



‘08
annual report & accounts

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Corporate Profile

Background

Sterling Bank Plc, formally known as NAL Bank was incorporated in 1960 as the first investment bank in Nigeria. In 1969, it became the first Nigerian Bank to be licensed as a merchant bank. The institution has since grown into a group of financial services companies that include investment banking, asset management, stock and insurance brokerage, and registrar services. It also owns significant stake in mortgage banking and pension fund administration.

The Bank became a universal bank in 2001 to reflect its wide product/service offering. In 2005, NAL Bank merged with four other Nigerian banks in compliance with the increase in regulatory capital by the Central Bank of Nigeria. The consolidated bank comprises of the erstwhile Indo-Nigerian Bank Ltd, Magnum Trust Bank Plc, NAL Bank Plc, NBM Bank Ltd, and Trust Bank of Africa Ltd.

Sterling Today

The bank has evolved into a large financial supermarket with the mission “to deliver unique solutions that enhance customer's wealth”. We pride ourselves as being the 'One-Customer Bank' celebrating each one of our customers. To us, each of our customers are individuals (corporate or private) with unique identity and need.

With assets of over N300 billion and 100 branches across Nigeria, Sterling Bank currently serves customers in the corporate, retail and personal banking sphere. The bank has built a sustainable and fast growing business since its consolidation 2006 which include;

- Providing comprehensive services in consumer banking, trade finance, e-business, public sector collections and financial services to a broad range of customers.
- A strong investment banking franchise, 'Sterling Capital Markets Limited (Sterling Capital)'. The 'Sterling Capital' brand is based on capital market transactions of blue chip companies.
- Nigerian Stock Brokers Limited (NSL), also a member of the Sterling Bank Group, is the oldest stock broking firm in the country. The company is very active on the stock exchange and offers stock broking and portfolio management services
- Sterling Asset Management Trustees Limited (SAMTL) which offers asset management, investment and financial advisory services as well as trusteeship services
- SBG Insurance Brokers Limited (SBG), which offers insurance brokerage services.
- Sterling Registrars Limited undertakes registrar activities for major companies.
- Other affiliates are Safetrust Savings and Loans Limited which functions as a primary mortgage institution and Crusader Sterling Pensions Limited, a pension fund administrator

Furthermore, the Bank 's international affiliation with State Bank of India (SBI) and other foreign correspondent Banks strongly positions it to meet the demands of its large corporate customer base. Sterling Bank is poised to be amongst the dominant players in the Nigerian financial services landscape.



Sterling Bank...the one-customer bank



Notice of Annual **General Meeting**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting of Sterling Bank Plc will be held at Dankani Guest Palace Hotels, No 1a, Kalambaina Road, Sokoto, Sokoto State on Thursday, the 26th day of February 2009 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the period ended 30 September 2008, together with the Reports of the Directors, Auditors and the Audit Committee thereon.
2. To declare dividend.
3. To elect and re-elect Directors.
4. To approve the remuneration of Directors.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. To elect members of the Audit Committee.

NOTES

1. PROXY

A member entitled to attend and vote at the 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, the proxy form must be duly stamped at the Stamp Duties Office and returned to 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.

2. DIVIDEND

The Board has recommended dividend payment, which if approved, is payable less withholding tax.

If payment of the dividend is approved at the Annual General Meeting, the dividend warrants will be available and posted on 14th March 2009 to shareholders whose names appear on the Register of Members at the close of business on Friday, 6th February, 2009.

3. CLOSURE OF REGISTER

For the purpose of payment of dividends, the Register of Members of the Company will be close from Monday, 9th day of February to Friday 13th day of February, 2009 (both days inclusive) for the purpose of payment of dividend. Accordingly, dividends will only be paid to shareholders whose names are on the Register as at the close of business on Friday, 6th of February, 2009

Notice of Annual General Meeting (cont'd)

4. AUDIT COMMITTEE

The Audit Committee consists of three shareholders and three Directors. In accordance with section 359(5) of the Companies and Allied Matters Act 1990, any shareholder may nominate a shareholder for appointment to the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least twenty-one (21) days before the Annual General Meeting.

The Central Bank of Nigeria in its Code of Corporate Governance for banks stipulates that members of the Audit Committee should be knowledgeable in internal control process.

BY ORDER OF THE BOARD



F.O. Adebayo (Mrs)
Company Secretary
20 Marina,
Lagos

Dated this 30th day of January, 2009

Results at a Glance

As at 30 September 2008

| | Group N'000 30th Sept, 2008 N'000 | Group N'000 30th Sept, 2007 N'000 | Growth | Bank N'000 30th Sept, 2008 N'000 | Bank N'000 30th Sept, 2007 N'000 | Growth |
|------------------------------------|---|---|--------|--|--|--------|
| Major Profit and Loss Items | | | | | | |
| Gross Earnings | 36,300,543 | 23,864,197 | 52% | 32,950,915 | 21,057,246 | 56% |
| Net Interest Margin | 10,018,326 | 2,948,824 | 240% | 9,586,162 | 2,952,041 | 225% |
| Operating Expenses | 16,638,694 | 10,840,572 | 53% | 14,139,503 | 9,934,041 | 42% |
| Profit Before Tax | 7,982,548 | 2,226,708 | 258% | 7,789,724 | 605,277 | 1187% |
| Profit After Tax | 6,583,879 | 1,938,009 | 240% | 6,523,153 | 620,658 | 951% |
| Major Balance Sheet Items | | | | | | |
| Cash and Short-term Funds | 100,949,164 | 49,041,131 | 106% | 96,997,408 | 44,633,790 | 117% |
| Loans and Advances | 66,882,520 | 47,113,606 | 42% | 65,787,520 | 45,957,835 | 43% |
| Long-term Investments | 31,973,723 | 19,589,612 | 63% | 31,683,741 | 19,173,155 | 65% |
| Deposit and Other Accounts | 176,916,144 | 99,218,069 | 78% | 184,730,209 | 106,933,727 | 73% |
| Total Asset with Contingents | 341,027,754 | 210,857,474 | 62% | 327,683,856 | 200,096,293 | 64% |
| Shareholders' Funds | 31,272,021 | 27,941,523 | 12% | 30,238,878 | 26,800,395 | 13% |

Directors and Professional Advisers

DIRECTORS:

Alhaji (Dr.) S.A Adegunwa, OFR
Mr. Yemi Adeola
Mr. T.C.A Ranganathan (Indian)
Mr. Yemi Idowu
Captain Harrison Kuti
Alhaji Bashir M. Borodo, MFR
Alhaji Aliyu A. Alkali, mni
Mr. Yinka Adeola
Mr. Biodun Dabiri
Mr. Lanre Adesanya
Mallam Garba Imam
Mr. T.P Nageswara Rao (Indian)

Chairman
Group Managing Director/CEO

Executive Director
Executive Director
Executive Director

COMPANY SECRETARY:

Mrs. Folasade Adebayo

REGISTERED OFFICE:

20, Marina Lagos
Tel: 2690380-8

E-MAIL ADDRESS:

www.sterlingbankng.com

REGISTRATION NUMBER:

2392

AUDITORS:

KPMG Professional Services
22A Gerrard Road
Ikoyi
Lagos.

REGISTRARS:

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

Chairman's Statement



1.0 OPERATING ENVIRONMENT

1.1 The Global Economy

The global economy faced tremendous challenges in 2008 as the financial crisis precipitated by the downturn in the US housing sector crystallized into an economic crisis. The International Monetary Fund (IMF) estimated that global economic growth slowed to 3% in the year from 5% in 2007. The US crisis, which fed rapidly into the global economy saw a swift shutting down of credit lines, and an acceleration in foreclosures due to high default rates.

The knock-on effects of this deterioration of credit significantly moderated lending in interbank markets across the world, with three-month Libor for Pound Sterling sitting at 3.24% mid-December 2008, 1.24% above base rate. Consequently, consumer spending, business and housing investment contracted. Governments' bail-out of key economic institutions drove public sector spending in most countries, exacerbating already worrisome fiscal positions in a number of significant cases. The magnitude of the crisis resulted in over US\$900 billion reportedly lost and written-off, combined with high rate of institutional failures. The demise of once revered institutions like Merrill Lynch and Lehman Brothers forced policy

Chairman's Statement (cont'd)

makers in the United States to propose far-reaching intervention measures. However, by this time, the crisis had snowballed from a US problem to a global crisis with the United Kingdom, European Union and country-specific measures put in place to help reduce the impact of the crisis.

1.2 The USA

The US, from where the financial crisis started, has seen its financial system battered as the once revered Wall Street saw the collapse of its investment banking institutions. Real GDP decreased at an annual rate of 0.5% in the third quarter whilst unemployment rate increased from 6.7% to 7.2% in December 2008, the highest in 16 years. For the whole of 2008, total loss of 2.6 million jobs was the highest since 1945. Americans are now waiting for the new administration of President Barack Obama to lead the reformation of the system.

1.3 The Euro Zone

The European Union announced a plan to spend 200 billion euros, roughly 1.5% of their GDP in an effort to stimulate the economy. The European Central Bank (ECB) reduced its interest rate from 3.25% to 2.50%; the third cut this year and the lowest rate in over two years in a bid to boost credit and economic activities. The Euro zone was also affected by the gas dispute between Russia and Ukraine which resulted in the former shutting off the flow of natural gas. The dispute erupted as Russia claims Ukraine owes it \$600 million for previous sales. 80% of Europe's gas from Russia flows through Ukraine. The aftermath of the dispute made Nigerian gas a ready alternative.

1.4 In Germany, the largest economy in the Euro area, the Bundesbank predicted that real GDP in Germany will be down 0.8% in 2009, a follow-up of the 2008 contraction. While the Bank of England met and reduced its interest rate from 2.00% to 1.50% the lowest level in the Bank's 314 year history. Real GDP was down 0.6% in the third quarter. Manufacturing output was down 2.9% in November and down 7.4% from the previous year and the biggest annual drop since 1981.

1.5 Asia

The boisterous monsoon of recession has not left the impressive Asian tigers' economy unaffected. The Bank of Japan cut its interest rate from 0.30% to 0.10% in an effort to combat the global credit crunch whilst a stimulus plan to spend 23 trillion yen (\$255 billion) to help the economy was also announced. Real GDP was down 0.1% in the third quarter after falling 0.9% in the second quarter heralding the first official recession since 2001. This affected corporate performance as Toyota issued a statement that it will post its first annual operating loss in its 70-year history. Industrial production was down 3.1% and machinery orders 4.4%. New vehicle sales dropped 27% in November from 2007 level, the lowest since 1969.

In China, the People's Bank of China cut its interest rate from 2.52% to 2.25%, the lowest rate in over four years, in an effort to help support the economy. Industrial output was up 5.4% in November from a year ago, the smallest monthly gain in over six years. The World Bank has predicted that real GDP in China will be up 7.5% in 2009, the slowest year of growth since 1990.

1.6 Nigeria

The year 2008 was the first full year of the first ever civilian to civilian democratic experience of Nigeria and it was an acid-test for the Umaru Musa Yar'dua led civilian administration. The administration had the unique opportunity of proving its critics wrong and sustaining the upward swing of the Nigerian economy in the last five years.

“The year 2008 was the first full year of the first ever civilian to civilian democratic experience of Nigeria and it was an acid-test for the Umaru Musa Yar'dua led civilian administration.”

Chairman's Statement (cont'd)

The 2008 Budget was premised on definite resolve and strong commitment to sound macroeconomic policies, enforcement of a plethora of reforms within the context of the National Economic Empowerment and Development Strategy Initiative (NEEDS) and the Millennium Development Goals (MDGs).

The administration intends to achieve these goals through the pursuit of a 7-point agenda; Power & Energy, Food Security & Agriculture, Wealth Creation & Employment, Mass Transportation, Land Reform, Security and Qualitative & Functional Education. The delay in the 2008 appropriation bill affected the budget implementation process, to the extent that as at November 2008 40-45% budget implementation was achieved.

However, the third organ of governance, judiciary kept on blazing the trail with various landmark judgments and application of the rule of law amongst which was the laying to rest the long-drawn agitation on who the rightful winner of the April 2007 presidential polls was election was by confirming President Umaru Yar'Adua as the rightful winner. Adams Oshiomole was declared the rightful governor of Edo State while Rotimi Amaechi of Rivers state was confirmed as the rightful candidate to man the state house at Rivers state. In line with the Green Tree Agreement and International Court of Justice decision, Nigeria ceded the oil rich Bakassi Peninsular to Cameroun.

The budget for the year was N2.89trillion predicated on oil price benchmark of \$59 dollars per barrel. However, the year ended with a double digit inflation rate of 14.7 percent an increase of 167 percent over the January 2008 figure of 5.5 percent. The Naira also began to slide against the dollar, losing 8.5% to exchange at N128/\$1 in the first week of December 2008. The external reserve was at an all year high figure of \$64billion in August, 2008; this has declined to \$52 billion in December 2008.

Nigeria's GDP at the end of December 2008 was 6.8 per cent, a 10 percent improvement over the same period of 2007.

The country received \$12.2 billion as Foreign Direct Investment (FDI) in the year under review. Also, Nigeria was adjudged the most friendly place to do business in Africa by Price water House –Coopers. Much later in the year, the country's economy got a major boost when it was classified by Merrill Lynch as the least vulnerable economy in the world. The country rating of Nigeria is BB+ and BB- according to Standard & Poor and Fitch respectively.

The impact of the declining global oil prices also had a significant impact on the economy. During the review period oil prices reached an all time high price of \$147.27 in July, 2008 and by December 24, 2008, prices have crashed to US\$35 dollars per barrel. Nigeria being a mono-economy with 80 percent income dependence on oil export which constitutes 95 percent of its total export volume has started to feel the impact of the loss of revenue.

1.7 Banking Industry

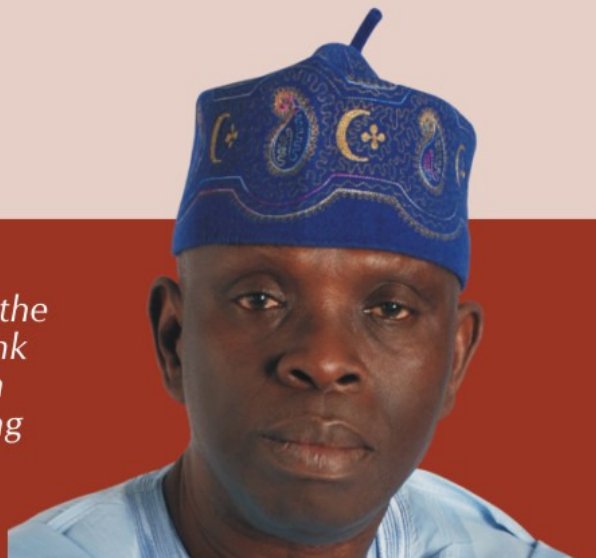
The Nigerian Banking industry within the review period remains robust with significant development in areas of capacity utilization, service delivery, size and globalization. The numbers of players reduced to 24 players because of the market induced merger of Stanbic and IBTC to form Stanbic-IBTC Bank Plc. Total asset increased by 56 percent to N14.8 trillion with a high capital adequacy and liquidity ratio of 22.25 % and 51.55 % respectively. Total credit to the private sector grew by 60% to about N7.4 trillion while the Shareholder's fund also grew astronomically to N2.7 trillion due to the various proceeds of the capital raising spree undertaken by some banks within the review period.

1.8 Capital Market

The year 2008 for global capital market was a year of significant losses and the same was the case for the Nigerian Capital Market. The Nigerian Capital Market started the year as the toast of investors and was acclaimed to be the third best in the world with 303 listed equities and market capitalization of N10.18 trillion in January 2008, this appreciated to N12.395 trillion as at

Chairman's Statement (cont'd)

“ Despite the gradual decline in economic climate towards the end of the 2007/2008 financial year, Sterling Bank Plc business model proved its strength with all core business segments posting excellent revenue when compared to previous year's result. ”



March 2008. Subsequently, the NSE had its worst decline in its 48 year history with capitalization and all share index declining to N3.223trillion and 31,450.78 (or 53.7 per cent) from N6.957tn and N63, 016.60 respectively at the beginning of the year.

The problem was further exacerbated by the loss of investor's confidence, exit of offshore portfolio investors, conflicting regulatory signal on the margin lending policy, increased pressure on banks to call-back margin trading facility and bank's year end harmonization. Efforts such as reduction of transaction cost, introduction of market makers, share buyback are yet to have any significant impact on the market.

2.0 Operating Results

Despite the gradual decline in economic climate towards the end of the 2007/2008 financial year, Sterling Bank Plc business model proved its strength with all core business segments posting excellent revenue when compared to previous year's result. During the financial year ended September 30th 2008, the group's profit before tax (PBT) went up by 258 percent from N2.23 billion to N7.98 billion, while gross earnings also increased by 52 percent from N23.86 billion in the previous year to N36.30 billion. We improved the performance of our earning asset during the review period and this impacted on the balance sheet size which grew by 62 per cent from previous year N210 billion to N341 billion.

Sterling Bank has now emerged among the most efficient Banks with the Return on Equity (ROE) increasing to 21% from 7% in 2007. The ROE, which is higher than the industry average of 15.88%, placed Sterling among the top five Banks in the Industry. The Bank also increased its net interest margin by 240% to N9.59billion from N2.95billion in 2007.

Having overcome the unavoidable interruption to performance as a result of huge post-consolidation inherited bad debt and in fulfillment of our promise to you at the last AGM, we have successfully written –off the goodwill and we are recommending for your approval the payment of 10kobo dividend per ordinary share. Thus, the goodwill account of N3.08 billion in our books has now been completely written off.

Compensation Shares and Share Reconstruction

The shares of the Bank were reconstructed during the review period. This was a post merger adjustment to compensate pre-merger shareholders of the legacy banks, for material changes attributable to some of the legacy banks. This was done in line with your approval at the 2007 Annual General Meeting (AGM) and with the full understanding and approval of the regulatory authorities. The Bank thus issued a total of 13,317,026,285 ordinary shares of 50kobo each as compensation shares in line with the terms and provisions of the approved scheme of merger documents of the legacy banks, duly sanctioned by the court.

Chairman's Statement (cont'd)

The issued and fully paid up share capital of 23,869,873,917 ordinary shares of 50 kobo of the Bank were consolidated into 12,563,091,543 ordinary shares of 50 kobo each in the ratio of 10 new shares for every existing 19 ordinary shares.

3.0 Board Changes

Appointments and Retirement

Mr. T.C.A. Ranganathan (Indian) was appointed as a director on 17th July, 2008 while Mr. S.K. Hariharan (Indian) retired from the Board on 17th July 2008.

Retirement and Rotation

In accordance with Company's Articles of Association, Alhaji (Dr.) S.A. Adegunwa, OFR and Mr. Yemi Idowu retire by rotation and being eligible, offer themselves for re-election.

4.0 Future Outlook

Global Economic Outlook

The financial crisis will continue to play out in 2009, with serious repercussions on the global growth and inflation prognosis. Downside risks prevail for both, so that deflation is a bigger risk than inflation. Global economic

Global Forecast at a Glance

| | Real GDP (%) | | | CPI Inflation (%) | | |
|------------------|--------------|-------|-------|-------------------|-------|-------|
| | 2008E | 2009E | 2010E | 2008E | 2009E | 2010E |
| Global Economy | 3.6% | 0.9% | 3.3% | 6.1% | 2.6% | 3.7% |
| Industrial World | 0.9 | -1.4 | 1.4 | 3.3 | 0.5 | 2.4 |
| Developing World | 6.3 | 3.1 | 5.1 | 9.0 | 4.8 | 4.9 |

Source: Morgan Stanley Research

growth will not exceed 0.9% in 2009, matching the weakest year on record (1982). But with policymakers resolved to do whatever it takes to end the crisis, recovery seems likely. The issue will be how long it will take to stabilize credit the markets and stimulate economic activity.

4.1 Outlook for the Nigerian Economy

Nigeria's real GDP for 2009 as projected by different sources, except the IMF, will slow down in line with the global economic downturn and domestic policy and institutional challenges. The federal government is also mindful of this as the 2009 budget is based on very conservative assumptions due to deteriorating external balance. The real GDP growth assumption of 8.9% is much lower than the ambitious 11% that was set out in the 2008 budget. The Economic Intelligence Unit (EIU) expects 6% growth in Nigeria in 2009, a marginal drop from 6.2% in 2008, and to pick up by 0.3% in 2010 to 6.3%.

For the World Bank, Nigeria's growth which it estimates at 6.3% in 2008 will moderate by 0.5% to 5.8% in 2009 and then increase to 6.2% in 2010. The Economist is more conservative in its growth forecast for Nigeria in 2009. It predicts that real GDP growth of 4.6% this year and a much higher growth prospect of 5.4% next year.

The prognosis is that the global economy will slow in 2009 and Nigeria will not be left out. However, as a net exporter of crude oil and the reliance on this commodity for over 90% of export earnings, Nigeria remains vulnerable to exogenous shocks but the high level of reserves may help absorb the shock. Real sector productivity is being hampered by infrastructure challenges but the investment by government, especially in power, may start to kick-in by mid-year thereby boosting real sector performance.

4.2 Strategic Growth Plan

In view of the ensuing global economic trends, the Bank organized a strategic retreat during the review period to orchestrate strategies of out-performing the 2007/ 2008 results. We will take advantage of our size, scale, subsidiaries with various streams of revenue and innovation to position the bank as Nigeria's leading diversified financial institution with dominance in our chosen markets.

