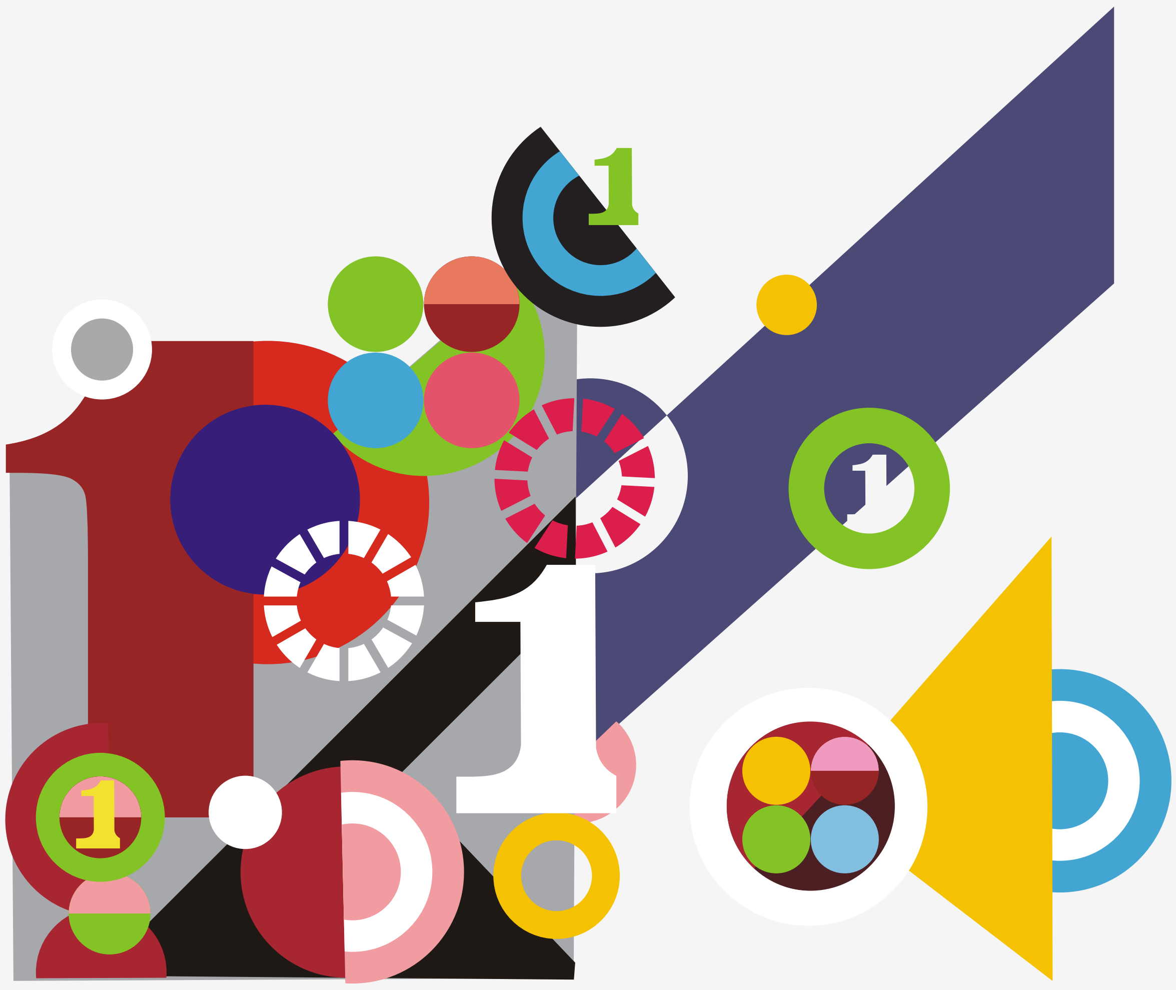
Sterling Bank
The one-customer bank.

Annual Report and Financial Statements 2014

A year of innovation and growth



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Innovation & Growth

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 53rd Annual General Meeting of Sterling Bank Plc will be held at Eko Hotel and Suites, Plot 23, Adetokunbo Ademola Street, Victoria Island, Lagos on Thursday, 30 April, 2015 at 10.00 a.m. to transact the following business:

Ordinary business

1. To receive the audited financial statements for the year ended 31 December, 2014, 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.

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 25th day of March, 2015

By order of the Board

Justina Lewa
Company Secretary
20 Marina
Lagos

Notes

1. Dividend

If approved, dividend warrants for the sum of 6 kobo for every share of 50 kobo will be posted on 30 April, 2015 to shareholders whose names are registered in the Register of Members at the close of business on 10 April, 2015, 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 13 to 17 April, 2015 (both dates inclusive), to enable the Registrar prepare for payment of the 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 days before the Annual General Meeting.

A year of Innovation & Growth

Overview

1

Sterling Bank
The one-customer bank.

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 Nigerian Stock Exchange (NSE)

2000
Fully privatised following 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 universal banking 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 licence

Launched Agent Banking

2014
Raised US$120 million (N19.1 billion) through Private Placement

Overview

Awards

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1. **Pearl Awards Nigeria**
   Highest Dividend Yield Award 2014
2. **2014 Nigerian Risk Awards**
   1st Runner Up
3. **BusinessDay Awards**
   One of Nigeria's Top 100 most Respected Companies 2014
4. **Presidential Awards**
   One of the Top 100 Businesses in Nigeria 2014
5. **Awards of Excellence by the CBN**
   Best Performing Bank in Commercial Agriculture Credit Scheme (CACS)
6. **Nigeria Agriculture Awards**
   Agriculture Bank of the Year
7. **Nigerian Telecom Awards**
   Innovative ICT Banking Product of the Year – Social Lender
8. **BusinessDay Banking Awards 2014**
   Most innovative Banking Product of the Year

Sterling Bank at a glance

Our history

Sterling Bank Plc, `the one-customer bank', is a full service national commercial bank in Nigeria with asset base above $4.9 billion (N824 billion) and shareholders' funds in excess of $504 million (N85 billion). 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 banking sector.

Our channels

Branches	ATMs	POS terminals
174	**630**	**3,200**

Our aspirations

Our vision
To be the financial institution of choice

Our mission
We deliver solutions that enhance stakeholders' value

Who we are

Our core 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

Teamwork

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

Our purpose

Enriching lives

Our value proposition

We enrich our customers' lives by providing timely and convenient financial solutions

Overview

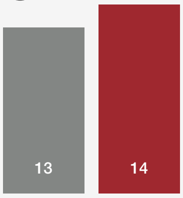
Performance highlights

Gross earnings (N'M)

103,679

+13.0%

2013 **91,743**

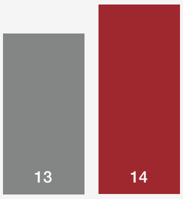


Total assets (N'M)

824,539

+16.5%

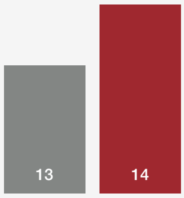
2013 **707,797**



NPL ratio

3.1%

2013 **2.1%**

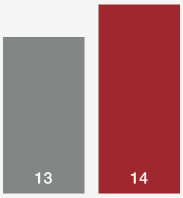


Operating income (N'M)

68,764

+19.4%

2013 **57,583**

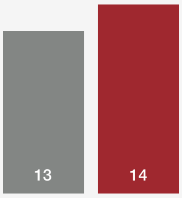


Loans and advances (N'M)

371,246

+15.4%

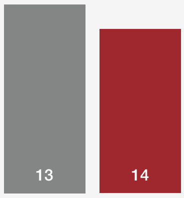
2013 **321,744**



Pre-tax return on average equity*

16.6%

2013 **19.0%**

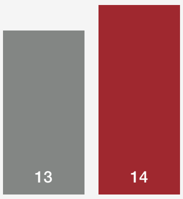


Profit before tax (N'M)

10,748

+15.4%

2013 **9,310**

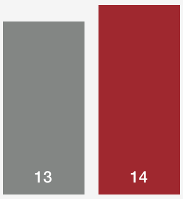


Deposits (N'M)

655,944

+15.0%

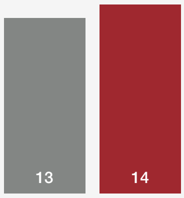
2013 **570,511**



Cost-to-income**

73.6%

2013 **69.4%**

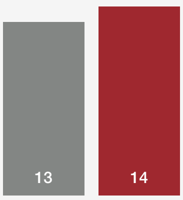


Profit after tax (N'M)

9,005

+8.8%

2013 **8,275**

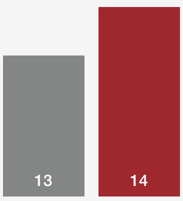


Shareholders' funds (N'M)

84,715

+33.5%

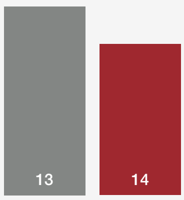
2013 **63,458**



Earnings per share***

42k

2013 **52k**



* Return on average equity excludes Private Placement proceeds received in December 2014
** Excludes cost of risk
*** Adjusted for the additional shares issued in December 2014 for the purpose of the Private Placement

Innovation & Growth

We are still 'enriching lives'

We executed various initiatives in 2014 to enrich the lives of our stakeholders in line with our corporate citizenship priorities for the benefit of our customers, employees, shareholders, suppliers and the society as a whole.

For us, social responsibility means building our business with a long term perspective by balancing social, environmental and economic considerations in the decisions we make. It underpins our strategic priorities and enables us to fulfil our purpose of **enriching lives**.

To this end, we intensified our investment in cost effective initiatives in order to drive efficiency and enhance value for our customers, employees, shareholders and the communities in which we operate.

In our communities, we executed various initiatives in 2014 as part of our corporate citizenship priorities with bias for our strategic focus areas – Education, Environment and Entertainment.

My Little Money Book

Education

Various initiatives were executed to boost growth in the education sector in 2014 in line with our sustainability objectives.

Notable amongst these was the launch of the One Education initiative by the Bank as part of the Financial Literacy Day celebration to add value across the education sector value chain for pupils/students, teachers and educational institutions. Two financial literacy books – 'My Little Money Book' and 'FUND$' – were also published by the Bank for pupils and students.

We encouraged excellence among students by co-sponsoring a mathematics competition in collaboration with Caleb Group of Schools and an arts competition to celebrate creativity and foster healthy competition among students and pupils.

Executive Director of Caleb Group of Schools, Executive Director/ CFO of Sterling Bank, mathematics competition winner with parents

MD/CEO of Sterling Bank Plc, arts competition winner and mother

Cross-section of participants at Get Ready for Work concert and Sean Tizzle, a musician, performing at the event

We supported general skills acquisition through youth development and empowerment initiatives. The second edition of the Get Ready for Work concert organised with a fusion of education and entertainment and targeted at youths was held. The objective was to empower and build the capacity of young people to own their own businesses and build successful careers.

We partnered with Field of Skills and Dreams, a vocational, technical and entrepreneurship training institute in a bid to offer innovative approaches to meeting educational needs of an increasingly young population. National Youth Service Corps members were trained on various skills as part of this partnership.

Meet the Executive

'Meet the Executive', an initiative for empowering entrepreneurs by providing funding for innovative business ideas and necessary capacity building to successfully incubate small businesses, was also held in 2014. This project helped to achieve a four-pronged objective:

- enable the start-up of innovative businesses;
- develop and groom new entrepreneurs;
- promote a culture of entrepreneurship; and
- job creation and value addition to the economy at large.

Participants at the 'Meet the Executive' event

Children's Day celebration

Children were also celebrated at a party to mark the Children's Day celebration. The event had over 5,000 attendees and was executed in partnership with various organisations with focus on the younger generation.

The Children's Day party

We are still 'enriching lives' continued

Environment

We intensified our strategic focus on the environment as we continued our partnership with the Lagos State Waste Management Authority by kitting out street sweepers and sponsoring the 2014 Street Sweepers' Workshop.

We also extended this partnership to Delta, Enugu and Kaduna states while our staff joined the agencies to clean the streets across the country.

Environmental and social risk assessment has also been included as part of our risk assessment process to guide investment decisions for the Bank.

Energy-saving equipment is also being used in our head office and some of our new locations across the network to reduce our carbon footprint and promote a more sustainable and healthier environment.

Sterling Bank staff participating in the street cleaning exercise

Entertainment

We appreciate deeply the talent and creativity in the Nigerian entertainment industry, are proud to be associated with it and will continue to support it as we deem fit.

We supported the African Movie Academy Awards, a flagship awards ceremony to celebrate creativity and talent across Africa.

A private screening of **'Half of a Yellow Sun'**, based on the 2007 Orange Prize for Fiction award-winning and best-selling novel was organised as well for our customers in support of the Nigerian entertainment industry.

A media practitioner being interviewed at the AMAA awards

The 'Half of a Yellow Sun' private film screening

For our customers

We established **'The One-customer Day'**, a novel initiative which saw our customers celebrated with gifts across our branch network monthly.

Arsenal Cinema Takeover

Also, we had the Arsenal Cinema Takeover where customers watched Arsenal matches live at cinemas around the country. The event was organised to reward loyal customers as part of the benefits of our partnership with Arsenal FC.

Fans celebrating at the Arsenal Cinema Takeover

Customer Service Week

Our customers were also rewarded with various gifts every day during the Customer Service Week.

ATM activations were executed to further appreciate our customers. They were given a one-customer surprise experience such as spa treatments, makeovers, limousine rides, branded items, etc. for using one of our key touchpoints, the automated teller machine.

The Shopping Dash – a seasonal event designed to reward children that have an **I Can Save** account was also executed during the yuletide period.

Children carting away gifts during the Shopping Dash in December

For our employees

Capacity building remained a priority as staff gleaned invaluable knowledge from the mandatory e-learning courses and classroom training across various cadre.

A clinic was also established at the head office to attend to the health needs of staff of the Bank.

The job swap programme was executed where staff can work in other units in the Bank to boost their knowledge base and enrich their work experience. This is usually for a period of three months and has gone a long way to motivate staff and increase their capacity.

Furthermore, we executed some strategic programmes to motivate, encourage and retain high performers like the Sterling Graduate Associate Programmes for entry level staff and the Sterling Management Associate Programmes for junior management staff to build capacity for future managers of the Bank towards ensuring a sustainable institution.

Sterling Bank remains an equal opportunity employer and does not discriminate against any category of employee.

For our shareholders

We operate an efficient business model and communicate with our investors regularly via various channels including social media to ensure that we carry them along in all our decision making processes.

We have also increased the female composition of our Board in line with the sustainability tenets.

We paid an appreciable dividend to our shareholders for which the Bank was recognised and celebrated by the Board of Governors of Pearl Awards as the Bank with the highest dividend yield in the market excellence award category of the Nigerian Stock Exchange.

Chairman's statement

Profit after tax for the year 2014 rose to N9.0 billion from N8.3 billion in 2013, despite regulatory and macroeconomic headwinds.

Esteemed shareholders, it is with great pleasure that I welcome you, on behalf of the Board of Directors to the 53rd Annual General Meeting (AGM) of our Bank. This is my maiden letter to you as the Chairman of the Board of our great institution.

The Bank's performance for the year ended 31 December 2014, which with all sense of modesty was impressive when juxtaposed with that of the industry, will be presented to you in the course of the AGM.

The operating environment

In a year characterised by contrasting global economic performance and a domestic banking sector constrained by regulatory headwinds and macroeconomic pressures, our Bank remained resilient, registering a relatively impressive performance across its business lines.

Global economic performance was diverse across jurisdictions in 2014. The US and the UK economies were expected to lead global economic growth, despite the tepid start in the first quarter of the year. However, both economies rallied to expand by 2.4% and 2.6% respectively, up from 2.2% and 1.7% achieved in 2013. Similarly, the economic performance of the Eurozone was slightly encouraging as it surpassed all expectations to post a 0.9% growth. Nevertheless, deflation remains a key challenge for the region as it seeks to spur sustainable growth in 2015 by the introduction of a quantitative easing programme.

On the other hand, the emerging market giant, China, missed its growth target of 7.5% as the economy expanded by only 7.4% in 2014 compared to 7.7% in 2013 – its slowest in 24 years (since 1990). This was on the back of a cut in investment expenditure, which dipped from 19.6% in 2013 to 15.7% in 2014. Russia also experienced major setbacks in its economy on the back of the twin effects of a sustained fall in crude oil prices and sanctions from the US and the EU following its diplomatic row with Ukraine, causing the Ruble to experience one of its worst devaluations in recent years. The Russian economy may slide into recession in 2015 if the trend is not reversed.

In Sub-Saharan Africa, the challenges of the South African economy continued in 2014 as labour disputes and power shortages dragged the 2014 full year economic performance to 1.5% from the 2.2% recorded in 2013.

On the domestic front, despite becoming the biggest economy in Africa, the Nigerian economy faced major headwinds in the year under review – from the substantial decline in international crude oil prices in the second half of the year to significant constraints to business activities in the north-eastern part of the country owing to the activities of insurgents and then the build-up to the 2015 elections. The fall in crude prices heightened pressure on the nation's foreign reserves and the domestic currency leading to the devaluation of the Naira and a dip in the foreign reserves from US$43.6 billion in December 2013 to US$34.5 billion as at December 2014. These macroeconomic pressures and unrelenting regulatory adjustments constrained the margins of banks in 2014.

That said, growth of the Nigerian economy was 6.2% in 2014 up from the 5.5% achieved in 2013. The growth was again bolstered by the performance of the non-oil sector, riding on the back of the services subsector which is the largest component of the Nigerian economy.

Building blocks for sustainable growth

You would recall that, with your robust support, in 2013, we achieved a 103.3% subscription rate in the first phase of our capital raising plan. We maintained the momentum in 2014 with a net Private Placement value of N19.1 billion.

The support from the new investors buttresses the strong confidence the public and financial markets have in our management team and the Bank as a whole.

With this, the Bank closed the year with a shareholders' fund of N84.7 billion, putting the Bank in a strong position to execute its growth plans.

The next phase of our capital build-up programme comprises additional tier 2 capital in the sum of $200 million (circa N40 billion) by a subordinated multi-currency debt issue.

Sustainability

At Sterling Bank, conducting our business responsibly means serving the interests and meeting the needs of our stakeholders. Our objective is to incorporate environmental, social and governance considerations throughout our business. Creating value for all our stakeholders is often a delicate balancing act, as the interests and priorities of various groups are not always identical. Our products and services must primarily meet clients' financial needs and objectives. They must also provide adequate financial returns for the Bank to assure its continued existence and create benefits, rather than risks, for society and the environment. At times, it is difficult to fulfil these criteria all at once. Still, we consistently strive to increase the importance of non-financial factors in our core business.

Achieving business responsibility and acquiring the tools for sustained performance must begin with our employees. It is our goal to attract and retain the best talent, provide our employees with rewarding careers and remunerate performance fairly. We continued to pursue our new corporate culture hinged on adhocracy and a market focus. We are also building a pipeline of future female leaders to sustain a diversified workforce.

The Bank is being built on a strong platform geared towards improving the lives of young people in our society whilst also improving the communities in which we operate and the environment at large. We took deliberate steps to launch bold initiatives: in the education sector, entrepreneurial schemes, staff volunteering programmes and programmes aimed at improving the environment through partnerships with various state governments.

A comprehensive sustainability report has been provided as part of this annual report. Our Bank remains firm in its commitment to the CBN's sustainable banking principles.

Maintaining good governance

The Board believes that a business built on the principles of good governance is more likely to succeed over the long term. We responded constructively to various government and regulatory consultation exercises in 2014. Creating an environment conducive to good governance is critically important for our business. As such, your Board employs a variety of platforms, including the annual Board strategy retreat to engage Executive Management to ensure strategy alignment. On remuneration, we ensure that the compensation structure of the Management Team is linked to the longer-term objectives of Sterling Bank and, in turn, the longer-term interests of shareholders.

Board changes

A major part of the Board's responsibilities is providing adequately for succession. It would be a great honour to be considered suitable by you, our esteemed shareholders, as the Chairman of this great institution at the AGM. I humbly look forward to your endorsement of my colleagues and I who have been recommended for your consideration: Mr. Olaitan Kajero, Mrs. Tairat Tijani and Mrs. Egbichi Akinsanya as Non-Executive Directors; and Mr. Yemi Odubiyi and Mr. G.S. Narasimhan as Executive Directors. The new Board members' appointments have been approved by the CBN.

Chairman's statement continued

> The blurring business outlook presents an opportunity for us to navigate our growth by innovative means.

Board changes continued

I am also pleased to inform you that, in line with the CBN's sustainable banking principles, over 40% of our Non-Executive Directors are women. We understand the importance of diversity within our business, not the least because of the wide range of consumers we serve. This goes right through our organisation, starting with the Board. We are committed to gender diversity at Board level and are tracking the major efforts being made by the Bank's management to increase the number of women in the Bank's workforce.

It would be a distinct privilege and a rare honour for me to lead this versatile and hardworking Board in delivering excellent value to shareholders in the years to come and thereby move our bank effectively to higher levels.

The composition of the Board, with seasoned professionals with their diverse and rich experiences in the private and public sectors, would further enhance the capacity of the Board to deliver on its corporate goals. I have no doubt in my mind that this Board will serve you with the utmost sense of responsibility, commitment and excellence, steering this great institution to unprecedented heights in the years ahead.

Business outlook for 2015

Globally, we expect continued accommodative monetary policies and flexible fiscal policies focused on growth. On the other hand, we expect the central bank governors in the emerging economies to balance monetary policy measures which support growth against those needed to rein inflation and stabilise their domestic currencies and financial systems.

For Nigeria, it will be a 'story of two halves'. The first half of the year will be clouded by uncertainties surrounding the elections and a relatively low oil price; thus, economic fundamentals, especially the Naira and foreign reserves are expected to be weak in the first half of the year. However, the second half of the year should offer some respite to the domestic economy as political uncertainties taper, the current multinational counter-insurgency push curbs the activities of insurgents in the north-eastern part of the country and international oil prices gradually inch upward on the back of expectations of output cuts by OPEC at its next meeting in June 2015.

The corresponding responses by fiscal and monetary authorities to these developments would put further pressure on banks in the first half of the year, which should ease a bit in the second half of 2015. Nevertheless, the blurring business outlook presents an opportunity for us to navigate our growth by innovative means. The Bank at its last Board strategy retreat unwaveringly committed to supporting Management in promoting innovation across the institution. This, coupled with a stronger capital position, will provide the fulcrum for the Bank to expand and deepen its foothold in its target business sectors and thus sustain superior returns to our esteemed shareholders.

Dividend payment

The Board has proposed a dividend of 6 kobo per share for the financial year ended 2014 subject to the approval of our shareholders at this AGM.

Appreciation

On behalf of the Board of Directors, I would like to thank our customers, business partners and you, our most esteemed shareholders, for your continued support and well articulated participation in the affairs of our Bank. My special appreciation also goes to the Management and staff of our Bank for their continued dedication, commitment, professionalism and high performance in the discharge of their duties. Our people will always remain our greatest asset.

I would also like to express my warm and heartfelt appreciation to our regulators, the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the Nigerian Stock Exchange, Securities and Exchange Commission, Corporate Affairs Commission, Asset Management Corporation of Nigeria, the Federal Ministry of Finance, and to various government agencies and other regulatory bodies for their invaluable and ongoing support.

I thank you all.

Sincerely,

Asue Ighodalo
Chairman, Board of Directors

Strategic report

Innovation & Growth

Sterling Bank
The one-customer bank.

Managing Director/ Chief Executive Officer's report

"

Profit before tax increased by 15.4% to N10.7 billion from N9.3 billion in 2013.

Strong performance in a tough year

2014 was a challenging year in many respects for the Nigerian banking industry. A double whammy of macroeconomic shocks and tighter regulatory environment put significant pressure on the margins of banks.

The overriding macroeconomic theme for the global economy in 2014 was the sudden dip in the international price of crude oil in the second half of the year. This was the case notwithstanding the currency and inflationary pressures faced by several emerging and frontier economies owing to portfolio reversals on account of the gradual, but eventual complete withdrawal of the US Fed's bond buying programme; the economic struggles of the Eurozone; and the ongoing tensions between Russia and Ukraine on one hand, and the former and the West on the other.

The domestic market was not spared these headwinds. The dip in the international price of crude oil from a high of $115/barrel to circa $60/barrel put significant constraints on the nation's foreign exchange revenue, exacerbating the pressure on the Naira and heightening reserve depletion. Thus, monetary policy authorities were constrained, weighing in with policy measures that increased the burden on banks. These developments, in addition to further cost pressures in the operating environment on account of the nation's infrastructural deficit, made 2014 a truly challenging year for the banking industry.

Despite these headwinds, I am pleased to inform you that Management remained undaunted, navigating your bank successfully through what was in many respects a very tough financial year. As a result, the Bank grew key revenue and balance sheet lines, while taking significant strides to place the institution on a sustainable growth path. I will shed more light on the foregoing in subsequent sections.

Financial highlights

Our 2014 financial performance lays credence to the commitment of the Sterling Bank team to our collective goals and the resilience of our business model:

- profit before tax increased by 15.4% to N10.7 billion from N9.3 billion in 2013;
- 13.0% growth in gross earnings to N103.7 billion from N91.7 billion in 2013;
- total assets increased by 16.5% from N707.8 billion to N824.5 billion; and
- customer deposits grew 15.0% to N655.9 billion from N570.5 billion.

Platform for sustained growth driven by innovation

The Bank successfully completed the second phase of its capital raising programme despite macroeconomic uncertainties. This feat was made possible due to the increased confidence of the investing public in the Bank's ability to deliver on its promise.

During the year, we invested substantially in the upgrade of our technology infrastructure and the re-engineering, centralisation and automation of processes to improve customer experience. Our credit processing engine for the retail and SME space was re-engineered to streamline the process from origination to disbursement to enhance service delivery. Various projects are at varying stages of implementation.

We recognise that human capital is a key enabler to our success. Consequently, we continue to invest substantially in training, talent retention and the creation of an environment that fosters continuous learning and development. In FY 2014, we leveraged our new corporate culture of adhocracy and market focus to further instil a new sense of pride and passion in our employees as we work towards reinforcing a high performance culture of meritocracy.

We are steadily reinforcing our capacity to deliver innovative products to meet the evolving needs of customers across all segments of the market. The success of these initiatives is evident from the many awards received by the Bank during the year and is testimony to the Bank's focus on delivering innovative products and services through speed and convenience, leveraging its operational processes and technology.

