Standard Chartered
Here for good

Leading the way
in Africa, Asia and the Middle East

What's inside this report

Chairman's statement

Consistent strategy

Chief (Dr.) Joseph Oladele Sanusi, CON
Chairman

"Our performance reflects the continued success of our business model and the significant progress we have made on our strategic initiatives. It is a reflection of a proven and sustainable business strategy reinforced by good governance oversight, a resilient operating model and a strong management capability."

Key highlights

Profit before tax

N21.68 bn

2011: N13.80 bn

Operating income

N39 bn

2011: N31 bn

I am delighted to report that Standard Chartered Bank Nigeria Limited delivered another year of excellent financial performance in 2012 despite the challenging operating environment. The year was characterized by macroeconomic volatility and economic uncertainty. Regardless of these, our performance continues to demonstrate that we are in the right segments, with the right strategy, and have the right leadership in place to deliver consistent value for our stakeholders.

- Profit before tax increased by 27% to NGN21.68 billion
- Total Assets rose 36% to NGN434.06 billion
- Earnings per share increased by 28% to 638 kobo
- Return on Assets (pre-tax) of 5% and Return on Equity (average) of 26.53 % - impressive outcomes within the industry.
- Operating income increased by an impressive 26% from NGN31billion to NGN39 billion.

Global Economy

Global sentiment has improved. There is undoubtedly more momentum in markets and more confidence in businesses. However, the underlying problems of the weaker euro zone countries have not gone away. The United States (US) fiscal cliff has been moved, not scaled. Unemployment levels, particularly for the young, remain shockingly high in many parts of the world and the unconventional monetary policies of central banks have taken the finance industry into uncharted territory. The risks of inflation and currency volatility should not be underestimated.

Standard Chartered's markets in Asia, Africa and the Middle East are not immune. Slower growth or shocks in the West will undoubtedly affect them, but there continues to be a clear gap between the growth in the bank's markets and growth in the West. Gross Domestic Product GDP growth in the US is forecast at 2.3% for 2013, and the eurozone at 0.2%, contrasting with China at 8.3%, Nigeria at 6.6 per cent and Indonesia at 6.5 per cent. Even India, for all its challenges, will grow at multiples of the West.

The underlying drivers of growth in the emerging world which include industrialization, urbanization and demographics, remain extraordinarily powerful. We have seen strong growth in intra-regional trade and investment across our markets. For example, from 2000 until 2011, Africa's trade with India

increased by a Compound Annual Growth Rate (CAGR) of 25 per cent. We are also seeing the emergence of vast numbers of middle class consumers, and the scale is staggering: 28% of the world's middle class lived in Asia in 2009; by 2030 it may be up to 66%.

Operating Environment – Nigeria

The growth of the Nigerian Economy as measured by the real Gross Domestic Product (GDP) in the last few years has been impressive. With a GDP growth rate of 6.6% in 2012, the Nigerian economy is among the fastest growing economies in the world despite the nation's infrastructural challenges.

This growth has been driven principally by the non-oil sector of the economy. While the country's GDP has consistently increased in the last few years, it decreased marginally in 2012 as a result of some decline recorded in Agriculture, Wholesale and Retail Trade, Telecommunications, Crude Oil Production and the Natural Gas sectors of the economy. The slowdown experienced last year was a combination of a number of factors which include: the security challenges in the country which affected farming activities and movement of goods in the Northern part of the country, vandalism, theft and shortage of petroleum products; and the flooding in some parts of the nation.

Agriculture remained the largest sector of the Nigerian economy by GDP, accounting for 33.7%, followed by services which contributed 31.8%. The third largest sector was Crude Oil, Gas and Solid Minerals which accounted for 19.6% of GDP.

Although there was a slowdown of GDP growth in 2012, we expect this will experience a positive difference in 2013 on account of a number of positive factors in the economy.

We expect the non-oil sector contribution to GDP to increase in the next couple of years. The expected reforms in the power sector will boost activities in the Manufacturing, Wholesale and Retail Business and Telecommunications spheres of the economy. We also expect the development of infrastructure, such as investment in the rail system to boost Wholesale and Retail Trade. The expected growth in the demand for data services in Nigeria will serve as impetus for the Telecommunications industry.

We see a lot of opportunities in Nigeria's Financial Services Industry across the spheres of Power, Aviation, Transportation, Real Estate, Construction, Oil & Gas and Manufacturing.

The country's external reserve position remained robust at US$44.18billion to end the year 2012. This represents an increase of 34.29% from US$32.90billion as at the end of 2011. The level of the reserve at the end of 2012 was enough to cover about 11 months of imports. The following factors contributed to the growth in the reserve: fiscal discipline on the part of the Federal Government of Nigeria; the favorable oil price at the international market; improved domestic oil output; foreign capital inflows into the country and the reduced speculative demand for dollars at the foreign exchange market.

In 2012, the value of the Naira also appreciated at the official foreign exchange market by 0.59% gaining 93kobo to close at N155.77/US$1(excluding the 1% charged by the Central Bank Nigeria (CBN). Some of the factors that contributed to the appreciation in the value of the local currency against the US Dollar in 2012 were: the reduction in demand from oil marketers as a result of the investigation in the downstream sector of the oil industry, limited speculative demand at the foreign exchange market as a result of the CBN measures; strong external reserves; and favorable balance of trade.

During the year, the CBN repealed the Universal Banking model as part of its strategic initiative to reform the Nigerian Financial system, enhance the quality of banks, ensure financial system stability and promote the evolution of a healthy financial sector. Consequently, it approved the guideline for a new banking model. Banks operating in Nigeria were required to apply to the CBN for new Commercial or Merchant Bank operating licenses. For the Commercial Banks, the current operating models are Regional, National or International with capital requirements of N10bn, N25bn and N50bn respectively. The Merchant Banks are required to provide a capital of N15bn.

With effect from January 1, 2012, public companies operating in the country migrated from the Nigerian Generally Accepted Accounting Policies (N-GAAP) to International Financial Reporting Standards (IFRS). This implies that the preparation of the 2012 accounts will be based on IFRS standards, the principle based standards, interpretation and framework adopted by the International Accounting Standards Board (IASB).

In 2013, the challenge for Nigerian policy makers on the back of the volatile economic environment in 2012 will be how to improve the business operating environment, significantly upgrade the nation's infrastructure and power supply, and to implement the necessary structural changes to create more jobs, promote technological advancement and ultimately reduce poverty. Continued execution of the Government's reform agenda will be crucial in ensuring the achievement of these objectives.

Chairman's statement continued

Here for good, remains the standard by which we judge ourselves and expect to be judged by. It is who we are at our best and this means a lot to the Board, Management and Staff of the Bank. We will continue to conduct our affairs in such a manner that will hopefully serve as the benchmark for Nigeria's banking industry and give even greater relevance to "Here for good".

Corporate Governance

The Board of Standard Chartered Bank Nigeria Limited (SCBN) is responsible for providing leadership through oversight, review and guidance whilst setting the strategic direction and delivering value to all stakeholders over the longer term. The Board continues to hold good governance as one of our core values and confirms our commitment to the implementation of effective corporate governance principles in our business operations. The Board is responsible for the overall management of the bank subsidiary and for ensuring that proper standards of corporate governance are maintained.

Standard Chartered firmly believes in the importance of diverse board membership. Our Board reflects diversity in terms of gender mix and ethnic background with the members bringing their wealth of experience, skill and competence to aid the development of our strategic objectives and ultimately ensure the continued strengthening of our franchise in Nigeria.

We aim for the highest standards of Corporate Governance and apply the provisions of the Central Bank of Nigeria's Code of Corporate Governance, 2006. Given the fast-changing external environment and volatile markets, we understand the importance of remaining cognizant of changes in the regulatory and political environment. We are aware that our strategic performance and management of risk is closely linked to the prevailing economic and market conditions.

The Executive Team ensures that the Non-Executive Directors receive comprehensive information on the economic and competitive landscape on a consistent basis. Whenever needed, the Non – Executive Directors have consistently demonstrated their ability to provide additional time and commitment to the franchise when called upon.

We continuously refresh our Board membership to ensure that it retains the right dynamics. In the year under review, there was no change to the constitution of the Board.

Nigeria is one of Standard Chartered's largest franchise in Africa.

We increased our branch network from 3, in 2003, to 36 branches across the country.

Summary

Standard Chartered Bank Nigeria Limited's performance in 2012 has further reinforced our aspiration to a leadership position in Nigeria's financial services industry. Our performance reflects the continued success of our business model and the significant progress we have made on our strategic initiatives. It is a reflection of a proven and sustainable business strategy reinforced by good governance oversight, a resilient operating model and a strong management capability. Through our operating results, we are sending clear signals of our commitment and growth ambitions for Nigeria.

The Bank remains highly liquid, well funded and adequately capitalized. This leaves us well placed to weather the vagaries of the economy, support our clients and to capture more market share.

We have the management depth to execute our strategy and we are attracting talented employees from all over the country. We believe that we are operating in an increasingly robust economy with huge potential and improving macroeconomic fundamentals. These factors always invariably aid the development of solid banking industries. We have the dexterity and the right acumen to maintain the momentum of our strong performance. We will endeavor to continue driving operational excellence, implement strict risk management practices and seek to further differentiate ourselves on the basis of our solid pedigree. We have good momentum, which I am confident will lead to good performance in 2013.

In Nigeria, we remain absolutely committed to building a long-term sustainable business and our ongoing ultra modern Head Office Complex construction project is an amplification of this fact. We have invested heavily in our franchise to further position ourselves for more growth.

Our brand promise, 'Here for Good', remains an integral part of how we conduct our affairs around the globe including Nigeria. This means we will do our best to exercise our day to day conduct to reflect our obligations to all stakeholders in the communities in which we operate. Here for good, remains the standard by which we judge ourselves and expect to be judged by. It is who we are at our best and this means a lot to the Board, Management and Staff of the Bank. We will continue to conduct our affairs in such a manner that will hopefully serve as the benchmark for Nigeria's banking industry and give even greater relevance to "Here for good".

I want to particularly thank our customers for their continued patronage and support. Our members of staff also deserve special commendation for their unrelenting commitment and dedication to service. Their resourcefulness, enthusiasm, professionalism and diligence are the qualities which have placed Standard Chartered Bank Nigeria Limited in the great shape it is in today. These are also the traits driving our optimism about the future.

Finally, I want to thank my colleagues on the Board for their continued exemplary support and co-operation over the years and for another strong performance in 2012, a particularly turbulent year. I count on their unwavering commitment to the Bank's progress in 2013 and the future.

Chief (Dr.) Joseph Oladele Sanusi, CON
Chairman
12 March 2013

Chief Executive's review
Well positioned

Bola Adesola
Chief Executive

I have no doubt that the clarity and consistency of our strategy, our discipline in sticking to it, and unwavering commitment to our distinctive culture and values have been crucial to our continued success. But it would be a mistake to think this means we have not changed, globally and also within Nigeria. Standard Chartered Bank Nigeria Limited today is very different from what it was in 2002. We entered that year having made a little over N161 million in pre-tax profits the year before, and some 65 staff. Right now however, we have a much bigger and more diversified franchise which delivered pre-tax profits ofN21.68 billion in 2012 with a staff strength of more than 800 people. We have indeed made remarkable progress."

2012 was an excellent year for the Bank. We maintained our strong drive by delivering good results across a balanced scorecard of performance criteria to sustain our organic business growth model. We have built momentum and we have confidence in our strategic focus.

Over the last few years, we have delivered consistently for all our stakeholders. We set ourselves ambitious goals and have delivered against them. We have strengthened our infrastructure and developed robust risk management capabilities. We have increased our level of staff engagement and deepened our talent pool.

Much of what drives the Standard Chartered story remains constant. Our strategy remains unchanged, and our aspiration remains the same – we want to be the world's best International Bank, leading the way in Asia, Africa and the Middle East. We are putting even greater focus on our clients and customers, on building deep and long-standing relationships and on improving the quality of our service and solutions. We continue to be strongly committed with the basics of banking – balancing the pursuit of growth with disciplined management of costs and risks, keeping a firm grip on liquidity and capital. We are continuing to focus on culture and values, on the way we work together across our business locations, product and segment groups, combining deep local knowledge with global capability. These fundamentals underscore everything the Bank does, and everything we stand for as a Bank.

We know that we will be held to our brand promise, "Here for good", and continue to work hard to embed this commitment in everything we do. We are not pretending we will get everything right, but Here for good means we will try to do the right thing and take a long-term view of our obligations to our shareholders, our clients and customers and the communities in which we operate.

Proving we are Here for good is all about our values and culture. People are now talking about the culture of banks, but we have been investing time and energy in reinforcing our culture for a long time. We see it as a key source of competitive differentiation and a key risk management tool.

We identified and introduced our values a decade ago, embedding them into our performance management system to reward our people, not just for what they achieve, but for how they achieve it.

There is no single tool to reinforce culture, no magic recipe, and no organization can ensure that everyone does everything perfectly all the time. But we keep working at reinforcing this aspect of Standard Chartered, because it is one of the things that makes us stand out.

I have no doubt that the clarity and consistency of our strategy, our discipline in sticking to it, and unwavering commitment to our distinctive culture and values have been crucial to our continued success. But it would be a mistake to think this means we have not changed, globally and also within Nigeria.

Standard Chartered Bank Nigeria Limited today is very different from what it was in 2002. We entered that year having made a little over N161 million in pre-tax profits the year before, and some 65 staff. Right now however, we have a much bigger and more diversified franchise which delivered pre-tax profits ofN21.68 billion in 2012 with a staff strength of more than 800 people. We have indeed made remarkable progress.

Performance

Standard Chartered Nigeria's financial results for the year ended 31st December 2012 reflects an impressive year of growth. Our total assets rose by 36% to N434.06 billion from N318.68 billion in 2011. Profit before tax was N21.68 billion, a 27% increase from N 17.12 billion in 2011 and earnings per share rose 28% to 638 kobo from 497 kobo in 2011.

Our overall performance for 2012 was driven by prudent cost management, good risk management, the depth of our growth strategy, the robust nature of our delivery channels, the strength of our personnel and our continued unwavering determination to live up to our brand promise of being "Here for good".

Every component part of our business performed well in 2012 as you will see in the write-ups of our Wholesale and Consumer Banking Groups.

Technology & Operations

The year 2012 was quite challenging and very successful for Group Technology & Operations. We continued to support the business in meeting the changing needs of our customers in an environment of technology and regulatory changes. Despite these external contexts, we were still able to maintain stability in processing systems and operations platforms that enabled quality customer service delivery during the year.

Our investments in technologies in 2012 were focused on driving efficiencies, improving customer experience and complying with new regulatory requirements. To improve services to our customers, we demonstrated higher scalability and straight-through processing through automation and increased migration of customers to electronic channels. We have been very successful in achieving smooth change management in all industry transformation initiatives like Cheque Truncation, Electronic Form M and Instant Pay Projects.

In 2012, we started a journey to give our customers a new digital experience on our alternate channels. We did a complete revamp of our internet banking proposition through an upgrade of the customer interface and the available services on the channel, all aimed at bringing more convenience to our customers. We will pursue this agenda more vigorously in 2013 with specific focus on reducing the turn-around-time for services initiated on the channels.

Overall, it was a very good year for Technology as we consistently, reliably and creatively delivered superior service to our customers, thereby reducing processing errors and customers' complaints despite increased transaction volumes.

Human Resources

2012 was a particularly challenging one for the economy in general and the financial sector in particular. Business had a slower than normal start because of civil disturbance resulting from the increase in the pump price of petrol which had a significant impact on commercial activities. Investor confidence was subdued and a "watch and see" attitude was adopted to monitor the climate. The Bank was able to achieve a significant growth in revenues year on year due to the perseverance and commitment of our people in the face of these odds.

Our primary focus for the year was to provide an enabling environment with the right talent to deliver the Bank's ambitious aspirations. To this end, there were over 200 new hires across the Bank at various grades as the bank branch network grew from 28 to 36 nationwide. We are continually creating a skill mix of entry level and experienced hires to ensure bench strength and the right type of leadership.

Employee Engagement and Career Development

With the knowledge that our people are our most important assets, employee engagement continued to be an area of priority. Teams across the bank held sessions to agree actions to drive engagement among employees. These included recognition events, establishing mentoring programmes, fostering a more inclusive environment among others. During the year, employees who had gone the extra mile in the performance of their duties were recognized and presented with spot awards during events with senior leaders which provided visibility beyond the country.

Career development opportunities were also made available to staff both locally and internationally. On the training front, we achieved over 3,500 learner days and all members of staff had at least one learning intervention during the year. Development activities included on the job learning, formal classroom training, projects, job rotations, peer reviews and short-term assignments. There were also employment opportunities offered to some staff in other markets within the Standard Chartered Group providing international exposure.

Talent Attraction and Management

As a strengths-based organization we ensure that we place staff in roles that play to and maximise their strengths i.e. place the right people in the right roles. Our hiring strategy is to access diverse resourcing pools with a view to bringing on board individuals with both the right skills for today and capacity for the future.

Chief Executive's review continued

An ongoing priority is our International Graduate Programme through which we bring on board the future leaders of the Bank. These graduates are selected through a rigorous assessment process and their development is accelerated to prepare them for leadership roles in the medium to long term. In 2012, 9 graduates were hired into Wholesale Bank (5), Consumer Bank (3) and Human Resources (1).

