The risk rating methodology is based on quantitative and qualitative factors.

Structured businesses:

1. Quantitative factors are basically the financial ratios which include:
   - (a) leverage ratios;
   - (b) liquidity ratios;
   - (c) profitability ratios; and
   - (d) interest coverage ratios.

2. Qualitative factors considered are:
   - **(a) business industry:**
     - (I) size of the business;
     - (II) industry growth;
     - (III) market competition; and
     - (IV) entry/exit barriers;
   - **(b) management:**
     - (I) experience of the management team;
     - (II) succession planning; and
     - (III) organisational structure;
   - **(c) security:**
     - (I) collateral type;
     - (II) collateral coverage; and
     - (III) guarantee i.e. the worth of personal guarantee/corporate guarantee pledged as support; and

36. Financial risk management continued

(h) Methodology for risk rating continued

Credit scoring system continued

Structured businesses continued

(d) relationship with the Bank:

- (I) account turnover (efficiency ratio);
- (II) account conduct;
- (III) compliance with covenants/conditions; and
- (IV) personal deposits with the bank.

Unstructured businesses:

These are customers that rarely keep proper accounting records hence the maximum limit that can be availed to them has been restricted to N20m.

The factors to be considered are:

1. Quantitative factors:

   Relationship:

   (i) contract related transactions:

   - (a) net profit margin; and
   - (b) counterparty – nature/financial capacity of the principals; and

   (ii) other facilities:

   - (a) account turnover; and
   - (b) repayment history.

2. Qualitative factors:

   management:

   - (i) experience/technical competence with evidence; and
   - (ii) succession planning;

   business industry:

   - (i) industry growth;
   - (ii) share of the market;
   - (iii) regulations: whether the industry is regulated or not;
   - (iv) entry/exit;

   (v) collateral/security:

   Collateral, often referred to as credit risk mitigant, is an important means of adding assurance of recovery of the Bank's loan. The pledged collateral is documented and continually reviewed as to its value and marketability.

   Collaterals are reviewed and scored based on the following parameters:

   - whether secured or not secured;
   - if secured, what type of security;
   - perfectible legal mortgage;
   - equitable mortgage;
   - chattel mortgages;
   - location of security/collateral;
   - loan to value ratio of collateral offered;
   - marketability of security/collateral;
   - whether collateral is a specialised asset or general purpose-type asset; and
   - depreciating or appreciating value over time.

Notes to the financial statements continued
for the year ended 31 December 2013

36. Financial risk management continued

(h) Methodology for risk rating continued

Credit scoring system continued

Unstructured businesses continued

(vi) Character:

Fundamental to every credit decision is the honesty and integrity of the individuals to whom the Bank lends directly or who manage the enterprises to which the Bank lends. Character is the single most important factor in the credit decision.

(vii) Capacity:

The acceptance of a credit depends upon an objective evaluation of the customer's ability to repay the borrowed funds. To establish this, profitability and liquidity ratios are used as part of the assessment.

(viii) Capital:

The borrower must provide capital for anticipated adversity. The index to determine capital should be leverage for overdraft, lease and term loan facilities. Customers who cannot provide financials are regarded as having zero leverage.

(ix) Cash collateralised facilities:

Cash collateralised facilities are not to be subjected to this scoring method, unless the character of the customer is questionable, in which case, the application is rejected.

For cash collateralised facilities, the key issue is safety margin. Local cash deposits shall provide 110% coverage for the Bank's exposure. Foreign currency deposits pledged shall provide minimum 120% coverage for the Bank's exposure.

(x) Pricing:

The pricing of facilities is done to reflect the inherent risks for accepting the exposure by the Bank.

The average score computed often determine the minimum level of interest chargeable. This interest rate determined would be a guide. For the purposes of clarity, a prime rate is determined by the Asset and Liability Management Department and other rates are either above or below it.

Enterprise risk review

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk score to the financial business and the operational risks are an inevitable consequence of being in business.

The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Enterprise Risk Management Group (ERM) within the policies approved by the Board of Directors. The ERM identifies, evaluates and manages respective aspects of financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, market risk and operational risk. In addition, the Inspectorate Division is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

(i) Credit risk

The Bank manages risk inherent in loans and advances, which is the risk that a counter party will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk inherent in the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other instruments into the Bank's asset portfolio.

There is also credit risk in off-balance sheet financial instruments. The credit risk is managed by two departments – Credit Risk Assessment and Credit Administration Departments. They report to the MD/Chief Executive Officer who in turn report to the Board of Directors.

36. Financial risk management continued

(ii) Credit risk measurement

Before a sound and prudent credit decision can be taken, the credit risk represented by the borrower or counterparty must be accurately assessed. This assessment is performed at the outset of the credit application process. Each application is analysed and assigned one of nine (9) grades using a credit rating system developed by the Bank for all exposures to credit risk. As each grade corresponds to a borrower's or counterparty's probability of default, the credit risk can be determined for the Bank.

(iii) Credit granting process

Credit granting decisions are based first and foremost on the results of the risk assessment. In addition, to the client's solvency, credit granting decisions are also influenced by factors such as available collateral, transaction compliance with policies and standards, procedures and the Bank's overall risk-adjusted returns objective. Each credit granting decision is made by authorities within the risk management teams and management who are independent of the business units and are at a reporting level commensurate with the size of the proposed credit transaction and the associated risk.

(a) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflects the following components:

(i) the character and capacity of the client or counterparty to pay down on its contractual obligations;

(ii) current exposures to the counterparty and its likely future development;

(iii) credit history of the counterparty; and

(iv) the likely recovery ratio in case of default obligations, using value of collateral and other ways out.

The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The risk rating scale and the external rating equivalent is detailed below:

Risk rating	External rating equivalent	Score range	Remarks
RR1	AAA to AA-	90–100	Superior
RR2	A+ to A-	80–89.99	Strong
RR3	BBB+ to BB-	70–79.99	Good
RR4	BB+ to BB-	50–69.99	Satisfactory
RR5	B+ to B-	40–49.99	High risk
RR6	CCC+ to CCC	30–39.99	Watch list
RR7	CC+ to C	20–29.99	Substandard
RR8	D	10–19.99	Doubtful
RR9	D	<10	Lost

(b) Debt securities and other bills

For debt securities and other bills, external ratings such as Agusto rating or their equivalents are used by Treasury department primarily to manage their liquidity risk exposures.

(iv) Credit risk control and mitigation policy

The Bank manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to sectors and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower, or groups of borrowers (single obligor limits), and to geographical and sectoral segments. Such risks are monitored on a revolving basis. Limits on the level of credit risk by product, industry sector and by country are reviewed and approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Notes to the financial statements continued
for the year ended 31 December 2013

36. Financial risk management continued

(iv) Credit risk control and mitigation policy continued

The Bank also sets internal credit approval limits for various levels in the credit process which are shown in the table below:

Authority level	Approval limit
Full Board	Above N1,000,000,000
Board, Credit Committee	N1,000,000,000
Management Credit Committee	N500,000,000
Managing Director	N250,000,000
Executive Director	N150,000,000

Approval limits are set by the Board of Directors and reviewed from time to time as the circumstances demand. Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

(i) mortgages over residential properties;

(ii) charges over business assets such as premises inventory and accounts receivable; and

(iii) charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities as well as individuals are generally secured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The fair value of any collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and advances	
	31 December 2013 N'000	31 December 2012 N'000
Against individually impaired	**2,437,916**	444,700
Against collectively impaired	**203,652,670**	117,905,238
Total	**206,090,586**	118,349,938
Against individually impaired:		
Secured against real estate	**1,684,390**	444,700
Debenture/otherwise secured	**195,000**	–
Stocks/shares	**558,526**	–
	2,437,916	444,700
Against collectively impaired:		
Cash	**8,759,318**	4,821,384
Secured against real estate	**153,935,123**	90,196,109
Debenture	**37,037,089**	14,155,981
Stocks/shares	**3,911,273**	7,764,164
Otherwise secured	**9,867**	967,600
	203,652,670	117,905,238

36. Financial risk management continued

(iv) Credit risk control and mitigation policy continued

(b) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(d) Credit concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances		Investment securities	
	31 December 2013 N'000	31 December 2012 N'000	**31 December 2013 N'000**	31 December 2012 N'000
Carrying amount, net of allowance for impairment	**321,743,748**	229,420,874	**97,821,122**	174,792,395
Concentration by sector:				
Corporate	**–**	–	**2,012,675**	3,226,968
Agriculture	**12,326,536**	6,497,158	**–**	–
Capital market	**334**	151,154	**–**	
Communication	**9,912,199**	9,881,429	**–**	–
Consumer	**6,300,201**	7,236,579	**–**	–
Education	**1,413,524**	1,041,479	**–**	–
Finance and insurance	**9,570,817**	10,532,386	**–**	–
Government	**17,847,101**	12,727,279	**94,739,373**	166,960,971
Manufacturing	**18,746,211**	14,681,217	**–**	–
Mining and quarrying	**199,042**	192,153	**–**	–
Mortgage	**11,832,985**	8,625,922	**–**	–
Oil and gas	**98,118,335**	68,469,726	**–**	–
Other public utilities	**1,862,604**	143,569	**–**	–
Others	**40,965,985**	52,785,813	**–**	–
Power	**8,245,271**	215,625	**–**	–
Real estate and construction	**71,612,033**	25,550,178	**–**	–
Transportation	**12,790,570**	10,689,208	**–**	–
Euro bond	**–**	–	**1,069,074**	4,604,456
	321,743,748	229,420,874	**97,821,122**	174,792,395
Concentration by geography:				
Nigeria	**321,743,748**	229,420,874	**97,281,122**	174,792,395
	321,743,748	229,420,874	**97,281,122**	174,792,395

36. Financial risk management continued

(v) Credit definitions

(i) Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These are loans and securities specifically impaired and are graded 7, 8 and 9 in the Bank's internal credit risk grading system.

(ii) Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

(iii) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

(iv) Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

(v) Write-off policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when Bank Management Credit Committee determines that the loans/securities are uncollectible. This decision is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

All loans and advances are categorised as either:

- individually impaired;
- past due but not impaired; or
- neither past due nor impaired.

The impairment allowance includes allowances against financial assets that have been individually impaired and those subjects to collective impairment.