Chairman's Statement (cont'd)

In view of this and in line with our new mission statement, we have decided to deliver unique solutions that enhance customers' wealth. The Bank has been repositioned as 'The one-customer' bank.

In realization of our new mission statement and the new strategic thrust we have:



4.3 Appreciation

Indeed, the year has been a rewarding one for all stakeholders. We are only making progress because of your unflinching support, encouragement and cooperation. I assure you of our undiluted commitment to profitability and performance in the current financial year.

“ I assure you of our undiluted commitment to profitability and performance in the current financial year. ”

- Embarked on an innovative media campaign to make the Sterling brand a top of the mind brand, increase perception and brand equity of the Bank. This will also give us more visibility within the highly competitive financial landscape of Nigeria..
- Repositioned the Bank as Nigeria's One Customer Bank – by this we shall endeavor to delight and surpass the expectations of our customers.
- Explored new markets and businesses and put in place structures that will ensure that those markets and businesses generate higher returns in the current financial year.
- Reviewed our organic growth strategy and shall be establishing more branches in the current financial year.
- Leveraged on our strong relationships both locally and internationally to improve the businesses of our clients and render value to other stakeholders.

We are convinced that by the end of the next financial year we would have moved significantly closer to achieving our vision of becoming the leading diversified financial institution with dominance in our chosen markets.

We thank the regulatory authorities for their valued and relentless support.

Once again, I thank all our Shareholders, indefatigable staff and management of Sterling Bank Plc, my colleagues on the Board, and above all, all our esteemed customers, our one-customer.

Distinguished ladies and gentlemen, I thank you most sincerely for your kind attention.

Alhaji (Dr) S. A. Adegunwa, OFR

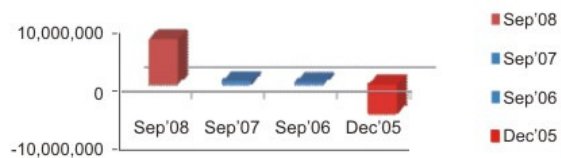
CEO'S Review

THE RESULT AT A GLANCE

1.0 The financial year under review heralded the beginning of a fully integrated Bank and marks the first full performance year after resolving all post-merger issues. Sterling Bank posted a profit before tax of N7.8 billion an increase of 1,185 percent when compared to N605 million declared in the previous year. The profit was achieved on a gross income of N36.3billion, an increase of 53% from N23.86billion earned in 2007. The Group closed the year with a balance sheet size of N341 billion, an increase of 62.3 per cent on the previous year's figure of N210 billion which is above the industry average. During the period under review, the Bank wrote-off the goodwill and pre-merger

expenses totaling N3.08 billion. The sterling performance of your Bank is as a result of prudence on the part of management and the passion to make a difference by staff.

PBT



CEO'S Review (cont'd)

This impressive result was achieved with a capital of N30 billion, deployment of sound management principles, prudent expense administration, close business monitoring and an improvement in the management of risk assets.

2.0 Restructuring of Strategic Business Units

Early in the financial year, the business architecture was reviewed and refined. The Group jettisoned the Strategic Business Unit model to adopt a regional structure with the aim of re-positioning the Bank for enhanced performance in terms of service delivery, mobilization of cheap and stable funds, and revenue generation. The front office was strengthened for improved business generation and optimal use of the work force. During the out-gone financial year, Sterling Bank operated a structure consisting of FIVE specialized business groups and NINE geographical business regions. The wisdom of this new position is validated by our result at year end.

2.1 Enterprise –Wide Risk Management

We currently execute our intermediating role within the Nigerian economy within the defined risk management framework laid down by institutional policies and regulatory agencies. In due consideration of the current global financial meltdown, market and interest rate volatility, depreciating value of assets and inflationary trends, we are compelled to broaden the features of our Enterprise-Wide Risk management policies.

And in agreement with the CBN mandate that banks should implement a robust risk management framework and policies, we have commenced the implementation of the second phase of our risk management frameworks and policies for the core risk areas of the bank. We are setting up acceptable risk management systems, tools and limits that will significantly improve the bank's overall risk management capabilities. We have introduced best practice models in all area of risks covering Operation Risks, Financial Risks, Liquidity Risks, Credit Risks, Market Risks, Strategic Risks and Reputational Risks.

Our Risk Principles remain strong and premised on our desire to adopt a common language and culture in our risk

risk management practices, emphasize automation in all our processes, ensure full compliance to all internally acceptable standards, and a common methodology in risk identification, measurement, management and control as well as reporting.

2.2 Technology and Operations

It was a significant year for technology and operations. We deployed and maintained a robust operations and technology platform that were critical to service delivery. This contributed to the successes achieved by the Bank and its subsidiaries in 2008. Technology solutions were deployed at all branches to improve turnaround time of our services at the branches. This also includes integration of subsidiaries websites into a single web-portal platform with enterprise security features to safeguard our customers' web experience.

In line with the global trend in banking, we have upgraded our IT platform to a robust one with capability to support world-class service delivery.

All branches are well connected and integrated into our multi-purpose Wide-Area-Network with backup network link in every branch. Our customers have the opportunity to undertake their business on-line real-time. During the year we have up-scaled our internet and Mobile/SMS banking platform for transactional services (intra and inter-account funds transfer, statement download etc) to further delight our customers. We have put in place a world class disaster recovery site to ensure

“ We deployed and maintained a robust operations and technology platform that were critical to service delivery. This contributed to the successes achieved by the Bank and its subsidiaries in 2008. ”

CEO'S Review (cont'd)

24/7 365 days business continuity and service even in the event of any disaster at the primary data centre.

2.3 Consumer Finance

The re-emergence and growing population of the middle class within our economy confers on us the responsibility to cater for this segment of the population. The Consumer Lending group intensified its marketing drive and pioneered several innovative liability generating products and services that were the toast of the industry during the review period. These products grew all the indices of the Bank's liability base significantly and the clientele base (accounts) increased significantly by 650 per cent compared to the previous year.

Some of the products within the review period were:

- HP Laptop promo
- Yamaha Generator Promo
- Toshiba Laptop finance
- Travel Finance promo
- Sterling Minor School fees finance

2.4 Corporate Banking & Projects

The Corporate Banking Group initiated and funded several projects in so many sectors of the economy amongst which are; Real Estate, Telecommunications, Power, Oil & Gas and Maritime. The Group financed millions of dollars worth of investment in the Maritime sector while Amakpe International Refineries Nig. Limited, the first private refinery in Nigeria is also being financed by the Bank. Amakpe refinery is the foremost of private initiatives in local refinery of crude oil and the project has reached the 50 percent mechanical completion stage.

In a bid to make comfortable housing available to Nigerians, our project team successfully financed the completion of the first phase of Diamond Estate, Isheri Olofin. The group is also financing Friends Colony Estate, Prime Water View Garden phase 1 & 2 and Victory Park Estate etc.

On infrastructure, Sterling Projects team is ever ready to

support road construction, dredger and vessel acquisition as well as general infrastructure related financing.

2.5 Cash Management & E-Business

We up-scaled our E-banking business during the year by upgrading the features of our E-business platform. Sterling Bank remains the partner of choice in the area of visa fees' payments and collections to a number of foreign missions operating in the country. The transaction volume and revenue from our ATM services and POS points increased significantly within the review period. Our cash card solution is increasingly being demanded within the cash card business space.

There are more hits on our web page from customers interfacing with our internet banking and local money transfer solutions which is a more convenient and economical platform to conduct their businesses.

We have also deployed cards to assist several public institutions in enhancing the efficiency of their collections. We remain strategic partner to Nigerian Customs, Nigerian Immigrations Service (NIS), the Federal Inland Revenue Service (FIRS), the Nigerian Ports Authority (NPA), the Nigerian Maritime Safety Agency (NIMASA) and a number of state governments most notably Lagos State in the area of revenue collection and payments, and continue to discharge all mandates satisfactorily.

2.6 Human Resources and Training

The financial year under review was eventful for our staff; this was a year in which performance was a priority to all. Our key people priorities in 2007/2008 financial year were to focus on attracting, developing and retaining our people despite the high mobility of labour within the industry and to provide the required platforms for growth and development of leadership skills of our team.

The features of the Bank's appraisal system were automated and developed to be more user-friendly. The appraisal system captured competence profiles of all staff and measured same progressively on a quarterly basis. Over 600 staff members were promoted and 91 trainees

CEO'S Review (cont'd)

were elevated as a result of the appraisal process result. Performance rewards were given to staff who distinguished themselves, profitability bonus was attached to performance while the back-office staff were encouraged to join the Bank's army of marketers to increase the deposit volume of the Bank.

In realization of the importance of the quality of our people, our recruitment process has been reviewed; the screening of new hires has been made more rigorous and detailed. New hires are given a robust fresher training for weeks at the training school on courses that fit with our services and strategy, to seamlessly integrate them into the business of the Bank while experienced hands are periodically refreshed with new information that empowers and improve their skill.

The Bank trained its entire workforce within the review period; the training school was busy distilling relevant courses to the several segment of the Bank within the review period.

Internal Learning Officers (ILOs) were selected and in-house training sessions were inaugurated Bank-wide to stimulate a renewed learning culture within the Bank.

2.7 Corporate Governance

The Board continued to ensure that proper standards of corporate governance were maintained and continued with its oversight responsibility over the management of the Bank. This is being accomplished not only through the

Board meetings, but through various Board Committees. The Board met regularly and deliberated on a broad range of issues. These included mandate to review the Bank's strategy, approval of the existing structure of the Bank, appropriate deployment of key staff, remuneration & welfare structure of staff, internal control and risk management.

2.8 Corporate Social Responsibility

In a bid to give back to the society, enhance our corporate citizenship and be socially responsible, Sterling Group stepped up its CSR activities by 885 percent over the previous year by supporting the infrastructure development in schools, colleges and hospitals. All these contributed to improving the security infrastructure and assisted sports and environmental agencies. All these contribute to our increasing visibility, brand equity and social relationships.

2.9 Branch Network

In the last financial year we took our time to study the external environment and the trend of activities within our network of branches with the aim of raising quality and optimising opportunities.

"The Board continued to ensure that proper standards of corporate governance were maintained and continued with its oversight responsibility over the management of the Bank."



CEO'S Review (cont'd)

The operations of existing branches particularly recently opened branches were stabilised during the review period. All our branches are now well linked and operate on-line real time. The current financial year will see the branches delivering more efficient services to our clientele base. We will roll out new branches in the current financial year to enhance our visibility and render personalised services to our valuable clientele, and ultimately increase our bottomline.

3.0 The Future

The current global financial crisis will persist in 2009 and will have a long-lasting implication for the financial services industry. Banks will have to adjust costs and capital accordingly. The markets will contend with increasing demand for transparency, liquidity and oversight. We will apply ourselves in the current financial year to successfully manage our business in the face of the current market imbalances, and to make swift adjustments to our business models in response to the changing shape of the economy.



as unique individuals and corporate entities with diverse needs and renders qualitative services across its clientele base. In line with our new mission statement "To deliver unique solutions that enhance customers' wealth" we will serve our customers uniquely with first class services. We will embark on innovative media campaigns to be top of the mind in our industry, and we are determined to make true our promise to our inestimable customers.

4.0 In Conclusion

The financial year 2007/2008 was a great year for the Bank despite all the challenges of the year, and we have started the 2008/2009 financial year with great momentum. We see opportunities within our chosen markets and core businesses and we shall pursue our organic growth strategic focus with all sense of commitment. We will add more branches, within permissible regulatory norms and innovatively deploy our services. However, we will balance our expansion and growth in strict compliance to proven regulatory risk management frameworks and controls, and with the full knowledge and implications of

"In a bid to give back to the society, enhance our corporate citizenship and be socially responsible, Sterling Group stepped up its CSR activities by 885 per cent over the previous year by supporting infrastructures in schools, colleges and hospitals."

3.1 Deployment of New Strategy

In order to apply ourselves as appropriate at this critical period of global economic turmoil, Sterling Bank Plc has commenced the implementation of a well orchestrated strategy over a 3-year period that will ensure the consistent improvement and attractiveness of the Sterling franchise to all stakeholders. Your bank will explore the path of a robust organic growth and deploy appropriate structures to achieve its goals.

3.2 Repositioning Sterling Bank

In 2009, Sterling Bank will reposition itself indeed as a 'One-Customer Bank' i.e. a Bank that views its customers

the current global financial crisis. It is our view that at times like this, growth must be steady and calculated.

Whilst we anticipate a slowdown in the financial services growth and profitability, we fully expect our results for 2009 to remain a top tier performance in qualitative terms.

Yemi Adeola
Group Managing Director/CEO

the board



sulaiman A. Adegunwa ^{OFR}
chairman



t.c.a. RANGANATHAN



harrison KUTI



bashir BORODO MFR



aliyu ALKALI Mni



yemi IDOWU



yemi Adeola
GMD/CEO



adeyinka ADEOLA



biodun DABIRI



lanre ADESANYA



garba IMAM



t.p. Nageswara RAO



management **team**

| yemi ADEOLA



sade ADEBAYO



praven JAIN



gaventa OTONO



lanre ADESANYA



abubakar SULE



folake SANU



garba IMAM



nageswara RAO

Management Team (cont'd)

GROUP MANAGING DIRECTOR EXECUTIVE DIRECTORS

YEMI ADEOLA
LANRE ADESANYA

GARBA IMAM

NAGESWARA RAO

GROUP MANAGING DIRECTOR/CEO
EXECUTIVE DIRECTOR, SOUTH, PUBLIC
SECTOR & TREASURY
EXECUTIVE DIRECTOR, NORTH OPERATION
AND MANAGEMENT SERVICES
EXECUTIVE DIRECTOR, LAGOS, PRODUCTS
& TECHNOLOGY

GENERAL MANAGERS

FOLAKE SANU

ABUBAKAR SULE

PRAVEEN JAIN

FOLASADE ADEBAYO

GAVENTA OTONO

GROUP HEAD, FINANCIAL CONTROL &
CORPORATE DEVELOPMENT
GROUP HEAD, CORPORATE BANKING,
MARITIME & TRADE SERVICES
GROUP HEAD, ENTERPRISE RISK MANAGEMENT

COMPANY SECRETARY/LEGAL ADVISER,
GROUP HEAD, GENERAL INTERNAL SERVICES
GROUP HEAD, PROJECTS

DEPUTY GENERAL MANAGERS

KAYODE LAWAL
PHILIP ODEGBAMI
CHINEDUM ORISKAKWE

ABUBAKAR SULEIMAN

MUSA SALAMI
TUNDE ADEOLA

GROUP HEAD, IKEJA/ILUPEJU REGION
CHIEF INSPECTOR
GROUP HEAD, HUMAN RESOURCES &
PERFORMANCE MANAGEMENT
GROUP HEAD, CURRENCY TRADING & FINANCIAL
INSTITUTION
GROUP HEAD, SOUTH-WEST REGION
GROUP HEAD, LAGOS ISLAND REGION

ASSISTANT GENERAL MANAGERS

TOYIN OLAIYA
FATAI AMOO
SAMUEL EKPUK
KIKELOMO KUPONIYI
OBIAJULU EGBARIN
AYODELE OGUNNOWO
ABAYOMI BABAJIDE
YEMI ODUBIYI

ADEOYE PAUL-TAIWO

AUWALU HAMZA
ENIOLA OBE

ABIODUN ADEROJU
ADEGBOYEGA ADEGUN
ISIOMA UBOSI
JUSTINA LEWA
DAHUNSI TITILAYO
JOHN JAPHET

HEAD, RISK MANAGEMENT
GROUP HEAD, SOUTH-SOUTH REGION
GROUP HEAD, SOUTH-EAST REGION
GROUP HEAD, BRANCH OPERATIONS
GROUP HEAD, LAGOS MAINLAND REGION
GROUP HEAD, PUBLIC SECTOR
GROUP HEAD, TECHNOLOGY
GROUP HEAD, STRUCTURED TRADE &
MULTILATERAL FINANCE
HEAD, MULTINATIONAL RELATIONSHIP
MANAGEMENT TEAM
GROUP HEAD, NORTH-WEST REGION
GROUP HEAD, CONSUMER LENDING &
LIABILITY PRODUCTS
HEAD, RECOVERY
HEAD, OIL & GAS RELATIONSHIP TEAM
HEAD, MARKET RISK
HEAD, LEGAL
HEAD, INTERNAL CONTROL
HEAD, ABUJA/NORTH CENTRAL REGION

Corporate Governance Structure of Sterling Bank Plc

Since the conclusion of its merger, Sterling Bank Plc. has demonstrated the potential to develop strong corporate governance structure to support its business operation. The Board of Directors has considered the implications of the CBN "Code of Corporate Governance for Banks in Nigeria Post Consolidation" (CBN Code) issued by the Central Bank of Nigeria (CBN) and effective 3rd of April 2006 and the Bank confirms its commitment to the appliance of the code.

The Board of Directors and the Board Committees constitute the basic Governance structure of the Bank. The Committees aid the Board to focus on critical issues while the Board retains its control over them as it remains the focal point of the Governance structure. The Board has five committees through which it performs its responsibilities.

BOARD OF DIRECTORS

The Board of Directors of Sterling Bank Plc is composed of four executive Directors and eight non-executive Directors headed by the Chairman of the Board. The non-executive Directors have the requisite integrity, skills and experience which they have been bringing to bear on Board deliberations and discussions. The Board of the Bank performed its functions in all its ramifications including resolving all the post-consolidation issues and charting a new strategic direction for the Bank, which is a major component of its oversight responsibility.

The roles of the Chairman and Chief Executive are separate. The Board's primary responsibility is to protect the interest of the shareholders and it is accountable to them. Executive management is also accountable to the Board for the development and implementation of strategy and policies and for implementing its directives. The Board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

The Board is expected to meet at least once a quarter, but the Board of Sterling Bank Plc. met twelve times during the financial year ended 2007/2008. The Directors receive information regularly from management with respect to the performance of the Bank and developments in the national and global economy.

BOARD COMMITTEES

In compliance with the CBN Code, the Board has put in place committee structures required to aid it in discharging its key responsibilities. These are: Audit Committee, Board Credit Committee, Board Risk Management Committee, Board Finance and General Purpose Committee and Board Establishment Committee. Through these committees, interactive dialogue is employed to set broad policy guidelines and to ensure the proper management and direction of the Bank on a regular basis. The composition of all the committees is also in conformity with the provisions of the CBN Code as the Board Chairman is not a member of any of them. All the committees are functional.

AUDIT COMMITTEE

The Audit Committee is chaired by a shareholder and in addition consists of three non-executive Directors and two other shareholders. The internal and external auditors have unrestricted access to the committee, which ensures that their independence is in no way impaired. The committee held a meeting during the year with external auditors without any member of the executive management in attendance. This is in line with the provision of the CBN Code.

The Committee held four meetings during 2007/2008 financial year end and performed in conformity with its terms of reference. Among others, it reviewed the report of the Internal Audit Department which was presented by the Chief Inspector and the External Auditors' audit plan. The committee reviewed the External Auditors' Audited Accounts for the period.

It held interactive sessions from time to time with the Group Managing Director (GMD) with respect to the state of affairs of the Bank.

Corporate Governance Structure of Sterling Bank Plc (cont'd)

BOARD CREDIT COMMITTEE

The Board Credit Committee is comprised of six members consisting of two executive Directors and four non-executive Directors exclusive of the Board Chairman. The committee is responsible for endorsing credit risk management policies and approving requests for credit facilities above the limits set for management. The committee also reviews periodic credit portfolio reports and assesses portfolio performance. It ensures compliance with the Bank's credit policies and statutory requirements and recommends credit requests above stipulated limits to the Board. The committee met nine times during the financial year ended 2007/2008 and rate of attendance was above average.

BOARD FINANCE AND GENERAL PURPOSE COMMITTEE

The committee is made up of five members, two executive Directors and three non-executive Directors. Its terms of reference include: Acting on behalf of the Bank on all matters relating to financial management such as establishing financial policies relating to operational plan and capital budgets. It is to monitor the progress of the Bank's financial targets and review key risk indices and tax plan. The committee met three times during financial year ended 2007/2008.

BOARD ESTABLISHMENT COMMITTEE

The committee has five members comprising of three non-executive Directors, GMD and two other executive Directors. Its responsibilities cover issues which relates to human capital management and development. The committee held two meetings during the financial year ended 2007/2008 and considered critical human resources issues.

BOARD RISK MANAGEMENT COMMITTEE

The committee has five members, two non-executive Directors and three executive Directors. The committee met three times during the financial year ended 2007/2008. Since its inception the committee has embarked on the task of setting up an Enterprise-wide risk management structure for the Bank. The committee presented the basic framework and policy documents for the approval of the Board during the period under review and its implementation is progressing.

BOARD APPRAISAL

The Board complied with the directives of the CBN Code with respect to Board appraisal and renewed the mandate of J.K Randle International for the appraisal of the year ended 2007/2008. The exercise was successfully completed and the consultant noted the achievements of the Board and recommended the areas where it need to improve.

Dated Feb. 2009

Report of the External Consultant on the Board Appraisal of Sterling Bank Plc

We conducted the Board evaluation exercise of Sterling Bank Plc ("Sterling Bank") as at September, 2008 in line with the provisions of the Central Bank of Nigeria Code of Corporate Governance for Banks in Nigeria Post Consolidation ("CBN Code"). The CBN Code embraces basic principles that promote sound corporate ethics, accountability and transparency.