To help drive our people agenda with a focus on our key staff, we introduced Talent Council in Consumer Banking in 2012 and this will be rolled out to the rest of the Bank in 2013. This has helped improve focus and establish ownership of talent management which will ensure the execution of agreed actions.

Leveraging Technology

We have continued to drive the use of technology to automate and migrate routine processes thus, freeing up HR professionals for more value-adding activities. There was increased usage of the query management portal as well as migration of the exit management process. In this way, we are embedding a self-service culture and positioning HR to support the business more strategically.

Great Place to Work Initiatives

In fulfillment of our brand promise and as evidence of our commitment to being here for our people, some initiatives were implemented during the year. The scope of our health management schemes was expanded to provide wider coverage and a more robust delivery of premium health care for all staff.

The Network of Women (NoW) launched a mentoring programme specifically aimed at coaching female employees to achieve their career aspirations in addition to maintaining successful homes. The International Men's Day was also celebrated with speakers on work-life balance, managing finances and career management among other topics. We also organized a Learning Week for members of staff tagged 'There's More To Me' with emphasis on talents and interests of staff which are not displayed in the workplace.

Corporate Affairs

At Standard Chartered, we recognise that our continued success is linked directly to the vibrancy and prosperity of the countries in which we operate. We have a shared responsibility with our clients to ensure that the decisions made today do not impact negatively on the world of tomorrow. By pursuing sustainable business practices, we make a real difference to local communities thus, creating more value than the profits we make.

Standard Chartered is committed to building a sustainable business and acting as a force for good in Nigeria. By doing things the right way, we believe we can deliver long-term stakeholder value while having a positive social and economic impact.

To create long-term value for all stakeholders, we focus on addressing some of the critical issues that affect the communities we operate in and contribute by promoting the health of the society through the underlisted sustainability initiatives.

Employee Volunteering

Our brand promise to be Here for good in Nigeria means sustainable, long-term commitment to the country. In 2012, Standard Chartered Nigeria staff achieved 782 days Employee Volunteering days translating into an achievement of 142% of our 548 days target in support of community investment programmes.

Seeing is Believing

We held our 8th annual "Walk for Sight" event in support of the Group's Seeing is Believing initiative. Seeing is Believing (SiB) is a Standard Chartered Bank community investment program structured to invest funds for the development of sustainable eye care services in less advantaged areas of 20 cities across the world. Under the Seeing is Believing initiative, Nigeria was allocated USD3.25million in SiB funding for past and current projects. A further USD6million will be invested in Nigeria before 2020, including USD 5million for one of the five childhood eye health projects under the initiative.

Globally to date, over 82,000 individuals (including children) have had successful cataract removal surgeries, over 900,000 have benefited from river blindness treatments and over 11,000 spectacles have been distributed as part of the bank's community investment towards eye care improvement.

In November 2012, a music school was donated to the Nigeria Society for the Blind and was commissioned by Standard Chartered Group Finance Director and Chairman of the Seeing is Believing Project, Richard Meddings. The school is designed to foster natural musical talents of visually impaired students.

Standard Chartered Bank Nigeria Limited has held an annual fundraising walk tagged 'Walk for Sight' and in the last eight years, we have raised a total of $740,000 through employee fundraising and client contributions which has helped to fund successful cataract operations (still ongoing), for approximately 18,000 persons between January 2006 and December 2012.

We are very proud of all we have achieved with this initiative and with the full support of our customers and staff in Nigeria, we plan a similar 'Walk for Sight' in 2013.

Goal

The Goal Project started in Nigeria in 2011. It is a 3-year intervention programme with the main objective of contributing to the reduction in incidence of teenage pregnancies and HIV infection by decreasing related risk behavior of young women and girls through capacity-building interventions that address three levels of personal, social and economic empowerment.

1. Girls under the GOAL program in High Achievers Secondary School, Ajegunle, Lagos

2. For the second time, Standard Chartered Nigeria participated in the Standard Chartered 'Road to Anfield' football tournament in Liverpool, UK

Goal is a Standard Chartered Bank supported project that uses life skills, education and sports on and off the field, to empower adolescent girls. The methodologies being employed include advocacy, training and sports development activities. It is a dynamic project implemented by various organizations around the world to provide girls with the critical facts about health, communication and their basic human rights. The project further teaches girls how to manage their personal finances in order to transform not just their own lives, but those of their families and peers. It aims to make the girls agents of change who in turn impact positive changes on their siblings, parents, peers and communities.

Goal uses a 4-module manual that encompasses sessions on: "Be yourself; Be healthy; Be empowered and Be Money savvy".

In Nigeria, Goal is focusing on younger adolescents (11- 16 years) and improving their lives with life, literacy and financial skills, in addition to football skills. It is a school based project in 16 schools spread across two cities of Nigeria: Lagos and Abuja. Nigeria is currently leading the way in driving Goal activities in Africa as we have trained over 14,000 young adolescent girls.

Living with HIV (LwHIV)

Standard Chartered has remained a key member of the Nigeria Business Coalition Against AIDS (NIBUCAA), offering valuable leadership to advance the agenda of fighting the disease.

HIV and AIDS affects more than 34 million people globally and are uniquely destructive to communities and economies. Impacting people in the prime of their lives, striking urban centers and often the most productive members of society. The epidemic affects business profitability and economic growth. Globally, we have seen HIV threaten the lives of our staff, our customers, our clients, suppliers and vendors.

We have taken action by addressing HIV head-on through education. We believe that education is one of the most powerful weapons to prevent the spread of HIV. Ensuring our employees receive basic facts about HIV and AIDS can prevent transmission and help stop HIV. Through peer education strategies and sharing our resources with partners in our communities, this programme is another clear way that proves that we are Here for good .

In Nigeria, our members of staff together with partner organizations raise awareness about HIV and AIDS. We believe that education is crucial to tackling the spread of HIV, providing people with the facts to make safe lifestyle choices and avoid becoming infected or infecting others. The ultimate aim of our LwHIV programme is to contribute to the reduction and reversal of new HIV infections globally.

The partnerships we have formed are clear demonstrations of national solidarity. In 2012, through our partnership with the Lagos State Government, we educated more than 50,000 people on HIV. World Aids Day, 2012 also gave us an opportunity to promote status testing, spread awareness and educate our staff members and their wards.

Since 2009, through our partnerships with the Lagos State Ministry of Health, AIESEC, Nigerian Business Coalition against Aids (NIBUCAA) and the Youth Empowerment Foundation (YEF), we have educated more than 680,000 people on HIV and AIDS in Nigeria.

Outlook

2012 was undoubtedly a challenging year and 2013 will no doubt bring new challenges. But our story has been one of resilience, of growth and of consistent delivery. For the past few years, we have been consistently transformed. I would like to thank our customers for their support throughout this journey. I would also like to thank our employees for their hard work, professionalism and commitment.

The next few years should be equally exciting. Nigeria has tremendous potential. We have a clear strategy. We are investing in our franchise. No doubt our markets will continue to change dramatically, as they grow and get richer. No doubt technology will change the way banks work and compete, and no doubt regulation will force further change in business models. We are not at all complacent. Yet, by sticking to our strategy, by staying true to our culture, and by being innovative and adaptive, I am confident that we can continue to be successful.

Looking at January and our momentum through February, we have started 2013 well. We continue to have a firm grip on the levers of risk, cost and investment, and are using our balance sheet strength to increase the financing support to our customers. We continue to take a conservative approach to managing the balance sheet, maintaining a strong liquidity position and keeping a watchful eye on asset quality, given the uncertainties that remain in the external environment.

We have started the year with an exceptionally strong balance sheet. We are well positioned in Nigeria, and we are well placed to make the most of the opportunities the country presents. We continue to take market share, we continue to grow and we remain confident and committed to consistent financial delivery.

In summary, 2012 was another year of good performance for Standard Chartered Bank Nigeria Ltd, thanks to a consistent strategy, a stable management team, supportive customers and, above all, our great people.

We remain confident for the year ahead.

Mrs Bola Adesola
Managing Director
12 March 2013

Consumer Banking

Meeting customer needs to build deeper relationships

"Our commitment to customers and our unwavering focus on executing our strategy has enabled our business to continue to grow."

Key highlights

CB cumulative average growth

22%

General industry average: 15%

Revenue

16%

2011: 22%

For the 6th consecutive year, Consumer Banking delivered exceptional performance with the business growing at a Cumulative Average Growth Rate of 22% against the general industry average of 15%.

The 2012 scoreboard showed very satisfying results. Revenue grew by 16%, customer deposits by 21% and loans by 48%. Standard Chartered remains disciplined in lending and we kept the bank's loan impairment flat which helped support a strong operating profit outcome year on year in excess of 23%.

We continue to expand in our core cities of operation and have so far completed another 8 branches as part of the bank's growth agenda. This physical footprint has been complemented with the first phase of the Digital agenda program which entailed the enhancement of the bank's alternate and remote channels.

Our new online banking platform is 'best in class' with expanded capabilities and our ATMs (Automated Teller Machines) continue to record excellent uptime. Our Contact Center is now operated through a shared service platform with some of our other markets and is more robust and efficient. Standard Chartered remains committed to delivering excellent customer experience to our clients through all touch-points of the bank.

Given the bank's goal of further deepening the relationship with our clients, we have revamped the value proposition for our SME (Small and Medium enterprise) clients. The offering is built around tailoring solutions to the different segments within the market. To support this, we launched the first purpose built SME center at Opebi Lagos, which is essentially a hub for Relationship Managers specifically dedicated to serving our SME clients. We also rolled out local currency credit cards during the year as part of our retail suite of products. We now offer this under our lending proposition for clients and are making good progress with sales.

With our increased focus on Service, we have automated our complaints management process and implemented strategic initiatives to drive process improvements while decreasing turnaround time. In addition to this, we remain keen on adding value to our customers in whatever way we can and this is evident with the seminars we have organized on Personal Financial Planning and Wealth/leisure. A direct outcome of these activities and improved service was the increase in our retail Net Promoter Score showing greater advocacy.

Standard Chartered's control environment remains very robust, with enhancements to the Risk Management Framework which are focused on proactive, forward-looking measures.

Going into the future, we will continue to focus primarily on our customer's needs while ensuring we put in place the right levers required to rapidly grow the business.

Wholesale Banking

Leveraging our expertise to build deep and long-term client relationships

"Our deep and long-standing client relationships are the foundation of our strategy and underpin the success of our business."

Key highlights

Operating profit

N18.2bn

2011: N14.2bn

Client revenues

N8.8bn

2011: N5.0bn

Wholesale Banking (WB) Nigeria finished the year 2012 strongly, achieving a 28% growth in profit to NGN18billion from NGN14billion in 2011 bringing to a close 11 years of consistent good business performance.

The 2012 performance is impressive given the challenges corporate clients faced during the year which significantly hampered their growth especially in sectors such as oil and gas. The banking industry also faced uncertainties during the year which included changing regulations, high interest rates and multiple government oversight.

The driver for consistent record performance lies at the core of WB's strategy in Nigeria that is building a strong local franchise. To this end, the business developed new relationships with clients across several key sectors in 2012. The Local Corporates team initiated new relationships across locations while the Investors and Intermediaries (I & I) sub-segment were successful in onboarding most of the players in the pension industry.

During the year, WB executed several milestone transactions which include the USD1.5 billion Project and Export Finance facility for the Nigerian National Petroleum Corporation (NNPC); the first Cross Currency Swap with the Central Bank of Nigeria (CBN), the first non-deliverable forward for a corporate client and Standard Chartered's first operating lease in Africa which was executed with Japaul Oil and Maritime Services.

The business also successfully setup Standard Chartered Securities Nigeria limited which has oversight over all corporate finance activities.

One of the key focus areas for WB is the acquisition, retention and development of talent. In line with this drive, the business successfully replaced transferred top team talent within the SCB Group with top quality senior hires from the market to improve bench strength.

Standard Chartered also continued its thought leadership in Financial Markets and Corporate Finance. During the year, the financial markets team organized a training session for top officials on derivatives products and risk management. The bank also worked closely with the Central Bank of Nigeria in drafting policy guidelines on derivatives for banks as part of a working group on new product development.

We arranged a Sukuk study tour to Dubai & Abu Dhabi for a Nigerian official delegation including representation from the Central Bank of Nigeria, Debt Management Office, Securities and Exchange Commission, Ministry of Justice and Infrastructure Concession Regulatory Commission. The 3 day tour included meetings with Standard Chartered's Islamic Finance specialists, legal advisors, rating agencies and investors.

In the year under review, Standard Chartered also partnered with the Asset Management Commission of Nigeria to arrange a Non-Deal Roadshow / stakeholder engagement conference in London to inform market participants on developments in the Nigerian banking sector and AMCON's progress to date. The bank is currently working with AMCON to arrange a similar effort in New York.

We have started 2013 on a good note, continuing with our client-centric approach. We will continue to develop solutions which help our clients grow and be Here for good for all our stakeholders

Corporate governance

Corporate information

Registered name

Standard Chartered Bank Nigeria Limited (SCBN)

Registered Office

142, Ahmadu Bello Way,
Victoria Island,
Lagos,
Nigeria.

Directors and senior management team

Directors

1. Joseph Oladele Sanusi, CON, Chairman
2. Bola Adesola, Chief Executive Officer
3. Muhammed Imam Yahaya, OFR
4. Diana Layfield
5. Oluremi Omotoso, MFR
6. Anil Dua
7. Yemi Owolabi
8. Sade Kilaso
9. Ade Adeola
10. Olusegun B. Ajayi
11. Bill Moore
12. Seye Kosoko, (Company Secretary)

Senior Management

1. Bola Adesola, Chief Executive Officer
2. Yemi Owolabi, Executive Director, Finance
3. Sade Kilaso, Executive Director, Human Resources
4. Ade Adeola, Executive Director, Origination & Client Coverage
5. Carol Oyedeji, Head, Consumer Banking
6. David Adepoju, Head, Global Markets
7. Diran Olojo, Head, Corporate Affairs
8. Callistus Obetta, Chief Information Officer
9. Seye Kosoko, Head, Legal & Company Secretary
10. Olusiji Adeyinka, Head, Compliance
11. Henry Dodoo Amoo, Country Chief Risk Officer

Auditors

Akintola Williams Deloitte (Chartered Accountants)
235 Ikorodu Road, Ilupeju
P.O. Box 965, Marina
Lagos
Nigeria.

Company Secretary

Seye Kosoko
FRC/2013/NBA/00000002006
Pot 142 Ahmadu Bello Way
Victoria Island, Lagos

Board of directors

1. Joseph Oladele Sanusi, CON
Chairman

2. Bola Adesola
Chief Executive Officer

3. Muhammed Imam Yahaya, OFR
Non-Executive Director

4. Diana Layfield
Non-Executive Director

5. Oluremi Omotoso, MFR
Non-Executive Director

6. Anil Dua
Non-Executive Director

7. Yemi Owolabi
Executive Director

8. Sade Kilaso
Executive Director

9. Ade Adeola
Executive Director

10. Olusegun B. Ajayi
Non-Executive Director

11. Bill Moore, OBE
Non-Executive Director

12. Seye Kosoko
Company Secretary

Senior management

1. Bola Adesola
Chief Executive Officer

2. Yemi Owolabi
Executive Director, Finance

3. Sade Kilaso
Executive Director, Human Resources

4. Carol Oyedeji
Head Consumer Banking

5. Ade Adeola
Executive Director, Origination & Client Coverage

6. David Adepoju
Head, Global Markets

7. Diran Olojo
Head, Corporate Affairs

8. Callistus Obetta
Chief Information Officer

9. Seye Kosoko
Head, Legal & Company Secretary

10. Olusiji Adeyinka
Head, Compliance

11. Henry Dodoo Amoo
Country Chief Risk Officer

Report of the directors

The Directors present their annual report on the affairs of Standard Chartered Bank Nigeria Limited ("the Bank") together with the financial statements and auditors' report for the year ended 31 December 2012.

(a) Legal form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act 1990 as a private limited liability company on 6 May 1999. It was granted a license on 6 September 1999 to carry on the business of commercial banking and commenced business on 15 September 1999. The Bank was issued a universal banking license on 5 February 2001. Following the review of the universal banking model by the Central Bank of Nigeria in 2010, the bank was issued a national commercial banking license on 16 May 2012.

(b) Principal activity and business review

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and money market activities.

(c) The Bank's operating results for the year

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

	2012	2011
	N'000	N'000
GROSS EARNINGS	49,924,704	37,559,612
PROFIT BEFORE TAXATION	21,682,823	17,124,033
Taxation	(5,642,258)	(4,604,038)
PROFIT AFTER TAXATION	16,040,565	12,519,995
APPROPRIATION		
Transfer to Statutory reserves	2,406,085	1,877,999
Preference dividend	88,836	83,140
Transfer to retained earnings reserves	13,545,644	10,558,856
	16,040,565	12,519,995

(d) Dividend

The Board of Directors has recommended for the approval of the shareholders an ordinary dividend of N18.750 billion (of which N13.5billion is from prior year retained earnings) at the rate of N7.50 per ordinary share in respect of the financial year ended 31 December 2012. The dividends are subject to deduction of the applicable withholding tax.