Exposure to credit risk – individually impaired

	Loans and advances		Collateral	
In thousands of Nigerian naira	**31 December 2013 N'000**	31 December 2012 N'000	**31 December 2013 N'000**	31 December 2012 N'000
Carrying amount, net of allowance for impairment	**321,743,748**	229,420,874	**206,090,586**	118,349,938
Assets at amortised cost:				
Individually impaired				
Grade 7: Impaired	**1,449,117**	5,559,775	**1,174,196**	427,000
Grade 8: Impaired	**1,384,849**	2,756,329	**82,053**	17,700
Grade 9: Impaired	**2,632,846**	726,938	**1,181,668**	–
Gross amount	**5,466,812**	9,043,042	**2,437,917**	444,700
Allowance for impairment	**(4,392,026)**	(5,834,100)	**–**	–
Carrying amount, net of allowance for impairment	**1,074,786**	3,208,942	**2,437,917**	444,700

36. Financial risk management continued

Exposure to credit risk – collectively impaired

In thousands of Nigerian naira	Loans and advances 31 December 2013 N'000	Loans and advances 31 December 2012 N'000	Collateral 31 December 2013 N'000	Collateral 31 December 2012 N'000
Collectively impaired:				
Grade 1–4: low to fair risk	**265,602,030**	217,443,377	**145,715,530**	115,753,917
Grade 5–6: watch list	**56,191,458**	7,618,623	**55,226,243**	784,803
Past due but not impaired				
Grade 7	**411,471**	942,156	**485,162**	171,519
Grade 8	**127,221**	615,882	**421,330**	655,000
Grade 9	**865,914**	468,192	**1,804,405**	540,000
Gross amount	**323,198,094**	227,088,230	**203,652,670**	117,905,239
Allowance for impairment	**(2,529,130)**	(876,298)	**–**	–
Carrying amount, net of allowance for impairment	**320,668,964**	226,211,932	**203,652,670**	117,905,239
Total carrying amount, net of allowance for impairment	**321,743,748**	229,420,874	**206,090,586**	118,349,938

Exposure to credit risk

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	31 December 2013 N'000	31 December 2012 N'000
Bonds, guarantees and indemnities	**124,900,867**	74,187,001
Letters of credit	**66,731,854**	47,003,744
Others	**9,996,500**	6,759,130
	201,629,221	127,949,875

Maturity profile of contingents and commitments

As at 31 December 2013	On demand N'000	Less than 3 months N'000	3–12 months N'000	1–5 years N'000	Over 5 years N'000	Total N'000
Bonds, guarantees and indemnities	–	24,010,746	55,886,313	45,003,808	–	124,900,867
Letters of credit	–	66,731,854	–	–	–	66,731,854
Others	–	8,943,033	1,053,467	–	–	9,996,500
Total undiscounted contingents and commitments (A)	–	99,685,633	56,939,780	45,003,808	–	201,629,221

Notes to the financial statements continued
for the year ended 31 December 2013

36. Financial risk management continued

Maturity profile of contingents and commitments continued

As at 31 December 2012	On demand N'000	Less than 3 months N'000	3–12 months N'000	1–5 years N'000	Over 5 years N'000	Total N'000
Bonds, guarantees and indemnities	474	3,113,894	50,979,263	18,896,570	1,196,800	74,187,001
Letters of credit	–	47,003,744	–	–	–	47,003,744
Others	–	2,454,158	4,087,759	217,213	–	6,759,130
Total undiscounted contingents and commitments (A)	474	52,571,796	55,067,022	19,113,783	1,196,800	127,949,875

	Neither past due nor impaired						
Credit quality of financial assets 2013	**RR1–RR2 2013 N'000**	**RR3–RR4 2013 N'000**	**RR5–RR6 2013 N'000**	**Past due but not impaired N'000**	**Individually impaired N'000**	**Total 2013 N'000**	**Carrying amount N'000**
Balances with Central Bank of Nigeria	88,710,685	–	–	–	–	**88,710,685**	88,710,685
Due from banks	82,601,022	–	–	–	–	**82,601,022**	85,601,022
Other financial assets held for trading	2,200,994	–	–	–	–	**2,200,994**	2,200,994
Loans and advances (net)	34,141,195	231,460,831	56,191,458	1,404,606	5,466,815	**328,664,905**	321,743,748
Investment in securities available-for-sale	19,496,194	–	–	–		**19,496,194**	19,496,194
Held to maturity	76,123,934	–	–	–	–	**76,123,934**	76,123,934
Total	303,274,024	231,460,831	56,191,458	1,404,606	5,466,815	**597,797,734**	593,876,577

	Neither past due nor impaired						
Credit quality of financial assets 2012	RR1–RR2 2012 N'000	RR3–RR4 2012 N'000	RR5–RR6 2012 N'000	Past due but not impaired N'000	Individually impaired N'000	Total 2012 N'000	Carrying amount N'000
Balances with Central Bank of Nigeria	55,639,064	–	–		–	55,639,064	55,639,064
Due from banks	33,878,671	–	–		–	33,878,671	33,878,671
Other financial assets held for trading	1,998,860	–	–		–	–	1,998,860
Loans and advances (net)	24,844,055	194,625,552	7,618,623	2,026,231	7,016,811	236,131,272	229,420,874
Investment in securities available-for-sale	16,857,561	–	–		854,935	17,712,496	16,857,561
Held to maturity	155,935,974	–	–		–	155,935,974	155,935,974
Total	287,355,185	194,625,552	7,618,623	2,026,231	7,871,746	499,297,477	493,731,004

	31 December 2013 N'000	31 December 2012 N'000
Age analysis of financial assets that are past due but not impaired:		
Past due days:		
1–30 days	**816,296**	1,415,090
31–60 days	**104,643**	–
Above 90 days	**483,667**	611,141
	1,404,606	2,026,231

36. Financial risk management continued

(e) Liquidity risk

Liquidity risk and funding management: the Bank is exposed to two types of liquidity risk:

1. market/trading liquidity risk: inability to conduct transaction at current market price because of the size of the transaction, this type of liquidity risk comes to play when certain assets cannot be liquidated at short notice due to market illiquidity; and
2. funding liquidity risk: inability to access sufficient funds to meet payment obligations in a timely manner. The management of liquidity risk arising from funding and trading is very critical to the ongoing viability of the Bank. The Board approved liquidity risk management policy framework and the contingency plan for liquidity risk under crises condition are the policy document in place for managing liquidity risk.

The Asset and Liability Committee (ALCO) is responsible for managing the liquidity of the Bank; this function is delegated to the Asset and Liability Management (ALM) department that manages the day-to-day liquidity requirements of the Bank and also acts as secretariat to ALCO. Liquidity risk is assessed by comparing the expected outflows with expected inflows, and liquidity risk arises when there is a mismatch arising between the inflow and outflow, and also when there is unexpected delay in repayment of loans (term liquidity risk) or unexpectedly high payment outflow (withdrawal/call risk).

In line with the liquidity risk management framework, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short-term bank placements and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Presented below is the process used in managing liquidity:

(a) day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;

(b) maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and

(c) monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with Financial and Regulatory Reporting Department).

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

31 December 2013	Notes	Carrying amount N'000	Gross nominal inflow N'000	Less than 3 months N'000	3–6 months N'000	6–12 months N'000	1–5 years N'000	More than 5 years N'000
Financial assets								
Cash and balances with Central Bank of Nigeria	16	96,900,562	96,900,562	14,704,112	–	–	–	82,196,450
Due from banks	17	85,601,022	85,601,022	43,154,507	–	–	42,446,515	–
Pledged financial assets	18	79,771,732	79,771,732	10,581,732	–	–	31,990,000	37,200,000
Loans and advances	19	321,743,748	328,664,904	84,462,885	25,157,164	27,465,043	102,264,265	89,315,555
Investment securities	20	97,821,122	98,359,117	51,818,654	1,259,029	910,000	25,762,604	18,608,830
		681,838,186	689,297,337	204,721,890	26,416,193	28,375,043	202,463,384	227,320,835
Financial liabilities								
Deposits from banks	24	–	–	–	–	–	–	–
Deposits from customers	25	570,511,097	570,511,097	393,373,887	39,067,793	4,280,106	1,405,568	136,842,259
Debt securities issued and other borrowed funds	26/27	43,358,125	43,358,125	4,694,698	–	–	34,582,711	4,080,716
Other liabilities – customers' deposits for foreign trade	28	11,221,413	11,221,413	11,221,413	–	–	–	–
		625,090,635	625,090,635	409,289,998	39,067,793	4,280,106	35,988,279	140,922,975
Gap (asset – liabilities)		56,747,551	64,206,702	(204,568,108)	(12,651,600)	24,094,937	166,475,105	86,397,860
Cumulative liquidity gap		56,747,551	64,206,702	(204,568,108)	(217,219,716)	(193,124,779)	(26,649,674)	59,748,186

Notes to the financial statements continued
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36. Financial risk management continued

(e) Liquidity risk continued

31 December 2012	Note	Carrying amount N'000	Gross nominal inflow N'000	Less than 3 months N'000	3–6 months N'000	6–12 months N'000	1–5 years N'000	More than 5 years N'000
Financial assets								
Cash and balances with Central Bank of Nigeria	16	63,622,016	63,622,016	15,314,992	–	–	–	48,307,024
Due from banks	17	33,878,671	33,878,671	24,680,025	9,198,646	–	–	–
Pledged financial assets	18	57,412,053	57,412,053	–	9,749,894	47,662,159	–	–
Loans and advances	19	229,420,874	236,131,272	–	61,025,407	42,037,997	116,747,557	16,320,310
Investment securities	20	174,792,395	175,647,330	–	26,985,621	26,526,320	99,032,820	23,102,569
		559,126,009	566,691,342	39,995,017	106,959,568	116,226,476	215,780,377	87,729,903
Financial liabilities								
Deposits from banks	24	3,118,775	3,118,775	–	3,118,775	–	–	–
Deposits from customers	25	463,726,325	463,726,325	284,191,474	118,341,025	60,777,515	316,834	99,477
Other borrowed funds	26	34,919,651	34,919,651	–	1,148,866	3,392,074	25,432,326	4,946,385
Debt securities issued	27	–	–	–	–	–	–	–
Other liabilities – customers' deposits for foreign trade	28	13,066,151	13,066,151	1,440,023	11,626,128	–	–	–
		514,830,902	514,830,902	285,631,497	134,234,794	64,169,589	25,749,160	5,045,862
Gap (asset – liabilities)		–	–	(245,636,480)	(33,985,623)	52,056,887	190,031,217	79,830,246
Cumulative liquidity gap		–	–	(245,636,480)	(279,622,103)	(227,565,216)	(37,533,999)	42,296,247

Items with more than twelve months are expected to be non-current.

While there is a negative cumulative liquidity gap for within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

(f) Market risks

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

Market risks on the trading portfolio are extensively monitored and managed using the following tools: counterparty trading limits, dealer limits, net open position, maturity cap limits and stop loss limits. Market risks on the non-trading position are managed and monitored using sensitivity analysis.

(i) Interest rate risk

Interest rate risk occurs when there is a mismatch between interest sensitive assets and liabilities. The major objective of interest rate risk management is to minimise reduction in net income and reduction in the Bank's economic value of equity resulting from changes in interest rates.

Interest rate risk is managed using static re-pricing gap cumulative analysis, by ensuring that a balanced re-pricing cumulative gap position is maintained in line with the limits set by the board. Re-pricing gap reports are prepared to monitor level of compliance, in addition to testing the sensitivity of changes in interest rates to net interest income, while duration analysis is used in measuring and managing interest rate risk in the trading book.