The composition of the Board is in conformity with the provision of the CBN Code with respect to the proportion of executive Directors to non-executive Directors, skills mix, balance of power and principle of independence. The responsibility of the Chairman is quite distinct from that of the Group Managing Director and no one individual occupies the two positions at the same time thereby avoiding the issue of executive duality. Most members have requisite qualifications with cognate professional experience and are financially literate. Some of them are successful businessmen.

Principles that promote effective operations of the Board have been institutionalised. Accordingly, frequency of Board meetings, attendance, level of preparedness and contributions were commendable. Adequate notice was given for meetings while the Board papers were received in good time. Quality of deliberations has improved with greater emphasis on business generation and strategic issues and Board meetings were conducted in a peaceful environment. A committee structure comprising of the minimum mandatory requirements and such others which are considered adequate for the size and complexity of the operations of the Board have been put in place with specified terms of reference.

Members performed their oversight responsibilities with respect to monitoring the activities of management, the Board committees, effectiveness of internal procedures and processes and regulatory compliance. They worked diligently to resolve all the post-consolidation issues in order to harmonise the Board and stabilise it for improved performance. They also contributed to all sessions and negotiations relating to charting a viable strategic direction for the Bank. In conclusion, we advise the Board to address the following issues:

- Appointment of Independent Directors.
- Putting in place a well structured training programme for all the members of the Board.
- Regularise the positions of the absentee Directors.

J. K. Randle International
"X KPMG HOUSE"
One, King Ologunkutere Street,
Park View,
Ikoyi, Lagos.
Tel: + 234(1)8181381
E-Mail: jkrandleco@21ctl.com
January, 2009.

Enterprise-Wide Risk Management (ERM)

OVERVIEW

As part of the bank's vision to be a leading diversified financial institution in Nigeria with best Risk management policies. Sterling Bank has commenced the strengthening and enhancement of its Enterprise Risk Management Framework in line with the CBN Risk based Supervision requirements of the CBN and global best practice with the establishment of the following:

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

SIGNIFICANT RISKS.

The Enterprise Risk Management Structure manages the Bank's inherent risks in the following areas:

- **CREDIT RISK.**
- **MARKET RISK.**
- **OPERATIONAL RISK.**

CREDIT RISK: This refers to an obligor's failure to meet the terms of any contract with the bank or otherwise to perform as agreed. Credit Risks arise anytime bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

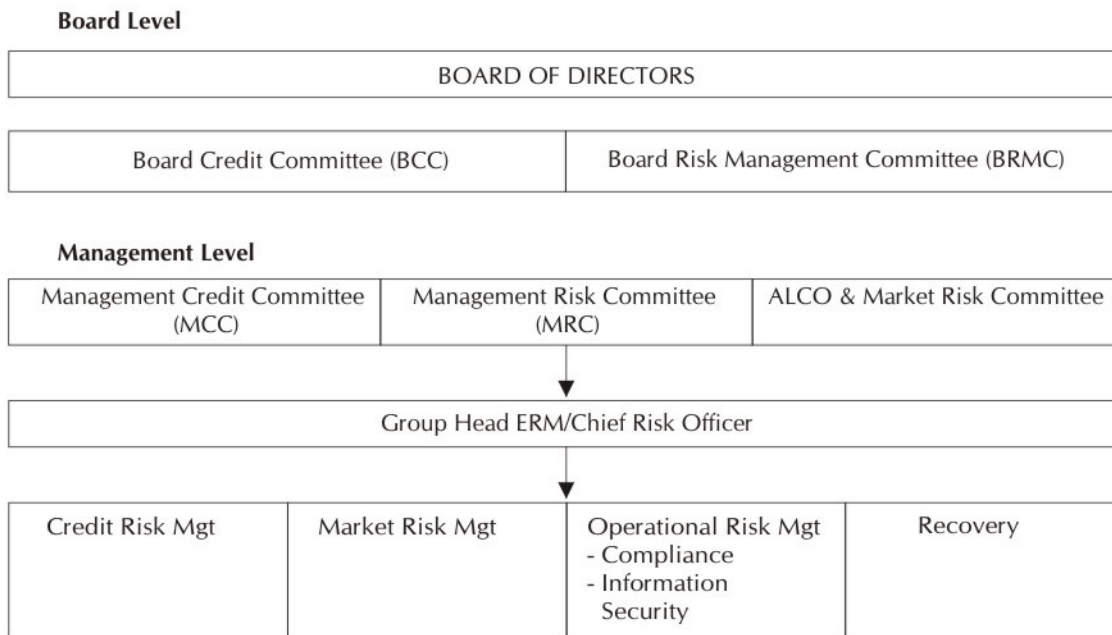
MARKET RISK: Market Risk is the probability that changes in Financial Market Prices, Interest Rates, Exchange Rates, Market Volatilities and Correlations could adversely affect the bank's condition. For our purpose, this refers to the collection of Interest Rate risk, Liquidity, Investment Risk, FX Translation and Trading Risk.

OPERATIONAL RISK: This refers to the potential loss to the group resulting from inadequate and/or failed Internal Processes, People and Systems or from External Events. It therefore refers to the risk of failure or near failure of Critical Business Processes and their Operational Systems and Data.

Enterprise-Wide Risk Management (ERM) (cont'd)

ENTERPRISE RISK MANAGEMENT OVERSIGHT

To aid the Bank in fulfilling their risk management responsibilities, the board has established a network of oversight committees which includes the Board Risk Management Committee and assisted by the Management Risk Committee as follows:.



The Board Risk Management Committee reviews and recommends the Enterprise risk management policies, procedures and profiles pertaining to the Bank.

The committee also approved the Bank's Risk Philosophy, Risk Appetite and Tolerance.

Enterprise-Wide Risk Management (ERM)

(cont'd)

ERM OBJECTIVES

The following objectives guide each of the 3 (three) core risk areas of our Enterprise Risk Management:

CREDIT RISK MANAGEMENT OBJECTIVES

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

MARKET RISK MANAGEMENT OBJECTIVES

- To institute a model that objectively identifies, measures and manages market risks in the bank.
- To implement fully automated internal processes, procedures and policies that proactively forecast the occurrence of market risks.
- To minimize losses on the Trading, Investing and Security Portfolio.
- To train and develop a core team of Market Risk professionals in the Bank.

OPERATIONAL RISK OBJECTIVES

- Creation of minimal surprise environment in the Bank through the reduction of the frequency and impact of operational risk incidents.
- Put in place a systematic process and approach for identification and assessment of operational risks, including people, process, technology and external risk.
- Define appropriate measurement metrics for the potential impact of operational risks in the Bank's activities and profitability.
- Monitor and manage operational risk to minimize the Bank's risk exposure and losses arising from operational risks.
- Constant review and documentation of internal processes, procedures and policies to address the root causes of operational events.

The Bank would continue to drive its Enterprise Risk Management functions in line with Global Best Practices.

Director's report

For the year ended 30 september 2008

The directors present their annual report on the affairs of Sterling Bank Plc ("the Bank") and the subsidiary companies ("the Group"), together with the audited financial statements and auditors' report for the year ended 30 September 2008.

Principal activity and business review

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

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

Legal form

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

Operating results

Highlight of the Group and Bank's operating results are as follows:

| | Group | Group | Bank | Bank |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| Gross earnings | 36,300,543 | 23,864,197 | 32,950,915 | 21,057,246 |
| Profit before taxation and Exceptional items | 6,289,809 | 2,226,708 | 6,096,985 | 605,277 |
| Exceptional income | 4,774,732 | - | 4,774,732 | - |
| Exceptional charge | (3,081,993) | - | (3,081,993) | - |
| Profit before taxation | 7,982,548 | 2,226,708 | 7,789,724 | 605,277 |
| Taxation | (1,398,669) | (288,699) | (1,266,571) | 15,381 |
| Profit after taxation | 6,583,879 | 1,938,009 | 6,523,153 | 620,658 |
| Non-controlling interest | (20,212) | (64,984) | - | - |
| Profit attributable to group | 6,563,879 | 1,873,025 | 6,523,153 | 620,658 |
| Transfer to statutory reserve | (1,956,946) | (186,197) | (1,956,946) | (186,197) |
| Transfer to general reserve | 4,606,721 | 1,686,828 | 4,566,207 | 434,461 |

Director's report (cont'd)

For the year ended 30 september 2008

Dividend

On 4 December 2008, the board of directors, in pursuant to the power vested in it by the provision of section 379 of the Companies and Allied Matters Act of Nigeria, proposed a dividend of 10 kobo per share from general reserve as at 30 September 2008 on the issued share capital of 12,563,091,543 shares of 50 kobo each subject to declaration by the shareholders at the next annual general meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate and is payable to shareholders whose names appear on the Register of Members at the close of business on 6th February, 2009.

Share Capital

Following the special resolution of the shareholders of the Bank at the Annual General Meeting held on 28 August 2007, The Directors were empowered to reconstruct the Bank's shares as a result of the post merger share adjustments in accordance with the approved scheme of merger on the basis, terms and at a time to be determined by The Directors. The Board of Directors of the Bank having duly obtained regulatory approvals have issued a total of N13,317,026,285 Ordinary shares of 50 kobo each as compensation shares with nominal value of N6,281,545,772 to be funded from the existing share premium account of the Bank to the pre-merger shareholders of the legacy banks in line with the terms and provisions of the approved scheme of merger documents of the legacy banks. Sequel to the completion of the post-merger share adjustments by the shareholders representatives, the Board of Directors having obtained relevant regulatory approvals have undertaken a reconstruction of the issued ordinary shares of the Bank by consolidating the issued and fully paid up share capital of 23,869,873,917 Ordinary shares of 50 kobo of the Bank into 12,563,091,543 Ordinary shares of 50 kobo each in the ratio of 10 new shares for every existing 19 Ordinary shares.

Beneficial ownership

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

Directors who served during the year

The following Directors served during the year under review

| Name | Designation | Date appointed/ resigned | Interest represented |
|-----------------------------------|-------------------------|-----------------------------|--|
| 1. Alh. (Dr.) S.A Adegunwa, (OFR) | Chairman | | ESS-AY Investments Limited ESS-AY Holding Limited |
| 2. Mr. Yemi Adeola | Group Managing Director | | |
| 3. Mr. Lanre Adesanya | Executive Director | | |
| 4. Mr. T.P.N Rao (Indian) | Executive Director | | State Bank of India |
| 5. Mallam Garba Imam | Executive Director | | |
| 6. Mr. T.C.A Ranganathan (Indian) | Non-Executive Director | Appointed, 17 July 2008 | State Bank of India |
| 7. Captain Harrison Kuti | Non-Executive Director | | Hak Air Limited |
| 8. Mr. Yemi Idowu | Non-Executive Director | | Eban Odan Industrial and Commercial Company Limited |
| 9. Alh. Aliyu. A. Alkali (mni) | Non-Executive Director | | New Nigeria Development Company Limited |
| 10. Alh. Bashir M. Borodo (MFR) | Non-Executive Director | | Dantata Investment Limited |

Director's report (cont'd)

For the year ended 30 september 2008

| Name | Designation | Date appointed/ resigned | Interest represented |
|----------------------------------|-----------------------------------|--------------------------------|--|
| 11. Mr. Yinka Adeola | Non-Executive Director | | Concept Features Limited Alfanoma Nigeria Limited Plural Limited Reduvita Investment Limited Quaker Intergrated Services Limited Q-Triangle Limited |
| 12. Mr. Biodun Dabiri | Non-Executive Director | | |
| 13. Sulaiman S. Baffa | Former Chairman | Resigned, 15 November, 2007 | |
| 14. Mr. Babatunde Dabiri | Former Group Managing Director | Resigned, 12 December, 2007 | |
| 15. Mr. S. K. Hariharan (Indian) | Non Executive Director | Resigned, 17 July, 2008 | |

Directors' interests in shares

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

| Names | Number of Shares | | | |
|-----------------------------------|------------------|---------------|-------------|---------------|
| | 2008 | | 2007 | |
| | Direct | Indirect | Direct | Indirect |
| 1. Alh. (DR.) S.A Adegunwa, (OFR) | 18,841,522 | 771,902,130 | 18,000,000 | 677,000,000 |
| 2. Mr. S. K. Hariharan | - | 1,854,185,474 | - | 1,186,992,884 |
| 3. Captain Harrison Kuti | - | 704,149,559 | - | 672,700,000 |
| 4. Mr. Yemi Idowu | - | 937,313,460 | - | 486,719,505 |
| 5. Alh. Aliyu. A. Alkali (mni) | - | 116,902,603 | - | 371,069,703 |
| 6. Alh Bashir M. Borodo (MFR) | 22,401 | 262,643,422 | 42,562 | 266,257,799 |
| 7. Mr. Yinka Adeola | 12,723,566 | 687,794,972 | 7,729,166 | 377,825,318 |
| 8. Mr. Biodun Dabiri | 47,126,496 | 11,852,038 | 90,278,901 | 22,773,312 |
| 9. Mr. Yemi Adeola | 15,299,487 | - | 1,944,000 | - |
| 10. Mr. Lanre Adesanya | 2,885,664 | - | 1,500,000 | - |
| 11. Mr. T.P.N Rao | - | - | - | - |
| 12. Mallam Garba Imam | 1,052,631 | - | 2,090,441 | - |
| 13. Mr. W. Babatunde Dabiri | - | - | 102,862,800 | 23,226,720 |
| 14. Sulaiman S. Baffa | - | - | 2,500 | - |

Director's report (cont'd)

For the year ended 30 september 2008

Analysis of shareholding

The analysis of the distribution of the shares of the Bank as at 30 September, 2008 is as follows:

| Range of shares | | Number of holders | | % | Number of holders | | % |
|------------------|---|-------------------|--------|--------|-------------------|--------|---|
| 1 | - | 1,000 | 32,466 | 35.99 | 14,720,488 | 0.12 | |
| 1001 | - | 5,000 | 28,087 | 31.14 | 62,024,478 | 0.49 | |
| 5,000 | - | 10,000 | 10,087 | 11.18 | 66,017,022 | 0.53 | |
| 10,001 | - | 20,000 | 8,137 | 9.02 | 277,538,647 | 2.21 | |
| 20,001 | - | 50,000 | 5,661 | 6.28 | 189,955,029 | 1.51 | |
| 50,001 | - | 100,000 | 2,960 | 3.28 | 540,289,554 | 4.30 | |
| 100,001 | - | 200,000 | 1,622 | 1.80 | 382,164,938 | 3.04 | |
| 200,001 | - | 500,000 | 1,020 | 1.13 | 885,129,364 | 7.05 | |
| 500,001 | - | 10,000,000 | 72 | 0.08 | 506,971,167 | 4.04 | |
| Above 10,000,001 | | | 94 | 0.10 | 9,638,279,313 | 76.72 | |
| | | | 90,206 | 100.00 | 12,563,090,000 | 100.00 | |

The following shareholders have shareholdings of 5% and above as at 30 September 2008:

| | % holding |
|--|-----------|
| State Bank of India | 14.75 |
| Eba-Odan Commercial and Industrial Co. Ltd | 7.46 |
| HAK Air Limited | 5.60 |
| ESS-AY Investments Ltd | 5.33 |

Retirement of Directors

In accordance with Articles of Association, Mr. T.C.A Ranganathan who was appointed as a Director since the last Annual General Meeting will retire at this Annual General Meeting and being eligible offers himself for election. In accordance with Article 92 of our Articles of Association, Alhaji (Dr) S. Adebola Adegunwa, OFR and Mr. Yemi Idowu retire by rotation and being eligible offer themselves for re-election.

Statement of Directors' responsibilities in relation to the financial statements for the year ended 30 September 2008

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for that year and comply with the provisions of the Companies and Allied Matters Act of Nigeria and the Bank and Other Financial Institutions Act of Nigeria. In so doing they ensure that:

Director's report (cont'd)

For the year ended 30 september 2008

- (a) Proper accounting records are maintained.
- (b) Applicable accounting standards are followed.
- (c) Suitable accounting policies are adopted and consistently applied.
- (d) Judgments and estimates made are reasonable and prudent.
- (e) The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business.
- (f) Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

Donations

The Group during the year donated a total sum of N83,572,000 (2007: N8,575,000) to various charitable organizations and higher education institutions in the country details of which are shown below. No donation was made to any political organization.

Details of donations

| | ₦ |
|--|------------|
| Contribution to the Lagos State Security Funds (Vehicles) | 41,500,000 |
| Renovation of Government Secondary School, Basirka, Jigawa State | 13,722,000 |
| Branded raincoats to Lagos State Traffic Management Authority (LASTMA) | 6,000,000 |
| Support for the Lagos Mega-city Expo | 5,000,000 |
| Renovation of the Ajele Fire Service Station, Lagos | 5,000,000 |
| Kings College Building Fund | 3,000,000 |
| Inuaguration of the Association of Nigerian Bankers | 2,700,000 |
| Howzat Cricket Foundation | 2,300,000 |
| Water project at Umuofum Community, Mbaize, Imo State | 1,000,000 |
| The Nigerian Police | 1,000,000 |
| Nigerian Army Officers Wives Association (NAOWA) | 1,000,000 |
| Capital Market Correspondent Association of Nigeria (Training Seminar) | 500,000 |
| Rufar Foundation, Bauchi State | 250,000 |
| Indian Professional Forum | 200,000 |
| Indian Cultural Association | 200,000 |
| Donation towards the Paediatric Association | 100,000 |
| Institute of Credit Administration | 100,000 |
| | <hr/> |
| | 83,572,000 |

Acquisition of own shares

The Bank did not acquire any of its shares during the year ended 30 September 2008.

Fixed assets

Information relating to changes in tangible assets is given in note 8 to the financial statements.

Director's report (cont'd)

For the year ended 30 september 2008

Employment and employees

i. Employment of disabled persons:

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

ii. Health, safety and welfare of employees:

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

iii. Employee involvement and training:

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

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

Post balance sheet events

There were no post balance sheet events which could have had a material effect on the state of affairs of the Bank as at 30 September 2008 or the profit for the year ended on that date, which have not been adequately provided for or disclosed.

Corporate governance

The Bank is committed to the principle of best practice in corporate governance, which aims at ensuring integrity, openness, credibility, transparency and accountability in all facets of its business. In line with corporate governance guidelines issued by the Central Bank of Nigeria in April 2006, the Board had constituted the following committees:

Board Credit Committee

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

| | |
|----------------------------------|----------|
| 1. Alhaji Aliyu A. Alkali, (mni) | Chairman |
| 2. Mr Yemi Idowu | Member |
| 3. Captain Harrison Kuti | Member |
| 4. Mr. Yinka Adeola | Member |
| 5. Mr. Yemi Adeola | Member |
| 6. Mr. T.P.N. Rao | Member |

Director's report (cont'd)

For the year ended 30 september 2008

Board Finance and General Purpose Committee

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

| | |
|----------------------------------|----------|
| 1. Captain Harrison Kuti | Chairman |
| 2. Alhaji Bashir M. Borodo, MFR | Member |
| 3. Alhaji Aliyu A. Alkali, (mni) | Member |
| 4. Mr. Yemi Adeola | Member |
| 5. Mr. T.P.N. Rao | Member |

Board Establishment Committee

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

| | |
|---------------------------------|----------|
| 1. Alhaji Bashir M. Borodo, MFR | Chairman |
| 2. Captain Harrison Kuti | Member |
| 3. Mr. Biodun Dabiri | Member |
| 4. Mr. Yemi Adeola | Member |
| 5. Mr. Lanre Adesanya | Member |

Risk Management Committee

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

| | |
|----------------------|----------|
| 1. Mr. Yemi Idowu | Chairman |
| 2. Mr. Yinka Adeola | Member |
| 3. Mr. Yemi Adeola | Member |
| 4. Mallam Garba Imam | Member |
| 5. Mr. T.P.N Rao | Member |

Audit Committee

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

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

Director's report (cont'd)

For the year ended 30 september 2008

Board Meetings

The Board and its Committees met as follows:

| Board/Committee Meetings | No of Meetings |
|---|----------------|
| Board of Directors | 12 |
| Board Credit Committee | 9 |
| Board Finance and General Purpose Committee | 3 |
| Board Establishment Committee | 3 |
| Board Risk Committee | 3 |
| Bank Audit Committee | 4 |

Attendance at Board meetings for the year ended 30 September 2008

| Director | Number of Attendance | Attendance |
|-------------------------------------|----------------------|------------|
| Alhaji (Dr) S Adebola Adegunwa, OFR | 12 | 12 |
| Mr Yemi Adeola | 12 | 12 |
| Mr. S.K. Hariharan (Indian) | 12 | 0 |
| Mr. Yemi Idowu | 12 | 11 |
| Captain Harrison Kuti | 12 | 11 |
| Alhaji Bashir M Borodo, MFR | 12 | 12 |
| Alhaji Aliyu A Alkali mni | 12 | 5 |
| Mr. Yinka Adeola | 12 | 10 |
| Mr. Biodun Dabiri | 12 | 5 |
| Mr Lanre Adesanya | 12 | 12 |
| Mallam Garba Imam | 12 | 9 |
| Mr. T.P.N. Rao (Indian) | 12 | 12 |

Management Committees

1. Executive Committee (EXCO)

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

2. Assets and Liability Committee (ALCO)

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

3. Management Credit Committee (MCC)

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

4. Management Performance Review Committee (MPR)

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

Director's report (cont'd)

For the year ended 30 september 2008

5. Criticised Assets Committee (CAC)

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

6. Computer Steering Committee (CSC)

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

7. Senior Management Committee (SMC)

The Committee deliberates and takes policy decisions on the effective and efficient management of the Bank. It also determines the strategic planning objectives of the Bank.