(e) Directors' shareholding

The directors who served during the year, together with their direct and indirect interests in the issued share capital of the Bank as recorded in the register of directors' shareholding and as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act is noted below:

	DirectShareholding	
	Number of Ordinary Shares Held 2012	Number of Ordinary Shares Held 2011
Chief (Dr.) Joseph Oladele Sanusi (Chairman and Independent Non-Executive Director)	Nil	Nil
Mrs. Bola Adesola - (Managing Director)	1	1
Mrs. Yemi Owolabi - (Executive Director)	Nil	Nil
Mrs. Sade Kilaso - (Executive Director)	Nil	Nil
Mr. Ade Adeola (Executive Director)	Nil	Nil
Mrs. Diana Layfield (British, Non-Executive Director)	Nil	Nil
Mr. Anil Dua (British) - (Non-Executive Director)	Nil	Nil
Mr. Bill Moore - (British, Non-Executive Director)	Nil	Nil
Dr Muhammed Imam Yahaya - (Independent Non-Executive Director)	Nil	Nil
Sir Oluremi Omotoso MFR - (Independent Non-Executive Director)	Nil	Nil
Mr. Olusegun B. Ajayi - (Independent Non-Executive Director)	Nil	Nil

None of the directors had an indirect shareholding in the Bank as at 31 December 2012.

In accordance with the provisions of Section 259 of the Companies and Allied Matters Act of Nigeria, one third of the directors of the Bank shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election. In accordance with the provisions of this section, none of the directors retired during the year.

(f) Directors' interests in contracts

For the purpose of section 277 of the Companies and Allied Matters Act CAP C20 LFN 2004, none of the directors had direct or indirect interest in contracts or proposed contracts with the Bank during the year.

(g) Property, Plant and Equipment (PPE)

Information relating to changes in PPE is given in note 17 to the financial statements. In the directors' opinion, the market value of the Bank's PPE is not less than the value shown in the financial statements.

(h) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2012 is as stated below:

Share range	No. of Shareholders	Percentage of of shareholders	No. of holdings	Percentage of holdings
1 - 9,999	1	50	1	0.01
Foreign shareholders	1	50	2,499,999	99.99
	2	100.00	2,500,000	100.00

(i) Substantial interest in shares

According to the register of members as at 31 December 2012, no shareholder held more than 5% of the issued share capital, except for Standard Chartered Holdings (Africa) BV, which held 99.99% of the issued shares of the Bank.

(j) Donations and charitable gifts

The Bank identifies with the aspirations of the community and the environment in which it operates. The Bank made contributions to charitable and non-political organizations amounting to N33,853,000 (2011: N7,589,600) during the year, as listed below:

	N'000
Association of Assets Custodians of Nigeria	1,000
Berachah Foundation (blood donation)	100
Corona School Ikoyi	150
FATE Foundation	100
Financial Reporting Council of Nigeria	14,000
Modupe Cole School of the Disabled	240
Nigeria Society of the Blind	1,290
Sight Savers International (Seeing is believing)	5,000
LSFA Eko Football Festival	2,500
St Kizitos (People Living with HIV/AIDS)	793
Nigeria Oil & Gas Summit Sponsorship	5,080
Eko Modupe – Rare & Large Exhibition	250
Rotary Club Investiture	500
Soccerex Football Seminar	2,500
The Chapel of Healing Cross-Music Concert	100
Western Metal Products-Annual Small World Fund Raising	250
	33,853

(k) Post balance sheet events

There were no post balance sheet events which could have a material effect on the state of affairs of the Bank as at 31 December 2012 and the profit for the year ended on that date that have not been adequately provided for.

(l) Customer complaints

In Standard Chartered, customer complaints and its resolution is a key focus area.

Customer complaints and feedback drives the re-engineering of processes and solutions we provide. We get customer views and overall satisfaction through various means managed by the 'Voice of Customer' (VOC) team. These avenues are:

- Annual Market Probe Survey
- Monthly Surveys
- Voice of Frontline
- Mystery Shopping Exercise
- Customer Forums

The bank also has help points for ease of enquiry and complaint logging:

- 24 hrs Call Centre
- Customer Service Representative (CSR) / Service Ambassadors in all branches
- Call backs/Surveys
- Dedicated e-mail for feedback
- Feedback forms on our website and on-line banking portal

The Service Quality & Reengineering (SQR) unit headed by an AGM is responsible for ensuring the VOC feedback is tracked and solutions to recurring issues presented to senior management for implementation. The vehicle for this is the Customer Experience Council (CEC) chaired by the CEO and Head of Consumer Banking as alternate.

Complaint Management

There is a Customer Care Unit (CCU) responsible for complaint management. Staff log complaints and feedback in the complaint management system which is then tracked to resolution. The tool monitors recurrent issues, identifies trends and finds corrective action for diagnosed problems. Service Level Agreements (SLAs) are specified for each complaint type and an escalation procedure is triggered, if SLAs are not met.

Report of the directors continued

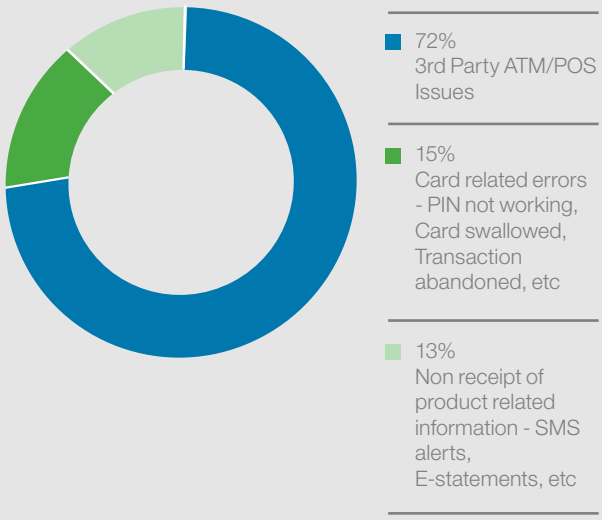
Complaints are classified into 3 types:

- FTR (First Time Resolution)
- Normal
- High Priority

Complaint Resolution Process

- Receive customers' complaint in-person or via phone, e-mail, call centre, website, letter etc
- Resolve complaint immediately and inform customer or provide customer a holding response within 24hours while process is ongoing. Inform customer of resolution thereafter
- Check customer's satisfaction on how complaint was resolved via a call back
- Provide management with complaint status at least once a month.

Top 3 Complaints categories – (January – December 2012)



The bank also provides monthly returns to the Central Bank of Nigeria on all complaints received, resolved and unresolved.

Month	Number of Complaints	Total Resolved	Number not resolved but reported to CBN for intervention
January	117	117	NIL
February	180	180	NIL
March	196	196	NIL
April	235	235	NIL
May	297	296	1
June	194	194	NIL
July	251	251	NIL
August	386	386	NIL
September	247	246	1
October	297	297	NIL
November	338	335	NIL
December	363	359	NIL

(m) Human resources

Employment of disabled persons

The Bank operates a non-discriminatory policy on recruitment. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and that appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees. The Bank had no disabled persons in its employment during the year ended 31 December 2012.

Health, safety and welfare at work

The Bank accords high priority to the health, safety and welfare of its employees both in and outside their place of work. In furtherance of this, the Bank has a life insurance policy and an accident policy to adequately insure and protect its employees. The services of clinics are retained in several locations to facilitate employees' access to health care.

Diversity in employment

Our diversity provides us with a unique competitive advantage and we strive to encourage our employees to learn about different cultures and how to develop cross-cultural working skills. We are also proactive in driving gender sensitive engagement. As at 31 December 2012, our total workforce had a 40% female engagement level while our senior management team had 33% female representation. On the Board of Directors, the ratio of male to female was 64%:36%. Find below the gender analysis of our employees as at year end.

	Male Number	Female Number	Total Number	Male	Female
Employees	478	315	793	60%	40%
Gender analysis of Board and Top/management is as follows:					
Board	7	4	11	64%	36%
AGM – GM	47	23	70	67%	33%
Total	54	27	81	67%	33%

The bank will continue to maintain and support women leadership programs.

(n) Employee involvement and training

The Bank is committed to keeping employees as fully informed as possible regarding its performance and progress. Opinions and suggestions of staff members are sought and considered not only on matters affecting them as employees but also on the general business of the Bank. Each employee has a documented training and career development program. To this end, short and long term training programs are tailored to suit the requirements of both employees and the Bank. Sound management and professional expertise are considered to be the Bank's major assets, and investment in their future development continues to be top priority. Employees are adequately rewarded and motivated to achieve results.

(o) Auditors

The Auditors, Akintola Williams Deloitte have indicated their willingness to continue in office as auditors. In accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004, a resolution will be proposed at the Annual General Meeting for their reappointment and to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Seye Kosoko
Company Secretary
142 Ahmadu Bello Way
Victoria Island
Lagos

12 March 2013

Corporate governance

High standards of corporate governance are a key contributor to the long-term success of a company

Standard Chartered Bank Nigeria Limited (SCBN) holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Directors endorse the principles of the "Code of Corporate Governance for Banks in Nigeria Post Consolidation" issued by the Central Bank of Nigeria (CBN) and effective 3 April 2006 and are of the opinion that SCBN has in all material respects, complied with the requirements of the CBN guideline during the 2012 financial year.

The Board of Directors of SCBN has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In doing this, the structural framework outlined below has been put in place for the execution of the Bank's corporate governance strategy:

1. Board of Directors
2. Board Committees
3. Management Committees

The Board is composed of 4 Executive Directors and 7 Non-Executive Directors headed by the Chairman of the Board.

There are a total of 4 (four) Board Committees through which the Board of Directors performs its functions. These are; the Board Audit Committee, Board Credit Committee, Board Risk Committee and Board Appointments and Remuneration Committee. Through these Committees, interactive dialogue is employed to set broad policy guidelines and to ensure the proper management and direction of the Bank.

In addition to the Board Committees, there are Management Committees to ensure effective and good corporate governance at management level.

The Board

The Board presently consists of 11 members, 4 of whom (inclusive of the MD/CEO) are Executive Directors and 7 Non-Executive Directors (5 of whom are Independent Non-Executive Directors). The Non-Executive Directors have the requisite integrity, skills and experience to bring independent judgment to bear on Board deliberations and discussions.

The roles of Chairman and Chief Executive Officer are separate. The Board's primary responsibility is to increase shareholders' wealth. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance.

Executive management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews Bank performance, matters of strategic concern and any other matters it regards as material.

The Board meets quarterly and additional meetings are convened as and when required. The Board met on four occasions during the 2012 financial year and has a formal schedule of matters specifically reserved for its decision. These matters include, but are not limited to, determining the strategy of the Bank, overseeing the Bank's compliance with statutory and regulatory obligations and issues relating to the Bank's capital.

The Board is also responsible for the Bank's structure and areas of operation, financial reporting, ensuring there is an effective system of internal controls and risk management and appointments to the Board. The Board has the authority to delegate matters to Directors, Board Committees and Management Committees.

Board Committees

Board Audit Committee

The Board Audit Committee is comprised of 5 Non-Executive Directors. The primary role of the Committee is to ensure the integrity of the audit process and financial reporting and to maintain a sound risk management and internal control system as stipulated in the Companies and Allied Matters Act of Nigeria.

The responsibilities of the Committee include:

- To review regularly and to report to the Board of SCBN on the effectiveness of the Bank's system of internal controls and risk management processes;
- To review the Bank's annual statement on internal controls and its compliance prior to consideration by the Board;
- Oversee independence and objectivity of the external auditor;
- To review quarterly audit reports from the Head, Internal Audit and Investigations on the arrangements established by management for ensuring adherence to internal risk management, control, and governance processes;
- To review statutory accounts, published financial statements and circulars to shareholders and, in particular:

- To consider the quality, application and acceptability of the accounting policies and practices, the adequacy of accounting records and financial and governance reporting disclosures and changes thereto;
- To consider the report and any findings and other matters arising from the external auditor's interim and final audits; and
- To be responsible for the review of the integrity of the Bank's financial reporting system.

Four meetings were held by the Board Audit Committee during the 2012 financial year.

Board Risk Committee

The Board Risk Committee is comprised of 5 Non-Executive Directors. The responsibilities of the Committee include:

- To review and recommend risk management strategies, policies and risk tolerance limits for the Board's approval;
- To review and assess adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and systems are in place for risk management i.e. to ensure that the staff responsible for implementing risk management systems perform those duties independently of the financial institutions' risk taking activities;
- To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and
- To consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and make recommendations or reports to the Board accordingly.

Four meetings were held by the Board Risk Committee during the 2012 financial year.

Board Credit Committee

The Committee is made up of 5 Non-Executive Directors, who are knowledgeable in credit analysis and responsible for approval of credit facilities in the Bank. The Board Credit Committee reviews all credits granted by the Bank and meetings are held at least once a quarter. The Chairman of the Committee is neither the Chairman of the Board of Directors nor the Managing Director.

Four meetings were held by the Board Credit Committee during the 2012 financial year.

Board Appointments and Remuneration Committee

The Board Appointments and Remuneration Committee is comprised of 4 Non-Executive Directors. Meetings are held at least once annually. The responsibilities of the Committee include considering and recommending senior management appointments and reviewing, considering and determining appropriate remuneration payable to the Bank's Executive Directors.

Two meetings were held by the Board Appointments and Remuneration Committee during the 2012 financial year.

Management Committees

These are Committees comprising of senior management of the Bank. The Committees are also risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are implemented and complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers.

The main Management Committees in the Bank include the Management Committee, Assets and Liability Committee, Risk Committee, Credit Committee and Project Steering Committee.

Statement of directors' responsibilities

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 25 to 85 that give a true and fair view in accordance with International Financial reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20LFN 2004, the Financial Reporting Council of Nigeria Act No 6 2011, the Banks and Other Financial Institutions Act B3 LFN 2004 and relevant Central Bank of Nigeria circulars and guidelines.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act CAP C20LFN 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made assessment of the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Chief (Dr) Joseph Oladele Sanusi (CON)
Chairman

Mrs Bola Adesola
Managing Director

Mrs Yemi Owolabi
Finance Director

Independent Auditor's report to the members of Standard Chartered Bank Nigeria Limited

Deloitte.

Akintola Williams Deloitte
235 Ikorodu Road, Ilupeju
P.O. Box 965, Marina
Lagos
Nigeria

Tel: +234 (1) 271 7800
Fax: +234 (1) 271 7801
www.deloitte.com/ng

Report on the Financial Statements

We have audited the accompanying financial statements of **Standard Chartered Bank Nigeria Limited** which comprise the statement of financial position as at 31 December 2012, 31 December 2011 and 1 January 2011; the income statement, statement of changes in equity, cash flow statement for the years ended 31 December 2012 and 31 December 2011, a summary of significant accounting policies and other explanatory information set out on pages 25 to 85.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Standard Chartered Bank Nigeria Limited** as at 31 December 2012, 31 December 2011 and 1 January, 2011 and of their financial performance and cash flows for the years then ended 31 December 2012 and 31 December 2011 in accordance with Companies and Allied Matters Act CAP C20 LFN 2004, Banks and other Financial Institutions Act CAP B3 LFN 2004, the Financial Reporting Council of Nigeria Act No 6, 2011 and the International Financial Reporting Standards.

Other reporting responsibilities

The bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria in accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider related credits are as disclosed in note 26.

During the year the bank contravened a section of the Banks and Other Financial Institutions Act. Details of the contravention and the related penalty are as disclosed in Note 24 to the financial statements.