36. Financial risk management continued

(f) Market risks continued

(i) Interest rate risk continued

This table below shows interest rate risk:

			Re-pricing period				
31 December 2013	**Notes**	**Carrying amount N'000**	**Less than 3 months N'000**	**6 months N'000**	**12 months N'000**	**5 years N'000**	**More than 5 years N'000**
Financial assets							
Cash and balances with Central Bank of Nigeria	16	**96,900,562**	**14,704,112**	**–**	**–**	**–**	**82,196,450**
Due from banks	17	**85,601,022**	**43,154,507**	**–**	**–**	**42,446,515**	**–**
Pledged financial assets	18	**79,771,732**	**10,581,732**	**–**	**–**	**31,990,000**	**37,200,000**
Loans and advances	19	**321,743,748**	**84.462,877**	**25,157,164**	**27,465,043**	**102,264,265**	**89,315,555**
Investment securities	20	**97,821,122**	**51,818,654**	**1,259,029**	**910,000**	**25,762,604**	**18,608,830**
		681,838,186	**204,721,882**	**26,416,193**	**28,395,510**	**202,463,384**	**227,320,835**
Financial liabilities							
Deposits from banks	24	**–**	**–**	**–**	**–**	**–**	**–**
Deposits from customers	25	**570,511,097**	**393,373,887**	**39,067,793**	**4,280,106**	**1,405,568**	**136,842,259**
Other borrowed funds and debt securities issued	26/27	**43,358,125**	**4,694,698**	**–**	**–**	**34,582,711**	**4,080,716**
		613,869,222	**398,068,585**	**39,067,793**	**4,280,106**	**35,988,279**	**140,922,975**
Total interest sensitivity gap		**67,968,964**	**(196,346,703)**	**(12,651,600)**	**24,094,937**	**166,475,105**	**86,397,861**

			Re-pricing period				
31 December 2012	Notes	Carrying amount N'000	Less than 3 months N'000	6 months N'000	12 months N'000	5 years N'000	More than 5 years N'000
Financial assets							
Cash and balances with Central Bank of Nigeria	16	63,622,016	15,314,992	–	–	–	48,307,024
Due from banks	17	33,878,671	24,680,025	9,198,646	–	–	–
Pledged financial assets	18	57,412,053	–	9,749,894	47,662,159	–	–
Loans and advances	19	229,420,875	–	54,315,010	42,037,997	116,747,557	16,320,311
Investment securities	20	174,792,395	1,998,860	26,985,621	26,526,320	99,032,820	20,248,774
		559,126,010	41,993,877	100,249,171	116,226,476	215,780,377	84,876,109
Financial liabilities							
Deposits from banks	24	3,118,775	–	3,118,775	–	–	–
Deposits from customers	25	463,726,325	284,191,474	118,341,025	60,777,515	316,834	99,477
Other borrowed funds and debt securities issued	26/27	34,919,651	–	1,148,866	3,392,074	25,432,326	4,946,385
		501,764,751	284,191,474	122,608,666	64,169,589	25,749,160	5,045,862
Total interest sensitivity gap		(57,361,259)	(242,197,597)	(22,359,495)	52,056,887	190,031,217	79,830,247

The management of interest rate risk against interest rate gaps limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standards and non-standard interest rate scenarios.

Notes to the financial statements continued

for the year ended 31 December 2013

36. Financial risk management continued

(f) Market risks continued

(i) Interest rate risk continued

Analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, was as follows:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the gap between risk sensitive asset and risk sensitive liability for the different maturities gap of the Bank's earning assets and liabilities. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the gap position of the different maturities mismatch.

	Rate sensitivity of assets and liabilities						
As at 31 December 2013	On demand N'000	Trading derivatives N'000	Less than 3 months N'000	3–12 months N'000	1–5 years N'000	Over 5 years N'000	Total N'000
Financial assets							
Due from other banks	–	–	38,014,007	–	–	–	38,014,007
Financial assets held for trading	–	–	1,750,000	250,000	–	200,994	2,200,994
Loans and advances	16,366,835	–	68,095,775	52,622,474	95,458,075	89,315,556	321,743,748
Investment securities available-for-sale	–	–	–	19,496,194	–	–	19,496,194
Investment securities held to maturity	–	–	3,250,000	1,900,000	35,094,895	35,879,039	76,123,934
Total undiscounted financial assets (A)	16,366,835		111,109,782	74,268,668	130,552,970	126,488,671	458,578,877
Financial liabilities							
Due to banks	–	–	–	–	–	–	–
Due to customers	213,751,686	–	130,241,894	25,400,966	67,290,037	133,826,514	570,511,097
Debt securities issued and other borrowed funds	–	–	17,627,519	–	25,730,606	–	43,358,125
Total undiscounted financial liabilities (B)	213,751,686	–	147,869,413	25,400,966	93,020,643	133,826,514	613,869,222
Net undiscounted financial assets/liabilities	(197,384,851)	–	(36,759,631)	48,867,702	37,417,360	(8,430,925)	(156,290,345)

	Interest rate sensitivity analysis				
	Increase in bp	Net gap	Cumulative gap	Sensitivity on profit	Annualised period
On demand	+200bp	(197,384,851)	(197,384,851)	(335,284)	one month
Less than three months	+200bp	(36,759,356)	(234,144,482)	(181,280)	three months
Three to twelve months	+200bp	48,867,702	(185,276,780)	977,354	one year
One to five years	+200bp	37,417,360	(147,859,420)	748,347	
Over five years	+200bp	(8,430,925)	(156,290,345)	(168,619)	

36. Financial risk management continued

(f) Market risks continued

(i) Interest rate risk continued

Rate sensitivity of assets and liabilities

As at 31 December 2012	On demand N'000	Trading derivatives N'000	Less than 3 months N'000	3–12 months N'000	1–5 years N'000	Over 5 years N'000	Total N'000
Financial assets							
Due from other banks	–	–	9,198,646	–	–	–	9,198,646
Financial assets held for trading	–	–	1,998,860	–	–	–	1,998,860
Loans and advances	14,140,874	–	46,599,000	35,701,000	116,748,000	16,232,000	229,420,874
Investment securities available-for-sale	–	–	–	5,531,561	9,325,000	2,001,000	16,857,561
Investment securities held to maturity	–	–	26,985,621	20,807,729	71,434,765	36,707,859	155,935,974
Total undiscounted financial assets (A)	14,140,874	–	84,782,127	62,040,290	197,507,765	54,940,859	413,411,915
Financial liabilities							
Due to banks	–	–	3,118,775	–	–	–	3,118,775
Due to customers	284,191,421	–	92,779,127	86,755,777	–	–	463,726,325
Debt securities issued and other borrowed funds	–	–	1,569,771	1,387,811	18,741,437	13,220,632	34,919,651
Total undiscounted financial liabilities (B)	284,191,421	–	97,467,673	88,143,588	18,741,437	13,220,632	501,764,751
Net undiscounted financial assets/liabilities	(270,050,547)	–	(12,685,546)	(26,103,298)	178,766,328	41,720,227	(88,352,836)

Interest rate sensitivity analysis

	Increase in bp	Net gap	Cumulative gap	Sensitivity on profit	Annualised period
On demand	+200bp	(270,050,547)	(270,050,547)	(458,716.00)	one month
Less than three months	+200bp	(12,685,546)	(282,736,093)	(62,558.86)	three months
Three to twelve months	+200bp	(26,103,298)	(308,839,391)	(522,065.96)	one year
One to five years	+200bp	178,766,328	(130,073,063)	3,575,326.56	
Over five years	+200bp	41,720,227	(88,352,836)	834,404.54	

(ii) Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rate would affect the value of the Bank's assets and liabilities as well as off-balance sheet items. This also includes positions in local currency that are indexed to foreign exchange rate. Financial instruments that are exposed to this risk include: foreign currency denominated loans and advances, foreign currency denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions.

Exposures to currency risk are consistently monitored by limit structures for overnight and intraday spot and forward limits for dealers and the global position. The net open position limit is strictly monitored to ensure strict compliance with regulatory requirements. In order to avoid risk of loss or breaches of the regulatory limits, daily monitoring and reporting of all foreign currency transactions is in place.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates for the gap between foreign currency denominated balance for the different currency gap of the Bank's assets and liability. The sensitivity of the income statement is the effect of the assumed changes in exchange rates on the gap position.

Notes to the financial statements continued

for the year ended 31 December 2013

36. Financial risk management continued

(f) Market risks continued

(ii) Foreign currency risk continued

Foreign currency concentrations risk as at 31 December 2013	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Assets					
Cash and balance with central bank	88,282,871	1,825,076	260,596	17,784	90,386,327
Unrestricted balance	6,514,235	–	–	–	6,514,235
Due from other banks	32,618,549	51,537,883	879,789	564,801	85,601,022
Pledged financial assets	78,916,843	854,889	–	–	79,771,732
Financial assets held for trading	2,200,994	–	–	–	2,200,994
Loans and advances	221,428,449	100,172,288	143,011	–	321,743,748
Investment securities available-for-sale	19,496,194	–	–	–	19,496,194
Investment securities held to maturity	75,046,202	1,077,732	–	–	76,123,934
Other assets	25,958,995	–	–	–	25,958,995
Total undiscounted financial assets (A)	550,463,332	155,467,868	1,283,396	582,585	707,797,181
Liabilities					
Due to customers	449,111,143	119,736,069	1,092,507	571,378	570,511,097
Debt securities issued and other borrowed funds	22,199,492	21,028,094	130,539	–	47,816,177
Other financial liabilities	15,726,063	14,744,000	–	–	30,470,063
Total undiscounted financial liabilities (B)	487,036,698	155,508,163	1,223,046	571,378	644,339,285
Net undiscounted financial assets/(liabilities)	63,426,634	(40,295)	60,350	11,207	63,457,896

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net on-balance sheet position	(40,295)	60,349	11,206	
Closing exchange rate (naira/currency)	155	251	214	
1% currency depreciation(+)/appreciation(-)	157	254	216	
Net effect on profit and capital	(62,537)	151,481	23,950	112,894

36. Financial risk management continued

(f) Market risks continued

(ii) Foreign currency risk continued

Foreign currency concentrations risk as at 31 December 2012	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Assets					
Cash and balance with central bank	54,038,664	1,535,745	411,719	303,945	56,290,073
Unrestricted balance	7,331,943	–	–	–	7,331,943
Due from other banks	16,447,665	16,817,941	323,523	289,543	33,878,671
Pledged financial assets	47,662,159	9,749,894	–	–	57,412,053
Financial assets held for trading	1,998,860	–	–	–	1,998,860
Loans and advances to customer	161,044,299	68,376,575	–	–	229,420,874
Investment securities available-for-sale	16,857,561	–	–	–	16,857,561
Investment securities held to maturity	150,568,974	5,367,000	–	–	155,935,974
Other assets	18,826,702	1,892,972	188,366	191,892	21,099,931
Total undiscounted financial assets (A)	474,776,827	103,740,126	923,608	785,380	580,225,940
Liabilities					
Due to banks	–	3,118,775	–	–	3,118,775
Due to customers	390,410,815	71,915,377	763,355	636,778	463,726,325
Debt securities issued and other borrowed funds	20,107,651	14,812,000	–	–	34,919,651
Other financial liabilities	18,433,400	13,076,542	160,252	148,601	31,818,795
Total undiscounted financial liabilities (B)	428,951,866	102,922,693	923,607	785,379	533,583,546
Net undiscounted financial assets	45,824,961	817,433	–	–	46,642,394

Sensitivity analysis of foreign currency balance sheet

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net on-balance sheet position	817,433	–	–	
Closing exchange rate (naira/currency)	156	251	205	
1% currency depreciation(+)/appreciation(-)	157	254	207	
Net effect on profit and capital	1,273,315	–	–	1,273,315

(g) Operational risk management

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

Sterling Bank maintains a dedicated function for managing its operational risks with reporting line to Executive Management and the Board Risk Management Committee through the Chief Risk Officer as part of a robust governance culture. The Management Risk Committee consisting of heads of all business functions reviews operational risk management reports quarterly and defines action plans geared towards managing risks to acceptable levels.