Auditors

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

BY ORDER OF THE BOARD



Sade Adebayo
Company Secretary
20, Marina
Lagos, Nigeria

Dated this day 22 December 2008

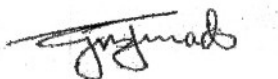
Report of Audit Committee

For the year ended 30 september 2008

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

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

- We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audit for the year ended 30 September 2008 were satisfactory and reinforce the Bank's internal control systems.
- We have complied with the provisions of Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks", and hereby confirm that an aggregate amount of N1.19 billion—(2007: N589.94 million) was outstanding as at 30 September 2008 all of which were performing.
- We have deliberated with the external auditors, who have confirmed that necessary co-operation was received from management in the course of their statutory audit and we are satisfied with the management's responses thereon.



Mr. Mustapha Jinadu

Chairman, Audit Committee

19 December 2008

Members of the Audit Committee are:

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

In attendance:

| | |
|--------------------|-----------|
| Mr. Philip Odegami | Secretary |
|--------------------|-----------|

Independent Auditors' report

For the year ended 30 september 2008



KPMG Professional Services

22a, Gerrard Road, Ikoyi
PMB 40014, Falomo
Lagos, Nigeria

Telephone 234 (1) 463 2090-3
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234 (1) 269 1248
234 (1) 269 1908

Internet www.kpmg.com

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

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Sterling Bank Plc ("the Bank") and its subsidiaries ("the Group"), which comprise the group and separate balance sheets as at 30 September 2008, and the group and separate profit and loss accounts, group and separate statements of cash flow and group and separate statements of value added for the year then ended, and the statement of accounting policies, notes to the financial statements and five year financial summary, as set out on pages 34 to 73.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Registered in Nigeria No BN 986925

Abayomi D. Sanni
Adetol P. Adeyemi
Chibuzor N. Anyanachi
Oladimeji I. Salaudeen
Victor U. Onyenkpa

Adebisi O. Lamikanra
Adewale K. Ajayi
Joseph O. Tegbe
Olumide O. Olayinka

Adekunle A. Elebute
Ayodele H. Othiwiwa
Oladapo B. Okubadejo
Oluseyi T. Bickersteth

Independent Auditors' report (cont'd)

For the year ended 30 september 2008



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 group and separate financial statements give a true and fair view of the financial position of the Group and Bank as at 30 September 2008, and of their financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

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

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

- I. The Bank contravened the provisions of Sections 24(1) & (2) and Section 28 (1) of the Banks and Other Financial Institutions Act of Nigeria during the year ended 30 September 2008. Details of these and other contraventions are stated in Note 32 to the financial statements.
- ii. 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.



Lagos, Nigeria
22 December 2008



2008 Annual Report & Accounts

Statement of Accounting Policies

For the year ended 30 september 2008

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding years, is set out below:

(a) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention, modified by the revaluation of investment properties that are measured at market value and short term marketable securities recognised at net realisable value.

(b) Business combination

With effect from 31 December 2005, NAL Bank Plc combined its business with that of Indo-Nigerian Bank Limited, Magnum Trust Bank Plc, NBM Bank and Trust Bank of Africa Limited to form Sterling Bank Plc under the scheme of merger agreement dated 30 November 2005.

In accounting for the business combination, the Bank adopted the purchase method with NAL Bank Plc being the acquirer. Goodwill arising from the combination was previously accounted for in accordance with the provisions of Section 21(2)(3) of Schedule II of the Companies and Allied Matters Act of Nigeria (see (c) below). However, effective 1 January, 2008, the Nigerian Accounting Standards Board introduced the Statement of Accounting Standard No. 26 on Accounting for Business Combinations which has specific provisions on goodwill arising from business combinations for which the agreement date was on or before 1 January 2005. This Standard provides that goodwill which arose in a business combination be recognised as an asset and be tested periodically for impairment. Impairment losses are to be charged to the profit and loss account.

(c) Goodwill

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

(d) Consolidation

The consolidated financial statements of the Bank as at and for the year ended 30 September 2008 comprise the Bank and its subsidiaries (together referred to as the "Group"). Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to control, are consolidated. The accounting policies of the subsidiaries are consistent with the policies adopted by the Bank and all inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. A listing of the Bank's subsidiaries is set out in Note 7.

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

Statement of Accounting Policies (cont'd)

For the year ended 30 september 2008

(e) Investments

Investments in treasury bills are stated at face value net of unearned income. Unearned income is amortised as earned.

Investments in marketable securities held for trading or whose tenure to maturity are less than one year are classified as short-term investments and are stated at net realizable value. Investments in marketable securities held by the subsidiary companies within the Group established for the purpose of trading in marketable securities are carried at market value. Realised gain or losses from trading in marketable securities are recognised in the profit and loss account. Unrealised gains are included in the revaluation reserve account. Unrealised losses are recognised in the revaluation reserve account to the extent that a previous gain is offset, otherwise unrealised losses are included in the profit and loss account.

Investments in marketable securities that are not held for trading or whose tenure to maturity are more than one year are classified as long-term investments and are stated at lower of cost and net realizable value. Unquoted equity investment and other long-term investments are stated at lower of cost and net realizable value. Unrealized losses of such securities is recognised in the profit and loss account.

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

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

(f) Loans and advances

Loans and advances are stated net of allowance for doubtful accounts. A specific risk allowance for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of loans and advances is identified as doubtful. A provision is made for each account that is not performing in accordance with the terms of the related facility. This is in accordance with the Statement of Accounting Standards for Banks and Non-Bank Financial Institutions (SAS 10) issued by the Nigerian Accounting Standards Board and the Prudential Guidelines issued by the Central Bank of Nigeria in the manner stated below:

Period principal or interest

| <i>has been outstanding</i> | <i>Classification</i> | <i>% Provision required</i> |
|--------------------------------|-----------------------|-----------------------------|
| 90 days but less than 180days | Substandard | 10 |
| 180 days but less than 360days | Doubtful | 50 |
| Over 360 days | Lost | 100 |

A minimum of 1 % provision is made on all loans and advances not specifically provided for.

Bad debts are written off when the extent of the loss has been determined. Recoveries are written back to profit and loss

Statement of Accounting Policies (cont'd)

For the year ended 30 september 2008

In accordance with the Central Bank of Nigeria circular BSD/DIR/CIR/GEN/VOL.2/010 dated 2 October 2008, Section 2.3 of the Prudential Guidelines which specifies conditions for credit facilities to be rolled over or restructured has not been applied to margin accounts.

(g) Advances under finance leases

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

In accordance with Prudential Guidelines for licensed banks, specific provision is made on leases that are non-performing, while a general provision of at least 1% is made on the aggregate net investment in the finance lease.

(h) Equipment on lease

Equipment on lease to customers is stated at cost less accumulated depreciation. Depreciation is provided on an appropriate basis to write-off the related asset cost in line with the Bank's normal depreciation policy for that class of assets leased out, and is included in operating expenses. Rental income from equipment on lease to customers is credited to lease income on a straight-line basis over the lease term.

(I) Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of each asset over its estimated useful life at the following annual rates:

| | | |
|---------------------------------|---|--------------------|
| Leasehold properties | - | 2% |
| Leasehold improvements | - | 10% |
| Furniture and equipment | - | 20% |
| Computer software and equipment | - | 33 $\frac{1}{3}$ % |
| Motor vehicles | - | 25% |

Capital work-in-progress is not depreciated.

Gains or losses arising from the disposal of fixed assets are included in the profit and loss account.

(j) Taxation

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

Statement of Accounting Policies (cont'd)

For the year ended 30 september 2008

(k) Deferred taxation

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

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

(l) Income recognition

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

- (i) Interest is recognised on accrual basis; interest overdue for more than 90 days is suspended and recognised on cash basis only.
- (ii) Credit-related fee income constituting at least 10% of the projected annual yield of the related facility is deferred and amortised over the life of the related credit in proportion to the outstanding balance. Otherwise it is recognised at the time the credit is granted.
- (iii) Non - credit related fee income is recognised at the time the service or transaction is effected

(m) Foreign currency items

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

Exchange differences arising from the revaluation of long term monetary assets and liabilities are taken to Foreign Exchange Revaluation Reserve and released to profit and loss on realisation of the asset or liability.

(n) Retirement benefits

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

(o) Off-balance sheet transactions

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

Statement of Accounting Policies (cont'd)

For the year ended 30 september 2008

(i) Acceptances:

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

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

(ii) Guarantees and performance bonds:

The Bank provides financial guarantees and bonds to third parties on the request of customers in the form of bid and performance bonds or advance payment guarantees.

The amounts reflected in the financial statements for uncollateralised bonds and guarantees represent the maximum loss that would be recognized at the balance sheet date if counter parties failed completely to perform as contracted. Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognized at the time the services or transactions are effected.

(iii) Letters of credit:

The Bank provides letters of credit to guarantee the performance of customers to third parties. These are accounted for as off balance sheet. Commissions and fees charged to customers for services rendered are recognized at the time the services or transaction is effected.

(p) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalent comprise cash and short term funds and have been reported net of bank overdraft.

(q) Repurchase agreements

The Bank enters into purchases (sales) of securities under agreements to resell (repurchase) substantially identical securities at a certain date in the future at a fixed price. Securities purchased subject to commitments to resell them at future dates are accounted for as repurchase transactions.

Statement of Accounting Policies (cont'd)

For the year ended 30 september 2008

(r) Funds under management

Funds under management represent cash deposits made by customers. Customer deposits are accounted for at cost and accrued interest.

(s) Earnings per share

Earnings per share is calculated using the profit and loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

(t) 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 is probable that an outflow of economic benefits will be required to settle the obligation.

(u) Segment reporting

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

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



Financials

Balance Sheet

As at 30 September 2008


| | | Group | Group | Bank | Bank |
|------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | Notes | 2008 | 2007 | 2008 | 2007 |
| | | N'000 | N'000 | N'000 | N'000 |
| ASSETS: | | | | | |
| Cash and short-term funds | 1 | 100,949,164 | 49,041,131 | 96,997,408 | 44,633,790 |
| Short-term investments | 2 | 25,874,577 | 18,642,615 | 21,378,831 | 13,721,471 |
| Loans and advances | 3 | 66,882,520 | 47,113,606 | 65,787,520 | 45,957,835 |
| Advances under finance lease | 4 | 3,366,161 | 2,233,323 | 3,362,144 | 2,222,007 |
| Other assets | 5 | 12,309,161 | 5,618,158 | 9,207,117 | 4,760,856 |
| Long-term investments | 6 | 31,973,723 | 19,589,612 | 31,683,741 | 19,173,155 |
| Investment properties | 6(b) | 1,945,651 | 5,836,513 | 154,276 | 5,602,394 |
| Investment in subsidiary companies | 7 | - | - | 1,550,405 | 1,550,405 |
| Deferred tax asset | 14(b) | 1,158,674 | 460,087 | 1,163,816 | 376,326 |
| Fixed assets | 8(a) | 5,387,190 | 5,088,764 | 5,217,665 | 4,864,389 |
| Equipment on lease | 8(b) | - | 30,053 | - | 30,053 |
| Goodwill | 9 | - | 3,081,993 | - | 3,081,993 |
| Total assets | | 249,846,821 | 156,735,855 | 236,502,923 | 145,974,674 |
| Liabilities | | | | | |
| Deposits and other accounts | 10 | 176,916,144 | 99,218,069 | 184,730,209 | 106,933,727 |
| Other liabilities | 11 | 28,650,340 | 27,940,095 | 9,303,534 | 11,634,139 |
| Taxation payable | 12 | 1,750,366 | 1,326,703 | 1,157,102 | 606,413 |
| Deferred tax liability | 14(a) | 15,714 | 24,203 | - | - |
| Long-term borrowing | 15 | 11,073,200 | - | 11,073,200 | - |
| Total liabilities | | 218,405,764 | 128,509,070 | 206,264,045 | 119,174,279 |
| Net assets | | 31,441,057 | 28,226,785 | 30,238,878 | 26,800,395 |

Balance Sheet (cont'd)

As at 30 September 2008

| | Notes | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|---|-------|------------------------|------------------------|-----------------------|-----------------------|
| Share capital | 16 | 6,281,545 | 5,276,423 | 6,281,545 | 5,276,423 |
| Share premium | 17 | 12,314,019 | 13,319,141 | 12,314,019 | 13,319,141 |
| Share reserve | 18 | 5,276,423 | 5,276,423 | 5,276,423 | 5,276,423 |
| Other reserves | 19 | 7,400,034 | 4,069,536 | 6,336,891 | 2,928,408 |
| Shareholders' funds | | 31,272,021 | 27,941,523 | 30,238,878 | 26,800,395 |
| Non-controlling interest | 13 | 169,036 | 285,262 | - | - |
| | | 31,441,057 | 28,226,785 | 30,238,878 | 26,800,395 |
| Acceptances, bonds, guarantees and other obligations for the account of customers (and the corresponding liability thereon) | 20 | 91,180,933 | 54,121,619 | 91,180,933 | 54,121,619 |
| TOTAL ASSETS AND CONTINGENTS | | 341,027,754 | 210,857,474 | 327,683,856 | 200,096,293 |

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:


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


 Yemi Adeola
 Group MD/CEO

Approved by the Board of Directors on 22 December 2008

The statement of accounting policies and accompanying notes form an integral part of these balance sheets

Profit and Loss account

For the year ended 30 September 2008

| | Notes | Group | Group | Bank | Bank |
|---|-------|--|--|--|---|
| | | 2008 N'000 | 2007 N'000 | 2008 N'000 | 2007 N'000 |
| GROSS EARNINGS | | <u>36,300,543</u> | <u>23,864,197</u> | <u>32,950,915</u> | <u>21,057,246</u> |
| INTEREST AND DISCOUNT INCOME | 21 | 21,927,389 | 12,899,524 | 21,700,019 | 12,749,692 |
| Lease finance income | | 477,909 | 425,606 | 477,909 | 402,570 |
| Interest expense | 22 | (10,240,379) | (6,743,930) | (10,457,211) | (6,688,224) |
| Interest margin | | <u>12,164,919</u> | <u>6,581,200</u> | <u>11,720,717</u> | <u>6,464,038</u> |
| Allowance for risk assets | 23 | (2,146,593) | (3,632,376) | (2,134,555) | (3,511,997) |
| Net interest margin | | <u>10,018,326</u> | <u>2,948,824</u> | <u>9,586,162</u> | <u>2,952,041</u> |
| Allowance for investments and other assets | 23 | (985,068) | (420,611) | (122,661) | (317,707) |
| Other income | 24 | 13,895,245 | 10,539,067 | 10,772,987 | 7,904,984 |
| Operating expenses | 25(b) | <u>22,928,503</u> <u>(16,638,694)</u> | <u>13,067,280</u> <u>(10,840,572)</u> | <u>20,236,488</u> <u>(14,139,503)</u> | <u>10,539,318</u> <u>(9,934,041)</u> |
| Profit before taxation and exceptional items | | <u>6,289,809</u> | <u>2,226,708</u> | <u>6,096,985</u> | <u>605,277</u> |
| Exceptional income | 26 | 4,774,732 | - | 4,774,732 | - |
| Exceptional charge | 9 | (3,081,993) | - | (3,081,993) | - |

Profit and Loss account (cont'd)

For the year ended 30 September 2008

| Notes | Group | Group | Bank | Bank |
|--|----------------|---------------|---------------|---------------|
| | 2008 N'000 | 2007 N'000 | 2008 N'000 | 2007 N'000 |
| Profit before taxation | 7,982,548 | 2,226,708 | 7,789,724 | 605,277 |
| Taxation | 27 (1,398,669) | (288,699) | (1,266,571) | 15,381 |
| Profit after taxation | 6,583,879 | 1,938,009 | 6,523,153 | 620,658 |
| Non-controlling interest | (20,212) | (64,984) | - | - |
| Profit attributable to the Group | 6,563,667 | 1,873,025 | 6,523,153 | 620,658 |
| Appropriations | | | | |
| Transfer to statutory reserve | 19 (1,956,946) | (186,197) | (1,956,946) | (186,197) |
| Transfer to general reserve | 4,606,721 | 1,686,828 | 4,566,207 | 434,461 |
| Retained deficit, beginning of year | (1,967,788) | (3,654,616) | (2,864,100) | (3,298,561) |
| Retained earnings/(deficit), end of year | 19 2,638,933 | (1,967,788) | 1,702,107 | (2,864,100) |
| Earnings per share | | | | |
| - Unadjusted (kobo) | 28 52 | 18 | 52 | 6 |
| - Adjusted (kobo) | 52 | 15 | 52 | 5 |

The statement of accounting policies and accompanying notes form an integral part of these profit and loss accounts

Statement of Cash Flows

As at 30 September 2008

| | | Group | Group | Bank | Bank |
|--|-------|--------------|--------------|--------------|--------------|
| | Notes | 2008 | 2007 | 2008 | 2007 |
| | | N'000 | N'000 | N'000 | N'000 |
| Operating Activities: | | | | | |
| Net cash flow from operating activities before changes in operating assets | 29 | 9,590,349 | 6,940,437 | 7,710,962 | 5,156,325 |
| Changes in operating assets | 30 | 37,586,969 | 34,595,518 | 42,990,894 | 28,291,256 |
| Income tax paid | 12 | (276,072) | (345,390) | (157,352) | (345,390) |
| Net cash flow from operating activities | | 46,901,246 | 41,190,565 | 50,544,504 | 33,102,191 |
| Investing Activities: | | | | | |
| Proceeds from disposal of fixed assets | | 512,276 | 4,553,774 | 376,503 | 4,552,150 |
| Purchase of fixed assets | 8 | (1,808,540) | (2,032,542) | (1,656,453) | (1,880,343) |
| Dividend received | | - | - | 1,670,544 | - |
| Additions to quoted bonds | | (12,969,866) | (15,617,900) | (12,969,866) | (14,970,416) |
| Additions to unquoted equities | | (10,000) | (213,702) | - | (188,091) |
| Additions to SMEIES | | (12,952) | (10,200) | (12,952) | (10,200) |
| Proceeds from disposal of investment properties | | 4,232,911 | 2,599,895 | 3,157,887 | 1,283,145 |
| Additions to investment properties | | (1,791,375) | (711,207) | - | - |
| Proceeds from disposal of investment in SME | | 120,000 | - | 120,000 | - |
| Redemption of quoted equities and bonds | | 279,653 | - | 60,252 | 106,315 |
| Net cash flows from investing activities | | (11,447,893) | (11,431,882) | (9,254,086) | (11,107,440) |

Statement of Cash Flows (cont'd)

As at 30 September 2008

| | | Group | Group | Bank | Bank |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 2008 | 2007 | 2008 | 2007 |
| | | N'000 | N'000 | N'000 | N'000 |
| Financing Activities: | | | | | |
| Proceeds from long-term borrowings | 15 | 11,073,200 | - | 11,073,200 | - |
| Dividend paid to non-controlling interest | | (37,440) | - | - | - |
| Net cash flows from financing activities | | 11,035,760 | - | 11,073,200 | - |
| Net increase in cash and short-term funds | | 46,489,113 | 29,758,683 | 52,363,618 | 21,994,751 |
| Cash and short term funds, beginning of year (gross) | | 49,041,131 | 17,870,225 | 44,633,790 | 22,639,039 |
| Cash and Short-term funds, end of year | | 95,530,244 | 47,628,908 | 96,997,408 | 44,633,790 |
| Analysis of cash and short-term funds | | | | | |
| Cash and short term funds | 1 | 100,949,164 | 49,041,131 | 96,997,408 | 44,633,790 |
| Overdraft | 11 | (5,418,920) | (1,412,223) | - | - |
| | | 95,530,244 | 47,628,908 | 96,997,408 | 44,633,790 |

The statement of accounting policies and accounting notes rates form an integral part of these statements of cash flows.

Notes to the Financial Statements

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

1. Cash and Short-term Funds

(a) Cash and short term funds comprise:

| | | | | |
|---|-------------|------------|------------|------------|
| Bank and cash balances in Nigeria | | | | |
| - Cash and foreign monies | 2,570,140 | 2,668,210 | 2,569,628 | 2,667,335 |
| - Balances held with the Central Bank of Nigeria | | | | |
| - Current account | 2,092,998 | 1,855,657 | 2,092,998 | 1,855,657 |
| - Cash reserve account | 1,938,122 | 1,710,928 | 1,938,122 | 1,710,928 |
| Balances held with other banks and financial institutions | | | | |
| - In Nigeria (see (b) below) | 78,248,537 | 34,202,215 | 74,297,293 | 29,795,749 |
| - Outside Nigeria (see (d) below) | 16,099,367 | 8,604,121 | 16,099,367 | 8,604,121 |
| | 100,949,164 | 49,041,131 | 96,997,408 | 44,633,790 |

(b) N8 billion (2007: N1 billion) of the balances held with other banks and financial institutions in Nigeria are secured with treasury bills.