Awards, recognitions and certifications

I would like to express my appreciation to our senior management and the entire staff for the awards won by the Bank during the year:

- Most Innovative Bank in 2013 at the 2014 BusinessDay Nigeria Annual Banking Awards (for the introduction of the "Kia-Kia" product to the market);
- Most Innovative Banking/ICT product at the tenth Annual Telecoms Awards (for the introduction of social lender services to the market);
- Best Performing Bank in the Commercial Agriculture Credit Scheme (CACS) for 2013 by the CBN;
- Agriculture Bank of the Year award by the Agriculture Policy Research Network (APRNET);
- recognition at the 2014 Pearl Awards for Market Excellence in the Dividend Yield category;
- one of the top 100 companies in Nigeria by the Presidency;
- one of the top 100 most respected companies in Nigeria by Business Day;
- inclusion in the NSE 30 Index (effective 1 January 2015);
- secured Payment Card Industry Data Security Standard (PCIDSS) 2.0 recertification; and
- achieved the ISO/IEC 27001 version 2013 certification for information security management system.

Managing Director/ Chief Executive Officer's report continued

> While the economic landscape may be challenging, I strongly believe that the Bank is on a sound financial footing, given its stronger capital position, asset quality and dedicated workforce to advance its growth plans.

Looking ahead

Lower oil prices should provide a boost to the global economy, but this may be offset by downside risks in many advanced and emerging market economies. Specifically, the prospects for Russia, China, Japan and the Euro area as well as some major oil exporters, owing to a sharp drop in oil prices, are not very bullish. The United States remains the only major economy with positive growth revisions.

The domestic economy would be weighed down in the first nine months of the year by the impact of lower global oil prices and the distractions from intense politicking, but should witness a gradual uptick during the latter part of the year as crude oil prices inch upwards and some certainty returns on the political front. However, households and businesses may have to adjust to the rising cost of living and potential interest rate hikes from the tight regulatory environment.

Full adoption of Basel II requirements should drive capital build-up and slower loan growth in the banking industry. More efficient management of and slower growth in government revenue will see greater competition for private sector deposits leading to higher deposit rates.

While the economic landscape may be challenging, I strongly believe that the Bank is on a sound financial footing, given its stronger capital position, asset quality and dedicated workforce to advance its growth plans.

I made reference in the earlier part of my report to the strides taken to put the Bank on a sustainable growth path. We have revamped our service architecture to enhance the service experience; established the office of the Chief Risk Officer (CRO) in line with the Basel II requirements, in addition to several other measures to strengthen our enterprise-wide risk management framework; continued engagements to bring in additional debt capital in line with our capital programme; and re-organised the management team to deliver our growth plans.

My appreciation goes to our esteemed shareholders, customers, our distinguished Board members, and partners for your understanding, co-operation and trust. Your encouragement, feedback and support are much appreciated.

I must not fail to acknowledge the tireless contributions from the Bank's senior management team and the entire staff of the Bank. Their continued efforts, dedication and loyalty have been invaluable in taking the Bank to the heights reached so far. Together we are a formidable team. Let's do it again!

Yemi Adeola
Managing Director/Chief Executive Officer

Business model

Sterling Bank provides various commercial banking services to customers across Nigeria. It serves a vibrant community of clients including individuals, businesses and government and non-profit organisations.

Tailoring products and services to customer needs

Sterling Bank is engaged in universal banking with an emphasis on consumer banking, trade services, commercial and corporate banking activities. Sterling provides a robust portfolio of products and services within each of its three main customer segments.

Customer segments

Retail | Commercial | Corporate

Key activities

Enhance technology | Train staff | Develop products

Relationship characteristics

Safe, flexible and convenient | Advisory and solutions provider | Openness and transparency

Customer-centric focus

We enrich our customers' lives by providing timely and convenient financial solutions.

Key resources

Capital | Positive attitudes | Alternative channels | Specialised products | Enhanced brand

Key partners

Telecoms	Educational institutions	Government	Service consultants	Sports clubs
Religious bodies	Associations and Co-op societies	Transport organisations	NGOs	Multinationals

Utilising resources and relationships for maximum value

As the original licensed merchant bank in Nigeria, Sterling Bank has well-established resources and relationships that it draws on to deliver its best-in-class banking services.

Innovation & Growth

Key performance indicators

Market share by assets

Measure

The proportion of total assets to banking industry assets

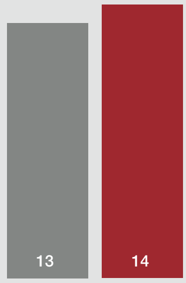
Target: 3.2%

Achievement

3.0%

On track

2013	**2.8%**



Dividend per share

Measure

Total dividend divided by the number of outstanding shares

Target: 6k

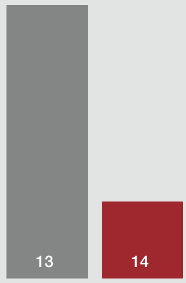
Achievement

6k

Target met

Proposed dividend in line with dividend policy

2013	**25k**



Earnings growth

Measure

Percentage increase in gross earnings year on year

Target: Double digit growth (>10%)

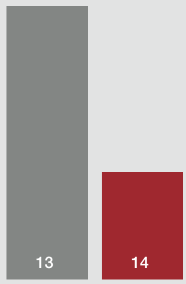
Achievement

13.0%

Target met

Target met despite pressure on earnings arising from regulatory policy changes

2013	**33.1%**



NPL ratio

Measure

The proportion of non-performing loans to total loans

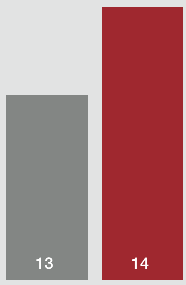
Target: <3%

Achievement

3.1%

On track

2013	**2.1%**



Net interest margin

Measure

The proportion of net interest income to interest income

Target: >50%

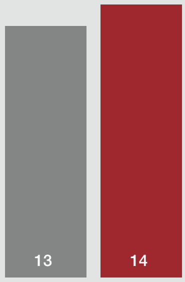
Achievement

55.2%

Target achieved

Improvement in net interest margin resulting from increase in lending activities

2013	**51.2%**



Pre-tax return on average equity*

Measure

Profit before tax divided by average equity

Target: >20%

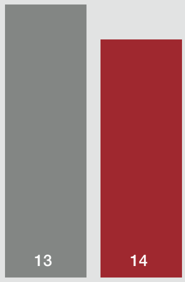
Achievement

16.6%

On track

Return on average equity remained competitive despite pressure on earnings

2013	**19.0%**



Cost-to-income**

Measure

Operating expenses divided by operating income

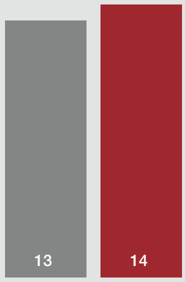
Target: <75%

Achievement

73.6%

Target achieved

2013	**69.4%**



Loan growth

Measure

Percentage increase in net loans year on year

Target: >20%

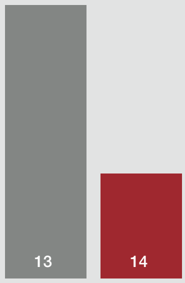
Achievement

15.4%

On track

Loan growth was moderated due to our selective approach to risk taking given uncertainties in the operating environment

2013	**40.2%**



Deposit growth

Measure

Percentage increase in customer deposits year on year

Target: >25%

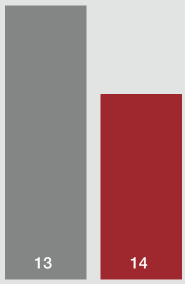
Achievement

15.0%

On track

Growth in deposits also moderated in line with our focus on balance sheet optimisation

2013	**22.2%**



* Pre-tax return on average equity excludes Private Placement proceeds received in December 2014

** Excludes cost of risk

Performance review

The operating environment in 2014 was very challenging with several policy changes aimed at achieving price stability in the wake of persistent liquidity pressures. Cash reserve requirement (CRR) was increased from 50% to 75% for public sector deposits and from 12% to 20% for private sector deposits. Monetary policy rate (MPR) was raised by 100 basis points to 13%, while interest rate on savings deposits, capped at 30% of MPR, rose to 3.9%. Amidst other policy measures was the reduction in the net open position (NOP) for foreign exchange trading to 0.5% of shareholders' funds. These measures resulted in a high interest rate environment putting downward pressure on earnings, while cost pressures persisted.

Income statement

		Common size		Common size	
Items (N'million)	**2014**	**2014**	2013	2013	Growth
Gross earnings	**103,679**	**100%**	91,743	100%	13%
Interest income	**77,932**	**75%**	69,973	76%	11%
Interest expense	**(34,915)**	**34%**	(34,160)	37%	2%
Net interest income	**43,017**	**41%**	35,813	39%	20%
Fees and commission income	**16,133**	**16%**	14,564	16%	11%
Net trading income	**6,767**	**7%**	3,714	4%	82%
Other operating income	**2,847**	**3%**	3,492	4%	-18%
Operating income	**68,764**	**66%**	57,583	63%	19%
Impairment charge	**(7,389)**	**7%**	(8,259)	9%	-11%
Net operating income after impairment charge	**61,375**	**59%**	49,324	54%	24%
Personnel expenses	**(12,031)**	**12%**	(10,267)	11%	17%
Other operating expenses	**(10,112)**	**10%**	(8,378)	9%	21%
General and administrative expenses	**(19,794)**	**19%**	(14,042)	15%	41%
Other property, plant and equipment cost	**(5,551)**	**5%**	(4,632)	5%	20%
Depreciation and amortisation	**(3,140)**	**3%**	(2,694)	3%	17%
Total expenses	**(50,627)**	**49%**	(40,013)	44%	27%
Profit before income tax	**10,748**	**10%**	9,310	10%	15%
Income tax expense	**(1,743)**	**2%**	(1,035)	1%	68%
Profit for the year	**9,005**	**9%**	8,275	9%	9%

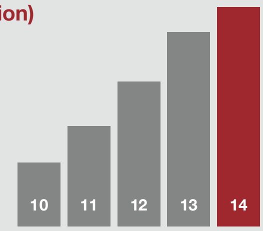
Gross earnings

Despite pressures arising from monetary policy changes, gross earnings rose by 13% to N103.7 billion, representing a compound annual growth rate of 36% (CAGR: 2010–2014). Growth in earnings was driven by both interest and non-interest income which rose 11% and 18% respectively. While interest income, driven by lending activities, accounted for 75% of earnings, non-interest income accounted for 25%. Operating income also rose by 19% on the back of a 20% improvement in net interest income to N43.0 billion. Due to an 11% reduction in impairment charges, net operating income rose by 24% to N61.4 billion (2013: N49.3 billion). Overall, the Bank recorded a marked improvement in profit before tax with 15% growth year-on-year to N10.7 billion.

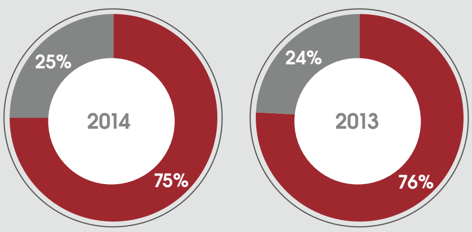
Gross earnings (N'million)

N103,679

2013	**91,743**
2012	**68,857**
2011	**47,741**
2010	**30,387**



Interest and non-interest income

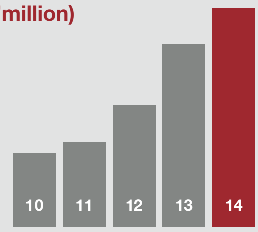


- Interest income
- Non-interest income

Net interest income (N'million)

N43,017

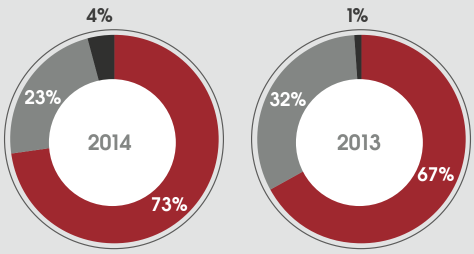
2013	**35,813**
2012	**23,894**
2011	**16,703**
2010	**14,468**



Net interest income

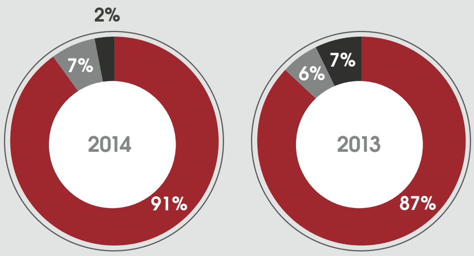
Net interest income rose by 20% to N43 billion from N35.8 billion in 2013 representing a compound annual growth rate of 31% (CAGR: 2010 – 2014). This was supported by an 11% growth in interest income to N77.9 billion which outweighed the 2% marginal increase in interest expense. Consequently, net interest margin rose by 400 basis points to 55%. Despite a high interest rate regime, we were able to moderate funding costs, while retaining yield on earning assets at 14%. Funding costs declined by 80 basis points to 5.3% from 6.1% in 2013 resulting in a 8.9% spread. Loans and advances were major sources of earnings, accounting for 73% of interest income, while earnings from investment securities accounted for 23%. On the expense side, deposits from customers accounted for 91% of interest expense, while deposits from banks and borrowed funds accounted for 2% and 7% respectively.

Interest income



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

Interest expense



- Deposits from customers
- Debt securities and other borrowed funds
- Deposits from banks

Performance review continued

Non-interest income

Key components of non-interest income that accounted for the 18% growth were fees, commissions and trading income. In the last five years, this has grown at a compound annual growth rate of 44% (CAGR: 2010–2014) reflecting management's ability to diversify revenue sources. Although commission on turnover (COT) was reduced by N1.00 to N2.00/mille, fees and commissions grew by 11% and accounted for 63% (2013: 67%), while trading income rose 82% and accounted for 26% (2013: 17%) on the back of trading on foreign exchange and treasury bills. During the period, the Bank intensified its efforts at loan recoveries and achieved an 8% growth in cash recoveries on previously written-off accounts to N1.5 billion, thereby boosting other operating income.

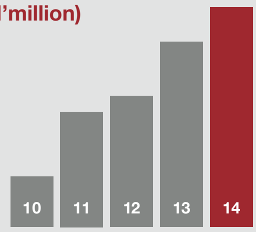
Operating expenses

Operating expenses rose by 27% to N50.6 billion, driven by general administrative expenses and other operating expenses, which increased by 41% and 21% respectively. Other operating expenses were largely statutory fees of which AMCON sinking fund contribution (representing 0.5% of total assets and 33.3% of off-balance sheet assets as mandated by CBN) and insurance premium accounted for 72%. Personnel costs increased by 17%, reflecting an increase in headcount and staff promotion exercises. During the year, the Bank opened new branches, remodelled some of the existing ones and commenced the process of changing its core banking application to effectively serve its growing customer base. These investments, in addition to the roll-out of over 350 ATMs, put upward pressure on costs contributing to a 500 basis point increase in cost-to-income ratio to 74%. We expect the returns to kick in in coming periods.

Non-interest income (N'million)

N25,747

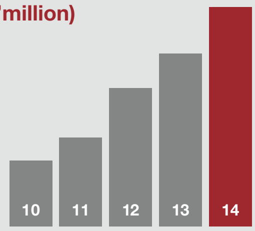
2013	**21,770**
2012	**15,315**
2011	**13,423**
2010	**5,916**



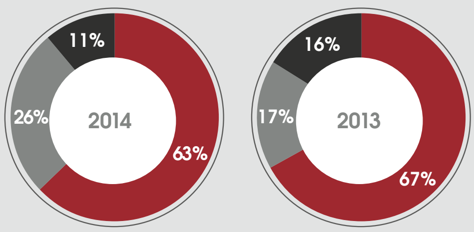
Operating expenses (N'million)

N50,627

2013	**40,013**
2012	**31,952**
2011	**20,493**
2010	**15,163**

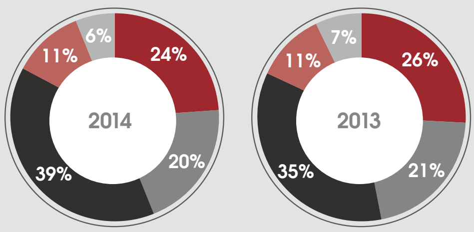


Non-interest income



- Fees and commission
- Net trading income
- Other operating income

Operating expenses



- Personnel expenses
- Other operating expenses
- General and administrative expenses
- Other property, plant and equipment cost
- Depreciation and amortisation

Strategic report

Other operating expenses

Indicator (N'm)	2014	2013	Growth
Insurance	**3,692**	2,925	26%
AMCON sinking fund contribution	**3,556**	3,114	14%
Contract services	**2,114**	1,708	24%
Other professional fees	**517**	337	54%
Audit fees	**199**	180	10%
Net foreign exchange loss	**16**	114	-86%
Loss on disposal of land and equipment	**16**	—	—
Loss on bond held for trading	**2**	—	—
Total	**10,112**	8,378	21%

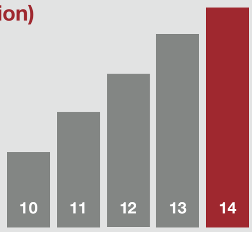
Profitability

Overall, the Bank sustained its profit growth momentum with a 15% increase in profit before tax to N10.7 billion (2013: N9.3 billion). Income tax expense increased by 68% to N1.7 billion resulting in a 9% growth in profit after tax to N9.0 billion. Earnings per share declined by 10 kobo to 42 kobo adjusted for the additional shares issued in December 2014 for the purpose of the Private Placement. Pre-tax return on average equity, adjusted for the Private Placement proceeds of N19.1 billion received at year end, remains competitive at 16.6% (post tax, 13.9%). The Bank has paid dividend consistently since 2011 and, for 2014, the Board of Directors has proposed a dividend of 6 kobo per share predicated on the need to conserve capital.

Profit before tax (N'million)

N10,748

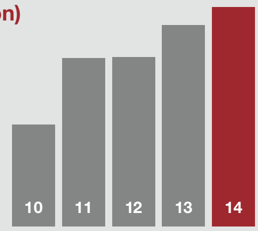
2013	**9,310**
2012	**7,500**
2011	**5,640**
2010	**3,688**



Profit after tax (N'million)

N9,005

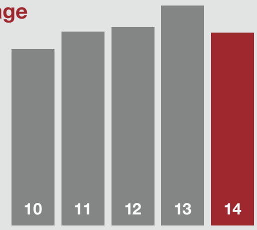
2013	**8,275**
2012	**6,954**
2011	**6,909**
2010	**4,178**



Pre-tax return on average equity (%)

16.6%

2013	**19.0**
2012	**17.1**
2011	**16.7**
2010	**15.2**



Performance review continued

Highlights from the statement of financial position

	Common size		Common size		
Items (N'm)	2014	2014	2013	2013	Growth
ASSETS					
Cash and balances with CBN	**174,760**	**21%**	96,901	14%	80%
Due from banks	**67,330**	**8%**	85,601	12%	-21%
Pledged financial assets	**78,751**	**10%**	79,772	11%	-1%
Loans and advances to customers	**371,246**	**45%**	321,744	45%	15%
Investment securities	**96,571**	**12%**	97,821	14%	-1%
Other assets	**14,137**	**2%**	9,317	1%	52%
Property, plant and equipment	**13,952**	**2%**	9,069	1%	54%
Intangible assets	**821**	**0%**	601	0%	37%
Deferred tax assets	**6,971**	**1%**	6,971	1%	0%
TOTAL ASSETS	**824,539**	**100%**	707,797	100%	16%
LIABILITIES					
Deposits from customers	**655,944**	**80%**	570,511	81%	15%
Current income tax liabilities	**1,802**	**0%**	1,112	0%	62%
Other borrowed funds	**45,371**	**6%**	38,795	5%	17%
Debt securities issued	**4,564**	**1%**	4,564	1%	0%
Other liabilities	**32,143**	**4%**	29,358	4%	9%
TOTAL LIABILITIES	**739,824**	**90%**	644,339	91%	15%
EQUITY	**84,715**	**10%**	63,458	9%	33%
TOTAL LIABILITIES AND EQUITY	**824,539**	**100%**	707,797	100%	16%

Assets

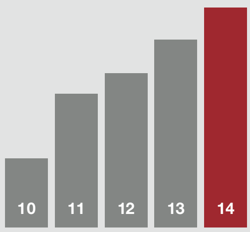
Total assets grew by 16% to N824.5 billion, representing a compound annual growth rate of 34% (CAGR: 2010–2014). Growth was boosted by funding from customer deposits and shareholders' funds, which increased by 15% and 33% respectively. Assets were well diversified to achieve an optimal balance sheet and navigate the challenging operating environment. Earning assets increased by 5% to N613.9 billion and accounted for 74% of total assets. Net loans and advances accounted for 45%, while government securities made up of treasury bills and bonds accounted for 22%. Cash and balances with the CBN increased by 80% due to an increase in the cash reserve requirement to 75% for public sector deposits and 20% for private sector deposits. Despite the ensuing liquidity challenges in the banking system, Sterling Bank remained a net placer of funds in the money market.

Pledged assets mainly treasury bills and bonds pledged for clearing activities, letters of credit and as collateral for long-term loans was relatively stable at N78.8 billion representing 10% of total assets. Investment securities were made up of securities held for trading (2%), available for sale (51%) and held to maturity (47%). Property, plant and equipment increased by 54% to N14.0 billion reflecting ongoing investments in branch expansion and alternative delivery channels in line with our retail strategy.

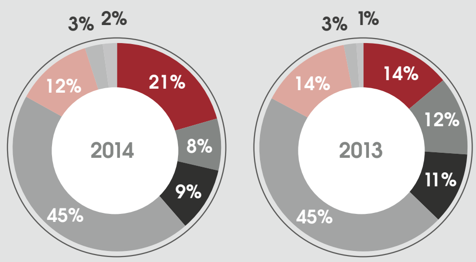
Total assets (N'million)

N824,539

2013	**707,797**
2012	**580,226**
2011	**504,048**
2010	**260,693**



Total assets split



- Cash and balances with CBN
- Due from banks
- Pledged financial assets
- Loans and advances to customers
- Investments securities
- Other assets
- Fixed assets

Performance review continued

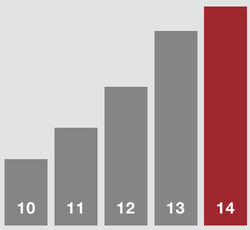
Loans and advances

Gross loans and advances increased by 16% to N380.9 billion from N328.7 billion in 2013. Net loans and advances also grew by 15% to N371.2 billion representing a compound annual growth rate of 39% (CAGR: 2010–2014). Growth in lending was supported by an increased capital base arising from the successful completion of a Private Placement of US$120 million (N19.1 billion) and profit accretion. Oil and gas recorded the highest sectoral contribution followed by real estate and construction at 35% and 21% respectively. Finance and insurance, government and power recorded the highest growth given opportunities within the sectors. Exposure to the oil and gas sector was spread across the various subsectors – upstream (42%), downstream (30%) and servicing (28%). Non-performing loans as a proportion of gross loans increased by 100 basis points to 3.1% from 2.1% in 2013. However, cost of risk improved by 60 basis points to 1.9% due to an 11% reduction in impairment charges.

Net loans (N'million)

N371,246

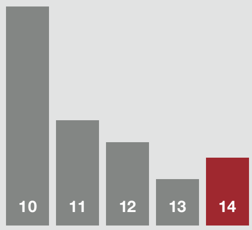
2013	**321,744**
2012	**229,421**
2011	**162,063**
2010	**102,821**



NPL ratio (%)

3.1%

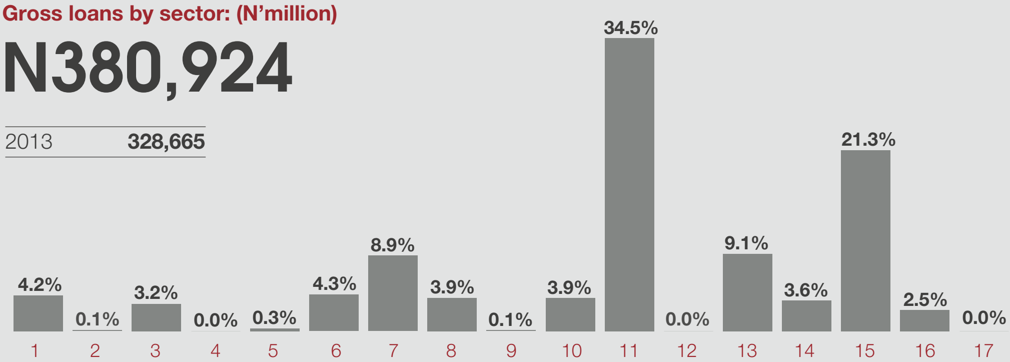
2013	**2.1%**
2012	**3.8%**
2011	**4.8%**
2010	**10.4%**



Gross loans by sector: (N'million)

N380,924

2013	**328,665**

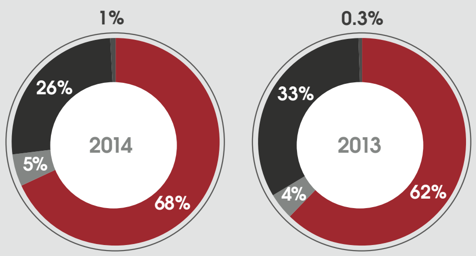


1	Agriculture	(2013: 3.8%)
2	Capital market	(2013: 0.1%)
3	Communication	(2013: 3.1%)
4	Consumer	(2013: 2.0%)
5	Education	(2013: 0.4%)
6	Finance and insurance	(2013: 3.0%)
7	Government	(2013: 5.6%)
8	Manufacturing	(2013: 5.8%)
9	Mining and quarrying	(2013: 0.1%)
10	Mortgage	(2013: 3.6%)
11	Oil and gas	(2013: 30.3%)
12	Other public utilities	(2013: 0.6%)
13	Other	(2013: 13.3%)
14	Power	(2013: 2.5%)
15	Real estate and construction	(2013: 21.9%)
16	Transportation	(2013: 4.0%)
17	Non-interest banking	N/A

Deposits

Our balance sheet was funded mainly by deposits, which grew by 15% and accounted for 80% of total assets (2013: 81%). Over the last five years, deposits have grown at a compound annual growth rate of 35% (CAGR: 2010–2014). Growth was driven by demand deposits and savings account balances which rose by 26% and 28% respectively, while term deposits declined by 8%, resulting in a 600 basis points improvement in deposit mix to 73% from 67% in 2013. Thus, cost of funds moderated by 80 basis points to 5.3% amidst liquidity pressures in the banking system and the resulting spike in interest rates.