AKintola Williams Deloitte

Chartered Accountants
Lagos, Nigeria
24 April 2013

FRC/2013/ICAN/00000000840

Income Statement
For the Year ended 31 December 2012

	Note	2012 N'000	2011 N'000
GROSS EARNINGS		**49,924,704**	**37,559,612**
Interest & similar income	4	35,951,961	22,356,503
Interest & similar expense	5	(10,081,213)	(5,972,705)
NET INTEREST INCOME		25,870,748	16,383,798
Fees & commission income	6	9,362,647	9,997,636
Fees & commission expense		(508,042)	(406,580)
Net fees & commission income		8,854,605	9,591,056
Income from investments	7(a)	1,053,126	668,649
Foreign exchange income	7(b)	3,556,970	4,536,824
OPERATING INCOME		**39,335,449**	**31,180,327**
Staff cost	8(a)	(7,788,438)	(6,680,901)
Premises cost	8(b)	(1,623,499)	(1,407,767)
Depreciation	8(c)	(508,598)	(537,888)
General administrative expenses	8(d)	(7,304,887)	(4,842,310)
Impairment loss on risk assets	14(c)	(427,204)	(587,428)
PROFIT BEFORE TAXATION		**21,682,823**	**17,124,033**
Taxation	9	(5,642,258)	(4,604,038)
PROFIT AFTER TAXATION		**16,040,565**	**12,519,995**
Basic earnings per share	29	**638 K**	**497K**

Statement of comprehensive income
For the Year ended 31 December 2012

	2012 N'000	2011 N'000
Profit for the year	16,040,565	12,519,995
Change in fair value of AFS financial assets	2,054,588	(1,813,674)
Deferred tax on fair value charge	(616,376)	580,376
Total Comprehensive Income for the year	**17,478,777**	**11,286,697**

Statement of Financial Position
As at 31 December 2012

	Note	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
ASSETS:				
Cash and balances with Central Bank	10, 11	25,752,298	16,743,745	7,262,648
Financial assets held for trading	11	29,636,118	13,512,982	10,810,389
Financial assets - AFS	11	129,711,797	57,877,531	36,472,965
Due from other banks	11, 12	56,457,384	56,933,532	67,466,123
Loans and advances	11, 13	172,227,053	160,003,604	104,300,337
Investment securities	15	420,722	707,282	767,139
Other assets	16	9,741,254	3,390,915	1,398,469
Deferred Income tax assets	21	-	640,926	-
Property, plant and equipment	17	10,109,466	8,868,453	8,816,965
TOTAL ASSETS		**434,056,092**	**318,678,970**	**237,295,035**
LIABILITIES:				
Customer deposits	11, 18	237,817,922	194,334,693	153,838,598
Due to other banks	11, 19	93,933,740	54,020,918	16,218,220
Current Income tax	9	5,425,342	5,434,195	4,087,260
Other liabilities	20	21,112,040	8,423,601	10,902,125
Deferred tax liabilities	21	1,159,557	-	120,554
TOTAL LIABILITIES		**359,448,601**	**262,213,407**	**185,166,757**
EQUITY:				
Ordinary share capital	22	2,500,000	2,500,000	2,500,000
Preference share capital	22	510,000	510,000	510,000
Share premium account		18,708,524	18,708,524	18,708,524
Retained earnings		30,128,696	15,057,736	14,520,293
Other reserves				
- Statutory		12,217,995	9,811,910	7,933,911
- SMEEIS		317,131	763,888	823,745
- loan impairment		8,786,933	10,346,803	7,356,262
AFS equity reserve		1,438,212	(1,233,298)	(224,457)
		74,607,491	**56,465,563**	**52,128,278**
TOTAL EQUITY AND LIABILITIES		**434,056,092**	**318,678,970**	**237,295,035**

These financial statements were approved by the Board of Directors and authorized for issue on 12 March, 2013 and signed on its behalf by:

Chief (Dr.) Joseph Oladele Sanusi (CON)
Chairman
(FRC/2013/CIBN/00000001934)

Mrs Bola Adesola
Managing Director
(FRC/2013/CIBN/00000001629)

Mrs Yemi Owolabi
Finance Director
(FRC/2013/ICAN/00000001630)

Statement of changes in equity
For the Year ended 31 December 2012

	Share capital	Statutory reserve	SMEEIS Reserve	Retained earnings	Loan Impairment reserve	AFS Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January, 2012[2]	21,718,524	9,811,910	763,888	15,057,736	10,346,803	(1,233,298)	56,465,563
Profit for the year	-	-	-	16,040,565	-	-	16,040,565
Preference dividend paid	-	-	-	(88,837)	-	-	(88,837)
2012 statutory reserve	-	2,406,085	-	(2,406,085)	-	-	-
Movement in AFS reserve	-	-	-	(481,310)	-	2,671,510	2,190,200
SMEEIS redemption transferred	-	-	(446,757)	446,757	-	-	-
Loan impairment adjustment	-	-	-	1,559,870	(1,559,870)	-	-
Share save option movement	-	-	-	-	-	-	-
Balance as at 31December 2012	**21,718,524**	**12,217,995**	**317,131**	**30,128,696**	**8,786,933**	**1,438,212**	**74,607,491**

1. This includes ordinary share and preference shares capital

2.The reconciliation of opening balances is provided in note 32 of this financial statement.

Statement of cashflows
For the Year ended 31 December 2012

	Note	2012 N'000	2011 N'000
Operating activities			
Net cash generated from operations	28	93,889,835	27,885,253
Income tax paid	9	(4,467,005)	(3,438,208)
Net cash inflow from operating activities		**89,422,830**	**24,447,045**
Investing activities			
Purchase of fixed assets	17	(1,749,611)	(886,384)
Proceeds from the sale of fixed assets		6,401	394,629
Proceeds from redemption of SME investments		287,560	59,857
Dividend received		-	28,373
Investment in subsidiary		(1,000)	-
Purchase of FGN and state government bonds		(25,373,085)	(2,841,025)
Proceeds from redemption of FGN bonds		2,560,868	8,074,137
Net cash (outflow)/inflow from investing activities		**(24,268,867)**	**4,829,587**
Increase in cash and cash equivalents		**65,070,823**	**22,225,894**
Financing activities			
Preference dividend paid		(83,140)	(50,738)
Ordinary dividend paid		-	(7,000,000)
Net cash out flow from financing activities		**(83,140)**	**(7,050,738)**
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		133,677,315	111,451,421
Increase in cash and cash equivalents		65,070,822	22,225,894
Cash and cash equivalents at end of year	**31**	**198,748,137**	**133,677,315**

Notes to the financial statements
For the Year ended 31 December 2012

1.0 Accounting Policies

The following is a summary of Standard Chartered Bank Nigeria Limited accounting policies for the year ended 31 December, 2012.

1.1 Statement of Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS); the International Financial Reporting Interpretations Committee (IFRIC); and the relevant national regulations. These financial statements comprising the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the accompanying notes, are the first financial statements prepared by the Bank in accordance with IFRS-1 (first-time Adoption of IFRS). The accounting policies set out have been consistently applied in preparing the financial statements for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of an opening IFRS statement of financial position as at 1 January 2011 (the date of transition).

1.2 IFRS-1 First Time Adoption (Exemption and exceptions)

The Bank prepares its financial statement and complied with the requirement of IFRS 1 (First Time Adoption) during the transition period. IFRS 1 requires retrospective application of all IFRS standards, with certain optional exemptions and mandatory exceptions. The bank did not make any elective exemptions and has consistently applied its accounting policies to all the periods described in these financial statements. The most significant IFRS impact for the bank was the implementation of IAS 39, which requires financial assets to be measured at fair value or at amortized cost (using the effective interest method) subject to satisfying certain criteria. In addition, the IAS 39 requirement to measure the impairment of financial assets were applicable to the bank.

1.3 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for available for sale investments, derivative financial instruments, other financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged. The financial statements are presented in Nigeria naira (N) which is the bank's functional currency and all values are rounded to the nearest thousand naira, except when otherwise indicated.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the IFRS requires the use of certain critical estimates. It also requires management to exercise its judgments in the process of applying the Bank's accounting policies.

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

1.5 Going concern

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

1.6 Presentation of financial statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current). Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

1.7 Foreign currency translation

The financial statements are presented in Nigeria Naira which is the bank's functional currency. Except where

necessary and indicated, the financial information presented were rounded to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from settlements of such transactions and from the translation at year end. Exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in either the income statement or shareholder's equity depending on the treatment of the gain or loss on the asset or liability.

1.8 Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	-	50 years
Furniture	-	5 years
Fittings	-	10 years
Office equipment	-	3 years
Computer hardware	-	3 years
Computer software	-	3 years
Motor vehicles	-	3 years
Leasehold improvements	-	Over the unexpired lease term
Leasehold land and buildings	-	Over the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are included in the income statement.

1.9. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on demand and overnight balances with Central Bank (unless restricted) with less than three months' maturity from the date of acquisition, including amounts due from other banks and short-term government securities.

Provisions

Provisions for restructuring costs and legal claims are recognized when: the bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

1.10 Employee benefits

a) Pension obligations

The Bank operates a defined contribution pension scheme. The scheme is fully funded and is managed by licensed Pension Fund Administrators. Membership of the scheme is automatic in line with the Pension Reform Act of 2004. The bank and the employees' contributions are at the rate of 7.5% of basic salary, transport and housing allowances respectively. Employee contributions to the scheme are funded through payroll deductions while the Bank's contribution is charged to employee benefit expense in the profit and loss account.

Pension obligations continued

Once contributions are made, the bank has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

b) Share based compensation

The Bank operates a share based compensation plan. The awards are revalued at each year end date and recognized on the statement of financial position for all unpaid amounts, with any changes in fair value charged or credited to staff cost in the income statement. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based

Notes to the financial statements continued

performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

1.11 Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions, for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the statement of financial position date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be settled.

1.12 Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends on ordinary shares and preference shares are appropriated from retained earnings and recognized as a liability in the period in which they are approved by the bank's shareholders.

1.13 Financial assets and liabilities (excluding derivatives)

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss or at amortized cost. Management determines the classification of its investments at initial recognition.

a) Financial assets and liabilities at fair value through profit or loss

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

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. It is expected that substantially all of the initial investment will be recovered other than because of credit deterioration.

c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

d) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Initial recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are initially recognized on trade- date - the date on which the Bank commits to purchase or sell the asset. Loans are recognized when cash is advanced to the borrowers. Financial assets and financial liabilities are initially recognized at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit and loss account.

1.14 Subsequent Measurement

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the statement of profit and loss.

Available-for-sale financial assets are subsequently carried at fair value with gains and losses arising from changes in fair value taken to a separate component of equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the statement of profit and loss.

Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the statement of profit and loss when the entity's right to receive payment is established.

1.15 De recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risk and reward of ownership. If substantially all the risk and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognized to the extent of the Bank's continuing involvement. Financial liabilities are derecognized when they are extinguished.

Income recognition

For available-for-sale assets and financial assets and liabilities held at amortised cost, interest income and interest expense is recognized in the statement of profit and loss using the effective interest method.

Gains and losses arising from changes in the fair value of financial instruments at fair value through profit or loss are included in the statement of profit and loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

Gains and losses arising from changes in the fair value of available-for-sale financial assets other than foreign exchange gains and losses from monetary items, are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

Dividend on equity instruments are recognized in the statement of profit and loss within 'Other income' when the Bank's right to receive payment is established.

Impairment of financial assets

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

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

- whether the counterparty is in default of principal or interest payments;
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;
- the Bank files to have the counterparty declared bankrupt or files a similar order in respect of credit obligation;
- the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments;
- the Bank sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

1.16 Assets carried at amortized cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

If there is objective evidence that an impairment loss on a loan and receivables or a held- to-maturity asset has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred), discounted at the assets original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan and receivable or held –to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collaterized financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Notes to the financial statements continued

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decreases the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of profit and loss.

1.17 Available – for – Sale assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other factors in assessing objective evidence of impairment for securities. Where objective evidence of impairment exist for available – for – sale financial assets, the cumulative loss (measured as the difference between the amortized cost and current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from equity and recognized in the income statement . If, in a subsequent period, the fair value of a debt instrument classified as available- for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit and loss. Impairment losses recognized in the statement of profit and loss on equity instruments are not reversed through the statement of profit and loss.

1.18 Derivative financial instruments

Derivates are categorized as trading unless they are designated as hedging instruments. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

1.19 Offsetting financial instruments

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

1.20 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the balance sheet. The counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

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

1.21 Interest income and expense

Interest income and expense are recognized in the income statement for all instruments measured at amortized cost and the AFS using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.22 Fees and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis.

2.0 Statement of Prudential Adjustments

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Provision per prudential guideline	11,498,121	13,418,231	9,840,262
Impairment loss per IFRS	2,711,188	3,071,428	2,484,000
Loan impairment reserve(Prudential adjustments)[1]	8,786,933	10,346,803	7,356,262
Analysis of loan loss in Prudential Guidelines			
Gross loans (by Prudential guidelines)	175,348,819	161,223,071	105,838,505
Performing	165,976,710	146,468,259	96,157,665
Non-Performing	9,372,110	14,754,812	9,680,840
NPL ratio	5%	9%	9%

1. Loan impairment reserve

Provisions for loans recognized in the profit and loss account is determined based on the requirement of IFRS. However, comparison of the IFRS provisions was made with the prudential provisions (S.12.4 of Prudential Guidelines 2010) and the expected impact/changes in general reserve were treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve (Loan impairment reserve).

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve (Loan impairment reserve) account to the general reserve to the extent of the non-distributable reserve previously recognized.

The non-distributable reserve (Loan impairment reserve) is classified under Tier 1 as part of core capital.

Notes to the financial statements continued

3.0 Segment information

a) By Business Segment

The Bank is organised on basis for management and reporting purposes into two main business segments: Consumer Banking and Wholesale Banking. The businesses' focus is on broadening and deepening the relationship with customers, rather than maximising a particular product line. Hence the Bank evaluates segmental performance based on overall profit or loss before taxation and not individual product profitability. Product revenue information is used as a way of assessing customer needs and trends in the marketplace. The strategies adopted by Consumer Banking and Wholesale Banking are adapted to local market and regulatory requirements. Transactions between the business segments are carried out on an arms-length basis. The bank's central expenses have been distributed between the business segments in proportion to their direct costs, and the benefit of the Bank's capital has been distributed between segments in proportion to their average risk weighted assets.

Wholesale Banking – The Wholesale Banking Unit provides bespoke comprehensive banking products and services to highly structured corporate organizations to meet the needs of this segment of the Bank's customers. It provides innovative financing and risk management solutions and advisory services for the Bank's corporate and institutional customers. The group is also responsible for the formulation and implementation of financial market products for the Bank's customers.

Consumer Banking – The Consumer Banking Unit provides commercial banking products and services to individuals and retail segments of the Nigerian market.

The Bank's business segment reporting information is as follows:

	2012			2011		
	CB	WB	Total	CB	WB	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Revenue						
Derived from external customers	6,553,400	29,398,561	35,951,961	6,605,367	15,751,136	22,356,503
Interest and similar expense	(1,268,400)	(8,812,813)	(10,081,213)	(1,478,498)	(4,494,207)	(5,972,705)
Interest margin	**5,285,000**	**20,585,748**	**25,870,748**	**5,126,869**	**11,256,929**	**16,383,798**
Allowance for risk assets	(194,906)	(232,298)	(427,204)	(196,498)	(390,930)	(587,428)
Net interest margin	5,090,094	20,353,450	25,443,544	4,939,371	10,856,999	15,796,370
Other income	5,461,596	8,003,105	13,464,701	4,313,821	10,482,708	14,796,529
Depreciation	(267,648)	(240,950)	(508,598)	(296,938)	(240,950)	(537,888)
Operating expense	(6,784,603)	(9,932,221)	(16,716,824)	(6,034,670)	(6,896,308)	(12,930,978)
Profit before taxation	**3,499,439**	**18,183,384**	**21,682,823**	**2,921,584**	**14,211,449**	**17,124,033**
Taxation	(664,894)	(4,977,364)	(5,642,258)	(553,391)	(4,050,647)	(4,604,038)
Profit after taxation	**2,834,545**	**13,206,020**	**16,040,565**	**2,368,193**	**10,160,802**	**12,519,995**
Segment assets	14,644,489	419,411,603	434,056,092	10,014,555	308,664,415	318,678,970
Segment liabilities	(142,603,745)	(216,844,856)	(359,448,601)	(121,616,814)	(140,596,593)	(262,213,407)

4. Interest and similar income

Interest and similar income was derived from:

	2012 N'000	2011 N'000
Interest and similar income:		
Placements	2,867,366	3,031,629
Treasury bills	12,674,322	3,348,078
Loans and advances	18,729,624	14,387,566
Investment securities	1,680,649	1,589,230
	35,951,961	22,356,503
Interest income earned in Nigeria	35,951,961	22,356,503
Interest income earned outside Nigeria	-	-
	35,951,961	22,356,503
Analyzed as follows:		
Available for Sale	13,021,433	4,282,943
Trading	1,148,738	654,365
Amortised Cost	21,781,790	17,419,195
Total Interest and Similar Income	**35,951,961**	**22,356,503**

Total interest income from financial instruments held at amortized cost in 2012 is N21.782bn (2011: N17.419bn) and financial instruments held as available for sale is N13.02bn (2011: N4.283bn) and trading N1.149bn (2011: N654m)

5. Interest and similar expense:

Current accounts	1,136,525	810,917
Savings accounts	149,390	179,732
Time deposits	6,346,452	1,662,840
Inter-bank takings	2,448,846	3,319,216
	10,081,213	**5,972,705**

Total interest expense on financial instrument held at amortized cost in 2012 is N10.081bn (2011: N5.973bn).

6. Fees and commissions

Commission on turnover	2,041,883	2,090,149
Commission on off-balance sheet transactions	152,519	364,411
Remittance fees	2,407,319	2,498,042
Letters of credits commission and fees	1,758,687	2,231,416
Trade commission	914,109	1,291,910
Other fees and commission	2,088,130	1,521,708
	9,362,647	**9,997,636**

Notes to the financial statements continued

7. Income from investments

		2012 N'000	2011 N'000
a)	Income from investments		
	Realised gain on valuation of investments	689,382	-
	Profit on sale of securities	357,343	542,666
	Dividend income	-	28,373
	Profit on sale of fixed assets	6,401	97,610
		1,053,126	**668,649**
b)	Foreign exchange income		
	Foreign currency trading	3,517,518	4,541,921
	Net conversion gain/(loss)	39,452	(5,097)
		7,556,970	**4,536,824**

8. Operating expenses

a	**Staff cost (note 27a)**		
	Salaries & Wages	7,405,217	6,482,315
	Share save expenses	138,428	-
	Pension cost	244,793	198,586
		7,788,438	6,680,901
	The staff cost above excludes compensation paid to executive directors (which have been disclosed in note 8(d)		
b	**Premises costs**		
	Rental of premises	697,913	688,174
	Rental of equipment	209,252	166,081
	Premises security	199,093	170,400
	Repairs & Maintenance	517,241	383,112
		1,623,499	**1,407,767**
c	**Depreciation (Note 17)**	**508,598**	**537,888**
d	**General administrative expenses:**		
	Auditors' remuneration	46,000	46,000
	Directors' emolument (Note 27b)	221,684	176,097
	Admin & general expense	1,139,709	1,702,401
	Insurance premium	1,164,330	842,127
	Travelling cost	510,962	467,050
	Legal & professional fees	140,453	78,777
	AMCON contributory cost	927,806	690,557
	Other operating expenses	3,153,943	839,301
		7,304,887	**4,842,310**

9. Taxation:

a) Analysis of tax charge in the year

	2012 N'000	2011 N'000
Analysis of tax charged for the year		
Profit before tax	21,682,824	17,124,033
Taxable expenses	436,861	2,082,929
Tax free income	(14,429,248)	(2,474,164)
Capital allowance	(764,712)	(835,369)
Taxable profit	**6,925,725**	**15,897,429**
Income tax at 30%	2,077,717	4,769,229
Education tax at 2%	153,809	334,656
Technology tax	214,682	169,545
Adjustment to tax charge on prior year tax	2,011,944	(488,288)
Current tax on income for the year	**4,458,152**	**4,785,142**
Deferred Tax Charge - temporary difference	1,184,107	(181,104)
Tax on profit on ordinary activities	**5,642,258**	**4,604,038**
Effective tax rate	**26%**	**27%**

b) Tax payable

At beginning of year	5,434,195	4,087,260
Tax paid	(4,467,005)	(3,438,207)
Income tax charge	4,458,152	4,785,142
At end of year	5,425,342	5,434,195

The company income tax charge for the year has been computed at the current rate of 30% (2011: 30%) on taxable profit for the year;

(a) Education tax has been computed at the rate of 2% (2011: 2%) on assessable profit for the year.