(c) Maturity profile of cash and short-term funds is as follows:

| | | | | |
|-----------------|-------------|------------|------------|------------|
| Under one month | 60,660,325 | 32,496,386 | 61,122,902 | 28,089,045 |
| 1-3 months | 33,228,483 | 13,271,667 | 28,387,595 | 13,271,667 |
| 3 - 6 months | 687,448 | 318,691 | 681,668 | 318,691 |
| 6 - 12 months | 6,231,025 | 2,888,612 | 6,664,553 | 2,888,612 |
| Over 1 year | 141,883 | 65,775 | 140,690 | 65,775 |
| | 100,949,164 | 49,041,131 | 96,997,408 | 44,633,790 |

(d) Included in balances with other banks and financial institutions outside Nigeria is N1.267billion (2007: N2.373 billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability for this amount is included in other liabilities (see Note 11).

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

2. Short-term Investments

(a) Short term investments comprise:

| | | | | |
|---|------------|------------|------------|------------|
| Treasury bills | 21,378,831 | 13,721,471 | 21,378,831 | 13,721,471 |
| Commercial paper | - | 46,706 | - | - |
| Proprietary trading stock (cost: N2,714,365,000) | 2,357,770 | 4,071,793 | - | - |
| Portfolio of quoted investments (market value: N2,311,536,000) | 2,137,976 | 863,452 | - | - |
| | 25,874,577 | 18,703,422 | 21,378,831 | 13,721,471 |
| Allowance for diminution in value (see (c) below) | - | (60,807) | - | - |
| | 25,874,577 | 18,642,615 | 21,378,831 | 13,721,471 |

(b) The maturity profile of short-term investment is as follow:

| | | | | |
|-------------|------------|------------|------------|------------|
| 1-3 months | 548,882 | 8,694,771 | 3,000 | 8,246,667 |
| 3-6 months | 146,881 | 5,501,284 | 7,380 | 5,474,804 |
| 6-12 months | 25,178,814 | 4,507,367 | 21,368,451 | - |
| | 25,874,577 | 18,703,422 | 21,378,831 | 13,721,471 |

(c) The movement on the allowance for diminution in value during the year was as follows:

| | | | | |
|--------------------------------|----------|--------|---|---|
| Balance, beginning of year | 60,807 | 46,706 | - | - |
| Allowance made during the year | - | 14,101 | - | - |
| Allowance written off | (60,807) | - | - | - |
| Balance, end of year | - | 60,807 | - | - |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

3. LOANS AND ADVANCES

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

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Secured against real estate | 19,947,048 | 8,821,962 | 19,435,545 | 8,821,962 |
| Margin lending (see (f) below) | 16,272,748 | - | 14,708,872 | - |
| Otherwise secured | 36,039,662 | 47,342,057 | 39,196,152 | 46,174,562 |
| Unsecured | 2,199,906 | 2,153 | 1,825 | 2,153 |
| | 74,459,364 | 56,166,172 | 73,342,394 | 54,998,677 |
| Loan loss allowance (See (b) below): | | | | |
| - Specific (see (b (i)) below) | (5,800,986) | (7,348,436) | (5,800,986) | (7,348,436) |
| - General (see (b (ii)) below) | (690,031) | (417,694) | (668,061) | (405,970) |
| - Interest -in- suspense (see (c) below) | (1,085,827) | (1,286,436) | (1,085,827) | (1,286,436) |
| | (7,576,844) | (9,052,566) | (7,554,874) | (9,040,842) |
| | 66,882,520 | 47,113,606 | 65,787,520 | 45,957,835 |

(b) The movement on loan loss allowance account during the year was as follows:

| | | | | |
|--|-------------|-------------|-------------|-------------|
| i. Specific allowance: | | | | |
| Balance, beginning of year | 7,348,436 | 6,617,208 | 7,348,436 | 6,723,491 |
| Charge for the year | 2,696,484 | 4,374,049 | 2,696,484 | 4,374,049 |
| Allowance no longer required | (835,536) | (795,513) | (835,536) | (901,796) |
| Reclassification from other assets (see note 5(b)) | - | 366,021 | - | 366,021 |
| Amount written off | (3,408,398) | (3,213,329) | (3,408,398) | (3,213,329) |
| Balance, end of year | 5,800,986 | 7,348,436 | 5,800,986 | 7,348,436 |
| ii. General allowance | | | | |
| Balance, beginning of year | 417,694 | 372,979 | 405,970 | 372,979 |
| Charge for the year | 272,337 | 44,715 | 262,091 | 32,991 |
| Balance, end of year | 690,031 | 417,694 | 668,061 | 405,970 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group | Group | Bank | Bank |
|---|------------|-------------|------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| (c) The movement on the interest-in-suspense account during the year was as follows: | | | | |
| Interest-in-suspense: | | | | |
| Balance, beginning of year | 1,286,436 | 2,164,896 | 1,286,436 | 2,164,896 |
| Interest suspended during the year | 962,935 | 822,635 | 962,935 | 822,635 |
| Allowance no longer required | (336,626) | (419,671) | (336,626) | (419,671) |
| Amount written-off | (826,918) | (1,281,424) | (826,918) | (1,281,424) |
| Balance, end of year | 1,085,827 | 1,286,436 | 1,085,827 | 1,286,436 |
| (d) The gross value of loans and advances by maturity is as follows: | | | | |
| 1 - 3 months | 44,871,988 | 34,116,928 | 44,886,556 | 32,949,433 |
| 3 - 6 months | 4,647,539 | 3,087,067 | 4,072,027 | 3,087,067 |
| 6 - 12 months | 5,089,910 | 6,331,491 | 5,033,884 | 6,331,491 |
| Over 12 months | 19,849,927 | 12,630,686 | 19,349,927 | 12,630,686 |
| | 74,459,364 | 56,166,172 | 73,342,394 | 54,998,677 |
| (e) The gross value of loans and advances by performance is: | | | | |
| Performing | 67,923,022 | 41,764,496 | 66,145,828 | 40,597,001 |
| Non-performing | | | | |
| Sub-standard | 49,480 | 4,246,795 | 49,480 | 4,246,795 |
| Doubtful | 120,162 | 3,885,568 | 640,746 | 3,885,568 |
| Lost | 6,366,700 | 6,269,313 | 6,506,340 | 6,269,313 |
| | 74,459,364 | 56,166,172 | 73,342,394 | 54,998,677 |
| (f) Margin accounts represent facilities granted directly for the acquisition of shares of publicly quoted companies on the Nigerian Stock Exchange. Included in the margin account balance is a total of N1.66 billion in respect of facilities which were restructured in accordance with the CBN circular BSD/DIR/GEN/Vol.2/010. These facilities are secured with shares valued at N2.22 billion as at 30 September 2008. | | | | |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

4. Advances under finance lease

(a) The advances under finance lease comprise:

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|----------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Gross investment in leases | 4,358,120 | 2,635,135 | 4,191,596 | 2,542,749 |
| Less: unearned income | (953,834) | (376,995) | (795,491) | (298,297) |
| | 3,404,286 | 2,258,140 | 3,396,105 | 2,244,452 |
| Less: allowance for losses | | | | |
| - General | (38,125) | (24,817) | (33,961) | (22,445) |
| - Specific | - | - | - | - |
| | (38,125) | (24,817) | (33,961) | (22,445) |
| | 3,366,161 | 2,233,323 | 3,362,144 | 2,222,007 |

(b) The movement on the allowance on advances under finance lease during the year was as follows:

| | | | | |
|----------------------------|--------|--------|--------|--------|
| i. General allowance | | | | |
| Balance, beginning of year | 24,817 | 15,692 | 22,445 | 15,692 |
| Charge for the year | 13,308 | 9,125 | 11,516 | 6,753 |
| | 38,125 | 24,817 | 33,961 | 22,445 |

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

| | | | | |
|----------------|-----------|-----------|-----------|-----------|
| 1-3 months | 52,360 | 493,549 | 52,360 | 479,861 |
| 3-6 months | 157,378 | 111,509 | 157,378 | 111,509 |
| 6-12 months | 558,249 | 386,820 | 527,358 | 386,820 |
| Over 12 months | 2,636,299 | 1,266,262 | 2,659,009 | 1,266,262 |
| | 3,404,286 | 2,258,140 | 3,396,105 | 2,244,452 |

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

| | | | | |
|------------|-----------|-----------|-----------|-----------|
| Performing | 3,404,286 | 2,258,140 | 3,396,105 | 2,244,452 |
|------------|-----------|-----------|-----------|-----------|

Notes to the Financial Statements (cont'd)

As at 30 September 2008

5. Other assets

(a) Other assets comprise:

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|----------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Prepayments | 2,066,303 | 1,972,802 | 1,905,360 | 1,771,512 |
| Interest receivable | 847,582 | 590,642 | 734,316 | 593,588 |
| Stock | 86,132 | 98,803 | 86,132 | 98,803 |
| Other receivable accounts | 9,128,199 | 4,229,274 | 4,067,643 | 3,413,275 |
| Deferred cost | - | 264,731 | - | 264,731 |
| Pledge bonds | 1,500,000 | - | 1,500,000 | - |
| Intercompany receivable | - | - | 1,272,521 | 40,607 |
| | 13,628,216 | 7,156,252 | 9,565,972 | 6,182,516 |
| Allowance for other assets | (1,319,055) | (1,538,094) | (358,855) | (1,421,660) |
| | 12,309,161 | 5,618,158 | 9,207,117 | 4,760,856 |

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

| | | | | |
|--|-------------|-----------|-------------|-----------|
| Balance, beginning of year | 1,538,094 | 1,636,368 | 1,421,660 | 1,527,274 |
| Allowances during the year | 950,544 | 382,369 | 88,137 | 307,285 |
| Allowances no longer required | (22,531) | (7,450) | - | - |
| Reclassification to loans (see note 3(b)i) | - | (366,021) | - | (366,021) |
| Allowance written off | (1,147,052) | (107,172) | (1,150,942) | (46,878) |
| Balance, end of year | 1,319,055 | 1,538,094 | 358,855 | 1,421,660 |

6. Long term investments

Long-term investments comprise:

Quoted

- Equities (see (i) below)
- Bonds (see (ii) below)

| | | | | |
|--|------------|------------|------------|------------|
| | 518,312 | 569,631 | 485,404 | 569,631 |
| | 28,649,689 | 15,899,223 | 28,590,282 | 15,620,416 |
| | 29,168,001 | 16,468,854 | 29,075,686 | 16,190,047 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|--|------------------------|------------------------|-----------------------|-----------------------|
| Unquoted | | | | |
| - Equities (see (iii) below) | 316,083 | 303,242 | 144,577 | 142,128 |
| - Nigerian Sovereign Debt Instrument | 264,213 | 635,847 | 264,213 | 635,847 |
| - Investment in associated companies (iv) | 466,321 | 466,713 | 440,160 | 440,160 |
| - Equities in small and medium scale enterprises (see (v) below) | 342,568 | 349,616 | 342,568 | 349,616 |
| - Joint venture (see (vi) below) | 1,592,779 | 1,592,779 | 1,592,779 | 1,592,779 |
| | 2,981,964 | 3,348,197 | 2,784,297 | 3,160,530 |
| Unrealised loss allowance (see (vii) below) | (176,242) | (227,439) | (176,242) | (177,422) |
| Net realisable value | 31,973,723 | 19,589,612 | 31,683,741 | 19,173,155 |
| (i) The quoted equities have been stated at the market value. | | | | |
| (ii) Quoted bonds | | | | |
| Neimeth Debenture | 38,800 | 38,800 | - | - |
| Lagos State Revenue Bond | 20,600 | 240,000 | - | - |
| Federal Government Bond | 28,590,289 | 15,620,423 | 28,590,282 | 15,620,416 |
| | 28,649,689 | 15,899,223 | 28,590,282 | 15,620,416 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group | Group | Bank | Bank |
|---|---------|---------|---------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| (iii) Unquoted securities | | | | |
| Africa Export/Import Bank | 23,533 | 25,080 | 23,533 | 25,080 |
| Central Securities Clearing Systems Limited | 7,800 | 7,800 | - | - |
| National Association of Securities Dealers Limited | 874 | 482 | 416 | 416 |
| Nigeria Interbank Settlement Scheme Plc / Nigeria Automated Clearing System | 52,583 | 48,587 | 52,583 | 48,587 |
| Opticom Leasing Limited | 21,000 | 21,000 | 21,000 | 21,000 |
| Smartcard Nigeria plc / Valucard Nigeria Plc | 18,811 | 18,811 | 18,811 | 18,811 |
| Associated Discount House Limited | 10,734 | 10,734 | 10,734 | 10,734 |
| Kraft Konsult Limited | 7,300 | 7,300 | 7,300 | 7,300 |
| Saddle Ind. Limited | 10,200 | 10,200 | 10,200 | 10,200 |
| Peugeot Automobile Nigeria Ltd | 153,248 | 153,248 | - | - |
| Kakawa Discount Equity Fund | 10,000 | - | - | - |
| | 316,083 | 303,242 | 144,577 | 142,128 |
| (iv) Investment in associate is as follows: | | | | |
| Safetrust Savings and Homes | 207,660 | 207,660 | 207,660 | 207,660 |
| Crusader Sterling Pension Ltd | 258,661 | 259,053 | 232,500 | 232,500 |
| | 466,321 | 466,713 | 440,160 | 440,160 |
| (v) Equity investments in small and medium scale enterprises: | | | | |
| Rosaab Industrial Designs Limited (see (a) below) | - | 20,000 | - | 20,000 |
| Pathcare Nigeria Limited (see (9b) below) | 6,287 | 6,287 | 6,287 | 6,287 |
| Capetex Ind. Limited (see (c) below) | 6,200 | 6,200 | 6,200 | 6,200 |
| Woodmasters Nigeria Limited (see (d) below) | 5,000 | 5,000 | 5,000 | 5,000 |
| Eltel Communication Limited (see (e) below) | 23,056 | 10,104 | 23,056 | 10,104 |
| Trust Hospital Limited (see (f) below) | 50,000 | 50,000 | 50,000 | 50,000 |
| Best Food Global Limited (see (g) below) | 15,000 | 15,000 | 15,000 | 15,000 |
| Pyramid Bag Manufacturing Limited (see (h) below) | 22,360 | 22,360 | 22,360 | 22,360 |
| Diamond Foam Limited (see (i) below) | 10,422 | 10,422 | 10,422 | 10,422 |
| Unique Ventures CML (see (j) below) | 8,000 | 8,000 | 8,000 | 8,000 |
| Cards Technology Limited (see (k) below) | 76,000 | 76,000 | 76,000 | 76,000 |
| Investments through SME Manager (see (l) below) | 120,243 | 120,243 | 120,243 | 120,243 |
| | 342,568 | 349,616 | 342,568 | 349,616 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

- (a) This represents the Bank's 40% equity investment in Rosaab Industrial Designs Limited which was disposed off during the year.
- (b) This represents the Bank's 4% equity investment in Pathcare Nigeria Limited.
- (c) This represents the Bank's 20% equity investment in Capetex Industries Limited.
- (d) This represents the Bank's 25% equity investment in Woodmaster Nigeria Limited.
- (e) This represents the Bank's 20.98% equity investment in Eltel Communications Limited.
- (f) This represents the Bank's 10 % equity investment in Trust Hospital Limited.
- (g) This represents the Bank's 5.19% equity investment in Best Food Global Limited.
- (h) This represents the Bank's 28% equity investment in Pyramid Bag Manufacturing Limited.
- (i) This represents the Bank's 37.89% equity investment in Diamond Foam Limited.
- (j) This represents the Bank's 20% equity investment in Unique Ventures CML.
- (k) This represents the Bank's 10% equity investment in Cards Technology Limited.
- (l) This represents the Bank's indirect equity investment in SMEs entities through SME Manager.

The Bank makes investment under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) in line with the Policy Guidelines for 2001 Fiscal Year . A total of N343 million (2007: N350 million) have so far been invested under the scheme. With respect to the Bank's effective holding in these companies some of them qualify as associates. However, they are not consolidated as the Bank is not expected to exercise influence and control is temporary.

Notes to the Financial Statements (cont'd)

As at 30 September 2008

(vi) Investment in joint venture

This represents the Bank's 35% interest in Knight Rook Limited, a jointly controlled entity established to undertake capital development projects jointly controlled with three other Nigerian banks.

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

(vii) The movement on the impairment loss allowance account during the year was as follows:

| | | | | |
|--|----------|---------|----------|---------|
| Balance, beginning of year | 227,439 | 195,848 | 177,422 | 167,000 |
| Impairment on SME investment (see note 23(b)) | 34,524 | 10,422 | 34,524 | 10,422 |
| Impairment on other long term investments (see note 23(b)) | - | 21,169 | - | - |
| Allowances no longer required | (85,721) | - | (35,704) | - |
| Balance, end of year | 176,242 | 227,439 | 176,242 | 177,422 |

6. Investment properties

The movement in investment properties is analysed below

| | | | | |
|----------------------------|-------------|-------------|-------------|-------------|
| Balance, beginning of year | 5,836,513 | 7,600,006 | 5,602,394 | 6,877,448 |
| Addition | 1,791,375 | 711,207 | - | - |
| Disposal | (5,682,237) | (2,474,700) | (5,448,118) | (1,275,054) |
| Balance, end of year | 1,945,651 | 5,836,513 | 154,276 | 5,602,394 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|---|-------|-----------|-----------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |
| | | | |
| 7. Investment in subsidiaries | | | |
| Sterling Capital Markets Limited (see (a) below) | - | 1,346,312 | 1,346,312 |
| Sterling Assets Management and Trustee Limited (see (b) below) | - | 100,000 | 100,000 |
| Sterling Registrars Limited (see (c) below) | - | 11,310 | 11,310 |
| SBG Insurance Broker Limited (see (d) below) | - | 10,000 | 10,000 |
| Nigerian Stock Brokers Limited (see (e) below) | - | 82,783 | 82,783 |
| | - | 1,550,405 | 1,550,405 |

- (a) This represents the cost of the Bank's 100% equity investment in Sterling Capital Markets Limited of 1,346,312,000 ordinary shares of N1 each.
- (b) This represents the cost of the Group's 100% equity investment in Sterling Asset Management Limited of 120,000,000 ordinary shares of N1 each.
- (c) This represents the cost of the Bank's 100% equity investment in Sterling Registrars Limited of 50,000,000 ordinary shares of N1 each.
- (d) This represents the cost of the Bank's 100% equity investment in SBG Insurance Broker Limited of 10,000,000 ordinary shares of N1 each.
- (e) This represents the cost of the Bank's 60% equity investment in Nigerian Stock Brokers Limited of 234,000,000 ordinary shares of N1 each.

Notes to the Financial Statements (cont'd)

As at 30 September 2008

8. Fixed Assets

(a) The Group

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

| | Leasehold, land and building | Capital work-in- progress | Furniture, fittings and equipment | Computer software and equipment | Motor vehicles | Total |
|---------------------------------|------------------------------------|---------------------------------|---|---------------------------------------|-------------------|------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | | | |
| Balance, beginning of year | 2,671,566 | 614,961 | 2,495,182 | 2,575,513 | 1,861,283 | 10,218,505 |
| Additions | 107,960 | 237,417 | 662,827 | 316,974 | 483,362 | 1,808,540 |
| Transfers | 391,994 | (481,543) | 38,152 | (20,244) | 71,641 | - |
| Disposals | (197,221) | (85,937) | (78,381) | (3,524) | (402,552) | (767,615) |
| End of year | 2,974,299 | 284,898 | 3,117,780 | 2,868,719 | 2,013,734 | 11,259,430 |
| Accumulated depreciation | | | | | | |
| Balance, beginning of year | 599,680 | - | 1,612,968 | 1,854,842 | 1,062,251 | 5,129,741 |
| Charge for the year | 103,495 | - | 313,074 | 415,866 | 336,668 | 1,169,103 |
| Transfers | 68,949 | - | (7,003) | (64,007) | 2,061 | - |
| Disposals | (28,668) | - | (76,811) | (2,348) | (318,777) | (426,604) |
| End of year | 743,456 | - | 1,842,228 | 2,204,353 | 1,082,203 | 5,872,240 |
| Net book value | | | | | | |
| At 30 September, 2008 | 2,230,843 | 284,898 | 1,275,552 | 664,366 | 931,531 | 5,387,190 |
| At 30 September, 2007 | 2,071,886 | 614,961 | 882,214 | 720,671 | 799,032 | 5,088,764 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

The Bank

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

| | Leasehold, land and building | Capital work-in- progress | Furniture, fittings and equipment | Computer software and equipment | Motor vehicles | Total |
|---------------------------------|------------------------------------|---------------------------------|---|---------------------------------------|-------------------|------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Cost | | | | | | |
| Balance, beginning of year | 2,649,456 | 565,646 | 2,395,637 | 2,566,075 | 1,659,475 | 9,836,289 |
| Additions | 107,960 | 192,835 | 632,719 | 312,090 | 410,849 | 1,656,453 |
| Transfers | 391,994 | (481,543) | 38,152 | (20,244) | 71,641 | - |
| Disposals | (181,618) | - | (74,052) | (1,254) | (303,678) | (560,602) |
| End of year | 2,967,792 | 276,938 | 2,992,456 | 2,856,667 | 1,838,287 | 10,932,140 |
| Accumulated depreciation | | | | | | |
| Balance, beginning of year | 582,194 | - | 1,557,506 | 1,852,857 | 979,343 | 4,971,900 |
| Charge for the year | 100,042 | - | 296,465 | 412,953 | 290,284 | 1,099,744 |
| Transfers | 68,949 | - | (7,003) | (64,007) | 2,061 | - |
| Disposals | (14,635) | - | (72,930) | (1,254) | (268,350) | (357,169) |
| End of year | 736,550 | - | 1,774,038 | 2,200,549 | 1,003,338 | 5,714,475 |
| Net book value | | | | | | |
| At 30 September, 2008 | 2,231,242 | 276,938 | 1,218,418 | 656,118 | 834,949 | 5,217,665 |
| At 30 September, 2007 | 2,067,262 | 565,646 | 838,131 | 713,218 | 680,132 | 4,864,389 |

- (a) No leased movable assets are included in fixed assets
- (b) Authorised and contracted capital commitments at the balance sheet date amounted to N14.17 million (2007: N96.29million)

Notes to the Financial Statements (cont'd)

As at 30 September 2008

(b) Equipments on Lease

| | Furniture, Machinery & Equipment | Motor Vehicle | Total |
|----------------------------------|--|------------------|---------|
| | N'000 | N'000 | N'000 |
| Cost: | | | |
| Beginning of year | 119,392 | 57,294 | 176,686 |
| End of year | 119,392 | 57,294 | 176,686 |
| Accumulated Depreciation: | | | |
| Beginning of year | 89,975 | 56,658 | 146,633 |
| Charge for the year | 29,417 | 636 | 30,053 |
| End of year | 119,392 | 57,294 | 176,686 |
| Net Book Value | | | |
| At 30 September, 2008 | - | - | - |
| At 30 September 2007 | 29,417 | 636 | 30,053 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

9. Goodwill

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

| | | | | |
|------------------------------|-------------|-----------|-------------|-----------|
| Balance, beginning of year | 3,081,993 | 4,030,299 | 3,081,993 | 4,030,299 |
| Amortisation during the year | - | (948,306) | - | (948,306) |
| Impairment charge | (3,081,993) | - | (3,081,993) | - |
| Balance, end of year | - | 3,081,993 | - | 3,081,993 |

(b) The transitional guideline in Statement of Accounting Standard 26 on Business Combination requires that goodwill arising from a business combination for which the agreement date was on or before 1 January 2005 be initially recognised as an asset and subsequently tested for impairment periodically.