Deposit split

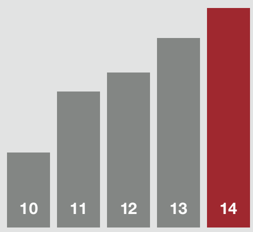


- Current accounts
- Savings accounts
- Term deposits
- Pledged deposits

Deposits (N'million)

N655,944

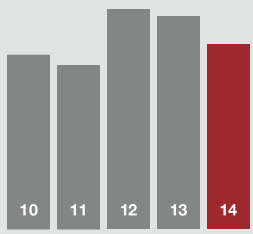
2013	570,511
2012	466,845
2011	409,794
2010	199,940



Cost of funds (%)

5.3%

2013	6.1%
2012	6.3%
2011	4.7%
2010	5.0%



Performance review continued

Capital and liquidity

Items (N'm)	2014	2013	Growth
Total Tier 1	**74,995**	56,181	33%
Total Tier 2	**3,432**	6,797	-50%
Total qualifying capital	**78,427**	62,978	25%
Risk-weighted assets	**566,687**	448,520	26%
Tier 1 ratio	**13%**	13%	
Tier 2 ratio	**1%**	1%	
Capital adequacy ratio	**14%**	14%	

Our capital position remained strong providing a buffer for risk taking. Capital adequacy ratio was above the 10% regulatory requirement at 14%. Liquidity ratio also exceeded the regulatory benchmark of 30% by 400 basis points at 34% despite persistent liquidity pressures during the year. Total qualifying capital rose by 25% to N78.4 billion due to a 33% growth in Tier 1 capital arising from the successful completion of a US$120 million Private Placement with net proceeds of N18.5 billion. We recorded a 50% reduction in Tier 2 capital due to the CBN's policy guideline excluding non-distributable regulatory reserve and other reserves in the computation of regulatory capital. However, our plan is to further strengthen our capital position with a multi-currency debt capital of US$200 million (Tier 2) in the coming year.

Governance

Innovation & Growth

Sterling Bank

The one-customer bank.

Directors, officers and professional advisers

DIRECTORS:	Mr. Asue Ighodalo	Chairman
	Mr. Yinka Adeola	Director
	Mr. Rasheed Kolarinwa	Director
	Ms. Olufunmilola Osunsade	Director
	Dr. (Mrs.) Omolara Akanji	Director
	Ms. Tamarakare Yekwe (MON)	Director
	Mr. Raghavan Karthikeyan (Indian)	Director
	Mr. Olaitan Kajero	Director
	Mrs. Tairat Tijani	Director
	Mrs. Egbichi Akinsanya	Director
	Mr. Yemi Adeola	Managing Director/CEO
	Mr. Lanre Adesanya	Executive Director
	Mr. Kayode Lawal	Executive Director
	Mr. Abubakar Suleiman	Executive Director
	Mr. Grama Narasimhan (Indian)	Executive Director
	Mr. Yemi Odubiyi	Executive Director

COMPANY SECRETARY: Justina Lewa

REGISTERED OFFICE:
Sterling Towers
20, Marina, Lagos
Tel: 2702300-8

REGISTRATION NUMBER: 2392

AUDITORS:
Ernst & Young
10th and 13th floors
UBA House
57 Marina
Lagos

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

Board of Directors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Sterling Bank Plc Board of Directors

1. Asue Ighodalo – Chairman
2. Yinka Adeola – Non-Executive Director
3. Rasheed Kolarinwa – Independent Director
4. Olufunmilola Osunsade – Non-Executive Director
5. Omolara Akanji – Independent Director
6. Tamarakare Yekwe, MON – Independent Director
7. Raghavan Karthikeyan – Non-Executive Director
8. Olaitan Kajero – Non-Executive Director
9. Tairat Tijani – Non-Executive Director
10. Egbichi Akinsanya – Non-Executive Director
11. Yemi Adeola – Managing Director/CEO
12. Lanre Adesanya – Executive Director
13. Kayode Lawal – Executive Director
14. Abubakar Suleiman – Executive Director
15. Grama Narasimhan – Executive Director
16. Yemi Odubiyi – Executive Director

Governance

Board of Directors continued

1. Asue Ighodalo

Chairman

Mr. Asue Ighodalo is a Partner in Banwo & Ighodalo, a leading corporate and commercial law firm in Nigeria, which he founded in partnership in 1991. His core practice areas are corporate finance, capital markets, mergers and acquisitions, banking and securities, foreign investments and divestments, energy and natural resources, privatisation and project finance.

A product of the prestigious Kings College, Lagos, Asue obtained a Bachelor of Science degree (BSc) in Economics from the University of Ibadan in 1981, LL.B in 1984 from London School of Economics and a BL in 1985 from the Nigerian Law School. A member of several professional associations, Asue sits on the board of several public and private companies.

He was appointed a Non-Executive Director of Sterling Bank in May 2014, and subsequently as Chairman in July 2014.

2. Yinka Adeola

Non-Executive Director

Mr. Yinka Adeola is presently the Managing Director of Safetrust Mortgage Bank Limited (formerly Safetrust Savings & Loans Limited).

He started his finance career as a senior supervisor at the Central Bank of Nigeria in 1980, after which he joined Pacific Merchant Bank in 1990, where he specialised in corporate finance and later became the Managing Director in 1997, a position he held until 2002. He went on to serve as Managing Director of Trust Bank of Africa Limited, a position he held from 2003 until 2005.

He holds a BSc in Economics from the University of Ibadan and an MSc in Economics from the University of Jos, both in Nigeria.

3. Rasheed 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 thereafter moved into executive positions between 1999 and 2005 as an Executive Director. He served as the deputy Managing Director of IBTC Chartered Bank Plc (now Stanbic IBTC Bank Plc) from December 2005 to December 2007.

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

4. 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 25 years of experience in senior capacities in various industries including manufacturing, marketing, sales, finance and banking. Her early career started with Consolidated Manufacturing (WA) Limited between 1987 and 1991 as Marketing Executive after which she moved to International Funding Group as Commodities Procurement Officer in 1991. Ms. Osunsade joined the former Equitorial Trust Bank Limited in 1994 as a Deputy Manager. She rose through the ranks and became the Deputy General Manager (DGM), Branch Development and Corporate Services from November 2005 to November 2011.

She was appointed a Non-Executive Director of Sterling Bank in March 2012.

5. 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 BSc in Agricultural Economics from the University of Ibadan, an MSc 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.

6. Tamarakare Yekwe, MON

Independent Director

Ms. Yekwe is currently the Principal Partner at Kare Yekwe & Co. (Legal Practitioners and Consultants). Prior to this, she was a member of the governing council for the 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, the Continental Merchant Bank of Nigeria Plc, the International Merchant Bank Plc and the Federal Mortgage Bank of Nigeria.

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

7. 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, 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.

8. Olaitan Kajero

Non-Executive Director

Mr. Kajero is presently the Managing Director of STB Building Society Limited, a position he has held since 2006.

He started his career as Finance and Admin Manager at Communication Associates of Nigeria Limited in 1997. He went on to serve as General Manager and Group Chief Operating Officer in Aircom Nigeria Limited between 2001 and 2006, where he was responsible for General Business Development and managing the day-to-day activities of the Company.

He holds a Bachelor of Science degree in chemistry from the University of Lagos and an MBA in Finance from Olabisi Onabanjo University, Ago Iwoye in Ogun State.

He was appointed a Non-Executive Director of Sterling Bank in August 2014.

9. Tairat Tijani

Non-Executive Director

Mrs. Tijani graduated from Lancaster University with Honours in Accounting, Finance and Economics. She also graduated with a distinction in MBA, International Business from the University of Birmingham. She is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Secretaries and Administrators of Nigeria.

Mrs. Tijani has garnered significant experience as an operator in the capital market, participating in several landmark transactions which have contributed immensely towards the development of the Nigerian Capital Market. She was formerly the Head, Capital Markets Division of FBN Capital (a subsidiary of FBN Holdings Plc, formerly First Bank of Nigeria Plc) where she had oversight responsibility for deal origination and transaction execution.

She was appointed a Non-Executive Director of Sterling Bank in November 2014.

10. Egbichi Akinsanya

Non-Executive Director

Mrs. Akinsanya holds a bachelor degree in Economics and Public Administration from Bedford College (now Holloway College), University of London, the professional qualifications of the Institute of Chartered Secretaries & Administrators UK (ICSA) and the Institute of Chartered Accountants of Nigeria (ICAN).

Her work experience spans both the public and private sectors, having worked with the Securities and Exchange Commission Nigeria (SEC) for over eleven years, Citibank Nigeria for four years, British American Tobacco for five years and Private Venture Capital initiative (FBC Beverages Company Limited) for six years.

She was appointed a Non-Executive Director of Sterling Bank in March 2015.

11. Yemi Adeola

Managing Director/CEO

Mr. Yemi Adeola is presently the Managing Director/Chief Executive Officer of Sterling Bank Plc, a position he has held since December 2007.

His banking career started at Citibank Nigeria Ltd, where he worked between August 1988 and June 2003 in various capacities including chief Legal Counsel and Executive Director, Commercial Banking, Public Sector and Infrastructure. He later moved on to Trust Bank of Africa Ltd, where he served as Deputy Managing Director between June 2003 and December 2005. Following the concluded merger of Trust Bank with four other banks, he became Executive Director, Corporate and Commercial Banking of Sterling Bank Plc in January 2006.

Yemi Adeola holds a Bachelor of Law (LLB) degree from the University of Ife and Master of Law (LLM) degree (with specialisation in law of secured credit transactions, comparative company law and international economics law) from the University of Lagos, Nigeria. He is an alumnus of Harvard Business School, Stanford Business School, Saïd Business School, Oxford University and Wharton School, University of Pennsylvania. He is a John F. Kennedy Scholar.

12. Lanre 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 (formerly Nigbel Merchant Bank Limited) during the 1990s, rising to become Executive Director in 2004, and subsequently Managing Director/CEO in 2005.

He obtained a BSc and MSc in Economics, both from the University of Lagos, Nigeria. Mr. Adesanya is an alumnus of Lagos Business School, Harvard Business School, Stanford Business School and Wharton School, University of Pennsylvania.

Board of Directors continued

13. Kayode Lawal

Executive Director

Mr. Kayode Lawal started his career with NBM Bank where he worked from 1987 until 2005. During this period, he excelled in various marketing roles and was subsequently appointed as the bank's Treasurer. Following the consolidation exercise and the emergence of Sterling Bank in 2006, he was again assigned to marketing, to head various regions in Lagos, a testament to the confidence placed in his abilities on the field.

He is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and has professional qualifications from the Chartered Institute of Taxation of Nigeria (CITN) and Chartered Institute of Bankers of Nigeria (CIBN). He is also an alumnus of the Lagos Business School, Columbia University Graduate School of Business and University of Oxford.

14. Abubakar Suleiman

Executive Director

Mr. Abubakar Suleiman started his banking career as a Management Associate in MBC International Bank (now part of First Bank Plc) in 1998. In 2000, he moved to Citibank Nigeria where he worked in roles covering asset and liability management and market risk management. Between 2003 and 2011, he served as Treasurer (in Trust Bank of Africa and subsequently Sterling Bank) before being appointed integration Director to deliver the seamless merger with the former Equitorial Trust Bank.

Upon successful completion of this assignment, he was appointed Chief Financial Officer of the Bank, responsible for finance and performance management, strategy and communications and human resource management. Abubakar has also been instrumental in laying a solid foundation for the Retail and Non-Interest Banking businesses. He holds a BSc in Economics from the University of Abuja and an MSc in major programmes management from Saïd Business School, Oxford University. He is also an alumnus of Arthur Andersen (KPMG Nigeria) and Wharton School, University of Pennsylvania.

15. Grama Narasimhan

Executive Director

Mr. Grama Narasimhan obtained a Bachelor of Science degree (first class) from Bangalore University, Karnataka, India, in 1982. He started his banking career as an officer with State Bank of India (SBI) in 1989. He has held senior positions in credit/advances, international banking and branch operations. He is a certified associate of the prestigious India Institute of Bankers.

He is presently serving SBI internationally in Nigeria as an Executive Director of Sterling Bank Plc since January 2015.

16. Yemi Odubiyi

Executive Director

Mr. Yemi Odubiyi studied at the University of Lagos and holds a first degree in Estate Management (1994) as well as a Master in International Law degree from the same institution. He started his banking career in Citigroup's Nigeria unit in 1995 as an Operations and Technology Generalist serving stints across all its operations and technology functions.

He left Citi to join the turnaround team of the then Trust Bank of Africa in 2003 as head of operations and technology. Upon the consolidation of Trust Bank into Sterling Bank Plc, Yemi served as pioneer Group Head, Trade Services. In 2008, he was mandated to build the Structured Finance Group and he also assumed oversight for Corporate Strategy serving as Chief Strategy Officer.

He served as Chief Operating Officer from March 2012 to January 2015 and was appointed as Executive Director, Operations and Services in February 2015.

Report of the Directors
for the year ended 31 December 2014

The Directors have pleasure in presenting to the members their report together with the audited financial statements for the year ended 31 December 2014.

Corporate structure and business

Principal activity and business review

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

Sterling Bank Plc (the "Bank") is engaged in commercial banking with emphasis on consumer banking, trade services, corporate, investment and non-interest 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 consolidation 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 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 2014 N'000	31 December 2013 N'000
Gross earnings	**103,679,220**	91,742,770
Profit before income tax	**10,747,985**	9,310,198
Income tax	**(1,743,012)**	(1,035,334)
Profit after income tax	**9,004,973**	8,274,864
Profit attributable to equity holders	**9,004,973**	8,274,864
Appropriation:		
Transfer to other regulatory reserve	**2,701,492**	2,482,459
Transfer to retained earnings	**6,303,481**	5,792,405
	9,004,973	8,274,864
Total non-performing loans as % of gross loans	**3.1%**	2.1%
Earnings per share (kobo) – basic	**42k**	52k
Earnings per share (kobo) – diluted	**42k**	52k
Dividend per share (kobo) – proposed	**6k**	25k

Governance

Report of the Directors continued
for the year ended 31 December 2014

Directors who served during the year
The following Directors served during the year under review:

Name	Designation	Date appointed/resigned	Interest represented
Mr. Asue Ighodalo	Chairman	Appointed as Non-Executive Director 02/05/2014; appointed as Chairman 08/07/2014	
Alh. (Dr.) S.A. Adegunwa (OFR)	Chairman	Retired 08/07/2014	Ess-ay Investments Limited
Mr. Yemi Adeola	Managing Director/CEO		
Mr. Lanre Adesanya	Executive Director		
Mr. Devendra Nath Puri (Indian)	Executive Director	Resigned 15/08/2014	
Mr. Kayode Lawal	Executive Director	Appointed 28/04/2014	
Mr. Abubakar Suleiman	Executive Director	Appointed 28/04/2014	
Mr. Raghavan Karthikeyan (Indian)	Non-Executive Director	Appointed 26/02/2014	State Bank of India
Mr. Yemi Idowu	Non-Executive Director	Retired 08/07/2014	Eban 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	Retired 08/07/2014	Dantata Investment & Securities Company Limited
Mr. Yinka Adeola	Non-Executive Director		Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Integrated Services Limited
Ms. Olufunmilola Osunsade	Non-Executive Director		Dr. Mike Adenuga
Mr. Rasheed Kolarinwa	Independent Director		
Ms. Tamarakare Yekwe (MON)	Independent Director	Appointed 26/02/2014	
Dr. (Mrs.) Omolara Akanji	Independent Director	Appointed 26/02/2014	
Mr. Abubakar Sule	Executive Director	Resigned 01/04/2014	

Directors who served during the year continued

Name	Designation	Date appointed/resigned	Interest represented
Mr. Olaitan Kajero	Non-Executive Director	Appointed 27/08/2014	Eban Odan Industrial & Commercial Company STB Building Society Limited Eltees Properties Rebounds Integrated Services Limited L.A Kings Limited
Mrs. Tairat Tijani	Non-Executive Director	Appointed 14/11/2014	Ess-ay Investments Limited

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 financial statements are prepared on a going concern basis.

Directors' interests in shares

Interests 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, CAP C20 Laws of the Federal Republic of Nigeria 2004, were as follows:

Names	**31 December 2014 Direct**	**31 December 2014 Indirect**	31 December 2013 Direct	31 December 2013 Indirect
Mr. Asue Ighodalo	**–**	**69,137,500**	–	–
Mr. Yinka Adeola	**17,494,903**	**1,043,738,342**	17,494,903	920,035,820
Mr. Rasheed Kolarinwa	**–**	**–**	–	–
Ms. Olufunmilola Osunsade	**–**	**1,620,376,969**	–	1,620,376,969
Dr. (Mrs.) Omolara Akanji	**–**	**–**	–	–
Ms. Tamarakare Yekwe (MON)	**–**	**–**	–	–
Mr. Raghavan Karthikeyan	**–**	**2,549,505,026**	–	2,549,505,026
Mr. Olaitan Kajero	**–**	**1,383,753,342**	–	–
Mrs. Tairat Tijani		**1,372,301,560**		
Mr. Yemi Adeola	**25,535,555**	**–**	25,535,555	–
Mr. Lanre Adesanya	**5,110,960**	**–**	5,110,960	–
Mr. Kayode Lawal	**3,180,642**	**–**	–	–
Mr. Abubakar Suleiman	**16,326,849**	**–**	–	–

Director's interests in contracts

For the purpose of section 277 of the Company and Allied Matters Act, CAP C20 Laws of the Federal Republic of Nigeria 2004, none of the current 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.

Report of the Directors continued

for the year ended 31 December 2014

Analysis of shareholding

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

Range of shares	Number of holders	%	Number of units	%
1–1,000	31,750	36.44%	14,401,783	0.05%
1,001–5,000	26,554	30.48%	59,763,887	0.21%
5,000–10,000	9,188	10.55%	61,896,309	0.21%
10,001–20,000	7,330	8.41%	98,851,434	0.34%
20,001–50,000	5,659	6.50%	180,447,838	0.63%
50,001–100,000	2,841	3.26%	189,539,456	0.66%
100,001–200,000	1,622	1.86%	228,770,008	0.79%
200,001–500,000	1,036	1.19%	329,472,624	1.14%
500,001–10,000,000	1,007	1.16%	1,622,671,501	5.64%
Above 10,000,001	126	0.14%	14,831,562,485	51.52%
Foreign shareholding	6	0.01%	11,173,040,799	38.81%
	87,119	100%	28,790,418,124	100.00%

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

	31 December 2014		31 December 2013	
	% holding	**Unit**	% holding	Unit
Silverlake Investments Limited	**25.00**	**7,197,604,531**	—	—
State Bank of India	**8.86**	**2,549,505,026**	11.81	2,549,505,026
SNNL/Asset Management Corporation of Nigeria – Main	**5.84**	**1,682,712,505**	7.37	1,591,783,265
Dr. Mike Adenuga	**5.63**	**1,620,376,969**	7.5	1,620,376,969
Ess-ay Investments Limited	**4.78**	**1,372,301,560**	6.28	1,356,679,440
STB Building Society Limited	**3.77**	**1,383,753,953**	5.02	1,084,019,503

Donations and charitable gifts

The Bank during the year ended 31 December 2014 donated a total sum of N80,090,000 (for the year ended 31 December 2013: N176,321,000) to various charitable organisations and higher education institutions 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	32,500
Kaduna Ministry of Environment and Natural Resources (MENR)	Corporate social responsibility	7,200
Bayelsa State Government on African Movie Awards	Corporate social responsibility	7,000
New Telegraph newspaper	Corporate social responsibility	6,972
Caleb Secondary School	Mathematics competition sponsorship	4,975
Lagos State Transport Agency (LASTMA)	Corporate social responsibility	4,410
Aspire Limited	Corporate social responsibility	3,349
Lagos State Waste Management Authority	Corporate social responsibility	2,500
Enugu State Waste Management (ESWAMA)	Corporate social responsibility	2,400
Ado Odo Ota Road Sweepers (AOORS)	Corporate social responsibility	2,400
Delta State Road Managers (SEEFOR)	Corporate social responsibility	2,400
Field of Skills & Dreams – skill acquisition programme	Corporate social responsibility	1,415
Indian Women Association	Corporate social responsibility	750
Kristal Stones Promotions Ltd	Corporate social responsibility	609
We Are the Future of Nigeria Society (WATFON)	Corporate social responsibility	400
Sickle Cell Society of Nigeria	Corporate social responsibility	250
SOS Village	Corporate social responsibility	200
Theseability Ltd	Corporate social responsibility	200
Eti-Osa LCDA	Corporate social responsibility	160
Total		**80,090**

Gender analysis of staff

Analysis of staff employed by the Bank during the year ended 31 December 2014

Description	Number	% of total staff
Female new hire	271	8.90
Male new hire	287	9.43
Total new hire	558	18.33
Total staff	3,042	100
Female as at 31 December 2014	1,294	42.5
Male as at 31 December 2014	1,748	57.5

Analysis of top management positions by gender as at 31 December 2014

Grade	Female	Male	Number
Senior Management (AGM – GM)	12	42	54
Middle Management (DM – SM)	56	146	202
Total	68	188	256

Report of the Directors continued
for the year ended 31 December 2014

Gender analysis of staff continued
Analysis of Executive and Non-Executive positions by gender as at 31 December 2014

Grade	Female	Male	Number
Executive Director	—	3	3
Managing Director	—	1	1
Non-Executive Director	4	5	9
Total	4	9	13

Acquisition of own shares
The Bank did not acquire any of its shares during the year ended 31 December 2014 (2013: 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 the reporting date which could have had a material effect on the state of affairs of the Bank as at 31 December 2014 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
3 March 2015

Corporate governance report
for the year ended 31 December 2014

In line with the revised corporate governance guidelines issued by the Central Bank of Nigeria in October 2014, the Board of Directors had 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 inclusive of the MD/CEO who oversees the corporate governance of the Bank.

Attendance at Board meetings for the year ended 31 December 2014 are as follows:

	Director	Attendance	No. of meetings	4 March 2014	8 July 2014	9 October 2014	16 December 2014
1	Mr. Asue Ighodalo (appointed 02/05/2014)	3	3	–	✓	✓	✓
2	Alh. (Dr.) S.A. Adegunwa (OFR) (retired 08/07/2014)	2	2	✓	✓	–	–
3	Alh. Bashir Borodo (OON) (retired 08/07/2014)	2	2	✓	✓	–	–
4	Mr. Yinka Adeola	4	4	✓	✓	✓	✓
5	Mr. Yemi Idowu (retired 08/07/2014)	2	2	✓	✓	–	–
6	Mr. Rasheed Kolarinwa	4	4	✓	✓	✓	✓
7	Ms. Olufunmilola Osunsade	4	4	✓	✓	✓	✓
8	Dr. (Mrs.) Omolara Akanji (appointed 26/02/2014)	4	4	✓	✓	✓	✓
9	Ms. Tamarakare Yekwe (MON) (appointed 26/02/2014)	4	4	✓	✓	✓	✓
10	Mr. Raghavan Karthikeyan (appointed 26/02/2014)	0	4	x	x	x	x
11	Mr. Olaitan Kajero (appointed 27/08/2014)	2	2	–	–	✓	✓
12	Mrs. Tairat Tijani (appointed 14/11/2014)	1	1	–	–	–	✓
13	Mr. Yemi Adeola	4	4	✓	✓	✓	✓
14	Mr. Lanre Adesanya	4	4	✓	✓	✓	✓
15	Mr. Devendra Nath Puri (retired 15/08/2014)	2	2	✓	✓	–	–
16	Mr. Abubakar Sule (resigned 01/04/2014)	0	1	x	–	–	–
17	Mr. Kayode Lawal (appointed 28/04/2014)	3	3	–	✓	✓	✓
18	Mr. Abubakar Suleiman (appointed 28/04/2014)	3	3	–	✓	✓	✓

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:

			Attendance	No. of meetings	25 February 2014	4 June 2014	25 September 2014	2 December 2014
1	Dr. (Mrs.) Omolara Akanji	Chairman	3	3	–	✓	✓	✓
2	Mr. Yinka Adeola	Member	4	4	✓	✓	✓	✓
3	Mr. Rasheed Kolarinwa	Member	4	4	✓	✓	✓	✓
4	Mr. Olaitan Kajero	Member	2	2	–	–	✓	✓
5	Mr. Yemi Adeola	Member	4	4	✓	✓	✓	✓
6	Mr. Lanre Adesanya	Member	4	4	✓	✓	✓	✓
7	Mr. Kayode Lawal	Member	3	3	–	✓	✓	✓

Corporate governance report continued
for the year ended 31 December 2014

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:

			Attendance	No. of meetings	19 February 2014	28 May 2014	23 September 2014	17 December 2014
1	Ms. Olufunmilola Osunsade	Chairman	4	4	✓	✓	✓	✓
2	Mr. Yinka Adeola	Member	4	4	✓	✓	✓	✓
3	Ms. Tamarakare Yekwe	Member	1	1	—	—	—	✓
4	Mr. Yemi Adeola	Member	4	4	✓	✓	✓	✓
5	Mr. Lanre Adesanya	Member	4	4	✓	✓	✓	✓
6	Mr. Abubakar Suleiman	Member	3	3	—	✓	✓	✓

Board Governance and Nominations 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:

			Attendance	No. of meetings	25 February 2014	27 May 2014	18 September 2014	26 November 2014
1	Ms. Tamarakare Yekwe	Chairman	3	3	—	✓	✓	✓
2	Mr. Rasheed Kolarinwa	Member	4	4	✓	✓	✓	✓
3	Ms. Olufunmilola Osunsade	Member	4	4	✓	✓	✓	✓
4	Dr. (Mrs.) Omolara Akanji	Member	1	1	—	—	—	✓
5	Mr. Olaitan Kajero	Member	2	2	—	—	✓	✓
6	Mr. Yemi Adeola	Member	4	4	✓	✓	✓	✓
7	Mr. Abubakar Suleiman	Member	3	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:

			Attendance	No. of meetings	26 February 2014	5 June 2014	24 September 2014	25 November 2014
1	Mr. Olaitan Kajero	Chairman	1	1	—	—	—	✓
2	Mr. Rasheed Kolarinwa	Member	4	4	✓	✓	✓	✓
3	Ms. Olufunmilola Osunsade	Member	4	4	✓	✓	✓	✓
4	Dr. (Mrs.) Omolara Akanji	Member	3	3	—	✓	✓	✓
5	Mr. Yemi Adeola	Member	4	4	✓	✓	✓	✓
6	Mr. Lanre Adesanya	Member	4	4	✓	✓	✓	✓
7	Mr. Kayode Lawal	Member	3	3	—	✓	✓	✓

Board composition and committees continued

Board Audit Committee

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

			Attendance	No. of meetings	3 December 2014
1	Mr. Rasheed Kolarinwa	Chairman	1	1	✓
2	Mr. Yinka Adeola	Member	1	1	✓
3	Dr. (Mrs.) Omolara Akanji	Member	1	1	✓
4	Ms. Tamarakare Yekwe (MON)	Member	1	1	✓

Statutory Audit Committee

The Committee acts on behalf of the Bank on all audit matters. Report and actions of the Committee are presented to the shareholders at the Annual General Meeting. The members and respective attendance at Committee meetings are as follows:

			Attendance	No. of meetings	25 February 2014	5 June 2014	9 September 2014	4 December 2014
1	Mr. Idongesit Udoh	Chairman	4	4	✓	✓	✓	✓
2	Alh. Mustapha Jinadu	Member	4	4	✓	✓	✓	✓
3	Ms. Christie Vincent	Member	4	4	✓	✓	✓	✓
4	Mr. Yinka Adeola	Member	4	4	✓	✓	✓	✓
5	Ms. Tamarakwe Yekwe (MON)	Member	3	3	—	✓	✓	✓
6	Mr. Olaitan Kajero	Member	2	2	—	—	✓	✓

Management Committees

1. Executive Committee (EXCO)

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

2. Assets and Liability Committee (ALCO)

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

Corporate governance report continued
for the year ended 31 December 2014

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 the implementation and compliance with the Code of Ethics.