The department is open to regular auditing from internal and external auditors and is taking positive steps towards the implementation of Basel II accord.

The specific objectives of operational risk management in the Bank are as follows:

- creating a minimal surprise environment in Sterling Bank Plc through the reduction of the frequency and impact of operational risk incidents;
- instituting a systematic process and approach for identification, assessment and management of operational risks inherent in people, processes, systems and external factors;

Notes to the financial statements continued
for the year ended 31 December 2013

36. Financial risk management continued

(g) Operational risk management continued

- defining appropriate measurement metrics to monitor potential impact of operational risks in the Bank's activities and profitability;
- monitoring and managing risks to minimise the Bank's exposure and losses arising from operational risks;
- ensuring that risk ownership is established and responsibilities for the management of operational risk events is clearly documented; and
- constantly reviewing internal processes, procedures, products and policies to address the root causes of operational events.

The major methodologies employed in the Bank include:

1. loss data collection and tracking: internal loss events are captured bank wide and recorded in a database. This aids in the tracking of events, determining the impact and frequency of risk events and the profitability along business lines;
2. development and monitoring of key risk indicators: metrics are set by the operational risk management unit in conjunction with the process owners to monitor key risks in the business units that could prevent the achievement of set goals; and
3. risk and control self-assessments: a periodic self-assessment of risks and controls by process owners is conducted to evaluate the strength of controls in managing identified risks.

Other methodologies employed in the management of risks include the process mapping technique, the use of audit reports, loss history and the administration of questionnaires.

Operational Risk Management conducts its risk management function independently without compromising on industry/regulatory standards. The Bank adopts a bottom-up and a top-down approach to managing operational risks.

(h) Capital management

(i) Regulatory capital

The Bank's lead regulator, the Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria. In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

Banking operations are categorised mainly as trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

36. Financial risk management continued

(h) Capital management continued

(ii) Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

	Note	31 December 2013 N'000	31 December 2012 N'000
Tier 1 capital			
Ordinary share capital	29	**10,796,407**	7,851,931
Share premium		**27,871,589**	18,689,788
Retained earnings		**7,785,753**	6,019,078
Other reserves	31	**17,004,147**	14,081,597
		63,457,896	46,642,394
Less:			
Fair value reserve on available-for-sale securities		**295,931**	(148,935)
Revaluation reserve		**–**	(486,000)
Deferred tax assets	14	**(6,971,145)**	(6,971,145)
Intangible assets	23	**(601,391)**	(203,465)
		56,181,291	38,832,849
Tier 2 capital			
Fair value reserve for available-for-sale securities		**(295,931)**	148,935
Revaluation and translation reserve		**–**	486,000
Debt securities issued	27	**4,563,598**	4,563,612
Collective impairment	19(c)	**2,529,130**	876,298
Total		**6,796,797**	6,074,845
Total regulatory capital		**62,978,088**	44,907,694
Risk-weighted assets		**448,520,341**	308,113,422
Total tier 1 and tier 2 capital expressed as a percentage of risk-weighted assets		**14%**	15%

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives.

Notes to the financial statements continued

for the year ended 31 December 2013

37. Related party transactions

During the year, the Bank granted various credit facilities to related companies of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N16.2 billion (2012: N16.2 billion) relating to the Directors only was outstanding on these facilities at the end of the year. Details of these related party credits are:

31 December 2013

Name of borrower	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Amount granted N'000	Outstanding credit/ performing N'000	Status	Perfected security/nature	Facility type
Aircom Nig ltd.	Director	Yemi Idowu	8/5/13	8/5/17	1,707,200	1,506,147	Performing	Equitable mortgage	Term loan
Aircom Nig ltd.	Director	Yemi Idowu	2/10/13	8/5/14	450,000	298,631	Performing	Equitable mortgage	Overdraft
Conoil plc	Brother to Director	Osunsade Olufunmilola	5/12/13	29/1/14	7,900,000	6,034,758	Performing	Negative pledge	Overdraft
FTA Associates Limited	Director	Osunsade Olufunmilola	19/11/13	16/5/14	40,000	41,157	Performing	Legal mortgage	Term loan
Sahel Bureau De Change Ltd	Sister to Director	Osunsade Olufunmilola	30/10/13	29/10/15	44,000	41,132	Performing	Legal mortgage; personal guarantee	Term loan
Staff Investment Trust Scheme	Employees	Employees	–	–	800,000	345,351	Performing	Lien on entitlements/ indemnity	Staff investment trust scheme
Suncity Properties Limited	Director	Yemi Idowu	30/9/13	21/12/18	2,560,800	2,411,686	Performing	Legal mortgage	Term loan
Suncity Properties Limited	Director	Yemi Idowu	2/5/12	28/12/18	1,200,000	1,201,282	Performing	Legal mortgage	Term loan
Safe Trust Savings & Loans Ltd	Director	Yinka Adeola	29/10/13	13/1/14	418,000	298,567	Performing	Legal mortgage	Overdraft
Safe Trust Savings & Loans Ltd	Director	Yinka Adeola	28/1/13	28/1/20	962,987	989,090	Performing	Legal mortgage	Term loan
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	30/6/8	29/6/18	100,000	72,795	Performing	Equitable mortgage	Term loan
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	13/8/13	14/8/17	500,000	478,337	Performing	Equitable mortgage	Term loan
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	31/12/13	15/1/14	1,500,000	1,654,002	Performing	Equitable mortgage	Overdraft
Touchpoints Nigeria Limited	Sister to Director	Yemi Idowu	27/12/13	10/1/14	2,000	1,364	Performing	Legal mortgage	Overdraft
Touchpoints Nigeria Limited	Sister to Director	Yemi Idowu	31/12/13	14/2/14	3,617	3,677	Performing	Legal mortgage	Term loan
UTC Nigeria Plc	Brother to Director	Yinka Adeola	30/7/10	29/7/15	260,510	102,979	Performing	Legal mortgage	Term loan
Commercial Staff Loan	Employees	Employees			1,124,560	755,613	Performing	Lien on entitlements/ indemnity	Consumer loan
					19,073,673	16,236,568			

37. Related party transactions continued

31 December 2012

Name of borrower	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Amount granted N'000	Outstanding credit/ performing N'000	Status	Perfected security/nature	Facility type
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	12/27/12	1/15/13	1,446,000	1,299,729	Performing	Equitable mortgage	Overdraft
UTC Nigeria Plc	Brother to Director	Yinka Adeola	11/13/12	2/11/13	86,000	87,516	Doubtful	Legal mortgage, personal guarantee	Overdraft
Conoil plc	Director	Osunsade Olufunmilola	12/28/12	6/20/13	8,000,000	7,443,382.31	Performing	Negative pledge	Overdraft
Eterna Plc	Brother to Director	Yinka Adeola	10/16/12	1/14/13	400,000	383,176	Performing	Mortgage debenture on tank	Overdraft
Sahel Bureau De Change Ltd	Director	Osunsade Olufunmilola	7/9/12	1/3/13	44,000	38,073	Performing	Legal mortgage, personal guarantee	Overdraft
FTA Associates Limited	Director	Osunsade Olufunmilola	11/2/12	5/2/13	40,000	33,654	Performing	Legal mortgage	Overdraft
Touchpoints Nigeria Limited	Sister to director	Yemi Idowu	12/20/12	1/4/13	4,000	4,138	Performing	Legal mortgage	Overdraft
Aircom Nig ltd.	Director	Yemi Idowu	9/28/12	9/25/13	900,000	798,781	Performing	Equitable mortgage	Overdraft
Lekki Silver Touch Ltd	Director	Yemi Idowu	9/28/12	9/28/13	900,000	885,315	Performing	Legal mortgage	Overdraft
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	6/30/08	6/29/18	100,000	81,192	Performing	Equitable mortgage	Term loan
UTC Nigeria Plc	Brother to Director	Yinka Adeola	7/30/10	7/29/15	260,510	156,400	Doubtful	Legal mortgage, personal guarantee	Term loan
Staff Investment Trust Scheme	Employees	Employees			–	437,992	Performing	Lien on entitlements/ indemnity	Staff investment trust scheme

Notes to the financial statements continued
for the year ended 31 December 2013

37. Related party transactions continued
31 December 2012 continued

Name of borrower	Relationship to reporting institution	Name of the related interest	Date granted	Expiry date	Amount granted N'000	Outstanding credit/ performing N'000	Status	Perfected security/nature	Facility type
Bara'atu Bashir Borodo	Son to Director	Alh. Bashir Borodo	9/14/12	3/14/14	1,000	858	Performing	Personal guarantee	Term loan
Touchpoints Nigeria Limited	Sister to director	Yemi Idowu	12/30/11	12/30/13	3,038	1,694	Performing	Legal mortgage	Term loan
Osunsade Olufunmilola	Director	Osunsade Olufunmilola	1/31/12	12/25/13	9,022	5,478	Performing	Post-dated cheques	Overdraft
Adeola Rilwan Adedayo	Brother to Director	Yinka Adeola	6/29/11	7/1/13	50,000	14,472	Performing	Legal mortgage, personal guarantee	Term loan
Suncity Properties Limited	Director	Yemi Idowu	1/30/12	2/28/19	3,701,000	3,701,000	Performing	Legal mortgage	Term loan
Commercial Staff Loan	Employees	Employees	7/30/10	7/29/15	1,124,404	788,827	Performing	Lien on entitlements/ indemnity	Term loan
					17,068,974	16,161,676			

38. Fair value of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 2.2.7. The Bank measures fair value using the following fair value hierarchy that reflects the process used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using inputs that are not based on observable market data, i.e. unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

38. Fair value of financial instruments continued

The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of the reporting period:

31 December 2013	Level 1	Level 2	Level 3	Total
Investment securities	20,307,898	–	1,389,290	21,697,188
31 December 2012				
Investment securities	17,755,382	–	1,101,039	18,856,421

Disclosure of Level three fair value

Movements in Level 3 financial instruments measured at fair value

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

Financial assets	At 1 January 2013 N'000	Total gains/ (losses) recorded in profit or loss N'000	Total gains/ (losses) recorded in equity N'000	Purchases N'000	Sales N'000	Settlement N'000	At 31 December 2013 N'000
Investment securities	1,101,039	297,035	–	18,810	(27,594)	–	**1,389,290**
Total Level 3 financial assets	1,101,039	297,035	–	18,810	(27,594)	–	**1,389,290**

Financial assets	At 1 January 2012 N'000	Total gains/ (losses) recorded in profit or loss N'000	Total gains/ (losses) recorded in equity N'000	Arising from Acquisition N'000	Sales N'000	Settlement N'000	At 31 December 2012 N'000
Investment securities	1,515,995	(157,284)	–	–	(228,660)	(29,012)	1,101,039
Total Level 3 financial assets	1,515,995	(157,284)	–	–	(228,660)	(29,012)	1,101,039

(B) The following table shows total gains and losses recognised in profit or loss during the year relating to assets and liabilities held at the year end:

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Other sundry income N'000	Net impairment charges N'000	Other sundry income N'000	Net impairment charges N'000
Investment securities	**2,964**	**(300,000)**	142,716	(300,000)
	2,964	**(300,000)**	142,716	(300,000)

During the year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Notes to the financial statements continued
for the year ended 31 December 2013

39. Compliance with banking regulations

During the year, the Bank contravened certain circulars and guidelines of the Central Bank of Nigeria and BOFIA Act and as such a penalty has been imposed on the Bank by the Central Bank of Nigeria.