The directors carried out an impairment test on the balance of the goodwill and the results of the test indicate that the goodwill balance brought forward as at 30 September 2007 is fully impaired and accordingly charged to the profit and loss account as an exceptional charge.

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

10. Deposits and other accounts

Deposits and other accounts comprise:

| | | | | |
|-------------------|--------------------|-------------------|--------------------|--------------------|
| Time | 45,574,248 | 20,759,928 | 50,646,153 | 27,622,200 |
| Savings | 5,691,384 | 4,105,348 | 5,691,384 | 4,105,348 |
| Demand | 112,041,672 | 59,794,089 | 114,783,832 | 60,647,475 |
| Domiciliary | 3,872,290 | 3,899,704 | 3,872,290 | 3,899,704 |
| Interbank takings | 9,736,550 | 10,659,000 | 9,736,550 | 10,659,000 |
| | 176,916,144 | 99,218,069 | 184,730,209 | 106,933,727 |

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

| | | | | |
|----------------|--------------------|-------------------|--------------------|--------------------|
| Under 1 month | 155,597,473 | 93,422,126 | 163,909,747 | 94,880,434 |
| 1-3 months | 10,398,003 | 5,593,345 | 9,661,759 | 5,593,345 |
| 3-6 months | 238,035 | 137,801 | 238,035 | 137,801 |
| 6-12 months | 54,844 | 31,750 | 54,844 | 31,750 |
| Over 12 months | 10,627,789 | 33,047 | 10,865,824 | 6,290,397 |
| | 176,916,144 | 99,218,069 | 184,730,209 | 106,933,727 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group | Group | Bank | Bank |
|---|------------|------------|-----------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| 11. Other liabilities | | | | |
| Other liabilities comprise: | | | | |
| (a) Foreign currency denominated liabilities (see note 1 (d)) | 1,267,626 | 2,373,146 | 1,267,626 | 2,373,146 |
| Borrowings (see (b) below) | 5,418,920 | 1,412,223 | - | - |
| Interest payable | 804,439 | 931,723 | 827,634 | 947,573 |
| Dividend payable | 21,449 | 21,449 | 21,449 | 21,449 |
| Certified cheques | 1,624,289 | 600,108 | 1,624,289 | 600,108 |
| Unearned income | 1,569,369 | 851,997 | 1,569,369 | 850,887 |
| Other credit balances | 2,213,313 | 4,236,166 | 2,093,202 | 3,616,651 |
| Information technology levy | 95,645 | 7,841 | 88,850 | 7,266 |
| Funds under management | 1,556,970 | 1,456,913 | - | - |
| Funds held on behalf of customers | 602,001 | 10,121,376 | - | - |
| Intercompany balances | - | - | 727,850 | 543,077 |
| Other account payable | 8,775,051 | 3,352,390 | 1,083,265 | 2,673,982 |
| Deposit for shares | - | 481 | - | - |
| Funds awaiting remittance | 4,701,268 | 2,574,282 | - | - |
| | 28,650,340 | 27,940,095 | 9,303,534 | 11,634,139 |

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

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

12. Tax payable

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

| | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Balance, beginning of year | 1,326,703 | 1,037,564 | 606,413 | 684,735 |
| Charge for the year (see Note (b)) | 766,656 | 634,529 | 725,283 | 267,068 |
| Payments during the year | (276,072) | (345,390) | (157,352) | (345,390) |
| Reclassification to other liabilities | (66,921) | - | (17,242) | - |
| Balance, end of year | 1,750,366 | 1,326,703 | 1,157,102 | 606,413 |

(b) The corporate income tax charge for the year comprises:

| | | | | |
|--------------------|---------|---------|---------|---------|
| Company income tax | 198,227 | 501,268 | 178,181 | 157,703 |
| Capital gains tax | 477,473 | 104,186 | 477,473 | 80,290 |
| Education tax | 90,956 | 29,075 | 69,629 | 29,075 |
| | 766,656 | 634,529 | 725,283 | 267,068 |

(c) The current income tax charge has been computed using the minimum tax rule (2007: minimum tax rule) due to non-availability of taxable profit arising from utilisation of unrelieved losses brought forward in the current accounting year.

13. Non-controlling interest

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

| | | | | |
|-----------------------------------|----------|----------|---|---|
| Balance, beginning of year | 285,262 | 133,855 | - | - |
| Share of profit for the year | 20,212 | 79,024 | - | - |
| Dividend received | (37,440) | (14,040) | - | - |
| Write back of revaluation reserve | (98,998) | 86,423 | - | - |
| Balance, end of year | 169,036 | 285,262 | - | - |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

14. (a) Deferred tax liability

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

| | | | | |
|----------------------------|----------|--------|---|---|
| Balance, beginning of year | 24,203 | 3,823 | - | - |
| Current year credit | 1,822 | 20,380 | - | - |
| Write back of deferred tax | (10,311) | - | - | - |
| Balance, end of year | 15,714 | 24,203 | - | - |

(b) Deferred tax asset

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

| | | | | |
|--|-----------|---------|-----------|---------|
| Balance, beginning of year | 460,087 | 40,831 | 376,326 | 40,831 |
| Realised from revaluation reserve (see note 19 (e)) | 140,226 | 366,210 | 140,226 | 282,449 |
| Transferred/retired to revaluation reserve (see note 19 (d)) | 1,188,552 | 53,046 | 1,188,552 | 53,046 |
| Reversal during the year | (630,191) | - | (541,288) | - |
| Balance, end of year | 1,158,674 | 460,087 | 1,163,816 | 376,326 |

(c) (i) Analysis of deferred taxation:

| | | | | |
|---------------------------------|-----------|-------------|-----------|-------------|
| Fixed assets | 1,037,050 | 821,592 | 1,050,032 | 840,726 |
| Unrelieved losses | - | 965,368 | - | 886,676 |
| Allowance for doubtful accounts | 218,447 | 128,525 | 210,607 | 128,525 |
| Revaluation gain | (96,823) | (1,479,601) | (96,823) | (1,479,601) |
| | 1,158,674 | 435,884 | 1,163,816 | 376,326 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group | Group | Bank | Bank |
|---------------------------------|-----------|----------|-----------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| (c) (ii) Recognised as follows: | | | | |
| Deferred taxation liabilities | (15,714) | (24,203) | - | - |
| Deferred taxation asset | 1,158,674 | 460,087 | 1,163,816 | 376,326 |
| | 1,142,960 | 435,884 | 1,163,816 | 376,326 |

15. Long-term borrowing represents a USD95,000,000 (N11,073,200,000) facility granted to the Bank by Citi Bank International Plc payable in 3 years commencing October 2008. Interest is payable quarterly at a LIBOR plus a margin of 475 basis point and the principal is due at maturity in September 2011.

16. Share capital

| | | | | |
|---|-------------|------------|-------------|------------|
| (a) Authorised: | | | | |
| 24,000,000,000 Ordinary shares of 50k each (2006: 20,000,000,000 of 50k each) | 12,000,000 | 10,000,000 | 12,000,000 | 10,000,000 |
| Issued and fully-paid: | | | | |
| 12.563 billion Ordinary shares of 50k each (2007: 10.552 billion ordinary shares of 50k each) | 6,281,545 | 5,276,423 | 6,281,545 | 5,276,423 |
| (b) (i) Movement in issued and fully paid share capital | | | | |
| Balance, beginning of year | 5,276,423 | 5,276,423 | 5,276,423 | 5,276,423 |
| Transfer from share premium for share compensation (see (c) below) | 6,658,513 | - | 6,658,513 | - |
| Transfer to share premium from share reconstruction (see (d) below) | (5,653,391) | - | (5,653,391) | 5,276,423 |
| Balance, end of year | 6,281,545 | 5,276,423 | 6,281,545 | 5,276,423 |

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Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|--|------------------------|------------------------|-----------------------|-----------------------|
| (ii) Movement in nominal share capital | | | | |
| Beginning of year | 10,552,846 | 10,552,846 | 10,552,846 | 10,552,846 |
| Issue of compensation shares (see (c) below) | 13,317,026 | - | 13,317,026 | - |
| Eliminated from share reconstruction (see (d) below) | (11,306,782) | - | (11,306,782) | - |
| Balance, end of year | 12,563,090 | 10,552,846 | 12,563,090 | 10,552,846 |

- (c) Effective 31 December 2005, NAL Bank Plc merged with Indo-Nigerian Bank Limited, Magnum Trust Bank Plc, NBM Bank Limited and Trust Bank of Africa Limited through a court sanctioned business combination. Pursuant to the provisions of the scheme of merger document which provides for certain adjustments to the share exchange ratio based on the post merger adjustments to the pre-merger net assets of the legacy banks as at the cut off date of 31 December 2005, the appointed shareholders representatives of the individual legacy banks determined that certain adjustments be made to the net assets and pre-merger share exchange ratio. Consequently additional shares (determined based on the above mentioned adjustments) were issued to the pre-merger shareholders of the legacy banks as follows:

| | Number | % |
|------------------------------|----------------|-----|
| NAL Bank Plc | - | 0 |
| Indo-Nigerian Bank Limited | 3,202,227,556 | 24 |
| Magnum Trust Bank Plc | 3,811,197,567 | 29 |
| NBM Bank Plc | 2,961,347,944 | 22 |
| Trust Bank of Africa Limited | 3,342,253,218 | 25 |
| Total | 13,317,026,285 | 100 |

The Board of Directors of the Bank having duly obtained regulatory approval have issued a total of 13,317,026,285 ordinary shares of 50kobo each as compensation shares with nominal value of N6,658,513,143 to be funded from the existing share premium account of the Bank to the pre-merger shareholders of the legacy banks in line with the terms and provisions of the approved scheme of merger documents of the legacy banks.

Notes to the Financial Statements (cont'd)

As at 30 September 2008

(d) At the Annual General Meeting held on 28 August 2007, the shareholders of the Bank passed a special resolution that the Directors be empowered to reconstruct the Bank's shares as a result of the post merger share adjustments in accordance with the approved scheme of merger on the basis, terms and at a time to be determined by the Directors.

Sequel to the completion of the share compensation adjustments by the shareholders representatives', the Board of Directors having obtained relevant regulatory approval have undertaken a reconstruction of the issued ordinary shares of the Bank by consolidating the issued and fully paid up share capital of 23,869,873,917 Ordinary shares of 50kobo of the Bank into 12,563,091,543 Ordinary shares of 50 kobo each in the ratio of 10 new shares for every existing 19 ordinary shares

The sum of N5,276,423,816 representing the surplus nominal value of the reconstructed shares have been transferred to the share premium account.

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

17. Share premium

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

| | | | | |
|--|-------------|------------|-------------|------------|
| Balance, beginning of year | 13,319,141 | 13,319,141 | 13,319,141 | 13,319,141 |
| Transfer from share premium for share compensation (See 16 (c)) | (6,658,513) | - | (6,658,513) | - |
| Transfer to share premium from share reconstruction (See 16 (d)) | 5,653,391 | - | 5,653,391 | - |
| | 12,314,019 | 13,319,141 | 12,314,019 | 13,319,141 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

18. Share reserve

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

| | | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| Balance, beginning of year | 5,276,423 | 5,276,423 | 5,276,423 | 5,276,423 |
| Balance, end of year | 5,276,423 | 5,276,423 | 5,276,423 | 5,276,423 |

19. Other reserves

(a) Other reserves comprise:

| | | | | |
|--|-----------|-------------|-----------|-------------|
| Statutory reserve (see (b) below) | 3,718,368 | 1,761,422 | 3,718,368 | 1,761,422 |
| Small and Medium Enterprises Equity | | | | |
| Investment Scheme (see (c) below) | 234,503 | 234,503 | 234,503 | 234,503 |
| Revaluation reserve (See (d) below) | 534,092 | 3,455,879 | 534,092 | 3,307,380 |
| Foreign currency revaluation reserve (see (e) below) | 177,821 | 489,203 | 177,821 | 489,203 |
| Capital reserve (see (f) below) | 96,317 | 96,317 | - | - |
| General reserve | 2,638,933 | (1,967,788) | 1702,107 | (2,864,100) |
| Balance, end of the year | 7,400,034 | 4,069,536 | 6,366,891 | 2,928,408 |

(b) The movement on the statutory reserve account during the year was as follows:

| | | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Balance, beginning of year | 1,761,422 | 1,575,225 | 1,761,422 | 1,575,225 |
| Transfer from profit and loss account | 1,956,946 | 186,197 | 1,956,946 | 186,197 |
| Balance, end of year | 3,718,368 | 1,761,422 | 3,718,368 | 1,761,422 |

The transfer was made at the rate of 30% (2007: 30%) of profit after taxation.

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

- (c) The movement in Small and Medium Enterprises Equity Investment Scheme reserve account during the year is as follows;

| | | | | |
|---------------------------------------|---------|---------|---------|---------|
| Balance, beginning of year | 234,503 | 234,503 | 234,503 | 234,503 |
| Transfer from profit and loss account | - | - | - | - |
| Balance, end of year | 234,503 | 234,503 | 234,503 | 234,503 |

The Bank has suspended further appropriation to Small and Medium Enterprises Equity Investment Scheme reserve account in line with the decision of the Bankers Committee and approved by the CBN (2007: Nil)

- (d) The movement on the revaluation reserve during the year was as follows:

| | | | | |
|--|-------------|-------------|-------------|-------------|
| (i) Balance, beginning of year | 4,895,864 | 4,734,790 | 4,747,365 | 4,747,365 |
| Addition during the year | - | 247,497 | - | - |
| Transfer to non-controlling interest (see note 13) | 98,998 | (86,423) | - | - |
| Realised on disposal | (3,961,840) | - | (3,961,840) | - |
| Current year reversal | (247,497) | - | - | - |
| End of year | 785,525 | 4,895,864 | 785,525 | 4,747,365 |
| (ii) Deferred taxation | | | | |
| Balance, beginning of year | (1,439,985) | (1,316,210) | (1,439,985) | (1,316,210) |
| Realised from disposal of investment property (See Note 14(b) above) | 1,188,552 | (176,821) | 1,188,552 | (176,821) |
| Current year reversal | - | 53,046 | - | 53,046 |
| | 251,433 | (1,439,985) | (251,433) | (1,439,985) |
| | 534,092 | 3,455,879 | 534,092 | 3,307,380 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

(e) The movement on foreign exchange reserve during the year was as follows:

| | | | | |
|----------------------------|-----------|----------|-----------|----------|
| Balance, beginning of year | 689,825 | 705,640 | 689,825 | 705,640 |
| Realised during the year | (451,608) | (15,815) | (451,608) | (15,815) |
| | 238,217 | 689,825 | 238,217 | 689,825 |

| | | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| Deferred taxation | | | | |
| Balance, beginning of year | (200,622) | - | (200,622) | - |
| Realised during the year | 140,226 | (200,622) | 140,226 | (200,622) |
| | (60,396) | (200,622) | (60,396) | (200,622) |
| | 177,821 | 489,203 | 177,821 | 489,203 |

(f) The movement on capital reserve during the year was as follows:

| | | | | |
|----------------------------|--------|---------|---|---|
| Balance, beginning of year | 96,317 | 99,543 | - | - |
| Prior year over provision | - | (3,226) | - | - |
| | 96,317 | 96,317 | - | - |

20. Contingent liabilities

(a) These comprise:

| | | | | |
|-----------------------------------|------------|------------|------------|------------|
| Bonds, guarantees and indemnities | 27,598,600 | 8,987,691 | 27,598,600 | 8,987,691 |
| Letters of credit | 12,819,190 | 16,367,581 | 12,819,190 | 16,367,581 |
| Bankers acceptance | 39,749,558 | 26,614,345 | 39,749,558 | 26,614,345 |
| Forward Purchase | 11,012,060 | 2,064,439 | 11,012,060 | 2,064,439 |
| Others | 1,525 | 87,563 | 1,525 | 87,563 |
| | 91,180,933 | 54,121,619 | 91,180,933 | 54,121,619 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

- (b) There are litigation claims against the Group as at 30 September, 2008 amounting to N3.29billion (2007: N3.08billion). These litigation 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. No provisions have been made in these financial statements.

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

21. Interest and discount income

Interest and discount income was derived as follows:

| | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Interest on placements | 1,102,860 | 433,235 | 1,066,192 | 145,422 |
| Interest on short-term investments | 8,877,680 | 3,801,109 | 8,877,680 | 3,939,090 |
| Interest on loans and advances | 11,946,849 | 8,665,180 | 11,756,147 | 8,665,180 |
| | <u>21,927,389</u> | <u>12,899,524</u> | <u>21,700,019</u> | <u>12,749,692</u> |
| Sources: | | | | |
| Lending to financial institutions | 1,102,860 | 433,235 | 1,066,192 | 145,422 |
| Lending to non - bank customers | 11,946,849 | 8,665,180 | 11,756,147 | 8,665,180 |
| Discount income | 8,877,680 | 3,801,109 | 8,877,680 | 3,939,090 |
| | <u>21,927,389</u> | <u>12,899,524</u> | <u>21,700,019</u> | <u>12,749,692</u> |

Included in interest and discount income is an amount of N84.16 million earned from abroad (2007: N13.23 million)

22. Interest expense

Interest expense comprises:

| | | | | |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
| Bank depositors | 9,607,754 | 6,739,783 | 9,824,586 | 5,814,668 |
| Borrowing from non - bank depositors | 632,625 | 4,147 | 632,625 | 873,556 |
| | <u>10,240,379</u> | <u>6,743,930</u> | <u>10,457,211</u> | <u>6,688,224</u> |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

23. Allowance for risk and other assets

(a) Allowance for risk assets comprise

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|--------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Loans and advances | | | | |
| - General allowance | 272,337 | 44,715 | 262,091 | 32,991 |
| - Specific allowance | 2,696,484 | 4,374,049 | 2,696,484 | 4,374,049 |
| - Allowance no longer required | (835,536) | (795,513) | (835,536) | (901,796) |
| | 1,730,077 | 3,623,251 | 1,719,831 | 3,505,244 |
| Advances under finance lease | | | | |
| - General allowance | 13,308 | 9,125 | 11,516 | 6,753 |
| - Specific allowance | - | - | - | - |
| | 13,308 | 9,125 | 11,516 | 6,753 |
| | 2,146,593 | 3,632,376 | 2,134,555 | 3,511,997 |

(b) Allowance on investments and other assets comprise:

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Specific allowance on long term investments | 34,524 | 31,591 | 34,524 | 10,422 |
| Specific allowance on short term investments | - | 14,101 | - | - |
| Specific allowance on other assets (see Note 5 (b)) | 950,544 | 374,919 | 88,137 | 307,285 |
| | 985,068 | 420,611 | 122,661 | 317,707 |
| | 3,131,661 | 4,052,987 | 2,257,216 | 3,829,704 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group | Group | Bank | Bank |
|------------------------------------|-------------------|-------------------|-------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | N'000 | N'000 | N'000 | N'000 |
| 24. Other banking income | | | | |
| This comprises: | | | | |
| Fees | 2,879,636 | 2,195,719 | 2,454,246 | 1,787,468 |
| Foreign exchange earnings | 564,830 | 408,713 | 564,830 | 408,713 |
| Commissions and similar income | 5,771,212 | 5,455,509 | 5,242,160 | 3,560,972 |
| Profit on disposal of investment | 940,910 | 302,017 | 100,001 | 184,913 |
| Profit on disposal of fixed assets | 171,265 | 1,264,506 | 173,070 | 1,263,616 |
| Dividend income from subsidiaries | - | - | 1,670,544 | - |
| Dividend-others | 273,856 | 3,658 | 273,856 | 3,658 |
| Others | 3,293,536 | 908,945 | 294,280 | 695,644 |
| | <u>13,895,245</u> | <u>10,539,067</u> | <u>10,772,987</u> | <u>7,904,984</u> |