(b) In line with the Nigerian Information Technology Development Agency (NITDA) Act, the Company has provided for technology tax at the specified tax rate of 1% (2011:1%) of the profit before tax for the year.

10. Cash and balances with Central Bank

Cash	5,643,532	5,447,028
Operating account with Central Bank	2,645,873	2,127,075
Cheques in course of collection	456,675	770,192
	8,746,080	8,344,295
Mandatory reserve deposits with Central Bank	17,006,218	8,399,450
	25,752,298	16,743,745

Cash reserve deposits are mandatory reserve deposits with the Central Bank of Nigeria, which are not available for use in the Bank's day-to-day operations.

Notes to the financial statements continued

11. Financial Instruments

Classification

Financial assets are classified between four measurement categories: held at fair value through profit or loss (comprising trading and designated), available-for-sale, loans and receivables and held-to-maturity; and two measurement categories for financial liabilities: held at fair value through profit or loss (comprising trading and designated) and amortized cost. Instruments are classified in the balance sheet in accordance with their legal form, except for instruments that are held for trading purposes and those that the Bank has designated to hold at fair value through the profit and loss account.

The Bank's classification of its principal financial assets and liabilities is summarized in the table below:

31 December 2012	Assets at fair value		Assets at amortised cost			
Assets	Trading	Available for sale	loans and receivables	Held-to-maturity	Non-financial assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Balances with Central Bank		-	25,752,298	-	-	25,752,298
Financial assets held for trading	29,636,118	-	-	-	-	29,636,118
Financial assets - AFS	-	129,711,797	-	-	-	129,711,797
Treasury bills	-	116,056,456		-	-	-
Debt securities	-	13,655,341		-	-	-
Investment securities - Equity shares	-	-	420,722	-	-	420,722
Due from other banks	-	-	56,457,384	-	-	56,457,384
Loans and advances to customers	-	-	172,227,053	-	-	172,227,053
Other Assets	-	-	-	-	19,850,720	19,850,720
Total at 31 December 2012	**29,636,118**	**129,711,797**	**254,857,457**	**-**	**19,850,720**	**434,056,092**

NB: AFS = available for sale

31 December 2011	Assets at fair value		Assets at amortised cost			
Assets	Trading	Available for sale	loans and receivables	Held-to-maturity	Non-financial assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Balances with Central Bank	-	-	16,743,745			16,743,745
Financial assets held for trading	13,512,982	-	-	-	-	13,512,982
Financial assets – AFS	-	57,877,531	-	-	-	57,877,531
Treasury bills	-	54,112,107		-	-	-
Debt securities	-	3,765,424		-	-	-
Bankers acceptance	-	-	747,481	-	-	747,481
Investment securities - Equity shares	-	-	707,282	-	-	707,282
Due from other banks	-	-	56,933,532	-	-	56,933,532
Loans and advances to customers	-	-	159,256,123	-	-	159,256,123
Other assets	-	-	-	-	12,900,295	12,900,295
Total at 31 December 2011	**13,512,982**	**57,877,531**	**234,388,163**	**-**	**12,900,295**	**318,678,971**

AFS = available for sale

1 January 2011	Assets at fair value		Assets at amortised cost			
Assets	Trading	Available for sale	loans and receivables	Held-to-maturity	Non-financial assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cash and Balances with Central Bank	-	-	7,262,648	-	-	7,262,648
Financial assets held for trading	10,810,389	-	-	-	-	10,810,389
Financial assets – AFS	-	36,472,965	-	-	-	36,472,965
Treasury bills	-	28,276,908	-	-	-	-
Debt securities	-	8,196,057	-	-	-	-
Bankers acceptance	-	-	4,778,987	-	-	4,778,987
Investment securities - Equity shares	-	-	767,139	-	-	767,139
Due from other banks	-	-	67,466,123	-	-	67,466,123
Loans and advances to customers	-	-	99,521,350	-	-	99,521,350
Other assets	-	-	-	-	10,215,434	10,215,434
Total at 1 January 2011	10,810,389	36,472,965	179,796,247	-	10,215,434	237,295,035

31 December 2012	Assets at fair value			
Assets	Trading	Amortised cost	Non-financial liabilities	Total
	N'000	N'000		N'000
Financial liabilities				
Customer deposits	-	237,817,922	-	237,817,922
Due to other banks	-	93,933,740	-	93,933,740
Other liabilities	-	3,697,619	23,999,321	27,696,940
Total at 31 December 2012	**-**	**335,449,281**	**23,999,321**	**359,448,602**
31 December 2011				
Financial liabilities		-		-
Customer deposits	-	194,334,693	-	194,334,693
Due to other banks	-	54,020,918	-	54,020,918
Other liabilities	-	2,077,340	11,780,456	13,857,796
Total at 31 December 2011	**-**	**250,432,951**	**11,780,456**	**262,213,407**
1 January 2011				
Financial liabilities				
Customer deposits	-	153,838,598	-	153,838,598
Due to other banks	-	16,218,220	-	16,218,220
Other liabilities	-	5,378,864	9,731,075	15,109,939
Total at 1 January 2011	**-**	**175,435,682**	**9,731,075**	**185,166,757**

Notes to the financial statements continued

Valuation of Financial Instruments

Instruments held at fair value

Valuation of financial assets and liabilities held at fair value are subject to a review independent of the business by Valuation Control. For those financial assets and liabilities whose fair value is determined by reference to externally quoted prices or market observable pricing inputs to valuation model, an assessment is made against external market data and consensus services. Financial instruments held at fair value in the balance sheet have been classified into a valuation hierarchy that reflects the significance of the inputs used in the fair value measurements.

Wherever possible, valuation control utilises multiple independent market data sources. Market data sources are assessed for relevance and reliability. A market data source is relevant and reliable if there is a high probability that a third party transaction can be executed based on this data. Market data reliability is assessed with respect to the following considerations:

1. Methodology used by data provider to generate data (e.g. identity of contributors, basis of data collection/processing).
2. Degree of activity in the market or extent of market coverage represented by the data source.
3. Integrity and reputation of the data provider.
4. Comparisons with other similar or alternative data sources and whether or not it is regarded within the range of acceptable quotes (on the basis of a current and historical consideration).

Where a range of market price sources are utilised, valuation control documents the process by which the average or consensus price is determined. If valuation control chooses to adopt a pricing hierarchy (a scheme in which prices from more reliable sources are used preferentially to prices less reliable), any prices not used are reviewed for a body of contradictory evidence. Valuation control assesses all available market data before selecting the market data sources that will form the basis of the Price Testing Process. Market data utilised by valuation control is independent of the front office. Market data that is not fully independent receives a zero or low weighting.

Control Framework

A Product Valuation Control Committee exists for each business where there is a material valuation risk. The committees meet monthly and comprise representatives from front office, Group Market Risk, Product Control and Valuation Control. The committees are responsible for reviewing the results of the valuation control process.

Valuation Hierarchy

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets	Actively traded government and agency securities. Listed equities. Listed derivative instruments Investment in publicly traded mutual funds with listed market prices	Corporate and other government bonds and loans. Over-the-counter (OTC) derivatives. Assets backed securities Private equity investments	Assets backed securities. Private equity investments Highly structured OTC derivative contract with unobservable parameters Corporate bonds in illiquid markets
Types of financial liabilities	Listed derivative instruments	OTC derivatives	Highly structured OTC derivatives with unobservable parameters

Valuation of financial instruments continued

Level 1 portfolio

Level 1 asset and liabilities are typically exchange traded positions and some government bonds traded in active markets. These positions are valued using quoted prices in active markets.

Level 2 portfolio

Where instruments are not quoted in an active market, the Bank utilizes a number of valuation techniques to determine fair value. These valuation techniques include discounted cash flow analysis models, option pricing models and simulation models and other standard models commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, such as discount rates, default rates, credit spreads and option volatilities. These inputs need to be directly or indirectly observable in order to be classified as Level 2.

The Bank makes a credit valuation adjustment (CVA) against derivative products, which represents an estimate of the adjustment to fair value that reflects the possibility that the counterparty may default such that the Bank would not receive the full market value of the transactions. For these products, the Bank uses the Advanced IRB (AIRB) approach to manage its credit risk. All assets under the AIRB approach have sophisticated probability of default (PD), loss given default (LGD) and exposure at default or credit conversion factor models developed to support the credit decision making process. For CVA, AIRB models are used to calculate the PD and LGD which together with the results of the exposure simulation engine, generates a view of expected loss.

In addition to periodic reassessment of the counterparties, credit exposures and external trends which may impact risk management outcomes are closely monitored. Accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. As a result, the reserve represents a dynamic calculation based on the credit quality of the counterparties, collateral positions and exposure profiles.

All fair value positions in non-derivative financial instruments are valued at bid (for long positions) or offer (short) levels. Fair value of derivative positions is initially derived by calculating at mid-market levels. These are then adjusted through bid-offer valuation adjustments to effectively reflect the long positions at bid and short positions at offer. The resulting valuation is then reflective of the fair value of that instrument in the market.

In calculating the bid-offer valuation adjustment, reference is usually made to the risk contained within a similar bucket, for example the interest rate risk is divided in time buckets and a separate bid-offer valuation adjustment calculated for each one of these. The rationale for following this methodology is to take account of the different risks that exist for each of the time buckets and the different hedge transactions that would need to be executed to insulate the gross risk in those buckets, should the need arise. Similar bucketing also takes place to account for different bid-offer levels for options which are at the money, out of the money and in the money.

Level 3 portfolio

The primary products classified as Level 3 are as follows:

Investment Securities – asset backed securities

The majority of these positions are valued using third party sources. However, due to the severe lack of liquidity in the market and the prolonged period of time under which many securities have not traded, obtaining external prices is not a strong enough measure to determine whether an asset has an observable price or not. Therefore, once external pricing has been verified, the portfolio asset classes are monitored against market conditions using broker reports in order to establish which asset classes are seeing some levels of activity and which are completely illiquid. The latter are classified as Level 3. Where third party pricing is not available, Standard Chartered dealer prices are used with the asset classified as Level 3.

Equity Shares – Private Equity

Unlisted Private Equity investments are generally valued based on earnings multiples (Price-to-earnings (P/E) or Enterprise Value (EV) or earnings before income tax, depreciation and amortization (EBITDA)) of comparable listed companies together with the application of a liquidity discount. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earnings multiples of the comparable listed companies.

Even though earnings multiples for the comparable listed companies can be sourced from third party sources (for example, Bloomberg) and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where some form of observable inputs are available, for example OTC prices) are classified as Level 3 on the grounds that the valuation methods involve significant judgments ranging from determining comparable companies to liquidity discounts.

Derivatives

These trading derivatives are classified as Level 3 if there are parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. These unobservable correlation parameters could only be implied from the market, through methods such as historical analysis and comparison to historical levels or benchmark data. Other derivatives are classified as Level 3 if the trading is illiquid, such as some emerging market convertible bonds and structured credit products.

Notes to the financial statements continued

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at December 31, 2012.

31 December 2012	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Financial assets held for trading	29,636,118	-	-	29,636,118
Financial assets – AFS				
Treasury bills	116,056,456	-	-	116,056,456
Debt securities	13,655,341	-	-	13,655,341
Total at 31 December 2012	**159,347,915**	**-**	**-**	**159,347,915**

31 December 2012	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Financial assets held for trading	13,512,982	-	-	13,512,982
Financial assets – AFS				
Treasury bills	54,112,107	-	-	54,112,107
Debt securities	3,765,424	-	-	3,765,424
Total at 31 December 2011	**71,390,513**	**-**	**-**	**71,390,513**

1 January 2011	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Financial assets held for trading	10,810,389	-	-	10,810,389
Financial assets – AFS				
Treasury bills	28,276,908	-	-	28,276,908
Debt securities	8,196,057	-	-	8,196,057
Total at 1 January 2011	**47,283,354**	**-**	**-**	**47,283,354**

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
12. Due from other banks			
Current Balances with Banks in Nigeria	175,427	104,312	50,894
Current Balances with Banks outside Nigeria	10,298	51,009	25,617,103
Placements with banks and discount houses	56,271,659	56,778,211	41,798,126
	56,457,384	**56,933,532**	**67,466,123**
13. Loans and advances to customers			
Overdrafts	39,088,911	38,957,106	34,724,457
Term loans of which:			
Less than 1 year	65,516,675	74,732,222	52,436,444
Beyond 1 year	68,248,341	47,208,596	-
Bankers acceptance	-	747,481	18,354,769
Personal loans	2,084,314	1,429,627	1,268,667
	174,938,241	**163,075,032**	**106,784,337**
Specific provisions for loan loss	(1,446,256)	(1,717,041)	(1,446,942)
Portfolio impairment provision	(1,264,932)	(1,354,387)	(1,037,058)
	172,227,053	160,003,604	104,300,337

14. Loan impairment Provision

a) Movement in loan impairment

At 1 January	3,071,428	2,484,000	-
Provisions during the year	195,761	587,428	2,484,000
Releases during the year	(556,001)	-	-
At 31 December	**2,711,188**	**3,071,428**	**2,484,000**

Analysis of loans by performance			
Performing	166,630,600	148,646,722	97,103,497
Non- Performing	8,307,641	14,428,310	9,680,840
	174,938,241	**163,075,032**	**106,784,337**
NPL ratio	**4.77%**	**8.85%**	**9.07%**

b) Analysis of loan impairment

	Individual provision impairment N'000	Portfolio impairment provision N'000	Total N'000
At 1 January, 2012	1,717,041	1,354,387	3,071,428
Profit and loss charge	221,240	44,446	195,761
Profit and loss release	(4,320)	(133,901)	(416,965)
Provisions released to loan impairment reserve	(487,704)	-	(139,036)
At 31 December 2012	**1,446,256**	**1,264,932**	**2,711,188**
At 1 January 2011	1,446,942	1,037,058	2,484,000
Profit and loss charge	568,634	317,329	885,963
Provisions applied against debts	(298,535)	-	(298,535)
			-
At 31 December 2011	1,717,041	1,354,387	3,071,428

Notes to the financial statements continued

	Individual provision impairment N'000	Portfolio impairment provision N'000	Total N'000

c) Analysis of impairment charge for the year

	2012 N'000	2011 N'000
Profit and loss charge	265,686	885,963
Profit and loss release	(138,221)	-
Provisions applied against debts	-	(298,535)
Direct write-off	299,739	-
	427,204	**587,428**

The maturity profile of the loans and advances is as follows:

0 - 30 days	54,403,897	94,516,195
1 - 3 months	27,994,207	26,629,145
>3 - 6 months	24,664,798	15,138,847
>6 - 12 months	7,529,880	5,351,180
Over 12 months	60,345,459	21,394,685
Grand Total	**174,938,241**	**163,075,032**

15. Investment securities

a.) Unlisted equity securities at cost:

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
- SMEEIS investments - (note 15b)	317,130	604,690	664,547
- NIBSS Plc – (note 15d)	52,583	52,583	52,583
- CRC Credit Bureau	50,009	50,009	50,009
- SCB Nominees Ltd – (note 15e)	1,000	-	-
	420,722	**707,282**	**767,139**
b.) SMEEIS investments comprise:			
Aureos West Africa Fund (note 15b (ii))	247,381	247,381	247,381
Ekhay Cartons	-	-	40,000
Crestville Property Development	-	17,809	37,666
Nycil Limited	69,749	139,500	139,500
Orwell (Oil and Gas) Nigeria Limited	-	200,000	200,000
Total Investment Securities	**317,130**	**604,690**	**664,547**

(i) The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) per policy guidelines of 2001 fiscal year (monetary policy circular No. 35). During the year, the Bank's investment in some of the SMEEIS companies matured in line with the investment agreement. The proceeds were released to general reserve.

(ii) SMEEIS investments through Aureos West Africa Fund (AWAF) relate to amounts called up by Aureos Capital in respect of the Bank's commitment to invest USD2.65 million (about N350 million) in AWAF over a four year period.

AWAF is a 9-year limited life fund that commenced in June 2003 with foreign and local investors and target capitalization of US$50 million. The life of the Fund was extended in 2012 to expire in June 2013. The Fund seeks to make equity and quasi-equity related investments in small and medium sized enterprises (SME) in the countries of the Economic Community of West African States (ECOWAS), including Nigeria. AWAF has committed to the regulatory authorities and Nigerian investors that total investments in Nigeria will not be lower than amounts raised from the country. Current Nigeria investments of AWAF are Portland Paints & Products (Nigeria) Ltd, Orwell International Ltd, C & I Leasing, Private Network Nigeria Limited and Nycil Limited.