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

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

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

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any persons or act that might jeopardise its reputation. Members of 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 Bank's website, dedicated telephone hotlines and email address in compliance with the guidelines for whistle blowing for banks and other financial institutions issued by the Central Bank of Nigeria (CBN).

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

Further disclosures are stated in note 41 of the financial statements.

Compliance Statement on Securities Trading by Interested Parties
The Bank has put in place a Policy on Trading on the Bank's Securities by Directors and other key personnel of the Bank.

During the year under review, the Directors and other key personnel of the Bank complied with the terms of the Policy and the provisions of Section 14 of the Amendment to the Listing Rules of The Nigerian Stock Exchange.

Statement of Directors' responsibilities in relation to the financial statements
for the year ended 31 December 2014

In accordance with the provisions of sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and sections 24 and 28 of the Banks and Other Financial 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, the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, Revised Prudential Guidelines, have been prepared and presented in accordance with International Financial Reporting Standards, Financial Reporting Council Act No. 6, 2011 and relevant circulars issued by the Central Bank of Nigeria; and

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent 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, Financial Reporting Council Act No. 6, 2011 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 2014.

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

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

Signed on behalf of the Directors by:

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680
3 March 2015

Yemi Adeola
Managing Director/CEO
FRC/2013/CIBN/00000001257

Governance

Innovation & Growth

Report of the Statutory Audit Committee
for the year ended 31 December 2014

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 Statutory 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 2014 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 the management's response to the external auditors' 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 32 to the financial statements.

Mr. Idongesit Udoh
Chairman, Audit Committee
FRC/2014/NIM/00000010597
16 February 2015

Members of the Audit Committee are:

1. Mr. Idongesit Udoh	Chairman
2. Alh. Mustapha Jinadu	Member
3. Ms. Christie Vincent	Member
4. Mr. Yinka Adeola	Member
5. Ms. Tamarakwe Yekwe (MON)	Member
6. Mr. Olaitan Kajero	Member

In attendance:

Justina Lewa	Secretary

Statement of Compliance

Pursuant to the duties of the Advisory Committee of Experts (the "ACE") and as independent supervisors of Sterling Alternative Finance Non-Interest Banking activities, (NIB) we hereby submit our annual report of compliance. We have reviewed transactions and applications introduced by Sterling Bank Plc. during the financial year ended December 31, 2014. We have planned and performed our review with the Internal Shari'a Auditor. We conducted an audit based on randomly selected activities in different branches of the Bank. These have allowed us to form an opinion as to whether Sterling Bank Plc. has complied with the Non-Interest banking rules and principles, the Central Bank of Nigeria guidelines on Non-Interest banking, the AAOIFI guidelines and our own pronouncements as the ACE.

In our opinion:
The contracts, transactions and dealings entered into by Sterling Bank NIB Window during the year ended December 31, 2014, which we reviewed, are in compliance.

We believe that the window has made commendable start and look forward to its improvement in the implementation of non-interest banking principles in the building of a successful business.

Sterling Bank's management is responsible for ensuring that the Sterling Alternative Finance conducts its business within the laws and regulations of the Federal Republic of Nigeria and in accordance with Central Bank of Nigeria pronouncements on Non-Interest Banking, AAOIFI guidelines and the ACE's pronouncements, rulings and guidelines.

Yours truly, the Advisory Committee of Experts:

Sh. AbdulKader Thomas
Chairman

Sh. Imam Abdul Raheem Sayi

Sh. Abubakar Mohamad Musa

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

J.K. RANDLE
INTERNATIONAL
Chartered Accountants
& Management Consultants

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REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF STERLING BANK PLC, FOR THE YEAR ENDED 31[ST] DECEMBER 2014

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, 2014. The exercise was guided by the provisions of the Central Bank of Nigeria Code of Corporate Governance and other recognized Best Practices.

The Board comprises 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.

During the year, two Directors were appointed onto the Board as Independent Directors. This brought the number of Independent Directors to three. Other appointments onto the Board included four Non-Executive Directors and two Executive Directors. Three Non-Executive Directors and two Executive Directors retired/resigned from the Board during the year under review. The composition of the Board during the year was in line with Best Practice and in conformity with regulations. The ratio of Non-Executive Directors to Executive Directors is in line with Best Practice and the CBN Code. With four female members on the Board as at the end of the year ended 31[st] December, 2014 the Board has satisfied the CBN gender ratio requirement. The ratio in favour of female members now stands at 31% against the minimum requirement of 30% effective 2014. Despite the changes on the Board, 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 the Bank. 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 adequate 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 continued its drive to ensure that the Bank was adequately capitalized. It also performed other statutory responsibilities including rendering the accounts of the operations and activities of Sterling to the shareholders. To a large extent, our previous recommendations have been implemented by the Board, in particular filling the vacancies that existed on the Board after the last Annual General Meeting, the establishment of a Board Governance & Nominations Committee, among others. The performance of the Board is adjudged to be satisfactory.

At the conclusion of the exercise, we recommended that the Board should continue its drive towards implementing the Basel II/III along with the Internal Capital Adequacy Assessment Process as required by the CBN. It should put measures in place to reduce cost-to-income ratio. We also recommended that the Board should properly position the Non-interest Banking Window in order to ensure that the Window contributes meaningfully to the overall performance of the Bank.

JKRandle

Bashorun J. K. Randle, OFR
Chairman/Chief Executive
FRC/2013/ICAN/00000002703

Dated 27 March, 2015

J K R

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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 2014, the statement of profit or loss and other 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 have 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 2014, 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; and

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

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

Report on Other Legal and Regulatory Requirements continued

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

i) Related party transactions and balances are disclosed in Note 32 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

ii) As disclosed in Note 38 to the financial statements, the Bank contravened certain circulars of the Central Bank of Nigeria and another regulatory requirement.

iii) Customer complaints are disclosed in Note 39 to the financial statements in compliance with the Central Bank of Nigeria circular FPR/DIR/CIR/01/020.

Dayo Babatunde, FCA,
FRC/2013/ICAN/00000000702
For: Ernst & Young
Lagos, Nigeria
3 March 2015

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Financial statements

Sterling Bank

The one-customer bank.

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2014

	Notes	31 December 2014 N'000	31 December 2013 N'000
Interest income	6	**77,932,145**	69,972,761
Interest expense	7	**(34,915,362)**	(34,160,115)
Net interest income		**43,016,783**	35,812,646
Fees and commission income	8	**16,132,892**	14,564,349
Net trading income	9	**6,766,962**	3,714,144
Other operating income	10	**2,847,221**	3,491,516
Operating income		**68,763,858**	57,582,655
Impairment charge	11	**(7,389,159)**	(8,259,094)
Net operating income after impairment charge		**61,374,699**	49,323,561
Personnel expenses	12	**(12,031,026)**	(10,266,623)
Other operating expenses	13.1	**(10,111,507)**	(8,377,674)
General and administrative expenses	13.2	**(19,793,634)**	(14,042,493)
Other property, plant and equipment cost	13.3	**(5,550,950)**	(4,632,084)
Depreciation and amortisation	22 and 23	**(3,139,597)**	(2,694,489)
Total expenses		**(50,626,714)**	(40,013,363)
Profit before income tax		**10,747,985**	9,310,198
Income tax expense	14	**(1,743,012)**	(1,035,334)
Profit for the year		**9,004,973**	8,274,864
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Fair value loss on available for sale investments*		**(1,131,739)**	(295,931)
Loss/gain on available for sale securities sold Included in profit or loss*		**295,931**	(148,935)
Other comprehensive loss for the year, net of tax		**(835,808)**	(444,866)
Total comprehensive income for the year, net of tax		**8,169,165**	7,829,998
Profit attributable to:			
Equity holders of the Bank		**9,004,973**	8,274,864
Total comprehensive income attributable to:			
Equity holders of the Bank		**8,169,165**	7,829,998
Earnings per share – basic (in kobo)	15	**42k**	52k
Earnings per share – diluted (in kobo)	15	**42k**	52k

* Income from these instruments is exempted from tax

The accompanying notes on pages 60 to 136 form part of these financial statements.

Statement of financial position
as at 31 December 2014

	Notes	31 December 2014 N'000	31 December 2013 N'000
Assets			
Cash and balances with Central Bank of Nigeria	16	**174,759,962**	96,900,562
Due from banks	17	**67,330,073**	85,601,022
Pledged financial assets	18	**78,750,860**	79,771,732
Loans and advances to customers	19	**371,246,273**	321,743,748
Investment securities:			
– Held for trading	20(a)	**1,949,460**	2,200,994
– Available for sale	20(b)	**49,039,378**	19,496,194
– Held to maturity	20(c)	**45,581,835**	76,123,934
Other assets	21	**14,136,957**	9,317,091
Property, plant and equipment	22	**13,952,027**	9,069,368
Intangible assets	23	**821,456**	601,391
Deferred tax assets	14(f)	**6,971,145**	6,971,145
Total assets		**824,539,426**	707,797,181
Liabilities			
Deposits from customers	24	**655,944,127**	570,511,097
Current income tax liabilities	14(b)	**1,802,189**	1,112,289
Other borrowed funds	25	**45,371,097**	38,794,527
Debt securities issued	26	**4,563,584**	4,563,598
Other liabilities	27	**32,143,144**	29,357,774
Total liabilities		**739,824,141**	644,339,285
Equity			
Share capital	28	**14,395,209**	10,796,407
Share premium		**42,759,214**	27,871,589
Retained earnings		**5,753,977**	7,785,753
Equity reserves	30	**21,806,885**	17,004,147
Total equity		**84,715,285**	63,457,896
Total liabilities and equity		**824,539,426**	707,797,181

The financial statements were approved by the Board of Directors on 3 March 2015 and signed on its behalf by:

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

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

Asue Ighodalo
Chairman
FRC/2015/NBA/00000010680

The accompanying notes on pages 60 to 136 form part of these financial statements.

Financial statements

Statement of changes in equity
for the year ended 31 December 2014

	Share capital N'000	Share premium N'000	Fair value reserve N'000
Balance at 1 January 2014	10,796,407	27,871,589	(295,931)
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	–	–	(835,808)
Transactions with equity holders, recorded directly in equity:			
Dividends to equity holders (note 28a)	–	–	–
Additions during the year	3,598,802	15,474,625	–
Share issuance cost	–	(587,000)	–
Transfers to regulatory reserves (notes 30c and 19d)	–	–	–
Balance at 31 December 2014	**14,395,209**	**42,759,214**	**(1,131,739)**

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

	Share capital N'000	Share premium N'000	Revaluation reserve N'000
Balance at 1 January 2013	7,851,931	18,689,788	486,000
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 29b)	–	–	–
Transfer to regulatory reserves (note 30a and c, 19d)	–	–	–
Reclassification	–	–	(486,000)
Additions from Rights Issue (note 28b)	2,944,476	9,526,801	–
Right issuance cost	–	(345,000)	–
Balance at 31 December 2013	**10,796,407**	**27,871,589**	**–**

The accompanying notes on pages 60 to 136 form part of these financial statements.

Innovation & Growth

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	943,684	234,503	10,845,468	17,004,147	7,785,753	63,457,896
—	—	—	—	—	9,004,973	9,004,973
—	—	—	—	(835,808)	—	(835,808)
—	—	—	—	—	(5,398,203)	(5,398,203)
—	—	—	—	—	—	19,073,427
—	—	—	—	—	—	(587,000)
—	2,937,054	—	2,701,492	5,638,546	(5,638,546)	—
5,276,423	**3,880,738**	**234,503**	**13,546,960**	**21,806,885**	**5,753,977**	**84,715,285**

Equity reserves							
Fair value reserve N'000	Share capital reserve N'000	Regulatory risk reserve N'000	SMEEIS reserve N'000	Other regulatory reserve N'000	Total equity reserves N'000	Retained earnings N'000	Total N'000
148,935	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)	—	(444,866)
—	—	—	—	—	—	(3,140,773)	(3,140,773)
—	—	884,957	—	2,482,459	3,367,416	(3,367,416)	—
—	—	—	—	486,000	—	—	—
—	—	—	—	—	—	—	12,471,277
—	—	—	—	—	—	—	(345,000)
(295,931)	**5,276,423**	**943,684**	**234,503**	**10,845,468**	**17,004,147**	**7,785,753**	**63,457,896**

Financial statements

Statement of cash flows
for the year ended 31 December 2014

	Notes	2014 N'000	2013 N'000
Profit before tax		**10,747,985**	9,310,198
Adjustment for non-cash items:			
Impairment losses on financial investments		**7,389,159**	8,259,094
Depreciation and amortisation	22 and 23	**3,139,597**	2,694,489
Movement in other comprehensive income		**295,931**	(148,935)
Dividend	10	**(121,571)**	(51,768)
Movement in debt securities		**(14)**	(14)
Profit on disposal of property, plant and equipment	13.1	**16,084**	(33,536)
Loss on bond held for trading	13.1	**1,754**	(776,467)
Profit on sale of investment	10	**—**	(486)
Foreign exchange		**(613,781)**	59,367
		20,855,144	19,311,942
Changes in operating assets			
Deposits with the Central Bank of Nigeria		**(51,124,481)**	(33,889,329)
Due from Central Bank of Nigeria		**3,000,000**	(3,000,000)
Pledged assets		**1,020,872**	(22,359,679)
Loans and advances to customers		**(56,621,165)**	(97,331,314)
Other assets		**(5,050,665)**	(5,967,523)
		(87,920,295)	(143,235,903)
Changes in operating liabilities			
Due to customers		**85,433,030**	106,784,772
Deposit from banks		**—**	(3,118,775)
Other liabilities		**2,674,491**	(1,750,701)
Cash generated from operations		**187,226**	(41,320,607)
Income tax paid	14b	**(942,232)**	(633,365)
Net cash flows used in operating activities		**(755,006)**	(41,953,972)
Investing activities			
Purchase of property, plant and equipment	22	**(7,962,413)**	(3,937,590)
Purchase of intangible assets	23a	**(397,256)**	(526,569)
Proceeds from sale of property, plant and equipment		**101,264**	129,229
Proceeds from sale of investment		**33,710,076**	121,226,762
Purchase of investments		**(32,501,102)**	(43,946,754)
Dividend received	10	**121,571**	51,768
Net cash flows (used in)/from investing activities		**(8,059,599)**	72,700,914
Financing activities			
Proceeds from other borrowed funds		**11,271,268**	10,490,012
Proceed from Private Placements		**19,073,427**	—
Proceeds from issue of right issue		**—**	12,126,277
Cost of issuance of Private Placements		**(587,000)**	—
Repayment of other borrowed funds		**(4,694,698)**	(2,051,524)
Dividends paid	29	**(5,398,203)**	(3,140,773)
Net cash flows from financing activities		**19,664,794**	17,423,992
Effect of exchange rate changes on cash and cash equivalents		**613,781**	(59,367)
Net increase in cash and cash equivalents		**10,850,189**	48,170,935
Cash and cash equivalents at 1 January		**97,305,134**	49,193,566
Cash and cash equivalents at 31 December	34	**108,769,104**	97,305,134
Operational cash flows from interest			
Interest received		**75,598,779**	63,192,830
Interest paid		**(36,559,273)**	(34,491,598)

The accompanying notes on pages 60 to 136 form part of these financial statements.

Statement of prudential adjustments
for the year ended 31 December 2014

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; and

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 of 31 December 2014 N'000	As of 31 December 2013 N'000
Prudential impairment provision	**18,603,154**	13,889,374
Total prudential impairment provision	**18,603,154**	13,889,374
IFRS impairment provision		
Individual impairment for loans and advances	**6,531,453**	4,392,026
Collective impairment for loans and advances	**3,146,674**	2,529,130
Allowances for impairment for other assets	**4,377,760**	4,159,765
Allowances for impairment for investment securities	**387,715**	537,995
Other impairment provision	**278,814**	1,326,774
	14,722,416	12,945,690
Difference in the impairment provision balances	**3,880,738**	943,684
Movement in the regulatory risk reserve		
Balance at the beginning of the year	**943,684**	58,727
Transfer to regulatory risk reserve	**2,937,054**	884,957
Balance at end of the year	**3,880,738**	943,684

Notes to the financial statements

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 investment, corporate, commercial, retail banking and non-interest banking activities.

The financial statements of Sterling Bank Plc for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 3 March 2015.

2 Significant 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).

The non-interest banking activities of the Bank are guided by regulations issued by the Central Bank of Nigeria and the accounting framework is in line with the accounting and sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The financial statements have been prepared on a historical cost basis, except for available for sale investments and other financial assets and liabilities held for trading, 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 profit or loss 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.

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.1 Interest income and expense continued
Interest income and expense presented in the statement of profit or loss 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.

2.2.2 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.

Profit sharing income from mudharabah is recognised in the period when the rights arise in accordance with agreed sharing ratio, and the recognition based on projection of income is not allowed.

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. Dividend income on available for sale securities are 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.

Notes to the financial statements continued

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.6 Taxes continued

(ii) Deferred tax continued
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.

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.

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 cash and bank balances, loans and advances, deposits, debt securities issued and liabilities on the date that they are originated. All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace.

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 net of 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
- group of financial assets is managed and its performance evaluated on a fair value basis.

2 Significant accounting policies continued
2.2 Summary of significant accounting policies continued
2.2.7 Financial assets and liabilities continued
(ii) Subsequent measurement continued

1. Financial assets held at fair value through profit and loss continued
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 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 on available for sale debt instrument 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.

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 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.

Notes to the financial statements continued

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.7 Financial assets and liabilities continued

(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) 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 expired. 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.

(vi) 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 effective interest rate (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 profit or loss. The losses arising from impairment are recognised in the statement of comprehensive income in impairment charges.

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).

(vii) 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 securities 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.

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.7 Financial assets and liabilities continued

(vii) Debts issued and other borrowed funds continued

After initial measurement, debts securities issued and other borrowed funds are subsequently measured at amortised cost using the 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.

(viii) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in net trading income.

(ix) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments available for sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

2.2.8 Impairment of financial assets

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 37.

(i) Assets carried at amortised cost

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

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

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

Notes to the financial statements continued

2 Significant 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
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.

2 Significant 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 and other non-financial assets 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.

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) 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.

(iii) 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.

Notes to the financial statements continued
for the year ended 31 December 2014

2 Significant accounting policies continued
2.2 Summary of significant accounting policies continued
2.2.10 Property, plant and equipment continued

(iii) 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.

(iv) De-recognition
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 de-recognition 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.

Bank as a lessee
Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

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. Rents are recognised as revenue in the period in which they are earned.

2 Significant 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 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.

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 of disposal 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.

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

(i) 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.

Notes to the financial statements continued

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.16 Employee benefits continued

(i) Defined contribution plans continued

The Bank operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014. The employer and the employee contributions are 10% and 8%, respectively, of the qualifying employee's monthly basic, housing and transport allowance. 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.

(ii) 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 Contingencies

(i) 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.

(ii) 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.

2.2.18 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.

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.19 Equity reserves

(i) Revaluation reserve
The balance in this reserve has been moved to other regulatory reserves as a result of the Bank's reclassification of its investment property to its property, plant and equipment.

(ii) 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.

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

(iv) 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.

(v) 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.

(vi) Other regulatory reserve
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.

2.2.20 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 year.

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.

2.2.21 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, Treasury and Non-interest Banking.

2.2.22 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. Differences arising translation of monetary items are recognised in other operating income in the profit or loss.

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.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Notes to the financial statements continued

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.23 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, as available for sale and held to maturity are shown separately in the statement of financial position if they can be sold or pledged by the transferee.

Financial investments available for sale pledged as collateral are measured at fair value while financial investments held to maturity are measured at amortised cost.

2.2.24 Fair value definition and measurement

The Bank measures financial instruments at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- disclosures for valuation methods, significant estimates and assumptions are in note 3;
- quantitative disclosures of fair value measurement hierarchy are in note 37; and
- financial instruments (including those carried at amortised cost) are in note 37.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.2.25 Non-interest banking

Brief explanation of each type of sharia financing is as follows:

Mudharabah financing is a co-operation for certain projects between a first party (malik, shahibul mal or subsidiary) as owner of a fund and a second party (amil, mudharib or debtors) as fund manager whereas the profit sharing will be shared in accordance with the percentage as stated in the agreement; meanwhile losses will be borne by the bank except if the second party does negligence, error or violate the agreement. Mudharabah financing is stated at the outstanding financing balance less allowance for possible losses.

2 Significant accounting policies continued

2.2 Summary of significant accounting policies continued

2.2.25 Non-interest banking continued

Ijarah receivables are the financing on the availability of funds in relation to transferring the right to use and benefit of a good and service based on a rental transaction which was not followed by the transfer of the good's ownership to the lessee. Ijarah muntahiyah bittamlik is an agreement on the availability of funds in relation to transferring the use right and benefit of a good or service based on rental transaction with an option to transfer the ownership title of goods to the lessee. Ijarah receivables are recognised at the due date at the amount of it lease income not yet received and presented at its net realisable value, which is the outstanding balance of the receivables.

Loans are classified as financial assets in loans and receivables. Refer to note 2.2.7 for the accounting policy of loans and receivables.

(i) Deposit liabilities

Deposits liabilities on non-interest banking are classified as financial liabilities at amortised cost. Incremental costs directly attributable to acquisition of deposits on non-interest banking are included in the amount of deposits and amortised over the expected life of the deposits. Refer to note 2.2.7(iii) for the accounting policy for financial liabilities at amortised cost on page 63.

Included in the deposits liabilities are non-interest banking deposits in form of hajj deposits, trust deposits and Certificates Mudharabah Investment Bank (SIMA). SIMA is an investment certificate issued by the bank which adopts profit sharing practice and in form of placement. SIMA financing period ranges from one to six months.

(ii) Income and expense

Included in other operating income and expenses are non-interest banking income and expense. The Bank's income as a fund manager (mudharib) consists of income and expense from mudarabah and hajj transactions, income from profit sharing of sukuk and mudarabah financing and other operating income. Mudarabah income by deferred payment or by instalment is recognised during the period of the contract based on effective method (annuity).

2.3 New standards and improvements

New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the 2014 financial statements are consistent with those followed in the preparation of the Bank's 2013 financial statements, except for the adoption of new standards or interpretations effective as of 1 January 2014.

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

2.3.1 Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank, since the Bank does not qualify as an investment entity under IFRS 10.

2.3.2 Offsetting financial assets and financial liabilities – amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. This amendment does not have impact on the Bank.

2.3.3 Novation of derivatives and continuation of hedge accounting – amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This does not have impact on the Bank.

2.3.4 Recoverable amount disclosures for non-financial assets – amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. This does not have impact on the Bank.

Notes to the financial statements continued

2 Significant accounting policies continued

2.3 New standards and improvements continued

New standards, interpretations and amendments adopted by the Bank continued

2.3.5 IFRIC 21 Levies

IFRIC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in financial statements. This does not have impact on the Bank.

2.3.6 IAS 19 Defined Benefit Plans: employee contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted with effect from 1 July 2014 to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age. This does not have impact on the Bank.

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 assumptions 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 impairment of loans and advances

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 counterparty'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.

3 Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

(ii) Allowances for impairment of loans and advances continued

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.

(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 2.2.24. 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. See note 14 for further information on judgements and estimates relating to deferred tax assets.

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, plant 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 or 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 counterparty.

(iv) Deferred tax asset

Management uses its experienced judgement in not recognising additional deferred tax assets. The amount of those items that give rise to the unrecognised deferred tax asset are disclosed in note 14 of the financial statements.

Notes to the financial statements continued

4 New standards and interpretations not yet adopted

New standards have been issued but are not yet effective for the year ended 31 December 2014; thus, it has not been applied in preparing these financial statements. The Bank intends to adopt the standards below when they become effective.

(i) 4.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods; and key judgements and estimates. This will be effective from 1 January 2017. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(ii) 4.2 IFRS 14 Regulatory Deferral Accounts

The International Accounting Standards Board (IASB) issued IFRS 14 Regulatory Deferral Accounts to ease the adoption of International Financial Reporting Standards (IFRS) for rate-regulated entities. The standard allows an entity to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS. This standard provides first-time adopters of IFRS with relief from derecognising rate regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The effective date is 1 January 2016. This standard will not have impact on the Bank since it is an existing IFRS preparer.

(iii) 4.3 IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. The effective date is 1 January 2016. This amendment will not have impact on the Bank.

(iv) 4.4 IAS 16 and IAS 41 Accounting for bearer plants

IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. This amendment will not have impact on the Bank.

(v) 4.5 IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

4 New standards and interpretations not yet adopted continued

(iv) 4.6 Amendments to IAS 19 Defined Benefit Plans: employee contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Bank, since it does not have a defined benefit plan.

(vii) 4.7 Amendments to IFRS 11 Joint Arrangements: accounting for acquisitions of interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

(viii) 4.8 Amendments to IAS 27: equity method in separate financial statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank as it is not a parent.

(ix) 4.9 IFRS 10, IFRS 12 and IAS 28: investment entities applying the consolidation exception – amendments to IFRS 10, IFRS 12 and IAS 28

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Bank.

(x) 4.10 IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Bank.

Notes to the financial statements continued

4 New standards and interpretations not yet adopted continued

(xi) 4.11 IAS 1: disclosure initiative – amendments to IAS 1
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

This amendment is effective for annual periods beginning on or after 1 January 2016. It is not expected that this amendment would be relevant to the Bank.

Improvement to IFRSs
Amendments resulting from annual improvements to IFRSs to the following standards will not have any material impact on the accounting policies, financial position or performance of the Bank for the year. The annual improvements have an effective date of 1 July 2014.

Annual improvements 2010–2012 cycle
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment
- IAS 38 Intangible Assets
- IAS 24 Related Parties

Annual improvements 2011–2013 cycle
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Properties

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

5. Segment information continued

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; and
- Non-interest Banking provides solutions that are consistent with Islamic laws and guided by Islamic economics.

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.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2014 (2013: none).

The activity of the segments are centrally financed; thus, the cash flows for the Bank are presented in the statement of cash flows.