Circular	Date of circular	Nature of contravention	Penalty N'000
Cashless policy – COD/DIR/GEN/CIT/05/03	20 April 2011	Non-application of charges on excess cash withdrawal	974
BOFIA 1990 Section 60	BOFIA 1990	Late repatriation of unutilised funds	2,000
BOFIA 1991 Section 60 (1)	BOFIA 1991	Foreign exchange examination infraction	4,000
BSD/GBB/CON/CRR/03	31 July 2013	Under reporting of public sector deposits	2,000
Assessment Criteria for Approved Person's Regime for Financial Institutions	21 June 2011	Promotion to top management without CBN approval	44,000
			52,974

40. Customer complaints

In line with circular FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2013 is as set out below:

	Number		Amount	
Description	2013	2012	2013 N'000	2012 N'000
Pending complaints b/f	**34**	1	**625,095**	6,366
Received complaints	**3,614**	4,782	**14,644,275**	948,673
Resolved complaints	**3,539**	4,749	**(1,220,863)**	(329,944)
Rejected complaints	**–**	–	**(11,761,353)**	–
Unresolved complaints escalated to CBN for intervention	**–**	–	**–**	–
Unresolved complaints pending with the Bank c/f	**109**	**34**	**2,287,154**	**625,095**

Statement of value added

for the year ended 31 December 2013

	2013		2012	
	N'000	%	N'000	%
Gross earnings	91,628,840		68,856,815	
Interest expense	(34,160,115)		(29,648,039)	
	57,468,725		39,208,776	
Net impairment	(8,259,094)		242,732	
Bought-in materials and services – local	(26,938,321)		(19,991,410)	
Value added	22,271,310	100	19,460,098	100
Applied to pay:				
– Employee as wages, salaries and pensions	10,266,623	46	9,392,577	48
– Government taxes	1,035,334	5	546,112	3
Retained in business:				
– Depreciation and amortisation	2,694,489	12	2,567,870	13
– Profit for the year	8,274,864	37	6,953,539	36
	22,271,310	100	19,460,098	100

Five-period financial summary
for the year ended 31 December 2013

	IFRS			Local GAAP	
	31 December	31 December			
	2013	2012	2011	2010	2009
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash in hand and balances with CBN	**96,900,562**	63,622,016	36,810,450	6,660,320	8,573,234
Treasury bills	**–**	–	–	6,023,587	9,607,738
Due from other banks	**85,601,022**	33,878,671	53,695,139	21,832,592	56,592,146
Pledged financial assets	**79,771,732**	57,412,053	49,700,219	–	–
Loans and advances	**321,748,748**	229,420,874	162,063,156	99,312,070	78,140,098
Other facilities	**–**	–	–	–	350,000
Advances under finance lease	**–**	–	–	2,624,572	3,917,488
Investment securities	**–**	–	–	96,593,620	25,738,514
Held for trading	**2,200,994**	1,998,860	–	–	–
Available-for-sale	**19,496,194**	16,857,561	3,233,254	–	–
Held to maturity	**76,123,934**	155,935,974	169,242,661	–	–
Investment in subsidiaries	**–**	–	–	2,467,622	2,467,622
Investment in associates	**–**	–	–	260,093	260,093
Investment properties	**–**	–	–	–	60,000
Other assets	**9,317,091**	6,132,005	13,258,260	14,628,832	10,762,879
Property and equipment	**9,069,368**	7,793,316	8,930,814	4,267,457	5,089,200
Intangible assets	**601,391**	203,465	143,115	149,266	–
Deferred tax assets	**6,971,145**	6,971,145	6,971,145	4,759,491	4,081,815
	707,797,181	580,225,940	504,048,213	259,579,522	205,640,827
Liabilities					
Deposits from banks	**–**	3,118,775	17,744,296	–	150,000
Deposits from customers	**570,511,097**	463,726,325	392,049,881	199,274,284	160,470,381
Current income tax liabilities	**1,112,289**	803,422	677,926	368,489	393,405
Defined contribution obligations	**–**	–	–	51,071	54,811
Other facilities	**–**	–	–	–	350,000
Other borrowed funds	**38,794,527**	30,356,039	27,301,377	25,058,101	14,201,550
Debt securities in issue	**4,563,598**	4,563,612	4,562,000	–	–
Other liabilities	**29,357,772**	31,015,373	20,655,397	8,507,091	7,878,686
	644,339,285	533,583,546	462,990,877	233,259,036	183,498,833
Net assets	**63,457,896**	46,642,394	41,057,336	26,320,487	22,141,994

	IFRS			Local GAAP	
	31 December	31 December			
	2013	2012	2011	2010	2009
	N'000	N'000	N'000	N'000	N'000
Equity					
Share capital	**10,796,407**	7,851,931	7,851,931	6,281,545	6,281,545
Share premium	**27,871,589**	18,689,788	18,689,788	12,314,019	12,314,019
Retained earnings	**7,785,753**	6,019,078	2,780,715	2,448,500	(1,729,993)
Equity reserves	**17,004,147**	14,081,597	11,734,903	5,276,423	5,276,423
Attributable to equity holders of the Bank	**63,457,897**	46,642,394	41,057,336	26,320,487	22,141,994
Other commitments and contingencies	**201,629,221**	127,949,875	78,673,415	48,908,173	25,198,318

Profit and loss account

	IFRS			Local GAAP	
	31 December	31 December			
	2013	2012	2011	2010	2009
	12 months	12 months	12 months	12 months	15 months
	N'000	N'000	N'000	N'000	N'000
Gross earnings	**91,628,840**	68,856,815	45,698,415	30,386,957	43,464,716
Profit/(loss) before income tax	**9,310,198**	7,449,651	5,640,306	3,688,251	(9,072,908)
Income tax (expense)/benefit	**(1,035,334)**	(546,112)	1,268,292	490,242	2,412,502
Profit/(loss) after income tax	**8,274,864**	6,953,539	6,908,598	4,178,492	(6,660,406)

The following are the nature of adjustments which will make the 2009 and 2010 financial statements prepared under Nigerian GAAP comply with IFRS in line with IFRS 1:

Classification and measurement of assets and liabilities

Under IFRS, financial assets and liabilities are required to be classified as held for trading at fair value through profit or loss, available-for-sale, loans and receivables and held to maturity and other financial assets and liabilities. Financial instruments are measured based on their classification. (IAS 32, 39 and IFRS 7- Financial instruments)

a) Short-term investments

Under IFRS, investments are not classified as short-term. Therefore, short-term investments comprising of treasury bills and Discounted Sovereign Debt Note would have been reclassified to investment securities and recognised at amortised cost in line with the Bank's intention and purposes.

b) Pledged assets

The Nigerian GAAP did not require separate classification of pledged assets and as such they were included in their respective classes under Nigerian GAAP. Under IFRS, IAS 39 requires that collateral provided should be classified separately from other assets when the counterparty has the right to sell or re-pledge the collateral.

(c) Investment securities

Under Nigerian GAAP, the Bank accounted for investments in unquoted securities as financial instruments measured at cost. Under IFRS, the Bank would have designated such investments as either held for trading, available-for-sale and held-to-maturity investments in line with the Bank's intention and purposes.

IFRS requires held for trading investments to be measured at fair value with fair value gains and losses charged to profit and loss in the statement of comprehensive income; available-for-sale investments to be measured at fair value with fair value gains and losses impacting equity and held-to-maturity investments are carried at amortised cost and the difference between the instruments amortised cost and Local GAAP carrying amount would have impacted on the equity.

Five-period financial summary continued

for the year ended 31 December 2013

Classification and measurement of assets and liabilities continued

(d) Loans and advances

Impairment of loans and advances:

Under Nigerian GAAP, loans and advances were measured at costs net of impairment losses using an expected loss model. A specific risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This provision is made for each account that is not performing in accordance with the terms of the related facility. A general provision of at least 1% is made for all performing accounts to recognise losses in respect of risks inherent in any credit portfolio. Under IFRS, an impairment loss can only be accounted for if there is objective evidence that a loss has occurred after the initial recognition but before the balance sheet date. Based on this, individual impairment would have been calculated and charged accordingly, while collective impairment is charged for facilities that are considered performing.

Amortised cost of loans and advances

Under Nigerian GAAP, gross loans and advances are measured at cost using the contractual interest rate. IFRS requires financial instrument classified such as loans and receivables to be measured at amortised cost using effective interest rate which takes into consideration the originating fees and other transaction costs.

(e) Due from other banks

Under Nigerian GAAP, pledged cash are included in 'Due from other Banks'. But under IFRS, pledged assets are disclosed separately from the asset.

(f) Other assets

Under Nigerian GAAP, interest receivables were classified separately from the principal while premium on bonds were recognised under other assets as well. Under IFRS, the interest would have been included in the principal amount. Also, the fair value loss on the initial recognition of staff loans given at below market rate would have been adjusted in other assets.

(g) Other liabilities

Under Nigerian GAAP, interest payable and unearned interest was presented as separate line items in other liabilities. In line with IFRS, this would have been included in the principal amount, although these changes may not have had significant impact on the profit and loss or equity.

(h) Deposit from banks and customers

The impact of changes in deposits from banks and customers from the Nigerian GAAP to IFRS were mainly attributable to reclassification adjustment to properly distinguish deposits from banks from deposit from customers. These changes may not have significant impact on the profit and loss or equity.

(i) Borrowed funds

Under Nigerian GAAP, borrowed funds are carried at cost. In applying IFRS, these would have been carried at amortised cost. The impact of changes in borrowed funds from the Nigerian GAAP to IFRS would have been mainly attributable to conversion adjustment to properly state borrowed funds at amortised cost.

(j) Adjustment to equity and other reserves

As a result of IFRS adjustment, all impact due to re-measurements of various financial assets and liabilities would have been accounted for in retained earnings.

Movement in other reserves arising from fair value gains or losses recognised on the available-for-sale financial instruments would have been recognised within other comprehensive income while changes in amount transferred to statutory reserve would have been impacted as a result of changes in IFRS profit.