(c) The movement in the Bank's portfolio in AWAF as at 31 December 2012 was as follows:

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
At 1 January	247,381	247,381	261,785
Redemption during the year	-	-	(14,404)
At 31 December	**247,381**	**247,381**	**247,381**

(d) This represents the Bank's 4% equity investment in the Nigeria Inter-Bank Settlement System (NIBSS) Plc, a company owned by the Central Bank of Nigeria and all licensed banks in Nigeria.

(e) The bank has a special purpose entity – Standard Chartered Nominees (SCB Nominees, a non-operating entity). The bank has power to directly govern its financial and operating policies. The net total asset of the entity as at 31 December, 2012 was N1.77m. This is considered very insignificant to the Bank to present consolidated financial statement in the Annual reports.

(f) This represents the Bank's 7.5% equity investment in CRC Credit Bureau (formerly Credit Reference Company), a credit bureau company owned by a consortium of financial institutions.

16. Other Assets

	2012 N'000	2011 N'000	1 January 2011 N'000
Fees receivables	-	437,683	-
Derivatives instruments	-	842,117	-
Prepayments	1,884,392	1,509,333	1,004,091
Accounts receivables	7,856,862	601,782	394,378
	9,741,254	**3,390,915**	**1,398,469**

17 Property, Plant & Equipment

	Leasehold Land and Buildings N'000	Motor Vehicle N'000	Furniture and Fittings N'000	Computer and Office Equipment N'000	Leasehold Improvement N'000	Work-In Progress N'000	Total N'000
COST							
1 January 2012	3,934,329	128,790	877,990	2,173,704	1,428,698	4,029,481	12,572,992
Additions	-	14,850	157,973	84,585	-	1,492,203	1,749,611
Reclassification	-	-	80,660	32,564	-	(113,224)	-
Disposals	-	(14,327)	-	-	-	-	(14,327)
31 December 2012	3,934,329	129,313	1,116,623	2,290,853	1,428,698	5,408,460	14,308,276
ACCUMULATED DEPRECIATION							
1 January 2012	378,446	92,278	520,949	1,927,892	784,974	-	3,704,539
Charge for the Year	100,345	18,539	122,084	140,164	127,466	-	508,598
Disposal	-	(14,327)	-	-	-	-	(14,327)
31 December 2012	478,791	96,490	643,033	2,068,056	912,440	-	4,198,810
NET BOOK VALUE							
31 December 2012	3,455,538	32,823	473,590	222,797	516,258	5,408,460	10,109,466
1 January 2012	3,555,883	36,512	357,041	245,812	643,724	4,029,481	8,868,453

(a) Contracted capital commitments, as at the balance sheet date amounted to N6,193,721,329 (2011 - N7,393,489,500)

Notes to the financial statements continued

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
18. Customer deposits			
Savings	6,380,968	6,010,184	6,003,906
Current	62,817,732	68,484,904	43,493,749
Time	72,191,108	39,615,552	36,727,988
Domiciliary	96,428,114	80,224,053	67,612.955
	237,817,922	**194,334,693**	**153,838,598**
Analysis by Maturity			
0 - 30 days	208,592,164	177,381,216	136,675,110
1 - 3 month	23,521,383	11,753,670	12,254,526
3 - 6 month	3,972,413	196,819	171,819
6 - 12 month	1,691,962	28,087	113,038
Over 12 months	40,000	4,974,901	4,624,105
	237,817,922	**194,334,693**	**153.838,598**

19. Due to other banks

Items in course of collection			
Current balances with banks	5,482	63,154	297,005
Takings from SCB Group Companies	63,600,072	49,574,304	10,948,608
Inter-bank takings	27,000,000	-	-
CBN BOI Intervention funds	3,328,186	4,383,460	4,972,607
	93,933,740	**54,020,918**	**16,218,220**

The Central Bank of Nigeria in a bid to unlock the credit market, approved the investment of the sum of N200 billion in Debenture Stock issued by the Bank of Industry (BOI) for the refinancing/restructuring of banks' existing loan portfolios to the Nigerian SME/manufacturing sector. The amount above represents the amount advanced to the Bank by the Bank of Industry under this scheme for on-lending to the customers in the SME/Manufacturing sector. The facility has a tenor of one to ten years relative to the tenor of the underlying on-lending asset.

20. Other Liabilities

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Customers deposits for Letters of Credits	3,608,783	1,994,200	5,328,126
Derivatives liabilities	358,270	-	-
Defined contribution schemes	3,070	18,896	1,070
Accounts payable	15,977,728	5,325,215	5,121,289
Preference dividend payable	88,836	83,140	50,738
Share save option	422,586	260,234	260,234
Others - SCB Group Companies	652,767	741,916	140,668
	21,112,040	**8,423,601**	**10,902,125**

a.) Analysis of other liabilities

	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
i. Financial liabilities			
Cash collateral	3,608,783	1,994,200	5,328,126
Derivatives liabilities	358,270	-	-
Preference dividend payable	88,836	83,140	50,738
	4,055,889	**2,077,340**	**5,378,864**
ii. Non-financial liabilities			
Accounts Payable	15,977,728	5,325,214	5,121,289
Pension deductions	3,070	18,896	1,070
Share save option	422,586	260,234	260,234
Others - SCB Group Companies	652,768	741,917	140,668
	17,056,151	6,346,261	5,523,261
	21,112,040	8,423,601	10,902,125

b.) Analysis of derivatives liabilities by counter party

The table below analyse the notional principal and the positive and negative fair values of the Bank's derivative instruments. The notional principal amounts are the amount of principal underlying the contract at year end. The bank limits exposure to credit losses in the event of default by entering a back to back hedging arrangement with SCB London, details of such derivatives with SCB London are disclosed in note 26 (e)

PRODUCT	TRANSACTION DATE	TRANSACTION MATURITY	NOTIONAL 1 (NGN)	NOTIONAL 2 (USD)	LCY (NGN)
Currency swaps	30/03/12	02/04/13	15,725,000,000	100,000,000	(16,472,248,500.00)
Currency swaps	19/01/11	21/01/14	4,122,900,000	27,000,000	(4,334,811,980.00)
Currency swaps	30/03/12	02/04/13	15,725,000,000	100,000,000	15,989,588,576.61
Currency swaps	19/01/11	21/01/14	4,122,900,000	27,000,000	4,464,374,761.52
Non-Deliverable Forwards	12/14/12	03/18/13			(5,172,811.90)
Total					(358,269,953.77)

c.) Share based payments

The Bank's employees participate in the following share compensation plans for the acquisition of shares in the ultimate holding company, Standard Chartered Plc. The market value of shares is denominated in pounds sterling at the time of grant.

Share save option

The Bank operates a share save option Scheme which can be used to defer part of an employee's annual bonus in shares. The Executive share options are exercisable after the third, but before the tenth anniversary of the date of grant with any benefit payable in cash. The exercise price is based on the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied. The options granted do not confer any right to participate in any share issue of any other company.

	2012 Number'000	Weighted average exercise price N per share	N'000	2011 Number ('000)	Weighted average exercise price N per share	N'000
At 1 January	84	3,111	260,234	84	3,111	260,234
Granted during the year	43	3,955	170,042	-	-	-
Exercised during the year	(2)	(3,741)	(7,690)	-	-	-
Lapsed during the year	-	-	-	-	-	-
At 31 December	125	3,325	422,586	84	3,111	260,234

	2012				2011			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price	Weighted average exercise price	Number of options	Expected years	Contractual years	Weighted average exercise price	Number of options	Expected years	Contractual years
	-	-	3-5years	3-5years	-	-	-	-

Notes to the financial statements continued

21. Deferred taxes

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011
Balance beginning of year	(640,926)	120,554	538,372
Charge for the year	1,184,107	(761,480)	(324,632)
Deferred tax on AFS change -2012	616,376	-	(93,186)
	1,159,557	(640,926)	120,554

22. Share capital and reserves:

a. Authorised:

2,500,000,000 ordinary shares of N1 each	2,500,000	2,500,000	2,500,000
510,000,000 irredeemable non-cumulative	510,000	510,000	510,000
	3,010,000	3,010,000	3,010,000

b. Issued and fully paid:

i Ordinary Shares			
At 1 January & 31 December	2,500,000	2,500,000	2,500,000
ii Preference Shares			
At 31 December	510,000	510,000	510,000

c. Preference shares

This represents 510,000,000 irredeemable non-cumulative preference shares of N1 each. Under the terms of the issue, the preference shares qualify as core capital and non-cumulative dividend is payable semi-annually at the prevailing 3-year Federal Government of Nigeria bond rate plus a preference share risk premium of 350 basis points per annum. Dividends are calculated in respect of the periods 1 January to 30 June 30 and 1 July to 31 December of every year. During the year, N83,140 million (2011: N50,738 million) was paid as dividend while accrual of N88,836million (2011: N83,140 million) was made in respect of due and unpaid dividend (see note 20).

d. Statutory Reserves and SMEIES reserves

(1) In accordance with section 16 (1) of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 (as amended), 15% (2011:15%) of the profit after taxation for the year has been transferred to statutory reserves.

(2) The Small and Medium Scale Industries Equity Investment Scheme (SMEIES) reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside 10% of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises.

(3) The Bank has now suspended further appropriation to the SMEIES reserve account in line with the decision reached at the Bankers' Committee meeting and approved by the CBN in 2007. The balance of N317.13million in the SMEIES reserve as at 31 December 2012 represents the Bank's outstanding investments under the scheme in respect of on-going projects.

(4) Amount transferred to general reserves from the SMEIES reserve account of N446.7million (2011: N59.857 million) represents proceeds of matured SME investments from which the Bank has now divested its interest in accordance with the investment agreement (see note (15 (f)).

(5) The Central Bank had via a circular dated 12 February 2008 announced a new initiative – the Micro Credit Fund scheme to facilitate credit extension to very small organizations. In compliance with this directive, the Bank had annually set aside 5% of its profit after taxation as transfer to this scheme. Effective 15 March 2010, the scheme was discontinued and the balance on the account was transferred to general reserve.

e. Loan Impairment Reserve

(1) Provisions for loans recognized in the profit and loss account are determined based on the requirements of IFRS. However, the IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.

(2) The non-distributable reserve should be classified under Tier 1 as part of core capital.

f. AFS Equity Reserves

The Available-for-Sale Equity reserve represents the unrealized fair value gains and losses in respect of financial assets classified as available-for-sale, net of taxation. Gains and losses are deferred in this reserve until such time as the underlying asset is sold, matures or becomes impaired. Below is analysis of AFS reserves into different securities.

	2012 N'000	2011 N'000
Treasury bills	609,223	(1,613,603)
Government bonds	1,445,365	(200,071)
	2,054,588	(1,813,674)

23. Contingent liabilities, commitments and arrangements

a. Legal proceedings

The Bank in the ordinary course of business is presently involved in 20 litigation suits amounting to N11,880,825,756 (2011: N12,754,367,952). Apart from two of these cases which were decided against the Bank (for which full provisions of N35 million have been made in the accounts pending final decision of an Appeal filed by the Bank), the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations at the balance sheet date.

b. Capital commitments

At the balance sheet date, the Bank had capital commitments amounting to N6,193,721,329 (2011: N7,393,489,500) in respect of authorized and contracted capital projects.

c. Contingent liabilities and commitments

In the normal course of business, the Bank is party to financial instruments with off-balance sheet risk. The instruments are used to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments at 31 December 2012 are shown below:

	2012 N'000	2011 N'000	1 Jan 2011 N'000
Contingent liabilities			
Irrevocable letters of credit	32,653,317	35,062,295	43,815,804
Performance bonds and Guarantees	62,077,408	47,684,686	19,781,295
	94,730,725	**82,746,981**	**63,597,100**
Commitments			
Documentary credits and short term trade-related transactions	-	82,093,982	79,073,380
Forward assets purchased and sold - Treasury contingents	65,460,931	52,402,620	113,291,985
	160,191,656	217,243,583	255,962,465

d. Contingent Liabilities

Where the bank undertakes to make a payment on behalf of its customers for guarantees issued such as for performance bonds or as irrevocable letters of credit as part of the bank's business transactions for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

e. Commitments

Where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees whether cancellable or not or letters of credit and the Bank has not made payments at the balance sheet date, those instruments are included in these financial statements as commitments.

24. Compliance with banking regulations

The Bank contravened the following banking legislations and provisions during the year:

Banking legislation	Nature of Contravention	Penalties N'000
(a) BOFIA section 64 (1)	Opening new branch without CBN approval	8,400

Notes to the financial statements continued

25. Events after the balance sheet date

There were no post balance sheet events which could have a material effect on the financial position of the Bank as at 31 December 2012 and the financial performance for the year ended on that date that have not been adequately provided for, or disclosed in these financial statements.

26. Related Party transactions

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the year-end and related expense and income for the year are as follows:

(a) Risk assets outstanding as at 31 December 2012

(i) **Direct credit assets**

Included in loans and advances to customers is an amount of N32,615,838 (2011: N35,290,120) which represents the outstanding balances on loans advanced to two executive directors in their capacity as members of staff of the Bank. The loans, which were performing as at 31 December 2012, were granted under normal conditions applicable to staff.

(ii) **Inter-bank placement**

Included in due from other banks is an amount of N41,471,266,000 (2011: N44,715,138,000) representing placements with other SCB group companies. The balances as at 31 December 2012 are as follows:

Name of company	Relationship -Transaction Type	Amount N'000	Status	Security
Standard Chartered Bank (UK)	Affiliate Placement	17,229,258	Performing	Unsecured
Standard Chartered Bank (Germany)	Affiliate Placement	515,030	Performing	Unsecured
Standard Chartered Bank (Dubai)	Affiliate Placement	11,715,000	Performing	Unsecured
Standard Chartered Bank (Mauritius)	Affiliate Placement	11,387,177	Performing	Unsecured
Standard Chartered Bank (Gambia)		624,800	Performing	Unsecured
		41,471,266		

The balances as at 31 December 2011 are as follows:

Name of company	Relationship -Transaction Type	Amount N'000	Status	Security
Standard Chartered Bank (UK)	Affiliate Placement	15,008,245	Performing	Unsecured
Standard Chartered Bank (Germany)	Affiliate Placement	3,984,613	Performing	Unsecured
Standard Chartered Bank (Dubai)	Affiliate Placement	10,638,473	Performing	Unsecured
Standard Chartered Bank (South Africa)	Affiliate Placement	11,971,275	Performing	Unsecured
Standard Chartered Bank (US)		3,112,532	Performing	Unsecured
		44,715,138		

(b) Deposit liabilities

Included in deposit liabilities is an amount of N50,646,436 (2011: N32,121,749) which represents the outstanding balance on deposits made by some of the Bank's executive and non-executive directors.

(c) Interest income

Included in interest income is an amount of N729,252,000 (2011: N386,339,797) representing interest income on placements with other SCB group companies. The balance as at 31 December 2012 was as follows:

Name of company	Relationship	Income type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	Interest income on placement	120,999
Standard Chartered Bank (US and others)	Affiliate	Interest income on placement	608,253
			729,252

b.) Interest expense

Included in interest expense is an amount of N1,229,021,102 (2011: N1,692,513,434) representing interest expense on takings from other SCB group companies. The balance as at 31 December 2012 was as follows:

Name of company	Relationship	Income type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	Interest expense on borrowing	1,229,021

d.) Derivatives transactions hedged with SCB UK were as follows:

Product		Notional Amount	Net Present Value	Net Present Value NGN
Currency swaps	EUR	20,000,000	(2,944,503)	65,575,919
Interest rate swaps	USD	129,000,000	3,551,855	554,178,513
Commodity swaps	USD		1,294,348	203,313,080
FX Options vanilla	USD		(280,121)	(43,754,835)
Total				779,312,677

27 Employees and directors

a. Employees:
The average number of persons employed by the Bank during the year was as follows:

	2012 Number	2011 Number
Executive Directors	4	4
Management	304	251
Non-Management	485	418
	793	673

Compensation for the above staff (excluding Executive Directors):

	N'000	N'000
Salaries and wages	7,405,217	6,482,315
Share save expense	138,428	-
Pension costs	244,793	198,586
	7,788,438	6,680,901

The number of employees of the Bank, other than directors, who received emoluments in the following ranges (excluding pension contributions), were:

	2012 Number	2011 Number
N 300,001 - N2,000,000	240	140
N2,000,001 - N2,800,000	49	49
N2,800,001 - N3,500,000	50	50
N3,500,001 - N4,000,000	27	27
N4,000,001 - N5,500,000	81	81
N5,500,001 - N6,500,000	44	44
N6,500,001 - N7,800,000	43	43
N7,800,001 - N9,000,000	56	32
N9,000,001 and above	203	203
	793	**669**

Notes to the financial statements continued

b. Directors:

Remuneration paid to the Bank's Directors was as follows:

	2012 N'000	2011 N'000
Fees and sitting allowances	28,654	27,921
Executive compensation	150,773	132,798
Retirement benefit costs	7,126	5,978
Share save expense	23,924	-
Other directors expenses and benefits	11,207	9,400
	221,684	**176,097**

Fees and emoluments include:		
The Chairman	7,820	7,820
The highest paid Director (executive)	90,000	75,000

The number of directors who received fees and other emolument (excluding pension contributions) in the following ranges was:

	2012 Number	2011 Number
Less than N5,000,000	7	7
N5,000,001 - N25,000,000	-	-
Above N25,000,001	4	4

28. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2012 N'000	2011 N'000
Profit after taxation	16,040,565	12,519,995
Add: tax charge for the year	5,642,258	4,604,038
Profit before taxation	**21,682,823**	**17,124,033**
Reconciliation of profit before tax to cash generated from operations:		
Specific impairment provision	221,240	568,634
Portfolio impairment allowance	(89,455)	317,329
Provisions write back	(4,320)	(389,259)
Direct write off	299,739	-
Profit on disposal of fixed assets	(6,399)	(97,609)
Dividend received	-	(28,373)
Depreciation	508,598	537,888
Operating profit before changes in operating assets and liabilities	**22,612,226**	**18,032,643**
(Increase) / decrease in operating assets:		
Loans and advances to customers	(11,863,209)	(55,411,399)
Short term investments	(35,457)	796,178
Net decrease in treasury bills held at fair value	2,054,588	(1,813,674)
Other assets	(6,350,338)	(1,992,447)
Restricted balances with central bank	(8,606,768)	(7,513,915)
	(24,801,184)	(65,935,257)

	2012 N'000	2011 N'000
Increase / (decrease) in operating liabilities:		
Customer deposits	43,483,229	40,496,095
Due to other banks	39,912,821	37,802,698
Other liabilities	12,682,743	(2,510,926)
	96,078,793	**75,787,867**
Net cash generated from operations	**93,889,835**	**27,885,253**

29. Earnings per share

Basic earnings per share (EPS) are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year as follows:

	2012 N'000	2011 N'000
Net profit attributable to shareholders	16,040,565	12,519,995
Amount attributable to preference shareholders	(88,837)	(83,140)
Net profit attributable to ordinary shareholders	15,951,728	12,436,855
Number of ordinary shares in issue as at year end (note 23 a) ('000)	2,500,000	2,500,000
Time weighted average number of ordinary shares in issue ('000)	2,500,000	2,500,000
Basic earnings per share	**638k**	**497k**

30 Dividend

a) Declared dividend per ordinary shares

Declared dividends per ordinary shares:		
Declared dividend	18,750,000	-
No of ordinary shares	2,500,000	2,500,000
Declared dividends per share	750k	-

b) Proposed dividend

The Board of directors after the balance sheet date has proposed a dividend of N7.59 per ordinary shares amounting to N18.750 billion (of which N13.5billion is from previous years' retained earnings) to be distributed from reserves as at 31 December 2012. The dividends are subject to deduction of applicable withholding tax at the time of payment.