(i) For the year ended 31 December 2014

	Retail banking N'000	Corporate banking N'000	Treasury N'000	Non-interest banking N'000	Total N'000
Interest income and NIB income	48,799,064	16,267,130	12,799,709	66,242	77,932,145
Interest expense and NIB expense	(16,496,326)	(6,962,733)	(11,421,379)	(34,924)	(34,915,362)
Net interest income and NIB margin	32,302,738	9,304,397	1,378,331	31,318	43,016,783
Net fees and commission income	7,292,910	5,225,259	3,595,445	19,278	16,132,892
Net impairment charge	(6,142,754)	(931,260)	(315,145)	—	(7,389,159)
Depreciation and amortisation	(3,088,074)	(20,765)	(5,583)	(25,175)	(3,139,597)
Segment profit before tax	1,029,251	5,437,219	4,453,003	(171,488)	10,747,985
Assets as at 31 December 2014					
Capital expenditures: additions during the year					
Property, plant and equipment	7,787,927	97,551	29,082	47,853	7,962,413
Other intangible assets	397,256	—	—	—	397,256
Total assets	468,882,625	164,887,691	191,332,728	1,436,382	824,539,426
Total liabilities	582,025,810	110,900,409	45,790,051	1,107,871	739,824,141

Notes to the financial statements continued

5 Segment information continued

The Bank commenced Non-interest Banking in 2014.

(ii) 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 before tax	1,285,898	6,628,729	1,395,571	9,310,198
As of 31 December 2013				
Capital expenditures:				
Property, plant and equipment	3,923,505	11,734	2,351	3,937,590
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

6 Interest income

	2014 N'000	2013 N'000
Loans and advances	**55,891,472**	45,810,871
Investment securities	**18,071,143**	22,330,879
Cash and cash equivalents	**3,034,740**	813,582
Interest on impaired loans	**934,790**	1,017,429
	77,932,145	69,972,761
Interest from investment securities were derived from:		
Held to maturity	**11,613,184**	20,832,253
Available for sale	**6,457,959**	1,498,626
	18,071,143	22,330,879

7 Interest expense

	2014 N'000	2013 N'000
Deposits from customers	**31,744,789**	29,799,605
Debts securities issued and other borrowed funds	**2,282,395**	1,998,824
Deposits from banks	**888,178**	2,361,686
	34,915,362	34,160,115

8 Fees and commission income

	2014 N'000	2013 N'000
Facility management fees	**4,415,853**	5,211,207
Commissions on turnover	**2,666,794**	3,642,171
Commissions and similar income	**1,481,571**	2,759,692
Commissions on letters of credit transactions	**1,682,543**	1,842,602
Other fees and commissions (see note below)	**5,886,131**	1,108,677
	16,132,892	14,564,349

Fees and commissions above exclude amounts included in determining effective interest rate on financial assets.

Included in other fees and commission above is advisory fees.

9 Net trading income

	2014 N'000	2013 N'000
Foreign exchange trading	**4,885,557**	2,282,249
Bonds	**153,233**	1,036,764
Treasury bills	**1,728,172**	395,131
	6,766,962	3,714,144

10 Other operating income

	2014 N'000	2013 N'000
Cash recoveries on previously written-off accounts	**1,462,281**	1,353,706
Rental income	**319,758**	158,860
Dividends on available for sale equity securities	**121,571**	51,768
Gains on disposal of property, plant and equipment	**–**	33,536
Net gain on sale of investment securities	**–**	486
Net gain on bond held for trading (note 10a)	**–**	776,467
Other sundry income (note 10b)	**943,611**	1,116,693
	2,847,221	3,491,516

(a) Net gain on financial assets and liabilities designated at fair value held for trading.

Financial assets designated at fair value held for trading	**–**	776,467
	–	776,467

(b) Other sundry income includes income from cashless policy and funds transfer charges.

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Notes to the financial statements continued

11 Impairment charge

	2014 N'000	2013 N'000
(a) Credit impairment charges		
– Individual impairment (note 19b)	**6,995,737**	2,864,063
– Collective impairment (note 19c)	**617,544**	1,652,832
Bad debts written off	**292,767**	491,545
Allowances no longer required (note 19b)	**(787,408)**	—
	7,118,640	5,008,440
(b) Impairment allowance on investment securities (note 20d)	**39,720**	468,217
Impairment charge on other assets (note 21)	**230,799**	3,162,590
Impairment reversal on other assets (note 21)	**—**	(380,153)
	270,519	3,250,654
Total impairment charge	**7,389,159**	8,259,094

12 Personnel expenses

	2014 N'000	2013 N'000
Salaries and wages	**11,426,659**	9,841,203
Defined pension contributions	**604,367**	425,420
	12,031,026	10,266,623

13.1 Other operating expenses

	2014 N'000	2013 N'000
Insurance	**3,692,469**	2,924,518
AMCON sinking fund contribution (see note (a) on page 83)	**3,555,647**	3,114,380
Contract services	**2,113,525**	1,708,054
Other professional fees	**517,104**	336,792
Audit fees	**198,500**	180,000
Net foreign exchange loss	**16,424**	113,930
Loss on disposal of property, plant and equipment	**16,084**	—
Loss on bond held for trading (see note (b) on page 83)	**1,754**	—
	10,111,507	8,377,674

13.1 Other operating expenses continued

(a) 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 2014. Effective 1 January 2013, the Bank is required to contribute an equivalent of 0.5% (2013: 0.5%) of its total assets plus 33.3% of off-financial position assets (loan related) as at the preceding year end to AMCON's sinking fund in line with existing guidelines.

(b) Net loss on financial assets and liabilities designated at fair value held for trading

	2014 N'000	2013 N'000
Financial assets designated at fair value held for trading	1,754	—
	1,754	—

13.2 General and administrative expenses

	2014 N'000	2013 N'000
Administrative expenses	7,906,076	5,883,663
Office expenses	3,671,940	2,698,298
Advertising and business promotion	3,128,889	1,687,648
Communication cost	1,832,344	1,335,442
Transport, travel and accommodation	788,332	472,510
Seminars and conferences	556,460	409,813
Directors' other expenses	389,636	113,615
Other general expenses	375,952	352,984
Rentals	256,333	291,665
Security	287,077	250,154
Annual general meeting expenses	200,000	196,000
Stationery and printing	187,021	175,908
Membership and subscription	84,866	80,188
Fines and penalties	79,391	56,200
Directors' fees	40,000	31,000
Newspapers and periodicals	9,317	7,405
	19,793,634	14,042,493

13.3 Other property, plant and equipment cost

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

Notes to the financial statements continued

14 Income tax

(a) Current income tax expense

	31 December 2014 N'000	31 December 2013 N'000
Income tax (note 14c (i))	1,619,475	942,232
Education tax (note 14c (ii))	16,057	—
	1,635,532	942,232
Information technology levy (note 14d)	107,480	93,102
	1,743,012	1,035,334
Deferred tax expense:		
Origination of temporary differences (note 14f)	—	—
Total income tax expense	1,743,012	1,035,334

(b) Current income tax liabilities

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

	2014	2013
Balance, beginning of the year	1,112,289	803,422
Income tax and education tax for the year (see note 14(a) above)	1,635,532	942,232
Payments during the year	(942,232)	(633,365)
Excess provision no longer required	(3,400)	—
Balance, end of the year	1,802,189	1,112,289

(c) Reconciliation of effective tax rate

	2014		2013	
	%	N'000	%	N'000
Profit before tax	100%	10,747,985	100%	9,310,198
Income tax using statutory tax rate	30%	3,224,396	30%	2,793,059
Tax effect of:				
Non-deductable expenses	30%	3,323,719	30%	3,256,589
Exempt Income	30%	(6,307,250)	30%	(7,628,339)
Information Technology Development Levy (NITDA)	1%	107,480	1%	93,102
Education Tax	0.1%	16,058	0%	—
Tax on Dividend Paid Basis	15%	1,619,475	10%	942,232
Utilisation of unrelieved losses brought forward	-2%	(240,864)	17%	1,578,691
Total income tax expense	16%	1,743,012	11%	1,035,334

(i) The basis of income tax is 30% of N5,398,203,750 for the year ended dividend paid to shareholders in 2014 relating to the 2013 financial year results (2013 income tax was based on 30% of 2012 dividend of N3,140,772,886 paid in 2013). This is in compliance with Section 15A of Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.

14 Income tax continued

(c) Reconciliation of effective tax rate continued

(ii) The basis of the education is 2% charged on the assessable profit of the bank of N802,880,934 as at 31 December 2014 (2013: nil). An education tax of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies in ensuring that they contribute their own quota in developing educational facilities in the country.

(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 2014	Balance at 31 December 2013 N'000	Recognised in profit or loss N'000	Recognised deferred tax liability/(asset) N'000
Accelerated depreciation of property, plant and equipment	1,350,846	(51,639)	1,299,207
Unutilised tax credit (capital allowance)	(3,115,935)	(695,543)	(3,811,478)
Tax losses	(4,706,353)	480,917	(4,225,436)
Deductible temporary differences	(499,704)	266,266	(233,438)
	(6,971,145)	—	(6,971,145)

31 December 2013	Balance at 31 December 2012 N'000	Recognised in profit or loss N'000	Recognised deferred tax liability/(asset) N'000
Accelerated depreciation of property, plant and equipment	1,109,700	241,146	1,350,846
Unutilised tax credit (capital allowance)	(2,596,834)	(519,101)	(3,115,935)
Tax losses	(4,916,298)	209,945	(4,706,353)
Deductible temporary differences	(567,713)	68,009	(499,704)
	(6,971,145)	—	(6,971,145)

The Bank has an unutilised capital allowance of N8,128,714,884 (2013: N3,527,505,033), unused tax losses carried forward available of N8,657,778,360 (2013: N6,678,235,100) and deductible temporary differences of N497,851,010 (2013: N771,173,204) to be offset against future taxable profits. However, no deferred tax asset has been recognised in respect of these items due to uncertainties regarding the timing and amount of future taxable profits. There is no expiry date for the utilisation of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 grant exemption to income from bonds and treasury bills from tax for a period of ten years. The expiry date of the circular would be in year 2021 and this trend would continue until the expiration of the tax holiday. Thus, the Bank has applied caution by not recognising additional deferred tax assets which are not considered capable of recovery. The management's Judgements is that the deferred tax recognised in the book is recoverable after the expiration of exemption granted on government securities. The Bank will have taxable profit upon this expiration.

Notes to the financial statements continued

15 Earnings per share (basic and diluted)

The calculation of basic earnings per share as at 31 December 2014 was based on the profit attributable to ordinary shareholders of N9.02 billion (2013: N8.27 billion) and weighted average number of ordinary shares outstanding calculated as follows:

(a) Issued ordinary shares as at 1 January

	31 December 2014 '000	31 December 2013 '000
	21,592,813	15,703,863
Add: weighted average share of Private Placement	**19,719**	—
Add: weighted average share of rights issue during the year	**—**	112,939
Weighted average issued ordinary shares as at 31 December	**21,612,532**	15,816,802
Weighted average number of ordinary shares	**21,612,532**	15,816,802

Basic EPS and diluted EPS are the same because there are no potential ordinary shares.

(b) Profit for the year attributable to equity holders of the Bank

	31 December 2014 N'000	31 December 2013 N'000
	9,004,973	8,274,864
Basic earnings per share	**42k**	52k
Diluted earnings per share	**42k**	52k

16 Cash and balances with Central Bank of Nigeria

	31 December 2014 N'000	31 December 2013 N'000
Cash and foreign monies	**10,777,660**	8,189,877
Unrestricted balances with Central Bank of Nigeria	**30,661,371**	6,514,235
Deposits with the Central Bank of Nigeria	**133,320,931**	82,196,450
	174,759,962	96,900,562

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 2014 N'000	31 December 2013 N'000
Balances held with local banks	**1,866,518**	2,131,951
Balances held with banks outside Nigeria	**35,580,692**	42,455,064
Money market placements	**29,882,863**	38,014,007
Due from Central Bank of Nigeria	**—**	3,000,000
	67,330,073	85,601,022

18 Pledged financial assets

	31 December 2014 N'000	31 December 2013 N'000
Treasury bills – AFS (see note (a) below)	**7,785,977**	15,090,000
Government bonds – HTM (see note (b) below)	**51,275,405**	54,100,000
Euro bonds – AFS (see note (b) below	**12,930,835**	—
Other pledged assets (see note (c) below)	**6,758,643**	10,581,732
	78,750,860	79,771,732

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

a) Pledged for clearing activities, as collection bank for government taxes, and inter-switch electronic card transactions.

b) Pledged as security for borrowings from Citibank International Plc, Goldman Sachs International and clearing activities with First Bank Plc.

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

19 Loans and advances to customers

(a) Composition of loans and advances to customers

	31 December 2014 N'000	31 December 2013 N'000
Loans to individuals	**23,070,714**	28,335,809
Loans to corporate entities and other organisations	**357,853,686**	300,329,095
	380,924,400	328,664,904
Less:		
Individual impairment allowance (note 19(b))	**(6,531,453)**	(4,392,026)
Collective impairment allowance (note 19(c))	**(3,146,674)**	(2,529,130)
	371,246,273	321,743,748

(b) Impairment allowance on loans and advances

Individual impairment allowance		
Balance, beginning of year	**4,392,026**	5,834,100
Impairment loss for the year (note 11)	**6,995,737**	2,864,063
Allowance no longer required (note 11)	**(787,408)**	—
Write-offs	**(4,068,902)**	(4,306,137)
Balance, end of year	**6,531,453**	4,392,026

(c) Collective impairment allowance

Balance, beginning of year	**2,529,130**	876,298
Impairment charge (note 11)	**617,544**	1,652,832
Balance, end of year	**3,146,674**	2,529,130

Notes to the financial statements continued

19 Loans and advances to customers continued

(d) 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; and

(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.

(e) Classification of loans and advances by category

	31 December 2014 N'000	31 December 2013 N'000
1. Individually impaired	9,853,890	5,466,815
2. Past due but not impaired	2,087,098	1,404,606
3. Neither impaired nor past due	368,983,412	321,793,483
	380,924,400	328,664,904

(f) Classification of loans and advances by rating

	31 December 2014 N'000	31 December 2013 N'000
RR1–RR2	17,971,465	34,141,195
RR3–RR4	262,056,240	231,460,832
RR5–RR6	88,955,707	56,191,456
RR7	5,658,063	2,188,889
RR8	1,245,532	1,183,772
RR9	5,037,393	3,498,760
	380,924,400	328,664,904

(g) Classification of loans and advances by security

	31 December 2014 N'000	31 December 2013 N'000
1. Cash	12,752,241	7,956,738
2. Real estate	152,821,775	143,073,231
3. Stocks/shares	5,486,978	4,333,490
4. Debentures	48,023,776	41,358,280
5. Other securities	161,413,879	131,943,165
6. Unsecured	425,751	—
	380,924,400	328,664,904

Other securities includes domciliation, guarantee and lieu on assets among others.

19 Loans and advances to customers continued

(h) Classification of loans and advances by performance

31 December 2014 Rating	Individually impaired	Past due but not impaired	Neither past due nor impaired	Total
RR1	—	—	12,011,137	12,011,137
RR2	—	—	5,960,328	5,960,328
RR3	—	—	144,283,886	144,283,886
RR4	—	—	117,772,355	117,772,355
RR5	—	—	72,321,478	72,321,478
RR6	—	—	16,634,229	16,634,229
RR7	4,984,265	673,798	—	5,658,063
RR8	956,818	288,714	—	1,245,532
RR9	3,912,807	1,124,586	—	5,037,393
	9,853,890	2,087,098	368,983,412	380,924,400

31 December 2013 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

Notes to the financial statements continued

19 Loans and advances to customers continued

(i) Classification of loans and advances by sector

	31 December 2014 N'000	31 December 2013 N'000
Agriculture	16,122,682	12,429,983
Capital market	303,908	239,763
Communication	12,100,962	10,040,988
Consumer	7,597	6,557,604
Education	1,298,412	1,434,247
Finance and insurance	16,450,282	9,782,067
Government	33,980,706	18,427,514
Manufacturing	14,739,640	19,077,193
Mining and quarrying	294,622	199,674
Mortgage	14,789,183	11,834,026
Oil and gas	131,582,629	99,732,662
Other public utilities	442	1,868,698
Others	34,690,650	43,685,210
Power	13,742,944	8,271,419
Real estate & construction	81,201,775	72,068,330
Transportation	9,578,428	13,015,528
Non-interest Banking	39,509	—
	380,924,400	328,664,904

20 Investment securities

(a) Held for trading

	31 December 2014 N'000	31 December 2013 N'000
Government bonds	288,025	230,440
Treasury bills	1,661,435	1,970,554
	1,949,460	2,200,994

(b) Available for sale (AFS)

	31 December 2014 N'000	31 December 2013 N'000
Equity securities (see note below)	1,759,111	1,895,190
Impairment allowance on AFS (see (d) on page 91)	(387,715)	(537,995)
	1,371,396	1,357,195
Treasury bills	39,937,343	14,067,001
Government bonds	6,654,211	3,002,924
Euro bonds	1,076,428	1,069,074
	49,039,378	19,496,194

20 Investment securities continued

Unquoted available for sale equity securities are carried at cost, their fair value cannot be measured reliably. These are investments in small and medium-scale enterprises with a carrying cost of N1.7 billion (2013: N1.9 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 by the investment manager (SME) upon expiration at agreed time or disposal to existing equity holders.

(c) Held to maturity (HTM)

	31 December 2014 N'000	31 December 2013 N'000
Government bonds	43,914,339	40,999,806
Corporate bonds	1,667,496	2,012,675
Treasury bills	–	33,111,453
	45,581,835	76,123,934
Total investment securities	96,570,673	97,821,122

(d) Individual allowance for impairment on AFS

Balance, beginning of year	537,995	854,935
Impairment for the year (note 11)	39,720	468,217
Write-offs	(190,000)	(785,157)
Balance, end of year	387,715	537,995

21 Other assets

	31 December 2014 N'000	31 December 2013 N'000
Accounts receivable	5,895,670	7,400,345
Prepayments (see note below)	9,752,773	4,638,438
Prepaid staff cost	2,520,566	1,228,791
Stock of cheque books and administrative stationery	345,708	209,282
	18,514,717	13,476,856
Allowance for impairment on other assets	(4,377,760)	(4,159,765)
	14,136,957	9,317,091
Movement in allowance for impairment on other assets:		
Balance, beginning of year	4,159,765	1,848,300
Impairment on other assets (note 11b)	230,799	3,162,590
Reversal (note 11b)	–	(380,153)
Write off/reclassification	(12,804)	(470,972)
Balance, end of year	4,377,760	4,159,765

Included in prepayments are Bank premises rent and insurance.

Financial statements

Notes to the financial statements continued

22 Property, plant and equipment

The movements during the year were as follows:

(a) 31 December 2014

	Leasehold land and buildings N'000	Capital work in progress N'000	Furnitures, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
Cost						
Balance at 1 January 2014	6,715,076	822,813	10,263,901	7,838,040	4,494,339	30,134,169
Additions	1,017,532	2,319,855	2,917,176	619,154	1,088,696	7,962,413
Reclassifications	402,715	(475,191)	66,528	5,948	—	—
Disposals	(1,536,920)	—	(3,212,144)	(1,982,532)	(914,679)	(7,646,275)
Balance at 31 December 2014	6,598,403	2,667,477	10,035,461	6,480,610	4,668,356	30,450,307
Accumulated depreciation						
Balance at 1 January 2014	3,697,214	—	7,938,622	6,468,725	2,960,240	21,064,802
Charge for the year	399,480	—	1,069,028	772,951	720,947	2,962,406
Disposals	(1,485,934)	—	(3,187,081)	(1,981,484)	(874,428)	(7,528,927)
Balance at 31 December 2014	2,610,760	—	5,820,569	5,260,192	2,806,759	16,498,281
Net book value						
Balance at 31 December 2014	3,987,643	2,667,477	4,214,892	1,220,418	1,861,596	13,952,027
Balance at 31 December 2013	3,017,862	822,813	2,325,278	1,369,314	1,534,099	9,069,368

(b) 31 December 2013

	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
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

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is N10,107,430,081.87 (2013: N15,780,677,090).

23 Intangible assets

(a) Cost

	31 December 2014 N'000	31 December 2013 N'000
Purchased software		
Beginning of the year	**1,971,653**	1,445,084
Additions	**397,256**	526,569
Disposals/write-offs	**(483,295)**	—
Balance at end of the year	**1,885,615**	1,971,653

(b) Amortisation and impairment

Beginning of the year	**1,370,262**	1,241,620
Amortisation	**177,191**	128,642
Disposals	**(483,295)**	—
Balance at end of the year	**1,064,158**	1,370,262
Carrying amounts as at 31 December	**821,456**	601,391

24 Deposits from customers

	31 December 2014 N'000	31 December 2013 N'000
Current accounts	**447,636,827**	355,849,731
Savings accounts	**32,643,163**	25,405,414
Term deposits	**171,456,737**	187,279,736
Pledged deposits	**4,207,400**	1,976,216
	655,944,127	570,511,097

Pledged deposits represent contracted cash deposits with the Bank that are held as security for loans granted to customers by the Bank.

25 Other borrowed funds

	31 December 2014 N'000	31 December 2013 N'000
Due to Citibank (see (i) on page 94)	**16,549,068**	14,756,696
Due to Goldman Sachs International (see (ii) on page 94)	**7,821,749**	—
Due to Bank of Industry (see (iii) below)	**7,195,262**	6,605,496
Due to CBN-Agricultural Fund (see (iv) on page 94)	**13,396,485**	12,329,516
Due to NEXIM (see (v) on page 94)	**408,533**	408,121
Due to Standard Chartered Bank (see (vi) on page 94)	**—**	4,694,698
	45,371,097	38,794,527

Notes to the financial statements continued

25 Other borrowed funds continued

i. Due to Citibank International Plc

This represents the Naira equivalent of a USD95,000,000 credit facility granted to the Bank by Citibank International Plc payable in four years commencing October 2008 and interest is payable quarterly at LIBOR plus a margin of 475 basis points. The facility was renegotiated in 2013 to mature in September 2017 at a fixed rate of 6.2% annually. The loan is secured with pledged financial assets as indicated in note 18b. The effective interest rate of the loans is 6.9%.

ii. Due to Goldman Sachs International

This represents a USD50,000,000 facility granted by Goldman Sachs International, London for a period of two years commencing 4 April 2014 to mature 4 April 2016. Interest is payable quarterly at the rate of 3% per annum. The loan is secured with pledged financial assets as indicated in note 18b. The effective interest rate of the loan is 3.4%.

iii. Due to Bank of Industry

This is a facility from Bank of Industry under Central Bank of Nigeria N500 billion intervention fund for refinancing and restructuring of banks' existing loan portfolios to Nigeria SME/manufacturing, power and aviation sectors. 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. The tenure of refinancing shall be 15 years not exceeding 31 July 2025. The loan is secured with pledged financial assets as indicated in note 18b. The effective interest rate of the loan is 7.2%.

iv. 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 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 have different repayment patterns and the banks repay back to CBN based on each of the facility repayment patterns and different maturity dates. The loans are at an interest rate of 9% per annum. The effective interest rate of the loan is 7.2%.

Also included therein are facilities granted by the Bank, under the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) scheme. This is an initiative of the Central Bank of Nigeria (CBN), the Bankers Committee (BC) and the Federal Ministry of Agriculture & Rural Development (FMA&RD). Facilities are approved by the participating bank at commercial rate, and the customer enjoys an interest rebate of 35% to 50% on the rate depending on the category of the project.

v. 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 will mature on 5 February 2015 and priced at an annual interest rate of 14% 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 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 effective interest rate of the loan is 14.75%.

vi. Due to Standard Chartered Bank

This represents a short-term finance facility obtained from Standard Chartered Bank London for a maximum principal amount of up to USD30,000,000. The purpose of the facility is to finance the Dollar trade and general funding of the sub-borrowers. The tenure of the facility is twelve months to mature 18 July 2014; the rate of interest is the aggregate of the applicable margin (3.35%) and LIBOR, calculated by reference to applicable rates of three (3) months' duration. The principal and interest was fully paid on 18 July 2014.

26 Debt securities issued

	31 December 2014 N'000	31 December 2013 N'000
Debt securities issued carried at amortised cost	**4,563,584**	4,563,598

26 Debt securities issued continued

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 & Exchange Commission, respectively. The Bank is obliged to pay the Trustee (Skye Bank Plc) interest semi-annually on the non-convertible debenture stock due 2018 until all the entire stock have been redeemed. The effective interest rate is 13.42%.

27 Other liabilities

	31 December 2014 N'000	31 December 2013 N'000
Other credit balances (see note (i) below)	**9,581,416**	6,331,518
Certified cheques	**7,442,256**	5,526,064
Creditors and accruals	**7,913,857**	4,781,267
Customers' deposits for foreign trade	**6,818,572**	11,221,413
Provisions (see note (ii) below)	**278,814**	1,326,774
Information technology levy	**107,480**	93,102
Defined contribution obligations	**749**	77,636
	32,143,144	29,357,774
Movement in provisions in other liabilities		
Balance, beginning of year	**1,326,774**	2,339,275
Additions	**15,112**	3,265,131
Payments	**(1,063,072)**	(4,277,632)
Balance, end of year	**278,814**	1,326,774

(i) Included in the amount of other credit balances are:
Upfront fees on financial guarantee contracts such as advance payment guarantee and bid bond, etc. The upfront fees are amortised using the maturity date of the guarantees.

(ii) Included in the amount of provisions are:
Obligations to erstwhile Equitorial Trust Bank staff representing leave enhancement provided in the books of ETB before the merger. The amount is payable only at the exit of the staff.

Provision for litigation: These are litigations and claims against the Bank as at 31 December 2014. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that this provision is adequate for liabilities that have crystallised from these claims. There is no expected reimbursement in respect of this provision.

28 Capital

Share capital

(a) Authorised:

	31 December 2014 N'000	31 December 2013 N'000
32,000,000,000 ordinary shares of 50k each	**16,000,000**	12,000,000

An ordinary resolution was passed at the shareholders annual general meeting on 30 April 2014 the authorised share capital from N12,000,000,000 (twelve billion Naira) to N16,000,000,000 (sixteen billion Naira) through the issuance of an additional 8,000,000,000 ordinary shares. The new shares are to rank pari passu in all respects with the existing shares of the Bank.

Notes to the financial statements continued

28 Capital continued

Share capital continued

(b) Issued and fully paid:

	31 December 2014 N'000	31 December 2013 N'000
28.79 billion (2013: 21.593 billion) Ordinary shares of 50k each	**14,395,209**	10,796,407

(i) Ordinary shareholding

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

(ii) Movement in issued and fully paid share capital is as follows:

	31 December 2014 N'000	31 December 2013 N'000
Balance at beginning of the year	**10,796,407**	7,851,931
Capital contribution arising from Private Placement	**3,598,802**	—
Capital contribution arising from rights issue	**—**	2,944,476
Balance at the end of the year	**14,395,209**	10,796,407

(iii) Movement in units share capital

	31 December 2014 in thousand units	31 December 2013 in thousand units
Balance at beginning of the year	**21,592,813**	15,703,863
Increase in units arising from Private Placement	**7,197,605**	—
Increase in units arising from rights issue	**—**	5,888,950
Balance at the end of the year	**28,790,418**	21,592,813

A Private Placement of 7,197,604,531 ordinary shares of 50 kobo at N2.65k per share issued to Silverlake Investments Limited was duly approved at an extraordinary general meeting of the Bank held on 11 November 2014, and was approved by Central Bank of Nigeria and Nigerian Securities and Exchange Commission on 30 and 31 December 2014 respectively. The total amount realised from the placement was N19,073,652,007 and an amount of N587 million was deducted from the share premium as cost of issuance. Increases in share capital of N3,598,802,266 and in share premium of N15,474,625,000 were recognised in 2014.