25. Supplementary profit and loss account information

(a) General information :

The Bank's profit/(loss) on ordinary activities before taxation for the year has been stated after charging/(crediting) the following:

| | | | | |
|--|-----------|-------------|-------------|-------------|
| Staff costs and directors' costs | 6,187,480 | 4,195,479 | 5,625,420 | 4,124,647 |
| Depreciation on fixed assets | 1,169,103 | 1,002,257 | 1,099,744 | 944,865 |
| Depreciation on equipment on lease | 30,053 | 11,972 | 30,053 | 11,972 |
| Auditors' remuneration | 81,767 | 46,820 | 65,000 | 35,000 |
| Profit on disposal of long term investment | (940,910) | (302,017) | (100,001) | (184,913) |
| Profit on disposal of fixed assets | (171,265) | (1,264,506) | (173,070) | (1,263,616) |
| Investment income | (2,099) | (606,953) | (1,946,499) | (606,953) |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

(b) Analysis of operating expenses

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|--------------------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Wages, salaries & related staff cost | 5,765,354 | 3,788,905 | 5,168,095 | 3,771,832 |
| Pension contribution | 374,750 | 269,404 | 361,331 | 264,153 |
| Director's remuneration and expenses | 47,376 | 137,170 | 95,994 | 88,662 |
| General administrative expenses | 7,160,191 | 3,249,536 | 5,287,200 | 2,483,624 |
| Repairs and maintenance | 921,917 | 459,338 | 957,893 | 459,338 |
| Insurance cost | 729,811 | 654,293 | 727,879 | 654,293 |
| Depreciation on fixed assets | 1,169,103 | 1,002,257 | 1,099,744 | 944,865 |
| Depreciation on equipment on lease | 30,053 | 11,972 | 30,053 | 11,972 |
| Information technology levy | 88,379 | 7,841 | 81,584 | 7,266 |
| Auditors' remuneration | 81,767 | 46,820 | 65,000 | 35,000 |
| Other professional fees | 5,263 | - | - | - |
| Business combination expenses | 264,730 | 264,730 | 264,730 | 264,730 |
| | 16,638,694 | 9,892,266 | 14,139,503 | 8,985,735 |
| Goodwill amortisation (see Note 9) | - | 948,306 | - | 948,306 |
| | 16,638,694 | 10,840,572 | 14,139,503 | 9,934,041 |

(c) Staff and executive directors' costs

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

| | | | | |
|---------------------|-----------|-----------|-----------|-----------|
| Wages and salaries | 5,812,730 | 3,926,075 | 5,264,089 | 3,860,494 |
| Other pension costs | 374,750 | 269,404 | 361,331 | 264,153 |
| | 6,187,480 | 4,195,479 | 5,625,420 | 4,124,647 |

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

| | | | | |
|----------------------|-------|-------|-------|-------|
| Executive directors | 6 | 6 | 4 | 5 |
| Management staff | 94 | 114 | 65 | 91 |
| Non-management staff | 1,440 | 1,326 | 1,384 | 1,279 |
| | 1,540 | 1,446 | 1,453 | 1,375 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

- (iii) Employees other than directors, earning more than N60,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:

| | Group | Group | Bank | Bank |
|---------------------------|--------|--------|--------|--------|
| | 2008 | 2007 | 2008 | 2007 |
| | Number | Number | Number | Number |
| N161,001 - N261,000 | 4 | - | - | - |
| N261,001 - N361,000 | - | 4 | - | 4 |
| N361,001 - N461,000 | 5 | 218 | - | 216 |
| N461,001 - N561,000 | 6 | 10 | - | 10 |
| N561,001 - N661,000 | 209 | 38 | 209 | 26 |
| N661,001 - N761,000 | 12 | 20 | 4 | 20 |
| N761,001 - N861,000 | 80 | - | 76 | - |
| N861,001 - N961,000 | 43 | 4 | 43 | 2 |
| N961,001 - N1,061,000 | 1 | - | - | - |
| N1,061,001 - N1,161,000 | - | 11 | - | 3 |
| N1,161,001 - N1,261,000 | 4 | - | - | - |
| N1,461,001 - N1,561,000 | 14 | 310 | - | 300 |
| N2,061,001 - N2,161,000 | - | - | - | - |
| N2,161,001 - N2,261,000 | 8 | 210 | - | 204 |
| N2,761,001 - N2,861,000 | 307 | - | 307 | - |
| N3,161,001 - N3,261,000 | 9 | 185 | - | 176 |
| N3,361,001 - N3,461,000 | - | 91 | - | 90 |
| N4,061,001 - N4,161,000 | 266 | - | 266 | - |
| N4,161,001 - N4,261,000 | - | 115 | - | 113 |
| N5,061,001 - N5,161,000 | 156 | - | 156 | - |
| N5,161,001 - N5,261,000 | 18 | 86 | - | 68 |
| N5,961,001 - N6,061,000 | 130 | - | 130 | - |
| N6,461,001 - N6,561,000 | - | - | - | - |
| N7,361,001 - N7,461,000 | 68 | - | 68 | - |
| N7,461,001 - N7,561,000 | - | 66 | - | 66 |
| N8,461,001 - N8,561,000 | - | 35 | - | 35 |
| N8,861,001 - N8,961,000 | 72 | - | 72 | - |
| N9,961,001 - N10,061,000 | - | - | - | - |
| N10,761,001 - N10,861,000 | 60 | - | 57 | - |
| N11,000,001 and above | 68 | 37 | 65 | 37 |
| | 1,540 | 1,440 | 1,453 | 1,370 |

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Notes to the Financial Statements (cont'd)

As at 30 September 2008

(d) Directors' remuneration

Directors' remuneration was provided as follows

| | Bank 2008 N'000 | Bank 2007 N'000 |
|------------------------|-----------------------|-----------------------|
| Fees as directors | 16,800 | 19,400 |
| Executive compensation | 71,794 | 64,862 |
| Other emoluments | 7,400 | 4,400 |
| | <u>95,994</u> | <u>88,662</u> |

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

| | | |
|-----------------------|---------------|---------------|
| Chairman | 3,800 | 3,500 |
| Highest paid director | <u>19,765</u> | <u>16,212</u> |

The emoluments of all other directors fell within the following ranges:

| | Bank 2008 Number | Bank 2007 Number |
|---------------------------|------------------------|------------------------|
| Below N1,000,000 | - | - |
| N1,000,000- N5,000,000 | 7 | 8 |
| N10,000,001- N15,000,000 | 3 | 3 |
| N15,000,001 - N20,000,000 | <u>1</u> | <u>1</u> |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

26. Exceptional income represents gain from the disposal of investment properties held by the Bank during the year.

| Group | Group | Bank | Bank |
|-------|-------|-------|-------|
| 2008 | 2007 | 2008 | 2007 |
| N'000 | N'000 | N'000 | N'000 |

27. Taxation

The tax charge for the year comprises:

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Company income tax (see note (12)) | 198,227 | 501,268 | 178,181 | 157,703 |
| Education tax | 90,956 | 104,186 | 69,629 | 80,290 |
| Capital gains tax | 477,473 | 29,075 | 477,473 | 29,075 |
| | 766,656 | 634,529 | 725,283 | 267,068 |
| Movement in deferred taxation (see note 14) | 632,013 | (345,830) | 541,288 | (282,449) |
| | 1,398,669 | 288,699 | 1,266,571 | (15,381) |

28. Earnings per share

Unadjusted earnings per share is based on the profit after taxation and number of ordinary shares outstanding during the year ended 30 September 2008 of 12,563,090,000 (2007: 10,552,846,000).

Adjusted earnings per share is calculated based on the profit after taxation and number of ordinary shares outstanding as 30 September 2008.

29. Net cash flows from operating activities:

This comprises:

| | | | | |
|------------------------|-----------|-----------|-----------|----------|
| Profit after taxation | 6,583,879 | 1,938,009 | 6,523,153 | 620,658 |
| Taxation | 1,398,669 | 288,699 | 1,266,571 | (15,381) |
| Profit before taxation | 7,982,548 | 2,226,708 | 7,789,724 | 605,277 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

| | Group 2008 N'000 | Group 2007 N'000 | Bank 2008 N'000 | Bank 2007 N'000 |
|---|------------------------|------------------------|-----------------------|-----------------------|
| Adjustments to reconcile profit before taxation to net cash flow from operating activities: | | | | |
| Depreciation on fixed assets | 1,169,103 | 1,002,257 | 1,099,744 | 944,865 |
| Depreciation on equipment on lease | 30,053 | 11,972 | 30,053 | 11,972 |
| Allowance for risk asset | 2,146,593 | 3,632,376 | 2,134,555 | 3,511,997 |
| Allowance for investment and other assets | 985,068 | 428,061 | 122,661 | 317,707 |
| Profit on disposal of fixed assets | (171,265) | (1,264,506) | (173,070) | (1,263,616) |
| Gain on disposal of investment properties | (5,615,641) | (302,017) | (4,774,732) | (184,913) |
| Goodwill | 3,081,993 | 948,306 | 3,081,993 | 948,306 |
| Gain on redemption of investment | (140,226) | - | (140,226) | - |
| Amortisation of deferred cost | 264,731 | 264,730 | 264,731 | 264,730 |
| Loss on investment | 69,641 | - | 85,774 | - |
| Write back of investment | (3,996) | - | (3,996) | - |
| Allowances no longer required on other assets | (22,531) | (7,450) | - | - |
| Allowances no longer required on investment | (85,721) | - | (35,704) | - |
| Dividend income | - | - | (1,670,544) | - |
| Gains on disposal of investment | (100,001) | - | (100,001) | - |
| Net cash flow from operating activities before changes in operating assets | 9,590,349 | 6,940,437 | 7,710,962 | 5,156,325 |

30. Changes in operating assets

(Increase)/decrease in operating assets:

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Short-term investments | (7,496,234) | 609,996 | (7,657,360) | 3,316,863 |
| Loans and advances | (21,902,199) | (12,192,446) | (21,952,724) | (10,517,130) |
| Advances under finance lease | (1,146,146) | (651,982) | (1,151,653) | (638,294) |
| Other assets | (4,780,622) | 5,506,892 | (1,836,230) | 222,315 |
| Deposits and other accounts | 77,698,075 | 30,389,303 | 77,796,482 | 31,907,377 |
| Other liabilities | (4,785,905) | 10,933,755 | (2,207,621) | 4,000,125 |
| Net cashflow from operating activities | 37,586,969 | 34,595,518 | 42,990,894 | 28,291,256 |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

31. Intra group transactions

(a) The Bank provides managerial and working capital support to its subsidiary companies. In addition, the subsidiary companies provide the following services to the Group:

- Sterling Capital Market Limited provides financial advisory and portfolio management services to the Group.
- Sterling Insurance Brokers Limited provides insurance brokerage services to the Group
- Sterling Registrars Limited provides security registration and custodial services to the Group.
- Nigerian Stockbrokers Limited provides investment advisory, nominee and stock brokerage services to the Group.
- Sterling Asset Management Limited provides asset management, management services and financial advisory services to the Group.

The Group also acts as the fund manager to the Nigeria Energy Sector Fund and the Frontier Fund and earns a management fees for these services.

(b) Related party transactions

During the year, the Bank granted various credit facilities to companies whose directors are also directors of Sterling Bank Plc at rates and terms comparable to other facilities in the Bank's portfolio. An aggregate of N1,196,756,000 (2007: N598,938,000) was outstanding on these facilities at the end of the year, all of which were classified as performing.

| Name of borrowers | Relationship to Sterling Bank | Date granted | Expiry date | Authorised credit | Outstanding Credit | | Rate of Interest | | Perfected Security | | Charged amounts | Facility types |
|----------------------------|-------------------------------------|--------------|-------------|----------------------|----------------------|----------------|------------------|---|--------------------|-------------------|-----------------|------------------------|
| | | | | | Performing | Non Performing | % | Nature | Value | Date of Valuation | N'000 | |
| | | | | N | N | N'000 | | | | | | |
| Lekki Silver Touch | Mr. Yemi Idowu Director | 16-Dec-07 | 16-Dec-08 | 490,000,000 | 374,924,817 | | 17.5 | Legal Mortgage | 1,600,000 | NIL | 490,000 | Overdraft |
| Touchdown Travels Limited | Mr. Yinka Adeola Director | 23-Jun-08 | 23-Jun-08 | 350,000,000 | 301,829,174 | | 17 | Equitable Mortgage | | NIL | | Term Loan/Overdraft |
| Adeola, Rilwan Adebayo | Mr. Yinka Adeola Director | 22-Sep-08 | 21-Sep-08 | 312,000,000 | 310,870,670 | | 19 | Legal Mortgage, Personal Gtee | | NIL | | Mortgage/Personal Loan |
| Fareast Mercantile Co. Ltd | Mr. Yemi Idowu Director | 9-Sep-07 | 10-Nov-08 | 300,000,000 | 80,414,933 | | 13.5 | Debenture on Fixed & Floating Assets of the Company | 14,942,000 | NIL | | Overdraft |
| Academy Press Plc | Mr. Biodun Dabiri Director | 21-Sep-08 | 21 Oct-08 | 50,000,000 | 47,938,941 | | 18 | Debenture on Fixed & Floating Assets of the Company | 620,000 | NIL | | Overdraft |
| Monsoon Food Company | Alhaji (Dr.) S.A. Adegunwa Director | 25-Aug-08 | 24-Aug-09 | 2,775,000 | 2,574,220 | | 19 | Bill of Sales | 18,111,900 | NIL | | Finance Lease |
| Lateef Adegunwa | Alhaji (Dr.) S.A. Adegunwa Director | 10-Sep-08 | 9 Dec-08 | 10,000,000 | 27,815 | | 20 | Legal Mortgage | 12,395 | NIL | | Overdraft |
| Lykarock Nigeria Limited | Alh. Aliyu Alkali | 31-Jul-08 | 29 Oct-08 | 8,500,000 | 7,739,686 | | 19 | Tripartite Legal Mortgage | | NIL | | Overdraft |
| UTC Nigeria Plc | Mr. Yinka Adeola Director | 17-Sep-08 | 17 Oct-08 | 350,000,000 | 9,492,904 | | 18 | Legal Mortgage | 623,600 | NIL | | Term Loan |
| Century Exports Limited | Mr. Yemi Idowu Director | 24-Sep-07 | 13 Oct-08 | 75,000,000 | 9,868,679 | | 17 | Debenture on Fixed & Floating Assets of the Company | 81,500 | NIL | | Overdraft |
| Eterna Oil and Gas Plc | Mr. Yinka Adeola Director | 24-Sep-08 | 22 Jan-09 | 500,000,000 | 51,074,416 | | 18 | Equitable Mortgage Floating Assets of the Company | | NIL | | Trade Facility Finance |
| TOTAL | | | | 2,448,275,000 | 1,196,756,255 | | | | 35,991,395 | | 490,000 | |

Notes to the Financial Statements (cont'd)

As at 30 September 2008

32. Contraventions

Contraventions of the Bank and Other Financial Institutions Act of Nigeria (BOFIA). The Bank contravened the following provisions of BOFIA during the year:

| CBN circular | Nature of contraventions | Penalties N'000 |
|---|--|--------------------|
| S.24 (1) & (2) and 28 (1) BOFIA | Rendering incorrect returns | 2,000 |
| TED/FEMO/STRB.06/VOL.1/02 | Use of unconfirmed LCs for import | 2,000 |
| FOREX MANUAL AND 2006 MONETARY POLICY | Late repatriation of Interest earned on LC | 2,000 |
| ECD/AD/122/87 AUGUST 7TH 1987 | Failure to report customer who defaulted in submission of foreign exchange documents | 2,500 |
| ANTI-MONEY LAUNDRING CONTROL | Non rendition of NDLEA returns | 2,000 |
| BED/DO/CIR/VOL I/II MARCH 20TH 1995 | Non disclosure of minimum information on credit print-out | 2,500 |
| S.27 (1) (b) BOFIA 1991 | Failure to display audited accounts in the bank's offices | 500 |
| TED/AD/97/99 DECEMBER 7TH 1999 | Failure to report some customer for non-repatriation of export proceeds | 500 |
| Article 34(f) (ii) UCP | Letters of credit with insurance cover below 110% | 500 |
| S.27 (4) NDIC ACT OF 2006 | Misrepresentation of information | 500 |
| CBN FOREIGN EXCHANGE MANUAL MEMORANDUM 9(i) OF SEPTEMBER 2006 | Selling BTA & PTA in excess of maximum amounts and at more than approved number of times | 500 |
| S.3(1) ANTI-MONEY LAUNDERING (PROHIBITION) 12 ACT OF 2004 | Opening accounts for customers with inadequate documentation | 500 |
| S.(9)(1b) ANTI-MONEY LAUNDERING 13(PROHIBITION) ACT OF 2004 | Non-training of staff on money laundering | 500 |
| BSD/DO/23/VOL.1.11 NOVEMBER 7TH 1990 | Failure to conduct quarterly review and classification of all credit in line with the requirement of prudential guidelines | 500 |
| | | <u>17,000</u> |

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Notes to the Financial Statements (cont'd)

As at 30 September 2008

33. Proposed dividend

On 4 December 2008, the board of directors, in pursuant to the power vested in it by the provision of section 379 of the Companies and Allied Matters Act of Nigeria, proposed a dividend of 10 kobo per share from general reserve as at 30 September 2008 on the issued share capital of 12,563,091,543 shares of 50 kobo each subject to declaration by the shareholders at the next annual general meeting.

34. Segment reporting

Segment information is presented in respect of the Group's business segments which represents the primary segment reporting format and is based on the Group's management and reporting structure.

The Group's business reporting information comprises:

| | Corporate Banking | Treasury | Retail and Com Banking | Investment Banking | Asset Management | Insurance Brokerage | Registrars | Stock Broking | Total |
|-------------------------------------|----------------------|-------------|---------------------------|-----------------------|---------------------|------------------------|-------------|------------------|--------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Revenue | 5,737,028 | 3,588,359 | 21,676,451 | 2,571,275 | 1,484,197 | 89,826 | 314,291 | 839,116 | 36,300,5543 |
| Interest expense | (554,797) | (1,352,310) | (7,921,707) | - | (254,853) | - | - | (156,712) | (10,240,379) |
| | 5,182,231 | 2,236,049 | 13,754,744 | 2,571,275 | 1,229,344 | 89,826 | 314,291 | 682,404 | 26,060,164 |
| Expenses | | | | | | | | | |
| Allowance for risk and other assets | (200,819) | (172,351) | (1,884,046) | (850,848) | (23,597) | - | - | - | (3,131,661) |
| Other operating expenses | (1,676,843) | (479,072) | (10,960,782) | (1,279,619) | (399,314) | (73,110) | (80,303) | (490,495) | (15,439,538) |
| Depreciation | (129,797) | (493,000) | (507,000) | (28,495) | (13,770) | (3,802) | (11,046) | (12,246) | (1,199,156) |
| | (2,007,459) | (1,194,423) | (13,351,828) | (2,158,962) | (430,681) | (76,912) | (91,349) | (502,741) | (19,770,355) |
| Exceptional income | - | - | 4,774,732 | - | - | - | - | - | 4,774,732 |
| Exceptional charge | - | - | (3,081,993) | - | - | - | - | - | (3,081,993) |
| Profit before taxation | 3,304,569 | 1,584,626 | 2,602,655 | 440,808 | 806,433 | 16,716 | 233,988 | 191,909 | 7,982,548 |
| Assets and liabilities | | | | | | | | | |
| Total assets | 55,243,257 | 98,592,517 | 77,898,287 | 7,148,264 | 8,801,611 | 464,989 | 672,052 | 1,025,844 | 249,846,821 |
| Total liabilities | 30,383,534 | 56,837,281 | 108,951,820 | 6,526,299 | 7,477,155 | 373,971 | 5,038,025 | 2,817,679 | 218,405,764 |
| Total assets | 24,859,723 | 41,755,236 | (30,053,533) | 621,965 | 1,324,456 | 91,018 | (4,365,973) | (1,791,835) | 31,441,057 |

Statement of Value Added

As at 30 September 2008

| | 2008 | | 2007 | |
|--|--------------|-----|-------------|-----|
| | N'000 | % | N'000 | % |
| GROUP | | | | |
| Gross earnings | 36,300,543 | | 23,864,197 | |
| Interest expense | (10,240,379) | | (6,743,930) | |
| | 26,060,164 | | 17,120,267 | |
| Exceptional income | 4,774,732 | | - | |
| Exceptional charge | (3,081,993) | | - | |
| Bought-in-materials and services -Local | (9,252,058) | | (5,630,864) | |
| Provision for risk and other assets | (3,131,661) | | (4,052,987) | |
| Value added | 15,369,184 | 100 | 7,436,416 | 100 |
| Applied to pay: | | | | |
| Employee as wages, salaries and pensions | 6,187,480 | 40 | 4,195,479 | 56 |
| Government taxes | 1,398,669 | 9 | 288,699 | 4 |
| Retained in business: | | | | |
| Depreciation on fixed assets | 1,169,103 | 8 | 1,002,257 | 14 |
| Depreciation on equipment on lease | 30,053 | - | 11,972 | - |
| Profit for the year including statutory reserves | 6,583,879 | 43 | 1,938,009 | 26 |
| | 15,369,184 | 100 | 7,436,416 | 100 |