31 Cash and Cash equivalent

	2012 N'000	2011 N'000
Cash and balances with central bank (note 10)	8,746,080	8,344,295
Treasury bills and eligible bills	133,544,673	68,399,488
Due from other banks (note 12)	56,457,384	56,933,532
	198,748,137	133,677,315

Notes to the financial statements continued

32 Reconciliation of NG-GAAP to IFRS statements

Prior to the adoption of IFRS, the financial statements for 2010 and 2011 were prepared based on Generally Accepted Accounting Principles (NG-GAAP). These financial statements have been restated on the basis of International Financial Reporting Standard (IFRS). The purpose of this reconciliation is to explain the restatement of the opening statement of financial position on January 1, 2011 and the comparative financial statement as at December 31, 2011.

32.1 Income Statement 31 December 2011

	Note	IFRS 31 December 2011 N'000	IFRS adjustments N'000	NGAAP 31 December 2011 N'000
GROSS EARNINGS		37,559,612	1,488,173.86	36,071,439
Interest & Similar Income	32.1a	22,356,503	2,416,307	19,940,196
Interest & Similar Expense		(5,972,705)	-	(5,972,705)
NET INTEREST INCOME		16,383,798	2,416,307	13,967,491
Fees & Commission Income	32.1b	9,997,636	(1,112,428)	11,110,064
Fees & Commission Expense		(406,580)	-	(406,580)
Net Fees & Commission Income		9,591,056	(1,112,427)	10,703,484
Foreign Exchange Income		4,536,824	-	4,536,824
Income from Investments	32.1c	668,649	184,294	484,355
OPERATING INCOME		31,180,327	1,488,174	29,692,154
Operating expense	32.1d	(13,468,866)	(652,061)	(12,816,805)
Loan impairment charge	32.1e	(587,428)	2,456,446	(3,043,874)
Impairment charge on other assets	32.1f	-	25,210	(25,210)
PROFIT BEFORE TAXATION		17,124,033	3,317,769	13,806,265
Taxation	32.1g	(4,604,038)	(609,908)	(3,994,130)
PROFIT AFTER TAXATION		**12,519,995**	**2,707,861**	**9,812,135**

Note to the reconciliation of income statement

The following explanatory notes provide the basis for IFRS adjustments to the income statements above

32.1a Interest and similar income

Adjustment to interest income included staff loan subsidy of N161m and unwinding of interest in suspense of N1,116m. The income of N1,139m was also reclassified from fess and commission to interest income to under the EIR requirement.

32.1b Fees and Commission Income

The fees on loans were capitalized and amortized over the tenor of the facility in line with IFRS. The fees relating to current year were reclassified to net interest income while the unamortized were classified to other liabilities. The Fees and commission income under NG-GAAP included facility fees of N1,139m now reclassified to net interest income; and unearned income (deferred income) of N26m classified to other liabilities.

32.1c Income from Investment

This consisted of income arising from investment securities. The marked to market gain on trading investments securities of N184m was adjusted in the income statement.

32.1d Operating expenses - This adjustment included cost of staff loan subsidies described in 32.1 above.

32.1e Loan Loss provisions

Under NGAAP, provision on loans is determined on the basis of prudential guidelines straight line percentage to write down loans designated as non performing and impaired. The categorization of impairment was doubtful, substandard or

lost. Under IFRS, the Bank assesses whether there is objective evidence that impairment has occurred from initial recognition financial asset or a group of financial assets ("the asset") is impaired. Impairment is considered to have occurred if, as a result of one or more events (a "loss event"), the estimated future cash flows of the asset can be reliably estimated and the Net Present Value (NPV) of these cash flows discounted at the original contract rate is less than the assets current carrying value. The Bank assesses impairment for loans that are due after 90 days. Installment loans that remain unpaid after 150 days are charged off to the income statement. The difference arising from these two methods of assessing impairment has been and transferred to Loan impairment reserves detailed in page 16 (Statement of Prudential Adjustments)

32.1f Taxation

The 32% tax effect (N480m) on the net profit arising from restatement of the financial statement at year end (N1,061m) and together with the deferred tax (N581m) on the other comprehensive incomes.

Reconciliation of NG-GAAP to IFRS statements

32.2 Statement of Financial Position as at 31 December 2011

	Note	IFRS 31 December 2011 N'000	IFRS adjustments N'000	NGAAP 31 December 2011 N'000
ASSETS:				
Cash and balances with Central Bank	32.2a	16,743,745	(38,570)	16,782,315
Treasury bills	32.2b	-	(66,468,282)	66,468,282
Financial assets held for trading	32.2b	13,512,982	13,512,982	-
Financial assets - AFS	32.2b	57,877,531	57,877,531	-
Due from other banks		56,933,532	-	56,933,532
Loans and advances	32.2c	160,003,604	12,198,764	147,804,840
Investment securities	32.2b	707,282	(6,551,611)	7,258,893
Other Assets	32.2d	3,390,916	(1,761,348)	5,152,264
Deferred Income tax assets	32.2e	640,926	640,926	-
Property, Plant and Equipment		8,868,453	-	8,868,453
TOTAL ASSETS		**318,678,970**	**(9,410,392)**	**309,268,579**
LIABILITIES:				
Customer Deposits	32.2f	194,334,693	486,327	193,848,366
Due to other banks		54,020,918	-	54,020,918
Current income tax	32.2g	5,434,195	609,909	4,824,286
Other liabilities	32.2h	8,423,601	(445,228)	8,868,829
Deferred tax liabilities	32.2g	-	(32,636)	32,636
Retirement benefit obligations	32.2h	-	(18,896)	18,896
TOTAL LIABILITIES		**262,213,407**	**599,476**	**261,613,931**
EQUITY:				
Ordinary Share Capital		2,500,000	-	2,500,000
Preference Share Capital		510,000	-	510,000
Share Premium Account		18,708,524	-	18,708,524
Retained earnings	32.2i	15,057,736	(708,769)	15,766,505
Other Reserves			-	
- Statutory	32.2i	9,811,910	406,179	9,405,731
- SMEEIS		763,888	-	763,888
- loan impairment	32.2j	10,346,803	10,346,803	
AFS Equity Reserve	32.2k	(1,233,298)	(1,233,298)	-
		56,465,563	**8,810,915**	**47,654,648**
TOTAL EQUITY AND LIABILITIES		**318,678,970**	**(9,410,391)**	**309,268,579**

Notes to the financial statements continued

Notes to the reconciliation of statement of financial position

32.2a Cash and balances with the CBN were stated at amortized cost in both NG_GAAP and IFRS. Clearing cheques (N38.7m) were reclassified to other assets under IFRS.

32.2b Financial instruments – This consists of treasury bills and government bonds which were reported under NG_GAAP as investment securities. The short-term securities (N66.468b) were reported at net realizable value as Treasury Bills in the financial statement while the long-term securities (N6.55b) were reported Investment securities on the basis of lower of cost and net realizable value (SAS10).

Under IFRS, these financial instruments were fair valued and classified in line with IAS39 into financial assets held for trading (N13.3b) and available for sale (AFS) – N57.9b. The IFRS adjustments were the reclassification and the impact of fair value measurement of the financial assets. Changes in fair value of the trading assets were reflected in the income statement while changes in the AFS instruments were taken to reserves (note 32.2k).

32.2c Loans and advances are disclosed as amortized cost under NG-GAAP and IFRS. Under the NG-GAAP, it included commercial advances to customers but did not include accrued interest on loans as well as interest in suspense.

Under IFRS, loans and advances included commercial advances to customers together with accrued interest thereon net of interest in suspense. Certain adjustments made in IFRS books included accrued interest receivables (N1.89b) reclassified from other assets to loans and advances. Furthermore, prudential adjustment on loan loss of N10.3b (note 3) was made to impairment reserves (note 32.2l).

32.2d the impact of adjustments stated in 32.2a to 32.2c above affected the Other Assets. These were Clearing cheques (N38.57m); interest in suspense in note 32.2c (-N1,89b); and provision for other assets of N52m under NG-GAAP.

32.2e This consist of deferred tax reported under NG-GAAP (N32m) credit and the deferred tax arising from the available for sale instruments (N580m) debit in 2011 and timing difference on account of PPE (181m).

32.2f IFRS adjustments made to customer deposits were accrued interest payable (N486m) on the deposits which have been reclassified from Other liabilities to customers deposits account.

32.2g Income tax charged on net profit of N3.317bn arising from IFRS accounts translation.

32.2h Other liabilities adjustments consisted of accrued interest payable on customer deposits (notes 32.2f) and staff pension obligation of N18.9m remitted in the new year.

32.2i The net gain arising from the restatement of the financial statement was tax at the current corporate tax rate of 32%. The resulting balance was appropriate to statutory reserves (15%) and retained earnings (the balance of N708.8m). The additional loan loss prudential adjustment of N3.1n was transferred to impairment reserves from the retained earnings.

32.2j refer to note 3 of the financial statement.

32.2k Refer to statement of other comprehensive income (page 14) and details of the available for sale securities in note 22f of the financial statement

32.3 Statement of financial position - As at January 1, 2011

	Note	IFRS 31 December 2011 N'000	IFRS adjustments N'000	GAAP 31 December 2011 N'000
ASSETS:				
Cash and balances with Central Bank		7,262,648	-	7,262,648
Treasury bills	32.3a		(37,608,185)	37,608,185
Financial assets held for trading	32.3a	10,810,389	10,810,389	-
Financial assets- AFS	32.3a	36,472,965	36,472,965	-
Due from other banks		67,466,123	-	67,466,123
Loans and advances	32.3b	104,300,337	8,302,094	95,998,243
Investment securities	32.3a	767,139	(9,922,758)	10,689,897
Other assets	32.3c	1,398,469	(945,066)	2,343,535
Fixed assets		8,816,965	-	8,816,965
TOTAL ASSETS		**237,295,035**	**(7,109,439)**	**230,185,596**
LIABILITIES:				
Customer deposits		153,838,598	-	153,838,598
Due to other banks		16,218,220	-	16,218,220
Current income tax		4,087,260	-	4,087,260
Other liabilities	32.3d	10,902,125	1,070	10,901,055
Deferred tax liabilities	32.3e	120,554	(93,186)	213,740
Retirement benefit obligations	32.3d	-	(1,070)	1,070
TOTAL LIABILITIES		**185,166,757**	**(93,186)**	**185,259,943**
EQUITY:				
Ordinary share capital		2,500,000	-	2,500,000
Preference share capital		510,000	-	510,000
Share premium account		18,708,524	-	18,708,524
Retained earnings	32.3f	14,520,292	70,820	14,449,473
Other reserves			-	
- Statutory		7,933,911	-	7,933,911
- SMEEIS	823,745	-	823,745	
AFS equity reserves	32.3g	(224,457)	(224,457)	-
- loan impairment	32.3h	7,356,262	7,356,262	
		52,128,278	7,202,625	44,925,653
TOTAL EQUITY AND LIABILITIES		237,295,035	7,109,439	230,185,596

Notes to the financial statements continued

Notes to the reconciliation of financial position

32.3a Financial instruments – This consists of treasury bills and government bonds which were reported under NG_GAAP as investment securities. The short-term securities (N37.608b) were reported at net realizable value as Treasury Bills in the financial statement while the long-term securities (N9.92b) were reported Investment securities on the basis of lower of cost and net realizable value (SAS10).

Under IFRS, these financial instruments were fair valued and classified in line with IAS39 into financial assets held for trading (N10.810b) and available for sale (AFS) – N37.47b. The IFRS adjustments were the reclassification and the impact of fair value measurement of the financial assets. Changes in fair value of the trading assets were reflected in the income statement while changes in the AFS instruments were taken to reserves (note 32.3g)

32.3b Loans and advances are disclosed as amortized cost under NG-GAAP and IFRS. Under the NG-GAAP, it included commercial advances to customers but did not include accrued interest on loans as well as interest in suspense.

Under IFRS, loans and advances included commercial advances to customers together with accrued interest thereon net of interest in suspense. Certain adjustments made in IFRS books included accrued interest receivables (N967m) and N22m unamortized fees reclassified from other assets to loans and advances. Furthermore, prudential adjustment on loan loss of N7.35 (note 3) was made to impairment reserves (note 32.3h below)

32.3c The adjustment to other assets were accrued interest receivables (N967m) on customers loans reclassified (note 32.3b above) together with N22m unamortized fees reclassified from loans and advances

32.3d Other liabilities adjustments consisted of staff pension obligation of N1.07mm remitted in the new year.

32.3e This consist of deferred tax of N93m arising on conversion from NG-GAAP to IFRS.

32.3f Unamortized fees & tax on conversion gain .

32.3g Reference to statement of other comprehensive income (page 14) and details of the available for sale securities in note 22(f) of the financial statement.

32.3h Reference to note 3 of the financial statement.