The rights issue was announced by the Bank in July 2013 and was 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 is 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 of which related cost of N345 million has been deducted.

29 Dividends

a) On 30 April 2014, the annual general meeting of shareholders of the Bank declared a dividend amounting to N5,398,203,750 comprising 25 kobo per ordinary share based on the 2013 audited financial result. Payment of the total N5, 398,203,750 was made on 2 May 2014.

29 Dividends continued

b) On 2 May 2013, the annual general meeting of shareholders of the Bank declared a dividend amounting to N3,140,772,886 comprising of 20 kobo per ordinary share based on the 2012 audited financial result. Payment of the total N3,140,772,886 was made on 3 May 2013.

c) In respect of 2014, the Directors proposed that a dividend of 6 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 closure date.

30 Equity reserves

	Revaluation reserve N'000	Fair value reserve N'000	Share capital reserve N'000	Regulatory risk reserve N'000	SMEEIS reserve N'000	Other regulatory reserve N'000	Total equity reserves N'000
Balance at 1 January 2014	–	(295,931)	5,276,423	943,684	234,503	10,845,468	17,004,147
Other comprehensive income net of tax:							
Net changes in fair value of available for sale investment securities	–	(835,808)	–	–	–	–	(835,808)
Transfers to regulatory reserves	–	–	–	2,937,054	–	2,701,492	5,638,546
Balance at 31 December 2014	**–**	**(1,131,739)**	**5,276,423**	**3,880,738**	**234,503**	**13,546,960**	**21,806,885**

	Revaluation reserve N'000	Fair value reserve N'000	Share capital reserve N'000	Regulatory risk reserve N'000	SMEEIS reserve N'000	Other regulatory reserve 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 reserves	–	–	–	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

(a) Other regulatory reserve

Other regulatory reserve refers to the Nigerian banking regulations requiring the Bank to make an annual appropriation to a statutory reserve. As stipulated by section 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 five years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer effective. In the prior year, 10% of profit after tax was transferred to SMEEIS reserve in accordance with the Small and Medium Enterprise Equity Investment Scheme as revised in April 2005. The Bank has suspended further appropriation to the SMEEIS (now known as the Microcredit Fund) reserve account in line with the decision reached at the Banker's Committee meeting and approved by CBN.

Notes to the financial statements continued

30 Equity reserves continued

(c) Regulatory risk reserve

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:

Prudential impairment provision is greater than IFRS impairment provision transfer the difference from the Retained Earnings to a non-distributable Regulatory Risk Reserve.

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.

31 Commitments and contingencies

(a) Litigations and claims

There are litigations and claims against the Bank as at 31 December 2014. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant liability will crystallise from these claims. Provisions of N278 million at 31 December 2014 (2013: N263 million) have been made in these financial statements on crystallise claims.

(b) Contingent liabilities and commitments

In common with other banks, 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 credit. 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 tables summarise the nominal principal amount of contingent liabilities and commitments with off-financial position risk:

	31 December 2014 N'000	31 December 2013 N'000
Letters of credit	**106,304,492**	66,731,854
Bonds, guarantees and indemnities	**94,438,715**	124,900,867
Others	**3,099,759**	9,996,500
	203,842,966	201,629,221

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 other liabilities (note 27).

32 Related party 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 2014 N'000	31 December 2013 N'000
Secured loans and advances note 32(v)	**19,727,617**	16,236,568
Contingent liabilities	**15,919,931**	14,622,420

(ii) Transactions with key management personnel

Key management personnel have been defined as the Executive Directors and Non-Executive Directors of the Bank. Key management personnel and their close family members have balances with the Bank as follows:

	31 December 2014 N'000	31 December 2013 N'000
Secured loans and advances	**411,450**	199,283
Deposit liabilities	**35,185,720**	42,828,000

(iii) Compensation of key management personnel

The amounts disclosed in the table below are the amounts recognised as an expense during the reporting period related to key Executive Directors.

	31 December 2014 N'000	31 December 2013 N'000
Executive compensation	**129,270**	121,157
Pension contributions	**9,401**	6,684
Total compensation paid to key management personnel	**138,671**	127,841

(iv) Directors' remuneration below relates to payment made to Non-Executive Directors and charged as expense during the period. The Non-Executive Directors do not receive pension entitlements from the Bank.

	31 December 2014 N'000	31 December 2013 N'000
Fees as Directors	**40,000**	31,000
Other emoluments	**51,686**	38,253
	91,686	69,253

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Notes to the financial statements continued

32 Related party transactions continued

31 December 2014

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted
Aircom NIG. Ltd	Brother to Director	Olaitan Kajero	8 May 2013
Amalya Bureau de Change	Director	Osunsade Olufunmilola	29 August 2014
Banwo & Ighodalo	Director	Ighadalo Asue	11 March 2014
Conoil PLC	Brother to Director	Osunsade Olufunmilola	31 October 2014
FTA Associates Limited	Director	Osunsade Olufunmilola	29 December 2014
Leyland Busan Motor Co. Ltd	Brother to Director	Olaitan Kajero	18 November 2014
Rite Foods Limited	Father to Director	Tairat Tijani	23 December 2014
Rite Foods Limited	Father to Director	Tairat Tijani	31 July 2014
Safetrust Mortgage Bank Ltd	Director	Yinka Adeola	22 September 2014
Safetrust Mortgage Bank Ltd	Director	Yinka Adeola	28 January 2013
SMA Bureau de Change Limited	Sister to Director	Osunsade Olufunmilola	28 August 2014
SMA Bureau de Change Limited	Sister to Director	Osunsade Olufunmilola	24 December 2014
Shekel Bureau de Change Ltd	Director	Osunsade Olufunmilola	29 August 2014
Suncity Properties Limited	Brother to Director	Olaitan Kajero	5 February 2012
Commercial staff loans	Employees	Employees	NA
Total			

Expiry date	Amount granted N'000	Outstanding credit/ performing N'000	Status	Perfected security/nature	Facility type
8 May 2017	5,842,500	4,161,200	Performing	Equitable mortgage	Term loan
29 August 2016	20,000	17,290	Performing	Legal mortgage	Lease
10 March 2015	50,000	16,672	Performing	Equitable mortgage	Overdraft
28 March 2015	11,600,000	9,220,205	Performing	Negative pledge	Overdraft
19 March 2015	40,000	17,500	Performing	Legal mortgage	Term loan
5 April 2015	600,000	178,407	Performing	Legal mortgage	Term loan
15 September 2015	500,000	178,902	Performing	Legal mortgage	Overdraft
30 June 2021	1,000,000	1,000,000	Performing	Legal mortgage	Term loan
3 October 2015	320,000	116,344	Performing	Legal mortgage	Overdraft
28 January 2020	1,500,000	872,246	Performing	Equitable mortgage	Term loan
29 August 2016	64,000	55,368	Performing	Legal mortgage; personal guarantee	Term loan
5 January 2015	10,000	8,960	Performing	Legal mortgage; personal guarantee	Overdraft
29 August 2016	20,000	17,290	Performing	Legal mortgage	Term loan
28 December 2018	4,800,000	3,329,778	Performing	Legal mortgage	Term loan
NA	951,768	537,456	Performing	Lien on entitlement/indemnity	Consumer loan
	27,318,268	**19,727,617**			

Notes to the financial statements continued

32 Related party transactions continued

(v) Further disclosure of related party transactions is reflected below in compliance with Central Bank of Nigeria circular BSD/1/2004.

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 N19.73 billion (2013: N16.24 billion) relating to the Directors only was outstanding on these facilities at the end of the year. Details of these related party loans are:

31 December 2013

Name of borrowers	Relationship to reporting institution	Name of the related interest	Date granted
Aircom NIG Ltd	Director	Yemi Idowu	8 May 2013
Aircom NIG Ltd	Director	Yemi Idowu	2 October 2013
Conoil PLC	Brother to Director	Osunsade Olufunmilola	5 December 2013
FTA Associates Limited	Director	Osunsade Olufunmilola	19 November 2013
Sahel Bureau de Change Ltd	Sister to Director	Osunsade Olufunmilola	30 October 2013
Staff Investment Trust Scheme	Employees	Employees	—
Suncity Properties Limited	Director	Yemi Idowu	30 September 2013
Suncity Properties Limited	Director	Yemi Idowu	2 May 2012
Safe Trust Savings & Loans Ltd	Director	Yinka Adeola	29 October 2013
Safe Trust Savings & Loans Ltd	Director	Yinka Adeola	28 January 2013
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	30 June 2008
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	13 August 2013
Touchdown Travels Ltd	Brother to Director	Yinka Adeola	31 December 2013
Touchpoints Nigeria Limited	Sister to Director	Yemi Idowu	27 December 2013
Touchpoints Nigeria Limited	Sister to Director	Yemi Idowu	31 December 2013
UTC Nigeria PLC	Brother to Director	Yinka Adeola	30 July 2010
Commercial staff loan	Employees	Employees	

Expiry date	Amount granted N'000	Outstanding credit/ performing N'000	Status	Perfected security/nature	Facility type
8 May 2017	1,707,200	1,506,147	Performing	Equitable mortgage	Term loan
8 May 2014	450,000	298,631	Performing	Equitable mortgage	Overdraft
29 January 2014	7,900,000	6,034,758	Performing	Negative pledge	Overdraft
16 May 2014	40,000	41,157	Performing	Legal mortgage	Term loan
29 October 2015	44,000	41,132	Performing	Legal mortgage; personal guarantee	Term loan
—	800,000	345,351	Performing	Lien on entitlements/indemnity	Staff Investment Trust Scheme
21 December 2018	2,560,800	2,411,686	Performing	Legal mortgage	Term loan
28 December 2018	1,200,000	1,201,282	Performing	Legal mortgage	Term loan
13 January 2014	418,000	298,567	Performing	Legal mortgage	Term loan
28 January 2020	962,987	989,090	Performing	Legal mortgage	Term loan
29 June 2018	100,000	72,795	Performing	Equitable mortgage	Term loan
14 August 2017	500,000	478,337	Performing	Equitable mortgage	Term loan
15 January 2014	1,500,000	1,654,002	Performing	Equitable mortgage	Overdraft
10 January 2014	2,000	1,364	Performing	Legal mortgage	Overdraft
14 February 2014	3,617	3,677	Performing	Legal mortgage	Term loan
29 July 2015	260,510	102,979	Performing	1. Personal guarantee of two Directors of the Company supported by statement of net worth; 2. Registered deed of partitioning of portion B of property of the company located @ 27/29 Creek Rd, Apapa	Term loan
	1,124,560	755,613	Performing	Lien on entitlements/indemnity	Consumer loan
	19,073,673	16,236,568			

Notes to the financial statements continued

33 Events after the reporting date

There were no events after 31 December 2014 which could have a material effect on the financial position of the Bank as at 31 December 2014 and profit attributable to equity holders on that date which have not been adequately adjusted for or disclosed.

34 Cash and cash equivalents for statement of cash flow purposes

	31 December 2014 N'000	31 December 2013 N'000
Cash and foreign monies	**10,777,660**	8,189,877
Unrestricted balances with Central Bank of Nigeria	**30,661,371**	6,514,235
Balances held with local banks	**1,866,518**	2,131,951
Balances held with banks outside Nigeria	**35,580,692**	42,455,064
Money market placements	**29,882,863**	38,014,007
	108,769,104	97,305,134

35 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. The Bank has put in place approved policies, procedures and guidelines for identifying, measuring, managing and controlling 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 designated 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 designated 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.

35 Financial risk management continued

(b) Risk management structure continued
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 actions 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 departments and reported to the Board Audit Committee.

(c) Risk measurement and reporting systems
Quantitative and qualitative assessment of credit risks is carried out through a rigorous internal ratings system. The Bank also carries out scenario analysis as stated in the Bank's credit policy guide 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). 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.

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 of 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:

- acceptable collateral for each credit product;
- required documentation/perfection of collaterals;
- conditions for waiver of collateral requirement and approval of collateral waiver; and
- 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 an 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.

Notes to the financial statements continued

35 Financial risk management continued

(e) Excessive risk concentration continued

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.

(f) 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.

(g) Risk management architecture

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.

(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 applications. The scoring system either recommends for approval or decline, or refers the application for further analysis.

35 Financial risk management continued

(h) Methodology for risk rating continued

Credit scoring system continued

The risk rating methodology is based on the following fundamental analyses (financial analysis and non-financial analysis):

(a) 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;

   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.

(b) 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 N20 million.

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.

Notes to the financial statements continued

35 Financial risk management continued

(h) Methodology for risk rating continued

Credit scoring system continued

(b) Unstructured businesses continued

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; and
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 continuously 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.

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;

35 Financial risk management continued

(h) Methodology for risk rating continued

Credit scoring system continued

(b) Unstructured businesses continued

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; and

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

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 group 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 counterparty 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. They report to the MD/Chief Executive Officer who in turn reports to the Board of Directors.

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review 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 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
RR -1	AAA to AA-	90–100	Superior
RR -2	A+ to A-	80–89.99	Strong
RR -3	BBB+ to BB-	70–79.99	Good
RR -4	BB+ to BB-	50–69.99	Satisfactory
RR -5	B+ to B-	40–49.99	High risk
RR -6	CCC+ to CCC	30–39.99	Watch list
RR -7	CC+ to C	20–29.99	Substandard
RR -8	D	10–19.99	Doubtful
RR -9	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 the Treasury department primarily to manage their liquidity risk exposures.

35 Financial risk management continued

Enterprise risk review continued

(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 industry sector and by geography 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-financial position exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

Authority level	Approval limit
Full Board	Above 1,000,000,000
Board, Credit Committee	1,000,000,000
Management Credit Committee	500,000,000
Managing Director	250,000,000
Executive Director	150,000,000

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:

- mortgages over residential properties;
- charges over business assets such as premises inventory and accounts receivable; and
- 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.

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(iv) Credit risk control and mitigation policy continued

(a) Collateral continued

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 2014 N'000	31 December 2013 N'000
Against individually impaired	**3,322,436**	2,437,916
Against collectively impaired	**318,434,509**	203,652,670
Total	**321,756,945**	206,090,586
Against individually impaired:		
Secured against real estate	**2,105,025**	1,684,390
Debenture	**169,199**	195,000
Stocks/shares	**1,048,210**	558,526
	3,322,436	2,437,916
Against collectively impaired:		
Cash	**13,760,737**	8,759,318
Secured against real estate	**231,689,096**	153,935,123
Debenture	**56,246,403**	37,037,089
Stocks/shares	**16,701,522**	3,911,273
Otherwise secured	**36,750**	9,867
	318,434,509	203,652,670

(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.

35 Financial risk management continued

Enterprise risk review continued

(iv) Credit risk control and mitigation policy continued

(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:

31 December 2014	Cash and banks	Due from banks	Pledged assets	Loans and advances	Investment securities
Carrying amount, net of allowance for impairment	163,982,302	67,330,073	78,750,860	371,246,273	95,199,277
Concentration by sector:					
Corporate	–	–	–	–	1,667,496
Agriculture	–	–	–	15,750,458	–
Capital market	–	–	–	63,857	–
Communication	–	–	–	11,783,494	–
Consumer	–	–	–	6,986	–
Education	–	–	–	1,284,633	–
Finance and insurance	–	67,330,073	78,750,860	15,856,221	–
Government	163,982,302	–	–	33,335,834	93,531,781
Manufacturing	–	–	–	14,573,805	–
Mining and quarrying	–	–	–	292,018	–
Mortgage	–	–	–	14,735,982	–
Oil and gas	–	–	–	128,987,610	–
Other public utilities	–	–	–	438	–
Others	–	–	–	31,429,876	–
Power	–	–	–	13,619,593	–
Real estate and construction	–	–	–	79,991,059	–
Transportation	–	–	–	9,494,900	–
Non-interest Banking	–	–	–	39,509	–
	163,982,302	67,330,073	78,750,860	371,246,273	95,199,277
Concentration by location:					
Nigeria	163,982,302	9,498,073	72,061,311	371,246,273	95,199,277
America	–	3,035,284	–	–	–
Europe	–	54,711,188	6,689,549	–	–
Africa	–	85,527	–	–	–
	163,982,302	67,330,073	78,750,860	371,246,273	95,199,277

Notes to the financial statements continued

35 Financial risk management continued
Enterprise risk review continued
(iv) Credit risk control and mitigation policy continued

(d) Credit concentration continued

31 December 2013	Cash and banks	Due from banks	Pledged assets	Loans and advances	Investment securities
Carrying amount, net of allowance for impairment	88,710,685	85,601,022	79,771,732	321,743,748	96,463,927
Concentration by sector:					
Corporate	–	–	–	–	3,081,749
Agriculture	–	–	–	12,326,536	–
Capital market	–	–	–	334	–
Communication	–	–	–	9,912,199	–
Consumer	–	–	–	6,300,201	–
Education	–	–	–	1,413,524	–
Finance and insurance	–	85,601,022	79,771,732	9,570,817	–
Government	88,710,685	–	–	17,847,101	93,382,178
Manufacturing	–	–	–	18,746,211	–
Mining and quarrying	–	–	–	199,042	–
Mortgage	–	–	–	11,832,985	–
Oil and gas	–	–	–	98,118,336	–
Other public utilities	–	–	–	1,862,605	–
Others	–	–	–	40,965,984	–
Power	–	–	–	8,245,271	–
Real estate and construction	–	–	–	71,612,033	–
Transportation	–	–	–	12,790,570	–
	88,710,685	85,601,022	79,771,732	321,743,748	96,463,927
Concentration by location:					
Nigeria	88,710,685	32,535,988	79,771,732	321,743,748	96,463,927
America	–	33,819,621	–	–	–
Europe	–	16,843,412	–	–	–
Africa	–	2,402,001	–	–	–
	88,710,685	85,601,022	79,771,732	321,743,748	96,463,927

(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.

35 Financial risk management continued

Enterprise risk review continued

(v) Credit definitions continued

(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 and neither past due nor impaired.

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

(vi) Exposure to credit risk – individually impaired

	Loans and advances		Collateral	
	31 December 2014 N'000	31 December 2013 N'000	**31 December 2014 N'000**	31 December 2013 N'000
In thousands of Nigerian Naira				
Carrying amount, net of allowance for impairment	**371,246,273**	321,743,748	**321,756,945**	206,090,586
Assets at amortised cost:				
Individually impaired				
RR 7: Impaired	**4,984,265**	1,777,419	**2,098,004**	1,174,196
RR 8: Impaired	**956,818**	1,056,551	**405,324**	82,053
RR 9: Impaired	**3,912,807**	2,632,846	**819,109**	1,181,668
Gross amount	**9,853,890**	5,466,815	**3,322,436**	2,437,917
Allowance for impairment	**(6,531,453)**	(4,392,026)	**–**	–
Carrying amount, net of allowance for impairment	**3,322,437**	1,074,786	**3,322,436**	2,437,917

Notes to the financial statements continued

35 Financial risk management continued
Enterprise risk review continued

(vii) Exposure to credit risk – collectively impaired

	Loans and advances		Collateral	
	31 December 2014 N'000	31 December 2013 N'000	**31 December 2014 N'000**	31 December 2013 N'000
In thousands of Nigerian Naira				
Subject to collective impairment:				
RR 1–4: Low-fair risk	**280,027,705**	265,602,030	**243,650,061**	145,715,530
RR 5–6: Watch list	**88,955,707**	56,191,458	**69,347,360**	55,226,242
Past due but not impaired:				
RR 7	**673,798**	411,471	**1,797,780**	485,162
RR 8	**288,714**	127,221	**690,611**	421,330
RR 9	**1,124,586**	865,914	**2,948,456**	1,804,405
Gross amount	**371,070,510**	323,198,094	**318,434,509**	203,652,669
Allowance for impairment	**(3,146,674)**	(2,529,130)	**—**	—
Carrying amount, net of allowance for impairment	**367,923,836**	320,668,964	**318,434,509**	203,652,669
Total carrying amount, net of allowance for impairment	**371,246,273**	321,743,748	**321,756,945**	206,090,586

(viii) 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 2014 N'000	31 December 2013 N'000
Letters of credit	**106,304,492**	66,731,854
Bonds, guarantees and indemnities	**94,438,715**	124,900,867
Others	**3,099,759**	9,996,500
	203,842,966	201,629,221

35 Financial risk management continued

Enterprise risk review continued

(ix) Maturity profile of contingencies and commitments

As at 31 December 2014	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
Letters of credit	–	106,304,492	–	–	–	106,304,492
Bonds, guarantees and indemnities	–	18,154,750	42,256,165	34,027,801	–	94,438,715
Others	–	326,552	2,773,207	–	–	3,099,759
Total undiscounted contingents and commitments	–	124,785,794	45,029,372	34,027,801	–	203,842,966

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	–	99,685,633	56,939,780	45,003,808	–	201,629,221

Credit quality of financial assets 2014	Neither past due nor impaired RR1–RR2 N'000	RR3–RR4 N'000	RR5–RR6 N'000	Past due but not impaired N'000	Individually impaired N'000	Total N'000	Carrying amount N'000
Balances with Central Bank of Nigeria	163,982,302	–	–	–	–	163,982,302	163,982,302
Due from banks	67,330,073	–	–	–	–	67,330,073	67,330,073
Pledged assets	78,750,860	–				78,750,860	78,750,860
Held for trading	1,949,460	–	–	–	–	1,949,460	1,949,460
Loans and advances (net)	17,971,465	262,056,240	88,955,707	2,087,098	9,853,890	380,924,400	371,246,273
Investments securities available for sale	47,667,982	–	–	–	–	47,667,982	47,667,982
Investments securities held to maturity	45,581,835	–	–	–	–	45,581,835	45,581,835
Other assets – account receivable	–	1,517,910	–	–	4,377,760	5,895,670	1,517,910
Total	423,233,977	263,574,150	88,955,707	2,087,098	14,231,650	792,082,582	778,026,695

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Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(ix) Maturity profile of contingencies and commitments continued

Credit quality of financial assets 2013	Neither past due nor impaired RR1–RR2 N'000	RR3–RR4 N'000	RR5–RR6 N'000	Past due but not impaired N'000	Individually impaired N'000	Total N'000	Carrying amount N'000
Balances with Central Bank of Nigeria	88,710,685	–	–	–	–	88,710,685	88,710,685
Due from banks	85,601,022	–	–	–	–	85,601,022	85,601,022
Pledged assets	79,771,732	–	–	–	–	79,771,732	79,771,732
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
Investments in securities available for sale	18,138,999	–	–	–	–	18,138,999	18,138,999
Investments in securities held to maturity	76,123,934	–	–	–	–	76,123,934	76,123,934
Other assets – account receivable	–	–	3,240,580	–	4,159,765	7,400,345	3,240,580
Total	384,688,561	231,460,831	59,432,038	1,404,606	9,626,580	686,612,616	675,531,694

	31 December 2014 N'000	31 December 2013 N'000
Age analysis of financial assets that are past due but not impaired:		
Past due days:		
1–30 days	**1,782,673**	816,296
31–60 days	**26,662**	104,643
Above 90 days	**277,762**	483,667
	2,087,098	1,404,606

35 Financial risk management continued
Enterprise risk review continued

(x) 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 funding plan for liquidity risk under crises condition are the policy documents 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 manage the day-to-day liquidity requirements of the Bank, and also act 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, 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).

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(x) Liquidity risk continued

The table below shows the undiscounted cash flows on the Bank's financial assets and 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 2014	Notes	Carrying amount N'000	Gross nominal inflow/(outflow) 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	174,759,962	174,759,962	41,439,030	–	–	–	133,320,932
Due from banks	17	67,330,073	67,337,404	67,337,404	–	–	–	–
Pledged financial assets	18	78,750,860	121,465,080	1,255,850	–	9,246,515	31,100,826	79,861,889
Loans and advances	19	371,246,273	457,847,744	77,174,072	43,609,221	34,104,041	269,440,847	33,519,563
Investment securities	20	96,570,673	111,878,886	1,586,486	7,707,876	38,466,355	31,623,674	32,494,495
		788,657,841	933,289,076	188,792,842	51,317,097	81,816,911	332,165,347	279,196,879
Financial liabilities								
Deposits from customers	24	655,944,127	656,402,076	482,334,334	160,564,344	13,310,318	193,080	–
Debt securities issued and other borrowed funds	25, 26	49,934,681	53,370,434	766,282	9,484,503	–	43,119,649	–
Other liabilities – customers' deposits for foreign trade	27	6,818,972	6,818,972	6,818,972	–	–	–	–
Creditors and accruals	27	7,913,857	7,913,857	7,913,857	–	–	–	–
		720,611,637	724,505,339	497,833,445	170,048,847	13,310,318	43,312,729	–
Gap (assets – liabilities)		68,046,204	208,783,737	(309,040,603)	(118,731,750)	68,506,593	288,852,618	279,196,879
Cumulative liquidity gap		–	–	(309,040,604)	(427,772,354)	(359,265,761)	(70,413,143)	208,783,736

35 Financial risk management continued

Enterprise risk review continued

(x) Liquidity risk continued

31 December 2013	Notes	Carrying amount N'000	Gross nominal inflow/(outflow) 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	85,772,256	43,325,741	–	–	42,446,515	–
Pledged financial assets	18	79,771,732	80,246,500	10,581,732	–	–	32,055,359	37,609,409
Loans and advances	19	321,743,748	380,175,903	85,150,415	26,319,915	46,701,712	132,688,306	89,315,555
Investment securities	20	97,821,122	100,779,308	51,818,654	1,259,029	910,000	27,173,782	19,617,843
		681,838,186	743,874,529	205,580,654	27,578,944	47,611,712	234,363,962	228,739,257
Financial liabilities								
Deposits from customers	24	570,511,097	571,673,494	394,212,777	39,130,553	4,537,270	1,409,150	132,383,744
Debt securities issued and other borrowed funds	25, 26	43,358,125	45,338,436	4,694,698	–	–	36,563,022	4,080,716
Other liabilities – customers' deposits for foreign trade	27	11,221,413	11,221,413	11,221,413	–	–	–	–
Creditors and accruals	27	4,781,267	4,781,267	4,781,267	–	–	–	–
		629,871,903	633,014,610	414,910,155	39,130,553	4,537,270	37,972,172	136,464,460
Gap (assets – liabilities)		51,966,283	110,859,919	(209,329,501)	(11,551,609)	43,074,442	196,391,790	92,274,797
Cumulative liquidity gap		–	–	(209,329,501)	(220,881,110)	(177,806,668)	18,585,122	110,859,919

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.