Share capital history

Date	Authorised share capital Increase N	Authorised share capital Cumulative N	Issued and fully paid up Increase N	Issued and fully paid up Cumulative N	Consideration
1960	–	500,000	–	500,000	Cash
1970	1,000,000	1,500,000	1,000,000	1,500,000	Scrip
1973	1,000,000	2,500,000	–	1,500,000	–
1974	–	2,500,000	625,000	2,125,000	Scrip
1975	–	2,500,000	375,000	2,500,000	Scrip
1979	2,500,000	5,000,000	1,000,000	3,500,000	Scrip
1982	2,500,000	7,500,000	1,400,000	4,900,000	Scrip
1983	–	7,500,000	2,450,000	7,350,000	Cash
1984	3,000,000	10,500,000	3,150,000	10,500,000	Scrip
1985	4,500,000	15,000,000	–	10,500,000	–
1987	5,000,000	20,000,000	5,250,000	15,750,000	Scrip
1989	30,000,000	50,000,000	15,750,000	31,500,000	Scrip
1991	50,000,000	100,000,000	31,500,000	63,000,000	Scrip
1992	–	100,000,000	–	63,000,000	–
1994	–	100,000,000	31,500,000	94,500,000	Scrip
1995	50,000,000	150,000,000	47,250,000	141,750,000	Scrip
1997	450,000,000	600,000,000	–	141,750,000	Scrip
1998	–	600,000,000	212,625,000	354,375,000	Scrip
1999	–	600,000,000	177,188,000	531,563,000	Scrip
2001	400,000,000	1,000,000,000	132,890,125	664,453,125	Scrip
2003	500,000,000	1,500,000,000	132,890,125	797,343,750	Scrip
2003	–	1,500,000,000	34,344,239	831,687,989	Cash
2004	1,000,000,000	2,500,000,000	171,229,880	1,002,917,869	Scrip
2004	–	2,500,000,000	240,375,737	1,243,293,605	Cash
2005	2,000,000,000	4,500,000,000	621,646,803	1,864,940,408	Scrip
2006	5,500,000,000	10,000,000,000	522,045,592	2,386,986,000	Cash
2006	–	10,000,000,000	2,889,437,825	5,276,423,825	Merger
2008	2,000,000,000	12,000,000,000	6,658,513,143	11,934,936,968	Merger Adjustment
2008	–	12,000,000,000	–	6,281,545,772	Reconstruction
2011	–	12,000,000,000	1,570,386,444	7,851,932,216	ETB Merger
2013	–	12,000,000,000	2,944,474,581	10,796,406,797	Rights Issue

Senior executives
for the year ended 31 December 2013

S/N	EMPLOYEE NAME	GRADE	DESIGNATION
1	ADEOLA YEMI	Managing Director	Managing Director & Chief Executive Officer
2	PURI DEVENDRA NATH	Executive Director	Executive Director, Lagos
3	ADESANYA OLANREWAJU	Executive Director	Executive Director, South
4	SULE ABUBAKAR	Executive Director	Executive Director, North
5	LAWAL MUDATHIR OMOKAYODE	General Manager	Regional Business Executive, Lagos Island 2
6	SULEIMAN ABUBAKAR	General Manager	Chief Financial Officer
7	ODUBIYI YEMI	General Manager	Chief Operating Officer
8	ADEOLA TUNDE	General Manager	Regional Business Executive, Lagos Mainland 2
9	ADEGUN ADEGBOYEGA ADELANI	Deputy General Manager	Group Head, Corporate Banking – Team 2
10	LEWA JUSTINA AKPOABUGO	Deputy General Manager	Company Secretary & Legal Adviser
11	OLAIYA TOYIN EKUNDAYO	Deputy General Manager	Group Head, Enterprise Risk Management
12	PAUL POLSON MOONJELY	Deputy General Manager	Group Head, Corporate Banking – Team 4
13	BAKARE MOJISOLA	Deputy General Manager	Group Head, Corporate Banking – Team 1
14	AMOO FATAI	Deputy General Manager	Group Head, E-Business
15	PAUL-TAIWO ADEOYE	Deputy General Manager	Group Head, Corporate Banking – Team 3
16	JOHN JAPHET	Deputy General Manager	Regional Business Executive, Abuja
17	EGBARIN OBIAJULU	Deputy General Manager	Regional Business Executive, Lagos Mainland 1
18	MOWARIN JULIE	Deputy General Manager	Regional Business Executive, South South 1
19	ADEROJU ABIODUN	Deputy General Manager	Chief Inspector
20	ADEBAYO AYODELE ADEMOLA	Deputy General Manager	Regional Business Executive, South West 2
21	EKPENISI EMMANUEL EMEFIENIM	Deputy General Manager	Regional Business Executive, South South 2
22	KUPONIYI ADEFOLAHAN KIKELOMO	Assistant General Manager	Group Head, Retail Loans
23	OBE ENIOLA	Assistant General Manager	Regional Business Executive, Lagos Mainland 3
24	UBOSI ISIOMA ADA	Assistant General Manager	Regional Business Executive, Lagos Island 1
25	OLAMBIWONNU ADEBIMPE	Assistant General Manager	Group Head, Finance & Performance Management
26	AKINNAWONU MOSES	Assistant General Manager	Group Head, Channel Operations
27	IMAJI OJONIMI FRIDAY	Assistant General Manager	Special Assistant to the MD/CEO
28	OSHEKU CYRIL	Assistant General Manager	Group Head, Credit Administration
29	ATILOLA SHINA, BASHIRU	Assistant General Manager	Group Head, Strategy & Communications
30	ADEYEMI KOREDE ADEKOYA	Assistant General Manager	Relationship Manager – Corporate Banking – Team 1
31	ANAKO SEGUN	Assistant General Manager	Chief Information Officer
32	ABOYEJI RASAQ	Assistant General Manager	Regional Business Executive, South West 1
33	OSA-EDOKPOLOR DONALD, OSAMUEDE	Assistant General Manager	Group Head, Third Party Aquirer
34	AYODEJI FREDRICK AKINTUNDE	Assistant General Manager	Regional Business Executive, South East 1
35	YERIMA ABBAS	Assistant General Manager	Regional Business Executive, North East
36	OSUNDINA ADEJOKE	Assistant General Manager	Group Head, Recovery
37	AWOSANYA IRENE OLUBUKOLA	Assistant General Manager	Group Head, Agric Finance
38	YAU ABDULHADI MASANAWA	Assistant General Manager	Regional Business Executive, North West
39	MAHMUD HASSAN ABDULKARIM	Assistant General Manager	Regional Business Executive, North Central
40	FAMOGBIELE OLUWABUNMI ADERONKE	Assistant General Manager	Regional Business Head, Lagos Mainland 2
41	LEWIS OLUFUNMILAYO	Assistant General Manager	Regional Business Head, Lagos Island 2
42	SONOIKI OLADIPUPO	Assistant General Manager	Group Head, Collections
43	AIYEGBUSI OLUFEMI BAMIDELE	Assistant General Manager	Head, Litigation
44	ODUTOLA ABIODUN ADEBOLA	Assistant General Manager	Relationship Manager – Corporate Banking – Team 2
45	DAIRO OMOLADE OMOTAYO	Assistant General Manager	Information Technology
46	ANIFOWOSE ADEBAYO	Assistant General Manager	Group Head, Centralised Processing Centre

Branch network

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
	LAGOS ISLAND 1			
1	67 MARINA	Lagos	67, MARINA, LAGOS	08075393780
2	IDUMOTA	Lagos	99, ENU -OWA STREET ,IDUMOTA LAGOS	08075292814
3	BROAD STREET	Lagos	BOOKSHOP HOUSE, 50/52, BROAD STREET	08075292182
4	IGBOSERE	Lagos	198, IGBOSERE ROAD, OBALENDE, LAGOS ISLAND	08075292186
5	HEAD OFFICE BRANCH	Lagos	20, MARINA LAGOS	08075292203
6	MARTINS	Lagos	41/43, MARTINS STR LAGOS	08075292219
7	JOHN STREET	Lagos	37B, JOHN STREET, OKE ARIN	08075292227
8	IDUMAGBO	Lagos	106, IGA-IDUGANRAN STREET	08075292231
9	SURA	Lagos	BLK 11 SUIT 3 SURA SHOPPING COMPLEX	08075292250
10	DOCEMO	Lagos	62, DOCEMO STREET, IDUMOTA, LAGOS	08075292815
11	ISSA WILLIAMS	Lagos	4, ISSA WILLIAMS STREET, OKE ARIN, LAGOS STATE	08075292821
12	ALAKORO	Lagos	109C, ALAKORO STREET, OKE ARIN, LAGOS STATE	08075292818
13	SANGROUSE (LAFIAJI)	Lagos	33, HAWLEY STREET, LAFIAJI, LAGOS	08075292816
	LAGOS ISLAND 2			
14	30 ADETOKUNBO ADEMOLA	Lagos	30, ADETOKUNBO ADEMOLA STREET V/ISLAND	08075292176
15	228A AWOLOWO ROAD – IKOYI	Lagos	228, AWOLOWO RD IKOYI LAGOS	08075292211
16	BAKKY PLAZA – LEKKI	Lagos	AGUNGI BUS STOP BAKKY PLAZA LEKKI	08075292234
17	ADEOLA HOPEWELL	Lagos	42, ADEOLA HOPEWELL STR V/I LAGOS	08075292956
18	IKOTA SHOPPING COMPLEX – AJAH	Lagos	SHOP 14/15 BLK F IKOTA SHOPPING COMPLEX AJAH	08075292254
19	114 AWOLOWO ROAD – IKOYI	Lagos	114, AWOLOWO ROAD, IKOYI, LAGOS	08075292810
20	62 ADETOKUNBO ADEMOLA	Lagos	62, ADETOKUNBO ADEMOLA STR (BY AJOSE ADEOGUN ROUNDABOUT), V/I, LAGOS	08075292269
21	ADEOLA ODEKU	Lagos	PLOT 300, ADEOLA ODEKU STREET, V/ISLAND LAGOS	08075292819
22	SAKA TINUBU	Lagos	50, SAKA TINUBU, VICTORIA ISLAND, LAGOS	08075292813
23	LANGBASA SERVICE CENTRE	Lagos	26, LANGBASA ROAD, AJAH, LAGOS	08075290106
24	AWOYAYA	Lagos	AWOYAYA BESIDE GOMMEK PETROL STATION, AWOYAYA, AJAH LAGOS	08113944148
	LAGOS MAINLAND 1			
25	COKER	Lagos	29, BADAGRY EXPRESS WAY COKER ORILE LAGOS	08075292322
26	WHARF ROAD	Lagos	13/15, WHARF RD APAPA	08075292193
27	TINCAN	Lagos	10, TINCAN ISLAND PORT RD, APAPA LAGOS	08075292195
28	1 CREEK ROAD (NNEWI BUILDING)	Lagos	1-3, CREEK RD APAPA LAGOS	08075292199
29	LASU	Lagos	LASU OJO LAGOS	08075292350
30	KIRIKIRI ROAD	Lagos	250, KIRIKIRI RD APAPA LAGOS	08075292215
31	26B CREEK ROAD	Lagos	26B, CREEK RD APAPA LAGOS	08075292223
32	COMMERCIAL ROAD	Lagos	17, COMMERCIAL RD APAPA LAGOS	08075292238
33	IBRU JETTY – APAPA	Lagos	31, IKUDAISI STR APAPA-OSHODI EXP WAY LAGOS	08075292246
34	TRADE FAIR	Lagos	8C, EXECUTIVE PLAZA, BBA, TRADE FAIR. LAGOS	08075292829
35	ALABA	Lagos	5, ALABA INTERNATIONAL MARKET ROAD, ALABA LAGOS	08075292845
36	ALABA SERVICE CENTRE	Lagos	50/51, ALABA INTERNATIONAL MARKET ROAD, ALABA, LAGOS.	08075292846
37	MOBIL ROAD – AJEGUNLE	Lagos	66, MOBIL ROAD, AJEGUNLE, LAGOS	08075292986