Statement of Value Added (cont'd)

As at 30 September 2008

| | 2008 | | 2007 | |
|--|--------------|-----|-------------|-----|
| | N'000 | % | N'000 | % |
| BANK: | | | | |
| Gross earnings | 32,950,915 | | 21,057,246 | |
| Interest expense | (10,457,211) | | (6,688,224) | |
| | 22,493,704 | | 14,369,022 | |
| Exceptional income | 4,774,732 | | - | |
| Exceptional charge | (3,081,993) | | - | |
| Bought-in-materials and services -local | (7,384,286) | | (4,852,557) | |
| Provision for risk and other assets | (2,257,216) | | (3,829,704) | |
| Value added | 14,544,941 | 100 | 5,686,761 | 100 |
| Applied to pay: | | | | |
| Employee as wages, salaries and pensions | 5,625,420 | 38 | 4,124,647 | 72 |
| Government taxes | 1,266,571 | 9 | (15,381) | - |
| Retained in business: | | | | |
| Depreciation on fixed assets | 1,099,744 | 8 | 944,865 | 17 |
| Depreciation on equipment on lease | 30,053 | | 11,972 | - |
| Profit for the year including statutory reserves | 6,523,153 | 45 | 620,658 | 11 |
| | 14,544,941 | 100 | 5,686,761 | 100 |

Five year Financial summary

For the year ended 30 September 2008

| | 30 Sep 2008 N'000 | 30 Sep 2007 N'000 | 30 Sep 2006 N'000 | 29 Dec 2005 N'000 | 30 Jun 2005 N'000 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| BANK: | | | | | |
| ASSETS | | | | | |
| Cash and short-term funds | 96,997,408 | 44,633,790 | 22,639,039 | 5,003,948 | 4,430,560 |
| Short-term investments | 21,378,831 | 13,721,471 | 17,038,334 | 12,175 | 1,099,394 |
| Loans and advances | 65,787,520 | 45,957,835 | 38,945,949 | 1,722,851 | 305,813 |
| Advances under finance lease | 3,362,144 | 2,222,007 | 1,590,466 | 989,887 | 502,749 |
| Other assets | 9,207,117 | 4,760,856 | 5,555,186 | 5,661,262 | 15,114,624 |
| Long-term investments | 31,683,741 | 5,602,394 | 6,877,448 | 222,489 | 385,129 |
| Investment property | 154,276 | 19,173,155 | 4,137,000 | 1,737,456 | 17,645,037 |
| Investment in subsidiary | 1,550,405 | 1,550,405 | 1,550,405 | 1,728,677 | 2,357,531 |
| Deferred tax asset | 1,163,816 | 376,326 | 40,831 | 204,093 | 157,293 |
| Fixed Assets | 5,217,665 | 4,864,389 | 7,217,445 | 2,152,451 | 2,124,684 |
| Equipment on lease | - | 30,053 | 42,025 | - | - |
| Goodwill | - | 3,081,993 | 4,030,299 | - | - |
| TOTAL ASSETS | 236,502,923 | 145,974,674 | 109,664,427 | 19,435,289 | 44,122,814 |
| LIABILITIES | | | | | |
| Deposits and other accounts | 184,730,209 | 106,933,727 | 75,026,350 | 12,379,926 | 17,746,570 |
| Other liabilities | 9,303,534 | 11,634,139 | 7,634,014 | 3,633,951 | 20,292,808 |
| Other facilities | 11,073,200 | - | - | - | - |
| Deposits for shares | - | - | - | - | - |
| Taxation payable | 1,157,102 | 606,413 | 684,735 | 168,446 | 100,568 |
| Deferred tax liability | - | - | - | 286,240 | - |
| Dividend payable | - | - | - | - | 20,904 |
| TOTAL LIABILITIES | 206,264,045 | 119,174,279 | 83,345,099 | 16,468,563 | 38,160,850 |
| NET ASSETS | 30,238,878 | 26,800,395 | 26,319,328 | 2,966,726 | 5,961,964 |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 6,281,545 | 5,276,423 | 5,276,423 | 2,386,986 | 1,873,254 |
| Share premium | 12,314,019 | 13,319,141 | 13,319,141 | 1,886,937 | 569,484 |
| Share reserve | 5,276,423 | 5,276,423 | 5,276,423 | - | - |
| Other (Deficit)/ Reserves | 6,366,891 | 2,928,408 | 2,447,341 | (1,307,197) | 3,336,482 |

Five year Financial summary (cont'd)

For the year ended 30 September 2008

| | 30 Sep 2008 N'000 | 30 Sep 2007 N'000 | 30 Sep 2006 N'000 | 29 Dec 2005 N'000 | 30 Jun 2005 N'000 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| SHAREHOLDERS' FUNDS | 30,238,878 | 26,800,395 | 26,319,328 | 2,966,726 | 5,779,220 |
| Other Commitments and Contingents | 91,180,933 | 54,121,619 | 32,437,199 | 9,991,073 | 5,751,977 |
| PROFIT AND LOSS ACCOUNT | | | | | |
| Gross earnings | 32,950,915 | 21,057,246 | 12,444,596 | 1,611,280 | 5,486,630 |
| Profit(Loss)/ before tax | 7,789,724 | 605,277 | 429,357 | (4,968,377) | 298,554 |
| Taxation | (1,266,571) | 15,381 | 532,288 | 147,819 | (121,709) |
| Profit(Loss)/ after tax | 6,523,153 | 620,658 | 961,645 | (4,820,558) | 176,845 |
| GROUP: FINANCED BY | | | | | |
| Share Capital | 6,281,545 | 5,276,423 | 5,276,423 | 2,386,986 | 1,873,254 |
| Reserves | 24,990,476 | 22,665,100 | 20,773,818 | 246,546 | 4,128,388 |
| Deposits | 176,916,144 | 99,218,069 | 68,945,862 | 12,315,216 | 17,186,620 |
| Other Liabilities | 28,843,736 | 27,809,404 | 10,527,029 | 4,998,704 | 21,366,298 |
| Long-term borrowing | 11,073,200 | - | - | - | - |
| Deposits for Shares | - | 481 | 5,880 | - | - |
| Funds under management | 1,556,970 | 1,456,913 | 6,098,771 | 1,006,946 | 439,446 |
| Deferred taxation | 15,714 | 24,203 | 3,823 | 286,240 | 182,744 |
| Non-controlling interest | 169,036 | 285,262 | 133,855 | 101,158 | 75,904 |
| Total Assets | 249,846,821 | 156,735,855 | 111,765,461 | 21,341,796 | 45,252,654 |
| PROFIT AND LOSS ACCOUNT | | | | | |
| Gross earnings | 36,300,543 | 23,864,197 | 12,857,675 | 1,823,659 | 5,942,609 |
| Profit(Loss)/ before tax | 7,982,545 | 2,226,708 | 728,181 | (5,593,599) | 337,101 |
| Taxation | (1,398,609) | (288,699) | 345,601 | 191,603 | (172,302) |
| Profit(Loss)/ after taxation | 6,583,879 | 1,938,009 | 1,073,782 | (5,406,450) | 164,799 |
| Non-controlling Interest | (20,212) | (64,984) | (20,122) | (4,454) | (31,222) |
| Profit/(Loss) attributable to the group | 6,563,667 | 1,873,025 | 1,053,660 | (5,410,904) | 133,577 |

2008 Annual Report & Accounts



Branch **Network**

Subsidiaries and Affiliates

- **Sterling Capital Markets Limited**

Contact Details:
Plot 1B, Frajend Close,
Osborne Foreshore Estate,
Ikoyi, Lagos.
Telephone: 2802226, 2802227, 7403066
Managing Director:

Emmanuel Ajayi

- **Sterling Asset Management & Trustees Limited**

Contact Details:
1703A, Adetokunbo Ademola Street,
Victoria Island, Lagos.
Telephone: 2702352, 4620361, and 4620362
Managing Director:

Segun Oluyori

- **Sterling Registrars Limited**

Contact Details:
Akuro House (8th Floor),
24 Campbell Street,
P.M.B. 12735, Lagos.
Telephone: 2635607
Fax: 2646582
Managing Director:

Gboyega Babalola

- **Nigerian Stockbrokers Limited**

Contact Details:
Akuro House (6th Floor),
24 Campbell Street, Lagos
Telephone: 2635539, 2715754, 2630567-8
Managing Director:

Olatubosun Adekoya

- **SBG Insurance Brokers Limited**

Contact Details:
1703A, Adetokunbo Ademola Street,
Victoria Island, Lagos
Telephone: 2709550
Managing Director:

Sammy Dalmeida

- **Safe trust Savings & Loans Limited**

Contact Details: 18 Keffi Street,
Ikoyi, Lagos.
Telephone: 2691443, 2704863-64
Managing Director:

Yinka Adeola

- **Crusader Sterling Pensions Limited**

Contact Details:
ICON House (4th Floor),
Idejo Street, Off Adeola Odeku,
Victoria Island, Lagos
Telephone: 2713800-4
Managing Director:

Niyi Falade

Branch Network

| Branch | Address | Telephone |
|-------------------|--|--|
| LAGOS AREA | | |
| Apapa | 13/15, Wharf Road, Apapa | 01-5455581-4 |
| Apapa | Nnewi Building, 1-3 Creek Road Apapa | 01-5871042 5871039 |
| Apapa | 26, Creek Road, Apapa, Lagos | 01-5871829, 5871034, 7749434, 5871831 |
| Apapa | 17 Commercial Road, Apapa | 01-2707805-9 |
| ASPAMDA | Zone B, Restaurant 6, ASPAMDA Shopping Plaza, Trade Fair Complex | 01-3208498 |
| BBA | Nikko Best Plaza, BBA, Trade Fair Complex Lagos | 01-3206447-8, 3206450 |
| Berger | Mile 2 - Apapa Express Way | 01-5871990/5, 4801699, 4726534, 4712279 |
| Broad Street | Bookshop House, Odunlami Street, Lagos | 01-2645728-30, 7928426 |
| Daleko | Plot 8, Block E, Daleko Market | 01-4527100, 4527012, 4544688 |
| Dopemu | 3/4 Bayo Ayeni Street, Aluminium Village, Dopemu Agege | 01-7748136, 4972885 |
| Dopemu | 32, Shasha Road, Dopemu, Agege | 01-7910408 |
| Ibbru-Jetty | 7, Ibbru- Jetty Complex, Ibafon, Apapa | 01-5872532 |
| Iddo | Railway Terminus, Ebute Metta, Lagos | 01-5454210-1, 4705843 |
| Idimu | 294, Idimu Road, Isheri, Idimu, Lagos | 01-7746096, 2883049, 4731606 |
| Idumagbo | 24, Idumagbo Avenue, Lagos | 01-2666078, 2641688, 8046712, 08033048242 |
| Idumota | 105, Enu Owa Street, Idumota Lagos | 01-2666979, 2663076, 8911414, 8911417 |
| Ifako | 102, Iju Road, Ifako, Lagos | 01-8043416, 4719713, 4926373 |
| Igbosere | 198, Igbosere Road, Lagos | 01-2631234, 2645731-2 |
| Ikeja | 104, Obafemi Awolowo Way, Ikeja, Lagos | 01-4971438/9, 4939603, 7754396 |
| Ikeja | Adebola House, 38, Opebi Road, Opebi, Lagos | 01-2220103-5, 7910408, 7922869 |
| Ikeja | No 51, Allen Avenue, Ikeja, Lagos | 01-2701781-4 |
| Ikeja | 68 Opebi Road, Ikeja | 01-2707917-20 |
| Ikeja | Plot 2, Oba Akran Avenue, Ikeja | 01-7918202, 7918207 |
| Ikeja | 9, Aromire Street, Ikeja, Lagos | 01-4968500-2, 4743358, 8942446, 2710894 |
| Ikorodu | 43, Lagos Road, Ikorodu | 01-7301075, 8123528 |
| Ikoyi | 228A, Awolowo Road, Ikoyi, Lagos | 01-2694954, 7738213 |
| Ikota | Shop 14/15, Block F, Ikota Shopping Complex | 01-4610941 - 2 |
| Ilupeju | Akintola Williams, Dellite Building, 226, Ikorodu Road, Ilupeju | 01-4930688-90, 7746096, 7910407 |
| Ipaja | 109, Lagos-Abeokuta Expressway, Bamgbole House, Iyana Ipaja, Lagos | 01-8042940, 4923807, 4923601 |
| LASU | Lagos State University, Ojo | 01-7300746, 2121035 |
| Lekki | Bakky Plaza, By Agungi Bus Stop, Lekki-Epe Expressway, Lagos | 01-2635843, 2647601 |
| Marina | Sterling Towers, 20, Marina, Lagos | 01-2644057, 2642794, 8044151, 7754051, 2635126 |
| Martins | 49, Martins Street, Lagos | 01-4821923, 4523363, 4523361 |
| Matori | 26, Fatai Atere Way, Matori Ind. Estate | 01-4528272, 523008, 7242604 |
| Ojuwoje | 9, Dada Iyalode Street, Ojuwoye, Mushin, Lagos | 01-2669383, 4710734, 7754254 |
| Oke-Arin | 37B, John Street, Oke Arin Shopping Complex, Lagos | 01-2635621 |
| Sura (Lagos) | Block 11, Suite 3, Sura Shopping Complex, Simpson Street | 01-2701908 |
| Surulere | 141, Ogunlana Drive, Surulere | 01-5455778, 4703734, 8147853 |
| Tin Can | 19, Tin Can Road, Tin Can, Apapa | 01-2702540-3 |
| V/Island | Plot 300, Adeola Odeku, Victoria Island | |

Branch Network (cont'd)

| Branch | Address | Telephone |
|--------------------|--|---------------------------------------|
| Victoria Island | Plot 1703 Adetokunbo Ademola Street, Victoria Island | 01-2709550, 4619293-5 |
| Victoria Island | 42, Adeola Hopewell Street, Victoria Island | 01-4617215 |
| Victoria Island | 30, Adetokunbo Ademola Street, Victoria Island | 01-2625538-41, 7922869, 4616946-7 |
| Willoughby | 28, Willoughby Street, Ebute-Metta, Lagos | 01-7745109, 8944626, 4700654 |
| Yaba | 260/262, Herbert Macaulay Road, Yaba | 01-4178573, 7402589, 8123762 |
| SOUTH-WEST | | |
| Abeokuta | OPIC Round About, Oke-Ilewo, Abeokuta | 039- 771143 |
| Akure | 142, Oyemekun Road, Akure, Ondo State | 034-243427 |
| Ibadan | 55A, Iwo Road, Ibadan, Oyo State | 02-8106158, 8106075, 8106096 |
| Ibadan | 3, Obafemi Awolowo Road, J Allen, Dugbe | 02-2412210, 2412609, 2412977 |
| Ilorin | 11, Murtala Mohammed Way, Ilorin Kwara State | 031- 228119, 2121205, 228127, 2121191 |
| Iwo | Bowen University, Iwo Osun State | 02- 8106096 |
| Ore | 82, Ondo Road, Ore, Ondo State | 08053015343 |
| Oshogbo | Gbogan/Oshogbo Road, Osun State | 035-214828, 07085763294 |
| Ota | 64, Idiroko Road, Ota, Ogun State | 039-721477-78, 721466-67 |
| SOUTH-EAST | | |
| Aba | Plot 3, Eziukwu Road, Aba, Abia State | 082-227438, 226587, 226950 |
| Enugu | 2A, Market Road, Ogui, Enugu | 046- 2253769, 2253639 |
| Onitsha | 41, New Market Street, Onitsha | 046-214660, 215800, 214767 |
| Onitsha | 34, Port Harcourt Road, Fegge, Onitsha | 046-217837-8, 487205 |
| Onitsha | 3, Onitsha/Owerri Road, Onitsha | 048-888403, 213707 |
| Onitsha | 24, New Market Road, Onitsha | 07028471803 |
| Owerri | 71, Douglas Road, Owerri, Imo State | 083-230363, 232522, 231804 |
| Uyo | 52, Oron Road, Uyo, Akwa-Ibom State | 085- 203030, 203027, 203022 |
| SOUTH-SOUTH | | |
| Asaba | Umuagu Quarters, 180, Nnebisi Road, Asaba | 07028471872 |
| Benin City | 29, James Watt Road, Benin City | 052-250426, 250508, 251091 |
| Calabar | 105, Murtala Mohammed Highway, Calabar | 087- 239728, 239727, 660649 |
| P/Harcourt | Plot 13, Trans Amadi Industrial Layout, P/Harcourt | 084-461183, 239004, 07028471862 |
| P/Harcourt | Plot A-A1, Trans Amadi Ind. Layout P/Harcourt | 084-237925-7, 234629 |
| P/Harcourt | 4B, Olu Obasanjo Road, P/Harcourt | 084-235478, 234221 |
| P/Harcourt | Plot 142B, Woji Road, GRA Phase II, P/Harcourt | 084-238764, 238682 |
| P/Harcourt | University of Port Harcourt Teaching Hospital | 084- 744504 |
| Warri | Odibo Housing Estate, Warri-Effurun Road, Warri | 053-252260, 07028073735 |
| Yenagoa | 268, Mbiama/Yenagoa Road, Yenagoa, Bayelsa State | 089-490979, 490498 |
| ABUJA | | |
| Abuja | Plot 450, Kontagora Close, Off Tafawa Balewa Way, Area 3, Garki, Abuja | 09-2347401-4 |
| Abuja | 16, Samuel Ladoke Akintola Boulevard, Garki 2, Abuja | 09-2343454, 6717445, 6717446 |

Branch Network (cont'd)

| Branch | Address | Telephone |
|------------------|---|--|
| Abuja | Plot 990, Sterling Boulevard, Central Business District Wuse 2, Abuja | 09-2341852, 2341854, 6703345 |
| Abuja | Plot 700, Seda Close, Off Tafawa Balewa Way, Area 8, Garki, Abuja | 09-2343830-1, 2341461, 2342274 |
| Abuja | National Assembly Complex, Abuja | 09-2340510 |
| Abuja | 5, Adetokunbo Ademola Crescent, Wuse 1, Abuja | 09-5242001-4 |
| KANO | | |
| Kano | 10-12, Lagos Street, Off Sanni Abacha Way, Kano | 064-647295, 637420-1 |
| Kano | 110, Murtala Mohammed Way, Kano | 064-630836-7, 631274 |
| Kano | 20, Unity Road, Kano | 064-613209, 631227, 6131230 |
| Kano | Kofan Ruwa Market, Kano | 07028472283, 07028471772 |
| Kano | Bayero University Cash Centre | 07028472695, 07028471771 |
| Kano | Gidan Goldie, 2B, Niger Street, Kano | 064- 208137, 208141 |
| DUTSE | | |
| Dutse | Kiyawa Road, Opposite Oando Filling Station, Dutse, Jigawa State | 064- 721205, 721591, 721249 |
| KADUNA | | |
| Kaduna | 9, Ali Akilu Road, Kaduna | 062-244176, 243667 |
| Kaduna | 236, Kachia Road, Kaduna South LGA | 062- 231151, 231152, 231153 |
| MAIDUGURI | | |
| Maiduguri | 39, Sir Kashim Ibrahim Road, Opposite Ramat Shopping Complex | 07028472636, 07028472670 076 - 236809 |
| KATSINA | | |
| Katsina | 3, IBB Way, Kofar Kaura, Katsina | |
| ZAMFARA | | |
| Gusau | Zaria Road, Gusau, Zamfara State | |
| PLATEAU | | |
| Jos | 32, Rwang Pam Street, Off Tafawa Balewa/Ahmadu Bello Way, Jos | 073- 459994, 07085134887 |
| BAUCHI | | |
| Bauchi | Yakubun Bauchi Road, Beside Central Bank of Nigeria, Bauchi State | 08023096395, 08039672140 |
| SOKOTO | | |
| Sokoto | Central Business District, 6, Ahmadu Bello Way, Sokoto State. | 060- 238733, 238731 |

Proxy Form



I/We, being a member of Sterling Bank Plc hereby appoint or failing him Alhaji (Dr) S. A. Adegunwa, OFR, or failing him Mr. Yemi Adeola to act as my proxy, to vote for me and on my behalf at the Annual General Meeting of the Bank to be held on Thursday, 26th February, 2009 at Dankani Guest Palace Hotels, No. 1A, Kalambaina Road, Sokoto, Sokoto State at 11.00 a.m. and at every adjournment thereof. As witness under my hand this day of 2009.

| S/N | ORDINARY BUSINESS | FOR | AGAINST |
|-----|--|-----|---------|
| 1. | To approve Audited Accounts | | |
| 2. | To declare a Dividend | | |
| 3. | To elect and re-elect Directors | | |
| 4. | To approve the remuneration of the Directors | | |
| 5. | To authorize 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 or her discretion.



ADMISSION CARD

Please admit the shareholder named on this card or his duly appointed proxy to the Annual General Meeting of the Bank to be held on Thursday, the 26th day of February, 2009 at Dankani Guest Palace Hotels, No. 1A, Kalambaina Road, Sokoto, Sokoto State at 11.00 a.m.
This Admission Card must be produced by the Shareholder in order to obtain entrance to the Annual General Meeting.

Name of Shareholder

Name of Proxy

Signature

Address of Shareholder

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