The maturity profile of contingencies and commitments is disclosed under the exposure to credit risk above; see pages 115 and 118.

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(xi) 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.

(a) 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.

The table below shows interest rate risk:

		Reprising period						
31 December 2014	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	Non-interest Bearing N'000
Financial assets								
Deposits with Central Bank	16	174,759,962	–	–	–	–	–	174,759,962
Due from banks	17	67,330,073	25,070,946	–	–	42,259,127	–	–
Pledged financial assets	18	78,750,860	1,255,850	–	4,615,000	72,880,010	–	–
Loans and advances	19	371,246,273	75,947,794	43,609,221	34,104,041	184,065,654	33,519,563	–
Investment securities	20	96,570,673	1,586,486	7,707,876	38,466,355	14,944,065	32,494,495	1,371,396
		788,657,841	103,861,076	51,317,097	77,185,396	314,148,8560	66,014,058	176,131,358
Financial liabilities								
Deposits from customers	24	655,944,127	32,091,917	160,564,344	13,310,318	193,080	–	449,784,468
Other borrowed funds and debt securities issued	25, 26	49,934,681	408,533	–	–	49,526,148	–	–
		705,878,808	32,500,450	160,564,344	13,310,318	49,526,148	–	449,784,468
Total interest sensitivity gap		82,779,033	71,360,626	(109,247,247)	63,875,078	264,429,628	66,014,058	(273,653,110)

35 Financial risk management continued
Enterprise risk review continued
(xi) Market risks continued

(a) Interest rate risk continued
The table below shows interest rate risk:

31 December 2013	Notes	Carrying amount N'000	Reprising period Less than 3 months N'000	6 months N'000	12 months N'000	5 years N'000	More than 5 years N'000	Non-interest Bearing N'000
Financial assets								
Deposits with Central Bank	16	96,900,562	—	—	—	—	—	96,900,562
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	27,485,043	102,264,265	82,374,399	—
Investment securities	20	97,821,122	51,818,654	1,259,029	910,000	23,867,414	18,608,830	1,357,195
		681,838,186	190,017,770	26,416,193	28,395,043	200,568,194	138,183,229	98,257,757
Financial liabilities								
Deposits from customers	25	570,511,097	35,547,940	39,067,793	4,280,106	1,405,568	132,383,743	357,825,947
Other borrowed funds and debt securities issued	26 and 27	43,358,125	4,694,698	—	—	34,582,711	4,080,716	—
		613,869,222	40,242,638	39,067,793	4,280,106	35,988,279	136,464,459	357,825,947
Total interest sensitivity gap		67,968,964	149,775,132	(12,651,600)	24,114,937	164,579,915	1,718,770	(259,568,190)

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

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Notes to the financial statements continued

35 Financial risk management continued
Enterprise risk review continued
(xi) Market risks continued

(a) 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 assets and risk sensitive liabilities for the different maturities Gap of the Bank's earning assets and liabilities. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the gap position of the different maturities' mismatch.

As at 31 December 2014	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
Financial assets						
Due from other banks	–	67,330,073	–	–	–	67,330,073
Financial assets held for trading	–	768,256	1,167,603	10,083	3,518	1,949,460
Loans and advances	–	75,677,326	74,109,812	187,939,602	33,519,533	371,246,273
Investment securities available for sale	–	1,410,896	20,874,729	1,589,044	23,651,732	47,526,401
Investment securities held to maturity	–	3,548,500	2,159,371	19,151,450	20,722,514	45,581,835
Total financial assets (A)	–	148,735,051	98,311,515	208,690,179	77,897,297	533,634,042
Financial liabilities						
Due to customers	278,176,884	33,247,141	110,097,898	220,888,035	13,534,169	655,944,127
Debt securities issued and other borrowed funds	–	–	–	45,371,097	4,563,584	49,934,681
Total financial liabilities (B)	278,176,884	33,247,141	110,097,898	266,259,132	18,097,753	705,878,808
Net financial assets/liabilities	(278,176,884)	115,480,756	(11,786,383)	(57,568,953)	59,799,5434	(172,244,765)
Net financial assets/liabilities excluding AFS	(278,176,884)	(31,836,245)	(32,661,112)	(59,157,995)	36,147,811	(219,771,166)

Interest rate sensitivity analysis

	Increase/ decrease in bp	Net gap	Cumulative gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity on equity (+2%)	Sensitivity on equity (-2%)	Annualised period
On demand	+/-200bp	(278,176,884)	(278,176,884)	(472,520)	472,560	–	–	one month
Less than three months	+/-200bp	114,077,014	(164,099,870)	562,572	(562,572)	6,958	(6,958)	three months
Three to twelve months	+/-200bp	(32,661,112)	(196,760,982)	(653,222)	653,222	417,495	(417,495)	one year
One to five years	+/-200bp	(59,157,996)	(255,918,977)	(1,183,160)	1,183,160	31,781	(31,781)	–
Over five years	+/-200bp	36,147,811	(219,771,166)	722,956	(722,956)	473,035	(473,035)	–

35 Financial risk management continued
Enterprise risk review continued
(xi) Market risks continued

(a) Interest rate risk continued

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
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	—	—	18,138,999	—	—	18,138,999
Investment securities held to maturity	—	3,250,000	1,900,000	35,094,895	35,879,039	76,123,934
Total financial assets (A)	16,366,835	111,109,782	72,911,473	130,552,970	125,395,589	456,221,682
Financial liabilities						
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 financial liabilities (B)	213,751,686	147,869,413	25,400,966	93,020,643	133,826,514	613,869,222
Net financial assets/liabilities	(197,384,851)	(36,759,631)	47,510,507	37,532,327	(8,430,925)	(157,647,540)
Net financial assets/liabilities excluding AFS	(197,384,851)	(36,759,631)	29,371,508	37,532,327	(8,430,925)	(175,786,539)

	Interest rate sensitivity analysis							
	Increase/ decrease in bp	Net gap	Cumulative gap	Sensitivity on profit (+2%)	Sensitivity on profit (-2%)	Sensitivity on equity (+2%)	Sensitivity on equity (-2%)	Annualised period
On demand	+/-200bp	(197,384,851)	(197,384,851)	(335,284)	335,284	—	—	one month
Less than three months	+/-200bp	(36,759,356)	(234,144,482)	(181,280)	181,280	—	—	three months
Three to twelve months	+/-200bp	29,371,508	(204,772,974)	587,430	(587,430)	326,780	(326,780)	one year
One to five years	+/-200bp	37,532,327	(167,240,647)	750,647	(750,647)	—	—	—
Over five years	+/-200bp	(8,430,925)	(175,671,572)	(168,619)	168,619	—	—	—

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(xi) Market risks continued

(b) Foreign currency risk

Foreign currency risk is the risk changes in foreign exchange rate would affect the value of the financial 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, and future cash flows in foreign currencies arising from foreign exchange transactions.

Exposures to currency risk are consistently monitored by limit structures for overnight and intra-day 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 profit or loss is the effect of the assumed changes in exchange rates on the gap position.

Foreign currency concentrations risk as at 31 December 2014	Naira N'000	Dollar N'000	GBP N'000	Euro N'000	Others N'000	Total N'000
Assets						
Cash and balance with Central Bank of Nigeria	141,870,819	1,260,900	380,828	586,021	25	144,098,593
Unrestricted balance	30,661,369	–	–	–		30,661,369
Due from banks	16,246,247	47,089,402	1,466,404	2,448,033	79,986	67,330,073
Pledged financial assets	59,071,852	19,679,008	–	–	–	78,750,860
Loans and advances	228,428,357	142,677,456	116,507	23,952	–	371,246,273
Investment securities held for trading	1,949,460	–	–	–	–	1,949,460
Investment securities available for sale	47,592,398	1,053,443	–	–	–	49,039,378
Investment securities held to maturity	45,581,835	–	–	–	–	45,581,835
Other assets	14,26,660	–	9,513		784	14,136,957
Total financial assets (A)	585,922,535	211,760,208	1,973,253	3,058,007	80,795	802,794,798
Liabilities						
Deposits from customers	475,488,542	178,061,460	1,839,817	553,883	425	655,944,127
Debt securities issued and other borrowed funds	25,762,197	24,172,484	–	–		49,934,681
Other financial liabilities	21,306,096	8,111,147	134,969	2,510,498	80,434	32,143,145
Total financial liabilities (B)	522,556,836	210,345,091	1,974,786	3,064,381	80,859	738,021,953
Net financial assets/(liabilities)	63,365,669	1,415,118	(1,533)	(6,375)	64	64,772,845

35 Financial risk management continued
Enterprise risk review continued
(xi) Market risks continued

(b) Foreign currency risk continued

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net on statement of financial position	**1,415,118**	**(1,533)**	**(6,375)**	
Effect of 1% appreciation on profit	**(14,151)**	**15**	**63**	**(14,073)**
Effect of 1% depreciation on profit	**14,151**	**(15)**	**(63)**	**14,073**

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 of Nigeria	88,282,871	1,825,076	260,596	17,784	90,386,328
Unrestricted balance	6,514,235	—	—	—	6,514,235
Due from 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
Loans and advances	221,428,449	100,172,288	143,011	—	321,743,748
Investment securities held for trading	2,200,994	—	—	—	2,200,994
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 financial assets (A)	550,463,333	155,467,868	1,283,396	582,585	707,797,181
Liabilities					
Deposits from 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 financial liabilities (B)	487,036,698	155,508,163	1,223,046	571,378	644,339,285
Net financial assets/(liabilities)	**63,426,637**	**(40,295)**	**60,350**	**11,207**	**63,457,898**

Sensitivity analysis of foreign currency statement of financial position 31 December 2014.

Currency	Dollar N'000	GBP N'000	Euro N'000	Total N'000
Net on statement of financial position	(40,295)	60,350	11,207	11,207
Effect of 1% appreciation on profit	403	(603)	(112)	(313)
Effect of 1% depreciation on profit	(403)	603	112	313

Notes to the financial statements continued

35 Financial risk management continued

Enterprise risk review continued

(xii) 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.

The Bank maintains a dedicated function for managing its operational risks with reporting line to the Executive Management and 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 review operational risk management reports quarterly and define action plans geared towards managing risks to acceptable levels.

The Operational Risk Management 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 the Bank 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;
- 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.
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.

35 Financial risk management continued

Enterprise risk review continued

(xiii) Capital management

(a) 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, the 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, 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, 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.

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.

The CBN in its circular BSD/DIR/GEN/LAB/07/021 effective 5 August 2014 informs banks on the exclusion of the following reserves in the computation of total qualifying capital:

- regulatory risk reserve created pursuant to section 12.4 (a) of the Prudential Guidelines;
- collective impairment on loans and receivables and other financial assets; and
- other comprehensive income (OCI) reserves will be recognised as part of Tier 2 capital subject to the limits set in paragraph 3.2 of the CBN Guidance Notes on the Calculation of Regulatory Capital.

(b) 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.

The capital adequacy computation for the year ended 31 December 2014 is In line with Central Bank of Nigeria circular BSD/DIR/CIR/GEN/LAB/06/053 to all banks and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes on the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel/III in Nigeria. The computations are consistent with the requirements of Pillar I of Basel II Accord (International Convergence of Capital Measurement and Capital Standards). Although the guidelines comply with the requirements of the Basel II accords, certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

Notes to the financial statements continued

35 Financial risk management continued
Enterprise risk review continued
(xiii) Capital management continued

(b) Capital adequacy ratio continued

	Notes	Basel II 31 December 2014 N'000	Basel I 31 December 2013 N'000
Tier 1 capital			
Ordinary share capital	29	**14,395,208**	10,796,407
Share premium		**42,759,214**	27,871,589
Retained earnings		**5,753,978**	7,785,753
Other reserves	30	**17,926,147**	17,004,147
		80,834,547	63,457,896
Less:			
Fair value reserve on available for sale securities		**–**	295,931
Revaluation reserve		**1,131,739**	–
Deferred tax assets	14	**(6,971,145)**	(6,971,145)
Intangible assets	23	**–**	(601,391)
		74,995,141	56,181,291
Tier 2 capital			
Debt securities issued	26	**4,563,584**	4,563,598
Fair value reserve for available for sale securities		**(1,131,739)**	(295,931)
Collective impairment	19(c)	**–**	2,529,130
		3,431,845	6,796,797
Total qualifying capital		**78,426,986**	62,978,088
Risk-weighted assets		**566,686,606**	448,520,341
Total Tier 1 and Tier 2 capital expressed as a percentage of risk-weighted assets		**14%**	14%

(c) 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.

* Please note that certain reclassifications were made to the reported figures of the prior year in this note to conform to this year's presentation.

36 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2014

Maturity analysis of assets and liabilities	Maturing within 12 months N'000	Maturing after 12 months N'000	Total N'000
Assets			
Cash and balances with Central Bank of Nigeria	41,439,029	133,320,933	174,759,962
Due from banks	67,330,073	—	67,330,073
Pledged assets	1,410,896	77,339,964	78,750,860
Loans and advances to customers	75,677,326	295,568,947	371,246,273
Investment in securities	29,627,425	66,943,248	96,570,673
Other assets	11,309,566	2,827,391	14,136,957
Property, plant and equipment	—	13,952,027	13,952,027
Intangible assets	—	821,456	821,456
Deferred tax assets	—	6,971,145	6,971,145
Total	226,794,315	597,745,111	824,539,426
Liabilities			
Deposits from customers	278,183,180	377,760,947	655,944,127
Debt issued and other borrowed funds	408,533	49,526,148	49,934,681
Current tax liabilities	1,802,189	—	1,802,189
Other liabilities	25,474,599	6,668,545	32,143,144
Total	305,868,501	433,955,640	739,824,141
Net	(79,074,187)	163,789,472	84,715,285

Notes to the financial statements continued

36 Maturity analysis of assets and liabilities continued

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2013

Maturity analysis of assets and liabilities	Maturing within 12 months N'000	Maturing after 12 months N'000	Total N'000
Assets			
Cash and balances with Central Bank of Nigeria	14,704,112	82,196,450	96,900,562
Due from banks	43,154,507	42,446,515	85,601,022
Pledged assets	10,581,732	69,190,000	79,771,732
Loans and advances to customers	130,163,928	191,579,820	321,743,748
Investment in securities	53,449,688	44,371,434	97,821,122
Other assets	7,453,673	1,863,418	9,317,091
Property, plant and equipment	—	9,069,368	9,069,368
Intangible assets	—	601,391	601,391
Deferred tax assets	—	6,971,145	6,971,145
Total	259,507,640	448,289,541	707,797,181
Liabilities			
Deposits from customers	432,263,270	138,247,827	570,511,097
Debt issued and other borrowed funds	4,694,698	38,663,427	43,358,125
Current tax liabilities	1,112,289	—	1,112,289
Other liabilities	23,486,219	5,871,555	29,357,774
Total	461,556,476	182,782,809	644,339,285
Net	(202,048,836)	265,506,732	63,457,896

37 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 values using the following fair value hierarchy that reflects the nature and 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.

37 Fair value of financial instruments continued

Fair value measurement hierarchy for assets & liabilities as at 31 December 2014

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets measured at fair value				
Pledged assets – available for sale	–	20,716,811	–	20,716,811
Financial assets held for trading	–	1,949,460	–	1,949,460
Financial assets available for sale	–	47,667,982	–	47,667,982
Assets for which fair value is disclosed				
Due from banks	–	67,330,073	–	67,330,073
Pledged assets held to maturity	–	47,270,323	–	47,270,323
Loans and advances	–	438,182,332	–	438,182,332
Held to maturity	–	43,194,136	–	–
Liabilities for which fair values is disclosed				
Deposits from customers	–	637,354,466	–	637,354,466
Other borrowed funds	–	41,141,093	–	41,141,093
Debt securities issued	–	4,894,641	–	4,894,641

Fair value measurement hierarchy for assets and liabilities as at 31 December 2013

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets measured at fair value				
Pledged assets – available for sale	–	15,090,000	–	15,090,000
Financial assets held for trading	–	2,200,994	–	2,200,994
Financial assets available for sale	–	18,106,904	–	18,138,999
Assets for which fair value is disclosed				
Due from banks	–	85,601,022	–	85,601,022
Pledged assets held to maturity	–	63,608,713	–	63,608,713
Loans and advances	–	369,040,079	–	369,040,079
Held to maturity	–	52,722,903	–	52,722,903
Liabilities for which fair values is disclosed:				
Deposits from customers	–	554,233,448	–	554,233,448
Other borrowed funds	–	32,809,113	–	32,809,113
Debt securities issued	–	4,790,318	–	4,790,318

Additional information is now included in the prior year table to provide more information in line with IFRS 7:25.

Notes to the financial statements continued

37 Fair value of financial instruments continued

Fair value measurement hierarchy for assets and liabilities as at 31 December 2013 continued

	Carrying amount		Fair value amount	
	31 December 2014 N'000	31 December 2013 N'000	**31 December 2014 N'000**	31 December 2013 N'000
Financial assets				
Cash and balances with Central Bank of Nigeria	**174,759,962**	96,900,562	**174,759,962**	96,900,562
Due from banks	**67,330,073**	85,601,022	**67,330,073**	85,601,022
Pledged assets	**78,750,860**	79,771,732	**67,987,134**	78,698,713
Loans and advances to customers	**371,246,273**	321,743,748	**438,182,332**	369,040,079
Investment in securities:				
– Held for trading	**1,949,460**	2,200,994	**1,949,460**	2,200,994
– Available for sale	**47,667,982**	18,138,999	**47,667,982**	18,138,999
– Held to maturity	**45,581,835**	76,123,934	**43,194,136**	52,722,903
Total	**787,286,445**	679,942,996	**841,071,079**	703,303,271
Financial liabilities				
Deposits from customers	**655,951,281**	570,511,097	**637,354,466**	554,233,448
Other borrowed funds	**45,371,097**	38,794,527	**41,141,093**	32,809,113
Debt securities issued	**4,563,584**	4,563,598	**4,894,641**	4,790,318
Customer deposits for foreign trade	**6,818,572**	11,221,413	**6,818,572**	11,221,413
Creditors and accruals	**7,913,857**	4,781,267	**7,913,857**	4,781,267
Total	**720,618,391**	629,871,902	**698,122,630**	607,835,559

The following methods and assumptions were used to estimate the fair values:

Assets for which fair value approximates carrying value

The management assessed that cash and balances with Central Bank of Nigeria, creditors and accruals and customer deposit for foreign trade approximate their carrying amounts largely due to the short-term maturities of these instruments. For financial assets and financial liabilities that are without a specific maturity, it is assumed that the carrying amounts approximate their fair value.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the quoted bonds and treasury bills are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of the remaining AFS financial assets are derived from quoted market prices in active markets.

The fair values of the Bank's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2014 was assessed to be insignificant.

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits and debt issued are based on discounted cash flows using prevailing money-market interest rates for deposits and debts with similar credit risk and maturity.

38 Contraventions

During the year, the Bank contravened certain circulars of the Central Bank of Nigeria and NSE Listing Rules and as such penalties have been imposed on the Bank by the Central Bank of Nigeria and the Nigeria Stock Exchange.

Circular	Date of circular	Nature of contravention	Penalty
BSD/DIR/GEN/LAB/06/034 BSD/DIR/GEN/LAB/06/039	25 July 2013 5 September 2013	Under-reporting of public sector deposits as at 29 August 2014	N50,000,000
NSE Listing Requirement (Green Book) – Post Listing Rules section 14(d) appendix III clause 1(a)	19 May 2014	Publication of newly appointed Board members without prior notification and approval of the Nigerian Stock Exchange	N1,500,000

39 Customer complaints

In line with circular FPR/DIR/CIR/GEN/01/020, the returns on customer complaints for the year ended 31 December 2014 are set out below:

	Number		Amount claimed		Amount refunded	
Financial year	**2014**	2013	**2014 N'000**	2013 N'000	**2014 N'000**	2013 N'000
Pending complaints b/f	**109**	34	**2,287,154**	625,095	**–**	–
Complaints received	**5,158**	3,614	**3,465,981**	14,644,275	**–**	–
Complaints resolved	**5,201**	3,539	**4,893,921**	12,982,216	**2,715,420**	1,220,863
Unresolved complaints escalated to cbn for intervention	**–**	–	**–**	–	**–**	–
Unresolved complaints pending with the bank c/f	**66**	109	**859,214**	2,287,154	**–**	–

40 Card issuance and usage

In line with the Central Bank of Nigeria guidelines for card issuance and usage in Nigeria, section 11.0, the report on card issuance and usage for the year ended 31 December 2014 is set out below:

Product	Volume	Value N'000
Visa	2,159,950	20,016,257
Verve	16,246,945	67,305,972

41 Whistle blowing policy

The Bank complied with CBN circular FPR/DIR/CIR/GEN/01/004, Code of Corporate Governance from Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing in Nigeria Banking Industry, for the year ended 31 December 2014.

Notes to the financial statements continued

42 Reclassification

Certain reclassifications were made to the reported figures of prior year to conform to this year's presentation. Below are the reclassifications:

	31 December 2013 N'000
i. Other operating income	
Amount previously reported	3,377,586
Reclassified to other operating expenses (see note (ii) below)	113,930
New amount reported	3,491,516
ii. Other operating expenses	
Amount previously reported	26,938,321
Reclassified from Other operating income (see note (i) above)	113,930
Reclassified to General and Administrative expense (see note (iii) below)	(14,042,493)
Reclassified to Other property, plant and equipment cost (see note (iv) below)	(4,632,084)
New amount reported	8,377,674
iii. General and Administrative expenses	
Amount previously reported	—
Reclassified from Other operating expenses (see note (ii) above)	14,042,493
New amount reported	14,042,493
iv. Other property, plant and equipment cost	
Amount previously reported	—
Reclassified from Other operating expenses	4,632,084
New amount reported	4,632,084

Statement of value added
for the year ended 31 December 2014

	2014		2013	
	N'000	**%**	N'000	%
Gross earnings	**103,679,220**		91,742,770	
Interest expense	**(34,915,362)**		(34,160,115)	
	68,763,858		57,582,655	
Impairment charge	**(7,389,159)**		(8,259,094)	
Bought-in materials and services – local	**(35,456,091)**		(27,052,251)	
Value added	**25,918,608**	**100**	22,271,310	100
Applied as follows:				
To employee: wages, salaries and pensions	**12,031,026**	**46**	10,266,623	46
To government: taxes	**1,743,012**	**7**	1,035,334	5
As Company				
Retained in business:				
Depreciation and amortisation	**3,139,597**	**12**	2,694,489	12
Profit for the year	**9,004,973**	**35**	8,274,864	37
	25,918,608	**100**	22,271,310	100

Value added is the wealth created by the efforts of the Bank and its employees. This statement shows the allocation of that wealth among the employees, shareholders and government and amount re-invested for the creation of further wealth.

Five-year financial summary

	IFRS				
	31 December				
	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
Assets					
Cash on hand and balances with CBN	**174,759,962**	96,900,562	63,622,016	36,810,450	6,660,320
Due from other banks	**67,330,073**	85,601,022	33,878,671	53,695,139	20,353,676
Pledged financial assets	**78,750,860**	79,771,732	57,412,053	49,700,219	27,210,544
Loans and advances	**371,246,273**	321,743,748	229,420,874	162,063,156	102,820,980
Investments in equity-accounted investee	**—**	—	—	—	1,852,872
Held for trading	**1,949,460**	2,200,994	1,998,860	—	—
Available for sale	**49,039,378**	19,496,194	16,857,561	3,233,254	7,355,288
Held to maturity	**45,581,835**	76,123,934	155,935,974	169,242,661	75,060,096
Other assets	**14,136,957**	9,317,091	6,132,005	13,258,260	9,548,675
Property, plant and equipment	**13,952,027**	9,069,368	7,793,316	8,930,814	4,267,457
Intangible assets	**821,456**	601,391	203,465	143,115	149,266
Deferred tax assets	**6,971,145**	6,971,145	6,971,145	6,971,145	5,414,110
	824,539,426	707,797,181	580,225,940	504,048,213	260,693,282
Liabilities					
Deposits from banks	**—**	—	3,118,775	17,744,296	38,975,532
Deposits from customers	**655,944,127**	570,511,097	463,726,325	392,049,881	160,964,394
Current income tax liabilities	**1,802,189**	1,112,289	803,422	677,926	368,489
Other borrowed funds	**45,371,097**	38,794,527	30,356,039	27,301,377	24,975,673
Debt securities issued	**4,563,584**	4,563,598	4,563,612	4,562,000	—
Other liabilities	**32,143,144**	29,357,774	31,015,373	20,655,397	7,885,553
	739,824,141	644,339,285	533,583,546	462,990,877	233,169,641
Net assets	**84,715,285**	63,457,896	46,642,394	41,057,336	27,523,641

	IFRS				
	31 December				
	2014	2013	2012	2011	2010
	N'000	N'000	N'000	N'000	N'000
Equity					
Share capital	**14,395,209**	10,796,407	7,851,931	7,851,931	6,281,545
Share premium	**42,759,214**	27,871,589	18,689,788	18,689,788	12,314,019
Retained earnings	**5,753,977**	7,785,753	6,019,078	2,780,715	(2,055,305)
Equity reserves	**21,806,885**	17,004,147	14,081,597	11,734,903	10,983,382
Attributable to equity holders of the Bank	**84,715,285**	63,457,896	46,642,394	41,057,336	27,523,641
Other commitments and contingencies	**203,842,966**	201,629,221	127,949,875	78,673,415	48,908,173

Profit and loss account

	IFRS			Local GAAP	
	31 December				
	2014	2013	2012	2011	2010
	N'000	N'000	N'000	N'000	N'000
Gross earnings	**103,679,220**	91,742,770	68,856,815	45,698,415	30,386,957
Profit before income tax	**10,747,985**	9,310,198	7,499,651	5,640,306	3,688,251
Income tax (expense)/benefit	**(1,743,012)**	(1,035,334)	(546,112)	1,268,292	490,242
Profit after income tax	**9,004,973**	8,274,864	6,953,539	6,908,598	4,178,492
Earnings per share – basic (in kobo)	**42k**	52k	44k	53k	33k
Earnings per share – diluted (in kobo)	**42k**	52k	44k	53k	33k
Dividend per share	**6k**	25k	20k	10k	—

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
2014	4,000,000,000	12,000,000,000	3,598,802,266	14,395,209,063	Private Placement

Sterling Bank
The one-customer bank.