Branch network continued

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
	LAGOS MAINLAND 2			
38	AROMIRE	Lagos	9, AROMIRE AVENUE IKEJA LAGOS	08075292318
39	ILUPEJU	Lagos	AKINTOLA WILLIAMS DELLOITE BUILDING 235, IKORODU RD LAGOS	08075292330
40	ADEBOLA HOUSE	Lagos	38, OPEBI ROAD LAGOS	08075292346
41	2B OPEBI	Lagos	2B, OPEBI ROAD IKEJA LAGOS	08075292353
42	AWOLOWO WAY – IKEJA	Lagos	104, AWOLOWO WAY IKEJA LAGOS	08075292356
43	68 OPEBI	Lagos	68, OPEBI STR IKEJA LAGOS	08075292373
44	IKORODU	Lagos	43, LAGOS-IKORODU ROAD LAGOS	08075292826, 08075292378
45	ALLEN	Lagos	53, ALLEN AVE. IKEJA LAGOS	08075292831
46	CONOIL STATION – IKEJA GRA	Lagos	CONOIL STATION, OPP. GENERAL HOSPITAL (LASUTH), GRA IKEJA, LAGOS	08075292843
47	DEMURIN	Lagos	131/133, DEMURIN STREET, KETU, LAGOS.	08075292825
48	KETU	Lagos	548, IKORODU ROAD, KETU, LAGOS	08075292827
49	FADEYI	Lagos	96, IKORODU ROAD, FADEYI, LAGOS.	08075292976
50	OGUDU	Lagos	28, OGUDU ROAD, OJOTA, LAGOS.	08075292965
51	OWORONSOKI SERVICE CENTRE	Lagos	10, ADAMS STREET, OWORONSOKI, LAGOS	08076093038
52	OGIJO	Ogun	1, BISHOP CLOSE, OGIJO, LAGOS-SHAGAMU, OGUN STATE	08075393635, 08075393091
	LAGOS MAINLAND 3			
53	IJU ROAD – IFAKO	Lagos	102, IJU RD, IFAKO LAGOS	08075292334
54	IDIMU	Lagos	294, IDIMU RD ISHERI LAGOS.	08075292338
55	IYANA-IPAJA	Lagos	109, LAGOS ABEOKUTA EXP WAY IYANA IPAJA LAGOS	08075292342
56	SHASHA ROAD – DOPEMU	Lagos	32, SHASHA RD, AKOWONJO LAGOS	08075292360
57	OBA AKRAN	Lagos	NO 142, OBA AKRAN AV. LAGOS	08075292836
58	OGBA	Lagos	38, IJAIYE RD,OGBA LAGOS	08075292830
59	EJIGBO – NNPC	Lagos	NNPC DEPOT, EJIGBO	08075292970
	LAGOS MAINLAND 4			
60	OJUWOYE SERVICE CENTRE	Lagos	9, DADA IYALODE STR OJUWOYE MUSHIN LAGOS	08075292306
61	ADENIRAN OGUNSANYA – SURULERE	Lagos	74, ADENIRAN OGUNSANYA SURULERE LAGOS	08075292314
62	WILLOUGHBY – EBUTE METTA	Lagos	28, WILLOUGHBY STREET EBUTE METTA, LAGOS	08075292326
63	IDDO	Lagos	RAILWAY TERMINUS EBUTE METTA, LAGOS	08075292190
64	OGUNLANA DRIVE – SURULERE	Lagos	141, OGUNLANA DRIVE SURULERE LAGOS	08075292382
65	HERBERT MACAULAY – YABA	Lagos	260/262, HERBERT MARCAULAY WAY YABA, LAGOS	08075292386
66	MUSHIN	Lagos	122, AGEGE MOTOR ROAD, MUSHIN, LAGOS	08075292833
	LAGOS MAINLAND 5			
67	AIRPORT ROAD – IKEJA	Lagos	AIRPORT ROAD, IKEJA, LAGOS.	08075292841
68	DALEKO	Lagos	PLOT 8,BLK E DALEKO MARKET ISOLO EXPRESS WAY, LAGOS	08075292310
69	MATORI	Lagos	26, FATAI ATERE WAY, MATORI IND. EST.LAGOS	08075292368
70	MATORI SERVICE CENTRE	Lagos	1/5, JIMADE CLOSE, MATORI MARKET. LAGOS	08075292368
71	IRE-AKARI – ISOLO	Lagos	68, IRE-AKARI ESTATE, ISOLO, LAGOS	08075292982
72	OKOTA ROAD	Lagos	101, OKOTA ROAD ISOLO, LAGOS	08075292835

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
73	ITIRE	Lagos	ITIRE RD BY IYANA-ITIRE BUS STOP OFF APAPA-OSHODI, LAGOS	07055771742
74	OSHODI	Lagos	OYETAYO STREET ,OSHODI LOCAL GOVT, OSHODI, LAGOS	08075292389
	SOUTH WEST 1			
75	IWO ROAD – IBADAN	Oyo	49A, IWO ROAD IBADAN, OYO STATE	08075292498, 08075292850
76	DUGBE	Oyo	3, OBAFEMI AWOLOWO WAY DUGBE, OYO STATE	08075292469, 08075292468
77	IJEBU – ODE	Oyo	39, IBADAN ROAD, IJEBU-ODE, OGUN STATE	08075292515, 08075292856
78	APATA – IBADAN	Oyo	529, OLD ABEOKUTA RD, APATA GANGAN-IBADAN	08075292854, 08075292509
79	CHALLENGE – IBADAN	Oyo	97, LAGOS ROAD CHALLENGE IBADAN	08075292848, 08075292492
80	SECRETARIAT – IBADAN	Oyo	OYO STATE GOVT. SECRETARIAT COMPLEX, IBADAN	08075292853, 08075292506
81	JERICHO – IBADAN	Oyo	1, MAGAZINE ROAD, JERICHO, IBADAN	08075292512, 08075292855
82	GBAGI – IBADAN	Oyo	36, NEW COURT ROAD, GBAGI, IBADAN, OYO STATE	08075292495, 08075292849
83	OKE-ADO – IBADAN	Oyo	2, OSOSAMI RD, OKE-ADO, IBADAN.	08075292501, 08075292851
84	ABEOKUTA	Ogun	ABEOKUTA SPORT CLUB ROAD, OPIC ROUNDABOUT, OKE-ILEWO, ABEOKUTA(B/W BIG TREAT & SWEET SENSATION)	08075292476, 08075292475
85	OTA	Ogun	64, IDIROKO RD OTA, OGUN STATE	08075292393
	SOUTH WEST 2			
86	ORE	Ondo	82, ONDO RD, ORE	08075292462, 08075292463
87	AKURE	Ondo	142, OBA OYEMEKUN RD AKURE, ONDO STATE	08075292473, 08075292472
88	OSHOGBO	Osun	KM3 IBADAN GBONGAN ROAD, OSHOGBO.	08075292483, 08075292484
89	BOWEN UNIVERSITY	Osun	BOWEN UNIVERSITY, IWO, OSUN STATE.	08075292486, 08075292487
90	MM WAY, ILORIN	Kwara	11, MURITALA MOHAMMED WAY, ILORIN	08075292480, 08075292479
91	IBRAHIM TAIWO – ILORIN	Kwara	PLOT 240, IBRAHIM TAIWO ROAD, ILORIN	08075292857, 08075292518
92	ADO EKITI	Ekiti	BANK ROAD, BY NEW IYIN ROAD, ADO EKITI	08113944125, 08113944127
	SOUTH EAST 1			
93	DOUGLAS RD – OWERRI	Imo	71, DOUGLAS RD,OWERRI, IMO STATE	08075292598
94	EZIUKWU RD – ABA	Abia	PLOT 3, EZIUKWU RD, ABA	08075292614
95	AZIKIWE RD – ABA	Abia	127, NNAMDI AZIKWE ROAD, ABA, ABIA STATE	08075292876
96	LIBRARY AVENUE – UMUAHIA	Abia	2, LIBRARY AVENUE, OPPOSITE MICHELA OKPARA AUDITORIUM, UMUAHIA	08075292875

Branch network continued

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
97	CLEMENT EBRI – CALABAR	Cross River	1, CLEMENT EBRI DRIVE,STATE HOUSING ESTATE,CALABAR	08075292634
98	ORON RD – UYO	Akwa Ibom	52, ORON ROAD, UYO	08075292630
99	ABAK RD – UYO	Akwa Ibom	PLOT 16, BLOCK 1, ABAK ROAD EST. UYO, AKWA IBOM STATE	08075292877
	SOUTH EAST 2			
100	NEW MARKET RD – ONITSHA	Enugu	24, NEW MARKET RD,ONITSHA	08075292530
101	MARKET RD – ENUGU	Enugu	2A, MARKET RD, ENUGU	08075292533
102	OKPARA AVENUE – ENUGU	Enugu	PLOT 23 (48), OKPARA AVENUE, ENUGU	08075292580
103	PORT-HARCOURT ROAD ONITSHA	Anambra	34, PORT-HARCOURT RD,FEGGE, ONITSHA	08075292538
104	ZIK AVENUE – AWKA	Anambra	140, ZIK AVENUE, AWKA	08075292550
105	UGA BRIDGE HEAD ONITSHA BRANCH	Anambra	45, UGA STREET, FEGGE BRIDGEHEAD ONITSHA	08075292870
106	NOTTIDGE – ONITSHA	Anambra	23, NOTTIDGE STREET, ONITSHA	08075292867
	SOUTH SOUTH 1			
107	AKPAKPAVA	Edo	38, AKPAKPAVA STREET, BENIN CITY	08075292522
108	SAPELE ROAD	Edo	56/58, SAPELE ROAD, BENIN, EDO STATE	08075292863
109	IKPOBA HILL	Edo	40B, OHOVBE QTRS., IKPOBA HILL, BENIN CITY, EDO STATE	08075292862
110	OKADA	Edo	IGBINEDION UNIVERSITY, OKADA, EDO STATE	08075292865
111	MISSION ROAD	Edo	58, MISSION ROAD BENIN, EDO STATE	08075292858
112	ASABA 1	Delta	180, NNEBISI RD, ASABA, DELTA STATE	08075292542
113	ODIBO	Delta	EFFURUN-SAPELE RD OPP URHOBO COLLEGE, ODIBO HOUSING ESTATE, DELTA STATE	08075292546
114	ASABA 2	Delta	290, NNEBISI ROAD, ASABA, DELTA STATE	08075292868
115	ADESUWA ROAD	Delta	5, ADESUWA STREET, BENIN CITY, EDO STATE	08075292859
116	WARRI	Delta	75, WARRI/SAPELE ROAD, WARRI DELTA STATE	08075292864
117	EFFURUN	Delta	71, EFFURUN-SAPELE ROAD, EFFURUN, DELTA STATE	08075292861
118	ENERHEN JUNCTION	Delta	5, EFFURUN-SAPELE ROAD, DELTA STATE	08075292860
	SOUTH SOUTH 2			
119	MBIAMA RD – YENAGOA	Bayelsa	268, MBIAMA/YENAGOA RD,YENAGOA	08075292610
120	MELFORD OKILO ROAD – YENAGOA	Bayelsa	252, MELFORD OKILO ROAD, AMARATA, YENAGOA, BAYELSA STATE	08075292880
121	13 TRANS AMADI	Rivers	PLOT 13, TRANSAMADI, IND LAYOUT P/HARCOURT	08075292602
122	59 TRANS AMADI	Rivers	PLOT 59, TRANS AMADI INDUSTRIAL LAYOUT P/H	08075292640
123	OLU OBASANJO – PH	Rivers	4, OLU OBASANJO RD, P/HARCOURT	08075292618
124	WOJI RD – PH	Rivers	142, WOJI RD, GRA 2, P/HARCOURT	08075292622
125	UPTH	Rivers	UPTH PERMANENT SITE,P/H (SATURDAY BANKING)	08075292626
126	115 TRANS AMADI	Rivers	PLOT 115, TRANS AMADI INDUSTRIAL LAYOUT, P/H	08075292881
127	204 ABA ROAD	Rivers	204, KALAGBOR STREET, RUMUOLA, PORT-HARCOURT	08075292874
128	87 RUMUOLA	Rivers	87, RUMUOLA ROAD, RUMUOKARA PORT-HARCOURT	08075292873
129	OGBUNABALI – PH	Rivers	2A, AGUMA STREET, PORT-HARCOURT, RIVERS STATE	08075290111
130	AGGREY RD – PH	Rivers	14, AGGREY ROAD, PORT-HARCOURT	08075292882
131	PORT-HARCOURT REFINERY	Rivers	REFINERY, ELELEWON, PORT HARCOURT	08075292878
132	ONNE	Rivers	NEW OPPE EKARA, ALONG WHARF ROAD, ONNE, PORT-HARCOURT	08075292974