Basic information

Management team

S/N	Employee name	Grade	Function
1	Adeola Yemi Razack	Managing Director	Managing Director and Chief Executive Officer
2	Adesanya Olanrewaju	Executive Director	Commercial Institutional Banking
3	Suleiman Abubakar	Executive Director	Finance and Strategy
4	Lawal Mudathir Omokayode	Executive Director	Corporate and Investment Banking
5	Grama Narasimhan	Executive Director	Retail and Consumer Banking
6	Odubiyi Yemi	Executive Director	Operations and Services
7	Adeola Tunde	General Manager	Regional Business Executive, Lagos Mainland 2
8	Owodeyi Raheem Bankole	General Manager	Group Head, Internal Control
9	Bakare Mojisola	General Manager	Group Head, Corporate Banking – Team 1
10	Adegun Adegboyega Adelani	General Manager	Group Head, Corporate Banking – Team 2
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	Lewa Justina Akpoabugo	Deputy General Manager	Group Head, Legal/Company Secretariat
14	Paul-Taiwo Adeoye	Deputy General Manager	Group Head, Corporate Banking – Team 3
15	Amoo Fatai	Deputy General Manager	Group Head, Retail Distribution and Sales
16	John Japhet	Deputy General Manager	Regional Business Executive, Abuja
17	Aderoju Abiodun	Deputy General Manager	Chief Inspector, Internal Audit
18	Adebayo Ayodele Ademola	Deputy General Manager	Regional Business Executive, Lagos Island1
19	Egbarin Obiajulu	Deputy General Manager	Regional Business Executive, Lagos Mainland1
20	Emefienim Emmanuel Efe	Deputy General Manager	Regional Business Executive, South South 2
21	Mowarin Julie	Deputy General Manager	Regional Business Executive, South-South 1
22	Olambiwonnu Adebimpe	Deputy General Manager	Group Head, Finance and Performance Management
23	Kuponiyi Adefolahan Kikelomo	Deputy General Manager	Group Head, Retail Lending
24	Obe Eniola	Deputy General Manager	Regional Business Executive, Lagos Mainland 3
25	Anako Segun	Chief Information Officer	Chief Information Officer, Information Technology
26	Aboyeji Rasaq	Deputy General Manager	Regional Business Executive, South West 1
27	Akinnawonu Moses	Assistant General Manager	Group Head, Channel Operations
28	Osheku Cyril	Assistant General Manager	Group Head, Credit Administration
29	Atilola Shina, Bashiru	Assistant General Manager	Group Head, Strategy and Communications

S/N	Employee name	Grade	Function
30	Imaji Ojonimi Friday	Assistant General Manager	Special Assistant, Office of the Managing Director and Chief Executive Officer
31	Adeyemi Korede Adekoya	Assistant General Manager	Corporate Banking, Corporate Banking – Team 1
32	Osa-Edokpolor Donald, Osamuede	Assistant General Manager	Retail Sales – 3PAs, Retail Distribution and Sales
33	Awosanya Irene Olubukola	Assistant General Manager	Group Head, Agric Finance
34	Osundina Adejoke	Assistant General Manager	Legal – Company Secretariat, Legal/Company Secretariat
35	Yerima Abbas	Assistant General Manager	Regional Business Executive, North East
36	Ayodeji Fredrick Akintunde	Assistant General Manager	Regional Business Executive, South East 1
37	Yau Abdulhadi Masanawa	Assistant General Manager	Regional Business Executive, North West
38	Mahmud Hassan Abdulkarim	Assistant General Manager	Regional Business Executive, North Central
39	Odutola Abiodun Adebola	Assistant General Manager	CBG2 – Downstream, Corporate Banking – Team 2
40	Sonoiki Oladipupo	Assistant General Manager	Group Head, Collections
41	Aiyegbusi Olufemi Bamidele	Assistant General Manager	Legal - Litigation, Legal/Company Secretariat
42	Famogbiele Oluwabunmi Aderonke	Assistant General Manager	Business Manager, Adebola House Branch
43	Lewis Olufunmilayo	Assistant General Manager	Regional Business Executive, Lagos Island 2
44	Dairo Omolade Omotayo	Deputy Chief Informn Officer	Head Technical Services, Information Technology
45	Akintola Ayodeji Olusoji	Assistant General Manager	Regional Business Executive, Lagos Mainland 4
46	Eze Ebere Elizabeth	Assistant General Manager	Regional Business Executive, South East 2
47	Adewole Adekunle	Assistant General Manager	Group Head, Credit Collections and Recovery
48	Ogundipe Titilayo Adewonuola	Assistant General Manager	Group Head, Customer Experience Management
49	Akingbade John	Assistant General Manager	Group Head, Treasury and Financial Institutions
50	Kungaba Tsunuku	Assistant General Manager	Business Manager, Sterling Boulevard Branch
51	Aliu Lateef	Assistant General Manager	Operations – Co-ordinator, Channel Operations
52	Oladipupo Abiodun Muniru	Assistant General Manager	Regional Business Executive, Lagos Mainland 5
53	Adeyemi Ademola	Assistant General Manager	Regional Business Executive, South West 2
54	Oshungboye Richard	Assistant General Manager	Retail Sales – Agent Banking, Retail Sales
55	Ogunwoye Olabisi Sunday	Assistant General Manager	Group Head, Human Resource Management
56	Ojo Abiola Olugbenga	Assistant General Manager	Group Head, Real Estate Finance

Branch network

S/N	Branch name	Branch address	State	Contact number(s)
1	Eziukwu Rd – Aba	Plot 3, Eziukwu Rd, Aba	Abia	08075292614
2	Azikiwe Rd – Aba	127 Nnamdi Azikwe Road, Aba, Abia State	Abia	08075292876
3	Eziukwu Market Service Centre	New Market Road, Eziukwu Cemetery Market, Aba	Abia	08037596603
4	Library Avenue – Umuahia	2 Library Avenue, Opposite Michela Okpara Auditorium, Umuahia	Abia	08075292875
5	Mamman Kontagora Close – Area 3	450 Mamman Kontagora Close Area 3 Garki	Abuja	08075292668, 08075292667
6	Sterling Boulevard – Cbd	Plot 990, Sterling Boulevard, Cbd Abuja	Abuja	08075292676
7	Wuye Service Centre	Plot 1135, Gidado Idris Street, Eternal Oil Filling Station, Finance Junction Wuye, Abuja	Abuja	08075292680, 08075292679
8	Ladoke Akintola – Garki 2	Blk T 16 Samuel Akintola Boulevard, Garki 2	Abuja	08075292683, 08075292684
9	Seda Close – Area 8	17 Sheda Close Area 8 Garki	Abuja	08075292687, 08075292686
10	National Assembly	Sb 67 National Assembly Complex	Abuja	08075292691, 08075292693
11	Ademola Adetokunbo – Wuse 2	5 Ademola Adetokunbo Street Wuse	Abuja	08075292698
12	Emeka Anyaoku – Area 11	Plot 21/11, Emeka Anyaoku Street, Area 11 Garki, Abuja	Abuja	08075292886, 08075292718
13	Kashim Ibrahim – Wuse 2	Plot 603, Kashim Ibrahim Way, Wuse 2, Abuja Fct	Abuja	08075292885, 08075292715
14	Gateway Plaza – CBD	Gateway Plaza, Plot 208 Zakariyahu, Mai-Malari Street, Off Hebert Macaulay Way, Cbd Abuja	Abuja	08075292889, 08075292728
15	Conoil – Kado	Conoil Premises, Kado, Abuja	Abuja	08075292887, 08075292721
16	Conoil – Utako	Conoil Station, Utako, Abuja.	Abuja	08075292888, 08075292724
17	Jimeta	28 Atiku Abubakar Way, Beside Sabru House, Jimeta Yola	Adamawa	08075292898, 08039278456
18	Oron Rd – Uyo	52, Oron Road, Uyo	Akwa Ibom	08075292630
19	Abak Rd – Uyo	Plot 16, Block 1, Abak Road Est. Uyo, Akwa-Ibom State	Akwa Ibom	08075292877
20	New Market Rd Onitsha	24, New Market Rd, Onitsha	Anambra	08075292530
21	Portharcourt Road Onitsha	34, Port-Harcourt Rd, Fegge, Onitsha	Anambra	08075292538
22	Zik Avenue – Awka	140, Zik Avenue, Awka	Anambra	08075292550

S/N	Branch name	Branch address	State	Contact number(s)
23	Uga Bridge Head Onitsha Branch	45 Uga Street, Fegge Bridgehead, Onitsha	Anambra	08075292870
24	Nottidge – Onitsha	23 Nottidge Street, Onitsha	Anambra	08075292867
25	Bauchi	Yakubun Bauchi Rd Beside Cbn Bauchi	Bauchi	08075292703, 08037161676
26	Mbiama Rd – Yenagoa	268 Mbiama/Yenagoa Rd, Yenagoa	Bayelsa	08075292610
27	Melford Okilo Road – Yenagoa	252 Melford Okilo Road, Amarata, Yenagoa, Bayelsa State	Bayelsa	08075292880
28	Yenagoa 3	Sani Abacha Way, Yenagoa, Bayelsa State	Bayelsa	
29	Makurdi	7 New Bridge Street, Makurdi, Benue State	Benue	08075292871
30	Maiduguri	39 Kashim Ibrahim Way, Maiduguri	Borno	08054415639, 08075292771
31	Clement Ebri – Calabar	1 Clement Ebri Drive, State Housing Estate, Calabar	Cross River	08075292634
32	Asaba 1	180 Nnebisi Rd, Asaba, Delta State	Delta	08075292542
33	Odibo	Effurun Sapele Rd Opp Urhobo College, Odibo Housing Estate, Delta State	Delta	08075292546
34	Asaba 2	290 Nnebisi Road, Asaba, Delta State	Delta	08075292868
35	Warri	75 Warri/Sapele Road, Warri Delta State	Delta	08075292864
36	Effurun	71 Effurun-Sapele Road, Effurun, Delta State	Delta	08075292861
37	Enerhen Junction	5 Effurun-Sapele Road, Delta State	Delta	08075292860
38	Akpakpava	38 Akpakpava Street, Benin City	Edo	08075292522
39	Adesuwa Road	5 Adesuwa Street, Benin City, Edo State	Edo	08075292859
40	Mission Road	58 Mission Road Benin, Edo State	Edo	08075292858
41	Sapele Road	56/58 Sapele Road, Benin, Edo State	Edo	08075292863
42	Ikpoba Hill	40B Ohovbe Qtrs., Ikpoba Hill, Benin City, Edo State	Edo	08075292862
43	Okada	Igbinedion University, Okada, Edo State	Edo	08075292865
44	Ado Ekiti	Bank Road, By New Iyin Road, Ado Ekiti	Ekiti	08113944125, 08113944127
45	Market Rd – Enugu	2A Market Rd, Enugu	Enugu	08075292533
46	Okpara Avenue – Enugu	Plot 23 (48) Okpara Avenue, Enugu	Enugu	08075292580
47	Gombe	New Market Road, Gombe, Gombe State	Gombo	08137057330
48	Douglas Rd – Owerri	71 Douglas Rd, Owerri, Imo State	Imo	08075292598

Branch network continued

S/N	Branch name	Branch address	State	Contact number(s)
49	Dutse	Kiyawa Rd, Opp Oando Filling Station Dutse, Jigawa	Jigawa	08075292751, 08075292752
50	Ali Akilu – Kaduna	9 Ali Akilu Rd, Kaduna	Kaduna	08075292672
51	Kachia Road – Kaduna	236 Kachia Rd, Kaduna	Kaduna	08075292695
52	Independence Way	Indepedence Road, Beside Food Planet, Kaduna	Kaduna	08075292891
53	Kaduna Refinery	Km 16, Kachia Road, Krpc Staff Co-operative Commercial Plaza, Kaduna Refinery, Kaduna	Kaduna	08075292892
54	Ahmadu Bello Way – Kaduna	Conoil Premises 26, Ahmadu Bello Way, Kaduna	Kaduna	08075292893
55	Sani Abacha Way – Kano	12 Sani Abacha Way, Kano	Kano	08075292895, 08075292785
56	MM Way – Kano	110 Murtala Mohammed Way, Kano	Kano	08075292749, 08075292748
57	Kwari Market – Kano	20 Unity Road (Kwari Market), Kano	Kano	08075292756, 08075292755
58	Niger Street – Kano	2B Niger Street, (Gidan Goldie), Kano	Kano	08075292760, 08075000000
59	Kofar Ruwa – Kano	Aminu Dantata Estate, Kofar Ruwa, Kano	Kano	08075292763, 08075292764
60	Bayero University – Kano	Buk New Campus Kano	Kano	08075292766, 08075292767
61	Katsina	3 Ibb Way, Katsina	Katsina	08075292779, 08037162360
62	Kebbi	31 Sultan Abubakar Road Road Gra, Kebbi State	Kebbi	08065818886
63	Lokoja	64 Ibrahim Babangida Way, Lokoja	Kogi	08076093024
64	MM Way – Ilorin	11 Muritala Mohammed Way, Ilorin	Kwara	08075292480, 08075292479
65	Ibrahim Taiwo – Ilorin	Plot 240, Ibrahim Taiwo Road, Ilorin	Kwara	08075292857, 08075292518
66	67 Marina	67 Marina, Lagos	Lagos	08075393780
67	Idumota	99 Enu – Owa Street, Idumota Lagos	Lagos	08075292814
68	Broad Street	Bookshop House, 50/52, Broad Street	Lagos	08075292182
69	Igbosere	198 Igbosere Road, Obalende, Lagos Island	Lagos	08075292186
70	Head Office Branch	20 Marina, Lagos	Lagos	08075292203
71	Martins	41/43 Martins Str, Lagos	Lagos	08075292219
72	John Street	37B John Street, Oke Arin	Lagos	08075292227
73	Idumagbo	106 Iga-Iduganran Street	Lagos	08075292231
74	Sura	Blk 11 Suit3 Sura Shopping Complex	Lagos	08075292250
75	Docemo	62 Docemo Street, Idumota, Lagos	Lagos	08075292815

S/N	Branch name	Branch address	State	Contact number(s)
76	Issa Williams	4 Issa Williams Street, Oke Arin, Lagos State	Lagos	08075292821
77	Alakoro	109C, Alakoro Street, Oke Arin, Lagos State	Lagos	08075292818
78	Sangrouse (Lafiaji)	33 Hawley Street, Lafiaji	Lagos	08075292816
79	30 Adetokunbo Ademola	30 Adetokunbo Ademola Street V/Island	Lagos	08075292176
80	228A Awolowo Road – Iky	228 Awolowo Rd Ikoyi	Lagos	08075292211
81	Bakky Plaza – Lekki	Agungi Bus Stop Bakky Plaza Lekki	Lagos	08075292234
82	Adeola Hopewell	42 Adeola Hopewell Str V/I	Lagos	08075292956
83	Ikota Shopping Complex – Ajah	Shop 14/15 Blk F Ikota Shopping Complex, Ajah	Lagos	08075292254
84	114 Awolowo Road – Iky	114 Awolowo Road, Ikoyi	Lagos	08075292810
85	62 Adetokunbo Ademola	62 Adetokunbo Ademola Str (By Ajose Adeogun Roundabout), V/I	Lagos	08075292269
86	Adeola Odeku	Plot 300 Adeola Odeku Street, V/Island	Lagos	08075292819
87	Saka Tinubu	50 Saka Tinubu, Victoria Island	Lagos	08075292813
88	Langbasa Service Centre	26 Langbasa Road, Ajah	Lagos	08075290106
89	Awoyaya Service Centre	Awoyaya Beside Gommek Petrol Station, Awoyaya, Ajah	Lagos	08113944148
90	Coker	29 Badagry Express Way Coker Orile	Lagos	08075292322
91	Wharf Road	13/15 Wharf Rd Apapa	Lagos	08075292193
92	Tincan	10 Tincan Island Port Rd, Apapa	Lagos	08075292195
93	1 Creek Road (Nnewi Building)	1–3 Creek Rd Apapa	Lagos	08075292199
94	LASU	LASU Ojo	Lagos	08075292350
95	Kirikiri Road	100 Kirikiri Rd, by Wilmer bus stop, Olodi – Apapa	Lagos	08075292215
96	26B Creek Road	26B Creek Rd Apapa	Lagos	08075292223
97	Commercial Road	17 Commercial Rd Apapa	Lagos	08075292238
98	Ibru Jetty – Apapa	31 Ikudaisi Str Apapa Oshodi Exp Way	Lagos	08075292246
99	Festac	21 Road, Festac, Lagos.	Lagos	08023779165
100	Trade Fair	8C Executive Plaza, Bba, Trade Fair	Lagos	08075292829

Branch network continued

S/N	Branch name	Branch address	State	Contact number(s)
101	Alaba	5 Alaba International Market Road, Alaba	Lagos	08075292845
102	Alaba Service Centre	50/51 Alaba International Market Road, Alaba	Lagos	08075292846
103	Mobil Road – Ajegunle	66 Mobil Road, Ajegunle	Lagos	08075292986
104	Aromire	9 Aromire Avenue Ikeja	Lagos	08075292318
105	Ilupeju	Akintola Williams Delloite Building 235 Ikorodu Rd	Lagos	08075292330
106	Adebola House	38 Opebi Road	Lagos	08075292346
107	2B Opebi	2B Opebi Road Ikeja	Lagos	08075292353
108	Awolowo Way – Ikj	104 Awolowo Way Ikeja	Lagos	08075292356
109	68 Opebi	68 Opebi Str Ikeja	Lagos	08075292373
110	Ikorodu	43 Lagos-Ikorodu Road	Lagos	08075292826, 08075292378
111	Allen	53 Allen Ave. Ikeja	Lagos	08075292831
112	Conoil Station – Ikeja Gra	Conoil Station, Opp. General Hospital (Lasuth), Gra Ikeja	Lagos	08075292843
113	Ketu	548 Ikorodu Road, Ketu	Lagos	08075292827
114	Owode Onirin Service Centre	Owode Onirin Iron Market	Lagos	08075292827
115	Fadeyi	96 Ikorodu Road, Fadeyi	Lagos	08075292976
116	Ogudu	28 Ogudu Road, Ojota	Lagos	08075292965
117	Oworonsoki Service Centre	10 Adams Street, Oworonsoki	Lagos	08076093038
118	Iju Road – Ifako	102 Iju Rd, Ifako	Lagos	08075292334
119	Idimu	294 Idimu Rd Isheri	Lagos	08075292338
120	Iyana-Ipaja	109 Lagos Abeokuta Exp Way Iyana Ipaja	Lagos	08075292342
121	Shasha Road – Dopemu	32 Shasha Rd, Akowonjo	Lagos	08075292360
122	Oba Akran	No 142 Oba Akran Av	Lagos	08075292836
123	Ogba	38 Ijaiye Rd, Ogba	Lagos	08075292830
124	Ejigbo – Nnpc	Nnpc Depot, Ejigbo	Lagos	08075292970
125	Ojuwoye Service Centre	9 Dada Iyalode Str Ojuwoye Mushin	Lagos	08075292306
126	Adeniran Ogunsanya – Surulere	74 Adeniran Ogunsanya Surulere	Lagos	08075292314
127	Willoughby – Ebute-Metta	28 Willoughby Street Ebute Metta	Lagos	08075292326
128	Iddo	Railway Terminus Ebute Metta	Lagos	08075292190

S/N	Branch name	Branch address	State	Contact number(s)
129	Ogunlana Drive – Surulere	141 Ogunlana Drive Surulere	Lagos	08075292382
130	Herbert Macaulay – Yaba	260/262 Herbert Marcaulay Way, Yaba	Lagos	08075292386
131	Mushin	122 Agege Motor Road, Mushin	Lagos	08075292833
132	Airport Road – Ikj	Airport Road, Ikeja	Lagos	08075292841
133	Daleko	Plot 8, Blk E Daleko Market Isolo Express Way	Lagos	08075292310
134	Matori	26 Fatai Atere Way, Matori Ind. Est	Lagos	08075292368
135	Matori Service Centre	1/5 Jimade Close, Matori Market	Lagos	08075292368
136	Ire-Akari – Isolo	68 Ire-Akari Estate, Isolo	Lagos	08075292982
137	Okota Road	101 Okota Road, Isolo	Lagos	08075292835
138	Itire	Itire Rd By Iyana-Itire Bus Stop Off Apapa-Oshodi	Lagos	07055771742
139	Oshodi	Oyetayo Street, Oshodi Local Govt, Oshodi	Lagos	08075292389
140	Minna	Federal Mortgage Bank Building, Bosso Road, Minna	Niger	08075292884
141	Ogijo	1 Bishop Close, Ogijo, Lagos-Shagamu, Ogun State	Ogun	08075393635, 08075393091
142	Abeokuta	Abeokuta Sport Club Road, Opic Roundabout, Oke-Ilewo, Abeokuta (B/W Big Treat and Sweet Sensation)	Ogun	08075292476, 08075292475
143	Ijebu-Ode	39 Ibadan Road, Ijebu-Ode, Ogun State	Ogun	08075292515, 08075292856
144	Shagamu	Along Akarigbo Road, Shagamu	Ogun	
145	Ota	64 Idiroko Rd Ota, Ogun State	Ogun	08075292393
146	Ore	82 Ondo Rd, Ore	Ondo	08075292462, 08075292463
147	Akure	142 Oba Oyemekun Rd Akure, Ondo State	Ondo	08075292473, 08075292472
148	Oshogbo	Km3 Ibadan Gbongan Road, Oshogbo	Osun	08075292483, 08075292484
149	Bowen University	Bowen University, Iwo, Osun State.	Osun	08075292486, 08075292487
150	Iwo Road – Ibadan	49A Iwo Road Ibadan, Oyo State	Oyo	08075292498, 08075292850
151	Dugbe	3 Obafemi Awolowo Way Dugbe, Oyo State	Oyo	08075292469, 08075292468
152	Apata – Ibadan	529 Old Abeokuta Rd, Apata Gangan-Ibadan	Oyo	08075292854, 08075292509
153	Challenge – Ibadan	97 Lagos Road Challenge Ibadan	Oyo	08075292848,'08075292492

Branch network continued

S/N	Branch name	Branch address	State	Contact number(s)
154	Secretariat – Ibadan	Oyo State Govt. Secretariat Complex, Ibadan	Oyo	08075292853,'08075292506
155	Jericho – Ibadan	1, Magazine Road, Jericho, Ibadan	Oyo	08075292512, 08075292855
156	Gbagi – Ibadan	36, New Court Road, Gbagi, Ibadan, Oyo State	Oyo	08075292495, 08075292849
157	Oke-Ado – Ibadan	2, Ososami Rd, Oke-Ado, Ibadan.	Oyo	08075292501, 08075292851
158	Terminus House – Jos	Terminus House, 1, Ahmadu Bello Way, Jos, Plateau State	Plateau	08075292707, 08075292706
159	Jingiri Rd – Jos	13, Jingiri Road, Opp. Leventis Motors Jos.	Plateau	08035556744, 08037201435
160	13 Trans Amadi	Plot 13,Transamadi, Ind Layout P/Harcourt	Rivers	08075292602
161	59 Trans Amadi	Plot 59 Trans Amadi Industrial Layout P/H	Rivers	08075292640
162	Olu Obasanjo – Ph	4,Olu Obasanjo Rd, P/Harcourt	Rivers	08075292618
163	Woji Rd – Ph	142,Woji Rd, Gra 2, P/Harcourt	Rivers	08075292622
164	UPTH	Upth Permanent Site, P/H (Saturday Banking)	Rivers	08075292626
165	115 Trans Amadi	Plot 115, Trans Amadi Industrial Layout, P/H	Rivers	08075292881
166	204 Aba Road	204 Kalagbor Street, Rumuola, Port-Harcourt	Rivers	08075292874
167	87 Rumuola	87, Rumuola Road, Rumuokara Port-Harcourt	Rivers	08075292873
168	Ogbunabali – Ph	2A, Aguma Street, Port-Harcourt, Rivers State	Rivers	08075290111
169	Aggrey Rd – Ph	14, Aggrey Road, Port Harcourt	Rivers	08075292882
170	Port-Harcourt Refinery	Refinery, Elelewon, Port Harcourt	Rivers	08075292878
171	Onne	New Oppe Ekara, Along Wharf Road, Onne, Port-Harcourt	Rivers	08075292974
172	Rumuibekwe	Plot 6 And 7, (420, Aba Road, Rumuibekwe Port Harcourt	Rivers	08075292881
173	Sokoto	14 Kano Road Sokoto	Sokoto	08075292775, 08075292790
174	Gusau – Zamfara	Zaria Road, Gusau, Zamfara	Zamfara	08075292782, 07031839268

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

I/We hereby request to change my address in the books of:

Name of company: Sterling Bank Plc

Old address: ....

....

....

....

New address: ....

....

....

....

Registrars account number: ....

Shareholder full names: ....

Email: ....

Mobile phone number: ....

Shareholder's signature:

(1) .... (2) ....

NB: Corporate seal/stamp required for corporate shareholders.

E-bonus/offer/rights 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

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 number: ....

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.

Mandate for dividend payment to bank (e-dividend 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

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 the below details:

Shareholder's full name: ....

Bank name: ....

Account number (NUBAN): ....

Bank address: ....

Email: ....

Mobile phone number: ....

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: ....

Shareholder's data update form

Sterling Bank
The one-customer bank.

To:

The Registrar
Sterling Registrars Limited
8th Floor, Knight Frank Building
24 Campbell Street, Lagos

SHAREHOLDER DETAILS:

In order to effectively communicate with and to provide you with information on developments within Sterling Bank Plc, kindly complete your shareholder's details below:

Surname: ....

Other names: ....

Registrar A/c number:...

Postal address: ....

....

Email address: ....

Mobile phone number: ....

Shareholder's signature OR thumbprint: ....

CSCS INFORMATION

I/We hereby request that from now on, all my/our bonus shares due to me/us from our/my holdings in Sterling Bank Plc indicated below to transfer to CSCS electronically:

CLEARING HOUSE NUMBER: **NAME OF STOCKBROKERS:**

Joint holders:

(1) .... (2) ....

If corporate:

Authorised signature: (1) ....(2) ....

NB: Corporate seal/stamp required for corporate shareholders.

Kindly return duly completed form to the Registrar:
Sterling Registrars Limited RC 248500
8th Floor, Knight Frank Building
24 Campbell Street Lagos
P.M.B.12735 Lagos, Nigeria
Tel: 01-2806987-8, 2805538, email: info@sterlingregistrar.com, website: www.sterlingregistrar.com

Innovation & Growth

Proxy form

Sterling Bank
The one-customer bank.

I/We, ...of...

being a member of Sterling Bank Plc hereby appoint ....or, failing him, Mr. Asue Ighodalo 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 Thursday 30 April 2015 at 10.00 a.m. and at every adjournment thereof.

As witness under my hand this .... day of 2015

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		

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 Thursday 30 April 2015 at Eko Hotel and Suites, Adetokunbo Ademola Street, Victoria Island, Lagos at 10.00 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 ....

Innovation & Growth

Sterling Bank

The one-customer bank.

Sterling Bank Plc
Tel: 014484481-5 or 014489470-94
Email: customercare@sterlingbankng.com
www.sterlingbankng.com

Sterlingbankplc | @Sterling_bankng | Sterling bank | Sterling Bank Nigeria