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
133	RUMUIBEKWE	Rivers	PLOT 6 AND 7, (420, ABA ROAD, RUMUIBEKWE PORT-HARCOURT	08075292881
	ABUJA			
134	MAMMAN KONTAGORA CLOSE – AREA 3	Federal Capital Territory	450, MAMMAN KONTAGORA CLOSE AREA 3 GARKI	08075292668, 08075292667
135	STERLING BOULEVARD – CBD	Federal Capital Territory	PLOT 990, STERLING BOULEVARD, CBD ABUJA	08075292676
136	WUYE SERVICE CENTRE	Federal Capital Territory	PLOT 1135, GIDADO IDRIS STREET, ETERNAL OIL FILLING STATION, FINANCE JUNCTION WUYE ABUJA	08075292680, 08075292679
137	LADOKE AKINTOLA – GARKI 2	Federal Capital Territory	BLK T, 16, SAMUEL AKINTOLA BOULEVARD,GARKI 2	08075292683, 08075292684
138	SEDA CLOSE –- AREA 8	Federal Capital Territory	17, SHEDA CLOSE AREA 8 GARKI	08075292687, 08075292686
139	NATIONAL ASSEMBLY	Federal Capital Territory	SB 67, NATIONAL ASSEMBLY COMPLEX	08075292691, 08075292693
140	ADEMOLA ADETOKUNBO – WUSE 2	Federal Capital Territory	5, ADEMOLA ADETOKUNBO STREET WUSE	08075292698
141	EMEKA ANYAOKU – AREA 11	Federal Capital Territory	PLOT 21/11, EMEKA ANYAOKU STREET, AREA 11, GARKI, ABUJA	08075292886, 08075292718
142	KASHIM IBRAHIM – WUSE 2	Federal Capital Territory	PLOT 603, KASHIM IBRAHIM WAY, WUSE 2, ABUJA FCT	08075292885, 08075292715
143	GATEWAY PLAZA – CBD	Federal Capital Territory	GATEWAY PLAZA, PLOT 208 ZAKARIYAHU, MAI-MALARI STREET, OFF HEBERT MACAULAY WAY,CBD ABUJA	08075292889, 08075292728
144	CONOIL – KADO	Federal Capital Territory	CONOIL PREMISES, KADO, ABUJA	08075292887, 08075292721
145	CONOIL – UTAKO	Federal Capital Territory	CONOIL STATION, UTAKO, ABUJA.	08075292888, 08075292724
	NORTH CENTRAL			
146	ALI AKILU – KADUNA	Kaduna	9, ALI AKILU RD KADUNA	08075292672
147	KACHIA ROAD – KADUNA	Kaduna	236, KACHIA RD KADUNA	08075292695
148	INDEPEDENCE ROAD, BESIDE FOOD PLANET KADUNA.	Kaduna	INDEPEDENCE ROAD, BESIDE FOOD PLANET KADUNA.	08075292891
149	KADUNA REFINERY	Kaduna	KM 16, KACHIA ROAD, KRPC STAFF CO-OPERATIVE COMMERCIAL PLAZA, KADUNA REFINERY, KADUNA.	08075292892
150	AHMADU BELLO WAY – KADUNA	Kaduna	CONOIL PREMISES 26, AHMADU BELLO WAY, KADUNA	08075292893
151	MINNA	Niger	FEDERAL MORTGAGE BANK BUILDING, BOSSO ROAD, MINNA	08075292884
152	MAKURDI	Benue	7, NEW BRIDGE STREET, MAKURDI, BENUE STATE	08075292871
153	LOKOJA	Kogi	64, IBRAHIM BABANGIDA WAY, LOKOJA	08076093024

Branch network continued

S/N	BRANCH NAME	STATE	BRANCH ADDRESS	CONTACT NUMBER(S)
	NORTH WEST			
154	SANI ABACHA WAY – KANO	Kano	12, SANI ABACHA WAY, KANO	08075292895, 08075292785
155	MM WAY – KANO	Kano	110, MURTALA MOHAMMED WAY KANO	08075292749, 08075292748
156	KWARI MARKET – KANO	Kano	20, UNITY ROAD (KWARI MARKET) KANO	08075292756, 08075292755
157	NIGER STREET – KANO	Kano	2B,NIGER STREET, (GIDAN GOLDIE) KANO	08075292760, 08075000000
158	KOFAR RUWA – KANO	Kano	AMINU DANTATA ESTATE, KOFAR RUWA, KANO	08075292763, 08075292764
159	BAYERO UNIVERSITY – KANO	Kano	BUK NEW CAMPUS KANO	08075292766, 08075292767
160	DUTSE	Jigawa	KIYAWA RD OPP OANDO FILLING STATION DUTSE, JIGAWA	08075292751, 08075292752
161	SOKOTO	Sokoto	14, SANI ABACHA WAY SOKOTO	08075292775, 08075292790
162	KATSINA	Katsina	3, IBB WAY KATSINA	08075292779, 08037162360
163	GUSAU – ZAMFARA	Zamfara	ZARIA ROAD, GUSAU, ZAMFARA	08075292782, 07031839268
	NORTH EAST			
164	MAIDUGURI	Borno	39, KASHIM IBRAHIM WAY MAIDUGURI	08054415639, 08075292771
165	BAUCHI	Bauchi	YAKUBUN BAUCHI RD BESIDE CBN BAUCHI	08075292703, 08037161676
166	TERMINUS HOUSE – JOS	Plateau	TERMINUS HOUSE, 1, AHMADU BELLO WAY, JOS, PLATEAU STATE	08075292707, 08075292706
167	JINGIRI RD – JOS	Plateau	13, JINGIRI ROAD, OPP. LEVENTIS MOTORS JOS.	08035556744, 08037201435
168	JIMETA	Adamawa	28, ATIKU ABUBAKAR WAY, BESIDE SABRU HOUSE, JIMETA YOLA	08075292898, 08039278456

Mandate form

Sterling Bank
The one-customer bank.

To:

The Registrar:
Sterling Registrars Limited
8th Floor, Knight Frank Building
24 Campbell Street, Lagos
Tel: 01-2806987-8, 2805538
info@sterlingregistrar.com
www.sterlingregistrar.com

MANDATE FOR DIVIDEND PAYMENT TO BANK

(E-DIVIDEND FORM)

I/We hereby request that subsequently, all my/our dividends due or which may become due in the books of:

NAME OF COMPANY: STERLING BANK PLC

Be paid directly to my/our bank with below details:

Shareholder's Full Name:...

Bank Name: ....

Account Number (NUBAN):...

Bank Address: ....

Email:...

Mobile Phone No.: ....

Shareholder's Signature: ....

Joint holders: ....

(1).. (2)..

If Corporate

Authorised signature:

(1).. (2)..

NB: Corporate Seal/stamp required for (corporate Shareholders)

Authorised Signature and Stamp of Bankers:...

E-bonus form

Sterling Bank
The one-customer bank.

To:

The Registrar:
Sterling Registrars Limited
8th Floor, Knight Frank Building
24 Campbell Street, Lagos
Tel: 01-2806987-8, 2805538
info@sterlingregistrar.com
www.sterlingregistrar.com

E-BONUS/OFFER/RIGHTS FORM

Please credit my/our account at Central Securities Clearing System Limited (CSCS) with all subsequent allotments and bonuses due to me/us in the books of:

NAME OF COMPANY: STERLING BANK PLC

Personal Data

Surname: ....

Other Names: ....

Address: ....

....

Mobile Phone No.: ....

Email: ....

Shareholder's Signature:

(1) .... (2) ....

NB: Corporate Seal/stamp required for (corporate Shareholders)

CSCS Details

Stockbroker: ....

Clearing House Number: C..

Authorised Signature and Stamp of Stockbroker: ....

Please attach a copy of your CSCS statement as evidence of opening the CSCS account.

Change of address form

Sterling Bank
The one-customer bank.

To:

The Registrar:
Sterling Registrars Limited
8th Floor, Knight Frank Building
24, Campbell Street, Lagos
Tel: 01-2806987-8, 2805538
info@sterlingregistrar.com
www.sterlingregistrar.com

CHANGE OF ADDRESS FORM

I/We hereby request to change my address in books of:

NAME OF COMPANY: STERLING BANK PLC

OLD ADDRESS: ....

....

....

....

NEW ADDRESS: ....

....

....

....

Registrars account No.: ....

Shareholder Full Names.: ....

Email: ....

Mobile Phone No.: ....

Shareholder's Signature:

(1) .... (2) ....

NB: Corporate Seal/stamp required for (corporate Shareholders)

Proxy form/admission card

Sterling Bank
The one-customer bank.

I/We, ...of

....

being a member of Sterling Bank Plc hereby appoint ....or failing him Alhaji (Dr) S. Adebola Adegunwa, OFR or failing him Mr. Yemi Adeola to act as my proxy, to vote for me and on my behalf at the Annual General Meeting of the Bank to be held on Wednesday 30 April 2014 at 11.00 a.m and at every adjournment thereof.

As Witness under my hand this ....day of..2014

....

Signed

S/N	ORDINARY BUSINESS	FOR	AGAINST
1.	To approve Audited Financial Statements		
2.	To declare a dividend		
3.	To elect/re-elect Directors		
4.	To approve the remuneration of Directors		
5.	To authorise the Directors to fix the remuneration of the Auditors		
6.	To elect members of the Audit Committee		
	SPECIAL BUSINESS		
7.	To approve increase in Authorised Share Capital		

Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

ADMISSION CARD

Please admit the Shareholder named on this card or his duly appointed proxy to the Annual General Meeting of the Company to be held on Wednesday 30 April 2014 at Eko Hotel & Suites, Adetokunbo Ademola Street, Victoria Island, Lagos at 11.00 a.m.

This admission card must be produced by the Shareholder in order to obtain entrance to the Annual General Meeting.

Name of Shareholder

Name of Shareholder

Signature

Address of Shareholder

Sterling Bank
The one-customer bank.

Sterling Bank Plc (Rc No 2392)
Head office: 20 Marina, P.O. Box 12735, Lagos, Nigeria
Telephone: (01)-2702300-8
Fax: (01)-4484483
Website: www.sterlingbankng.com
Customer care: (01)-4484481-2