32.4 Statement of Changes in Equity

AS AT 31 DECEMBER 2011

	Share capital N'000	Statutory reserve N'000	SMEEIS Reserve N'000	Retained earnings N'000	Loan Impairment reserve N'000	AFS Reserve N'000	Total N'000
Balance as at 1 January, 2011	21,718,524	7,933,911	823,745	14,520,293	7,356,263	(224,457)	52,128,278
Profit for the year	-	-	-	12,519,995	-	-	12,519,995
Transfer to statutory reserves (15%)	-	1,877,999	-	(1,877,999)	-	-	-
Preference dividends	-	-	-	(83,140)	-	-	(83,140)
Transfer to general reserves	-	-	(59,857)	59,857	-	-	-
Movement in AFS reserve	-	-	-	-	-	(1,008,841)	(1,008,841)
Loan impairment reserve	-	-	-	(3,081,270)	3,081,270		-
Loan loss provision in NG GAAP released	-	-	-		(90,729)	-	(90,729)
2010 dividend paid in 2011	-	-	-	(7,000,000)	-	-	(7,000,000)
Balance as at December 31 2011	**21,718,524**	**9,811,910**	**763,888**	**15,057,736**	**10,346,083**	**(1,233,298)**	**56,465,563**

32.5 Reconciliation statement of changes in equity

As at 31 December 2011: NGAAP to IFRS

	Share capital	Statutory reserve	SMEEIS Reserve	Retained earnings	Loan Impairment reserve	AFS Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 31 December 2011 (NGAAP)	21,718,524	9,405,731	763,888	15,766,505			47,654,648
Specific Loan loss provision in NGAAP released		-	-	-	8,777,300	-	8,777,300
Individual impairment in IFRS charged to reserves		-	-	-	(1,386,877)	-	(1,386,877)
Interest in suspense under NGAAP released to reserves		-	-	-	1,062,962	-	1,062,962
Portfolio impairment charged to IFRS reserves	-	-	-	-	(1,097,123)	-	(1,097,123)
MTM on AFS	-	-	-	-	-	(1,233,298)	(1,233,298)
Unearned revenue	-	-	-	(22,366)	-		(22,366)
Deferred tax charged on conversion credits (opening balance)	-	-	-	93,186	-		93,186
Loan impairment classification				(3,081,270)	3,081,270		
Specific Loan loss provision in NGAAP released		-	-	-	(90,729)	-	(90,729)
2011 additional net profit arising from IFRS adjustments		406,179		2,301,682	-	-	2,707,860
	-	-	-	-	-	-	
Balance as at 31 December 2011 (IFRS)	**21,718,524**	**9,811,910**	**763,888**	**15,057,736**	**10,346,803**	**(1,233,298)**	**56,465,563**

32.6 Reconciliation Statement of Changes in Equity

As at 1 January 2011: NGAAP to IFRS

	Share capital	Statutory reserve	SMEEIS Reserve	Retained earnings	Loan Impairment reserve	AFS Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 31 December 2010 (NG-GAAP)	21,718,524	7,933,911	823,745	14,449,473			44,925,653
		-	-	-	-	-	
Specific Loan loss provision in NGAAP released	-	-	-	-	8,777,300	-	8,777,300
Individual impairment in IFRS charged to reserves	-	-	-	-	(1,386,877)	-	(1,386,877)
Interest in suspense under NGAAP released to reserves		-		-	1,062,962	-	1,062,962
Portfolio impairment charged to IFRS reserves	-	-	-		(1,097,123)	-	(1,097,123)
Unearned revenue	-	-	-	(22,366)	-	-	(22,366)
Deferred tax charged on conversion credits	-	-	-	93,186	-	(224,457)	(131,271)
	-	-	-	-	-		
Balance as at 1 January, 2011 (IFRS restated)	21,718,524	7,933,911	823,745	14,520,293	7,356,262	(224,457)	52,128,278

Notes to the financial statements continued

32.7 (a) Reconciliation Cash Flow Statement – December 2011

	IFRS 2011 N'000	IFRS Adjustments N'000	NG GAAP 2011 N'000
Operating activities			
Net cash generated from operations	27,885,253	(1,892,636)	25,992,617
Income tax paid	(3,438,208)	-	(3,438,208)
Net cash inflow from operating activities	24,447,045	(1,892,636)	22,554,409
Investing activities		-	
Purchase of fixed assets	(886,384)	-	(886,384)
Proceeds from the sale of fixed assets	394,629	-	394,629
Proceeds from redemption of SME investments	59,857	-	59,857
Dividend received	28,373	-	28,373
Purchase of FGN and state government bonds	(2,841,025)	-	(2,841,025)
Proceeds from redemption of FGN bonds	8,074,137	-	8,074,137
Net cash inflow /(outflow) from investing activities	**4,829,587**	**-**	**4,829,587**
Increase in cash and cash equivalents	**22,225,894**	**(1,892,636)**	**20,333,258**
Financing activities		-	
Preference dividend paid	(50,738)	-	(50,738)
Ordinary dividends paid	(7,000,000)	-	(7,000,000)
Net cash out flow from financing activities	**(7,050,738)**	**-**	**(7,050,738)**
Analysis of changes in cash and cash equivalents		-	
Cash and cash equivalents at beginning of year	111,451,421	-	111,451,421
Cash and cash equivalents at end of year	133,677,315	(1,892,636)	131,784,679
Increase in cash and cash equivalents	**22,225,894**	**(1,892,636)**	**20,333,258**

32.8 (b) Reconciliation Cash Flow Statement – 31 December 2011

Cash generated from operations
Reconciliation of profit before tax to cash generated from operations:

	Notes	IFRS 2011 N'000	IFRS Adjustments N'000	NG GAAP 2011 N'000
Profit before taxation		17,124,033	(3,317,768)	13,806,266
			-	
Reconciliation of profit before tax to cash generated from operation			-	
Specific impairment provision		568,634	766,264	1,334,898
Portfolio impairment allowance		317,329	1,179,157	1,496,486
Provision write back		(389,259)	20,342	(368,917)
Profit on disposal of fixed assets		(97,609)	-	(97,609)
Allowance for other assets written back			25,210	25,210
Dividend received		(28,373)	-	(28,373)
Depreciation		537,888	-	537,888
Operating profit before changes in operating assets and liabilities		**18,032,643**	**(1,326,796)**	**16,705,847**
(Increase) / decrease in operating assets:				
Loans and advances to customers	32.8b	(55,411,567)	1,142,502	(54,269,065)
Short term investments	32.8c	796,178	(2,658,143)	(1,861,965)
Net decrease in treasury bills held at fair value	32.8d	(1,813,674)	1,813,674	-
Other assets	32.8e	(1,992,447)	(841,492)	(2,833,939)
Restricted balances with central bank		(7,513,915)	-	(7,513,915)
		(65,935,257)	(543,627)	(66,478,884)
Customer deposits	32.8f	40,496,095	(486,327	40,009,768
Due to other banks		37,802,688	-	37,802,688
Other liabilities	32.8g	(2,510,926)	446,298	(2,064,628)
Other payables		17,826	-	17,826
		75,787,867	**(22,213)**	**75,765,654**
Net cash generated from operations		**27,885,253**	**(1,892,636)**	**25,992,617**

Note to the reconciliation of statement of cashflow

32.7a The above adjustment to the net cash generated from operations was due to the effect of marked to market gain on available for sale financial assets (N1.813bn) together with net income from conversion.

32.8a The gap in loan loss impairment provision under NG-GAAP and IFRS was due to the present value of collateral gap associated with the credit facilities. The excess provision arising from this has been reclassified to impairment reserves (note 3)

32.8b Accrued interest receivables reclassified from other assets (refer to note 32.2b above).

32.8c Reclassifications of bankers' acceptances to loan and advances

32.8d This is the fair value adjustment for the available for sale financial assets and corresponding entries in the reserve account (IAS39). Refer to note 32.2k above

32.8e Adjustment in other assets on account of accrued interest receivable classified to loans and advances

32.8f Accrued interest on deposits reclassified from other liabilities

32.8g Accrued interest on deposits reclassified to customer deposits account (note 32.8f) together with employee pension obligations reclassified to other liabilities

Value Added Statement
Year ended 31 December 2012

	2012 N'000	%	2011 N'000	%
Gross income	49,924,704		37,559,612	
Interest paid:				
Local	(8,904,459)		(4,280,190)	
Foreign	(1,176,754)		(1,692,515)	
Fees and commission expense (local)	(508,042)		(406,580)	
	39,335,450		**31,180,327**	
Allowance on risk and other assets	(427,204)		(587,428)	
Bought in materials and services (local)	(8,839,551)		(6,166,937)	
Value added	**30,068,695**	**100**	**24,425,962**	**100**
Applied to pay:				
Employees				
Salaries and benefits	7,788,438	25	6,680,901	29
Providers of funds				
Preference dividend	88,836	-	83,140	-
Government				
Taxation	5,642,258	13	4,604,038	20
Retained in the business				
For replacement of fixed assets (depreciation)	508,598	2	537,888	2
To augment reserves	16,040,565	60	12,519,995	48
	30,068,695	**100**	**24,425,962**	**100**

Five year financial summary

	IFRS			NGAAP	
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Assets					
Cash and balances with Central Bank	25,752,298	16,743,745	7,262,648	7,780,413	13,244,437
Treasury bills	-	-		4,401,664	495,943
Financial assets held for trading	29,636,118	13,512,982	10,810,389	-	-
Financial assets – AFS	129,711,797	57,877,531	36,472,965	-	-
Due from Other Banks	56,457,384	56,933,532	67,466,123	66,133,588	64,189,378
Loans and Advances	172,227,053	160,003,604	104,300,337	62,936,543	61,516,057
Investment Securities	420,722	707,282	767,139		
Other Assets	9,741,254	3,390,915	1,398,469	27,291,975	10,390,107
Deferred Income Tax Assets	-	640,926	-	3,889,305	4,245,465
Property, Plant and Equipment	10,109,466	8,868,453	8,816,965	6,106,944	6,197,437
	434,056,092	**318,678,970**	**237,295,035**	**178,540,432**	**160,278,824**
Financed by:					
Customer deposits	237,817,922	194,334,693	153,838,598	126,590,847	93,175,801
Due to other banks	93,933,740	54,020,918	16,218,220	387,812	3,000,000
Taxation payable	5,425,342	5,434,195	4,087,260	2,925,619	4,272,824
Other liabilities	21,112,041	8,423,601	10,902,125	11,640,520	24,216,450
Deferred tax liabilities	1,159,557	-	120,554	538,372	280,185
Retirement benefit obligations	-	-		23,049	4,621
Ordinary share capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Preference share capital	510,000	510,000	510,000	510,000	510,000
Share premium	18,708,524	18,708,524	18,708,524	18,708,524	18,708,524
Reserves	52,888,966	34,747,039	30,409,754	14,715,689	13,610,419
	434,056,092	**318,678,970**	**237,295,035**	**178,540,432**	**160,278,824**
Profit and Loss Account					
Gross earnings	49,924,704	37,559,612	27,793,102	30,252,552	26,336,597
Profit before taxation	21,682,824	17,124,033	11,978,077	10,306,254	11,393,587
Taxation	(5,642,258)	(4,604,038)	(3,435,899)	(2,892,891)	(3,366,759)
Profit after taxation	16,040,565	12,519,995	8,542,178	7,413,363	8,026,828
Proposed dividend		-	7,000,000	-	6,250,000
Earnings per share (basic)	638K	497K	340k	294k	319k
Earnings per share (diluted)	638K	497K	340k	294k	319k
Number of business offices	31	29	26	26	18

Financial Risk Management

Principal credit policies

The Bank's credit policies provide a credit strategy for a diversified portfolio of credit risks so as to produce reliable, sustainable and consistent returns to investors and to work towards the framework of Basel II Accord. A Country Portfolio Standards which sets the rules and parameters for risk acceptance along industry and customer types has been prepared and approved to guide credit creation. The Country Portfolio Standard which is reviewed annually must comply with the regulatory and legal framework of Nigeria.

Credits will only be provided after written completion of:

- Customer Due Diligence (KYC);
- Full analysis of the risks associated with the counterparties and facilities proposed; and
- Review of the risk-adjusted return.

Risk assessment will include, but need not be limited to, an analysis of:

- Business environment and general economic outlook.
- Current and future business prospects.
- Management strengths and weaknesses.
- Financial strength, including its ability to repay loans and meet commitments.
- Projected financials.
- The size and structure of proposed facilities and the fit with the customer needs.
- Past performance of facilities.
- Compliance with the policy requirements and business underlying standards.
- Absolute revenues and risk adjusted rates of return.
- Environmental and social risks.

Customer suitability

The Bank will not extend credit products/ facilities which are inappropriate to the nature and scale of the customer's business. The Bank ensures that customer:

- Understands the facilities and the associated risks
- Has the authority to enter into the facility

Aggregation of customer exposure

All limits to customers within a group must be aggregated for credit assessment, approval, reporting and regulatory ceiling compliance purpose. It is the responsibility of the transactor/ Relationship Manager and the Credit Officers (Approvers) to ensure that single customer/ group exposure is within regulatory restrictions.

Product programs

Only products, which are covered by approved product programs (PPG) and/ or country product template, may be provided to the customers. Non-adherence to the PPG constitutes a breach of policy. The Bank has Zero tolerance for non-compliance.

Stress testing

Key Country Triggers appropriate to Nigeria must be kept under review and stress tests on the portfolio are carried out whenever significant changes occur or are anticipated in the near future.

Methodology for risk rating

All credits are rated by an appropriate scorecard. A scorecard is a credit risk assessment tool that estimates a counterparty's Probability of Default (PD), or the likelihood that within a specified time horizon, usually one year, a borrower will not meet its obligations with regard to interest and/or principal payments to the bank. Use of an internal scorecard is mandatory and must be undertaken on or prior to the review date. Every Business Credit Application (BCA) must be accompanied by a valid scorecard. The counterparties are graded from the Credit Grade (CG) 1A to 14.

The performing accounts are graded CG 1A – 11C on applicable scorecards, based on financial and non-financial factors, of which investment grade accounts are CG 1A to 5B. Problem Accounts including watch-list, substandard, doubtful and lost Accounts are downgraded to CG12A-14.

Each scorecard has a set of financial and non-financial factors used for rating counterparty. Latest audited financials of the counterparty must be used to obtain the financial score. Non-financial factors must be answered conservatively, accompanied by clear and concise justification.

Enterprise risk review

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return whilst minimizing potential adverse effects on the Bank's financial performance.

Risk management is carried out by Management under the leadership of the Country Chief Risk Officer within risk appetite and policies approved by the Board of Directors. Management identifies, evaluate and manage respective aspects of financial risks with oversight from the Executive Management Committee. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and use of financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk, interest rate and other price risk. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice.

Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; the Board and management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments. The credit risk management and control activities are reported to the Board of Directors regularly.

Credit risk measurement

(a) Loans and advances

In measuring credit risk of loans and advances to customers and to other banks at a counterparty level, the Bank reflects the following components (i) the character and capacity to pay off the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; (iii) credit history of the counterparty and (iv) the likely recovery ratio in case of default obligations - value of collateral and other ways out.

All credits are rated by an appropriate scorecard. A scorecard is a credit risk assessment tool that estimates a counterparty's Probability of Default (PD), or the likelihood that within a specified time horizon, usually one year, a borrower will not meet its obligations with regard to interest and/or principal payments to the bank. The bank's scorecards are linked to the S&P international rating scales. The performing accounts are graded CG 1A – 11C on applicable scorecards, based on financial and non-financial factors. Problem accounts including substandard, doubtful and loss accounts are downgraded to CG12A-14.

Financial risk management continued

Bank's rating	Description of the Grade	External Rating: Standard & Poor's Equivalent	
		S&P Mapping	
CG		Corp/NBFIs	Banks
1A	Performing Accounts	AAA	AAA, AA+
1B	Performing Accounts	AA+	AA, AA-
2A	Performing Accounts	AA	A+
2B	Performing Accounts	AA-	A
3A	Performing Accounts	A+	A-
3B	Performing Accounts	A	BBB+
4A	Performing Accounts	A-	BBB+, BBB
4B	Performing Accounts	BBB+	BBB
5A	Performing Accounts	BBB	BBB-
5B	Performing Accounts	BBB-	BB+
6A	Performing Accounts	BB+	BB+, BB
6B	Performing Accounts		BB
7A	Performing Accounts	BB	BB, BB-
7B	Performing Accounts		BB-
8A	Performing Accounts	BB-	B+
8B	Performing Accounts		B+, B
9A	Performing Accounts	B+	B
9B	Performing Accounts		B, B-
10A	Performing Accounts	B	B
10B	Performing Accounts		B-, CCC
11A	Performing Accounts	B-	CCC
11B	Performing Accounts		
11C	Performing Accounts		
12A	Problem Account		
12B	Problem Account		
12C	Problem Account		
13	Problem Account		
14	Problem Account		

(b) **Debt securities and other bills**

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by Treasury for primarily to manage their liquidity risk exposures.

Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries. In terms of Risk Appetite, the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to one borrower, or groups of borrowers (single obligor limits), and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Board has set risk based credit authority for credit officers in Nigeria and these are based on the Loss Given Default (LGD) in line with Basel II. In addition to this, the Board has recognized the existence of more senior credit experts in the Group credit chain who will also assess and where appropriate, recommend for approval credit applications outside the local credit officers delegated authority.

Approval limits are reviewed by the Board of Directors from time to time in line with the prevailing economic conditions. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) **Collateral**

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

i. Mortgages over residential properties

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

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

(b) **Master netting arrangements**

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

(c) **Credit-related commitments**

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

Financial risk management continued

Provisioning policies

The internal and external rating systems described above, focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, loan loss provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on criteria set out in IFRS.

Maximum exposure to credit risk

The table below presents the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 December 2012, before taking into account any collateral held or other credit enhancements. For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet. For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

The Bank's exposure to credit risk is spread across the industry sectors. The Bank sets limits on the exposure to any counterparty and credit risk is spread over a variety of different personal and commercial customers.

The Bank's maximum exposure to credit risk has increased by N42 billion when compared with 2011. Exposure to loans and advances to customers has increased by N11.86 billion since 2011 due to broad-based growth across several industry sectors. Further details of the loan portfolio are set out on page 68.

	2012 N'000	2011 N'000
Interbank Placements[1]	56,457,384	56,933,532
Loans and advances to customers	174,938,241	163,075,032
Investment securities	159,347,914	71,390,513
Irrevocable letters of credit	32,653,317	35,062,295
Performance bonds and Guarantees	62,077,408	47,684,686
Documentary credits and short term trade-related transactions	-	82,093,982
Forward assets purchased and sold - Treasury contingents	65,460,931	52,402,620
	550,935,196	**508,642,660**

1 Included in the interbank placement is the amount of N56.122 billion placed with SCB Group

Collateral

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of credit. For certain types of lending – typically mortgages, asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default. Collateral is reported in accordance with our risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Where appropriate, collateral values are adjusted to reflect current market conditions, its probability of recovery and the period of time to realize the collateral in the event of possession.

Loans and advances

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor impaired, we have assessed the significance of the collateral held in relation to the type of lending. For loans and advances to customers, the Bank held the following amounts of collateral, adjusted where appropriate as discussed above.

Loans and advances	Maximum exposure to credit risk	Fair Value of Collateral and credit enhancement held							Net Collateral	Net exposure
		Cash	Securities	Letters of credit / Guarantees	Property	Other	Netting Agreement	Surplus Collateral		
	Millions	Millions	Millions	Millions	Millions	Millions	Millions	Millions	Millions	Millions
31st Dec 2012	174,938	21,745	2,848		17,946	29,973	-	-	72,512	102,426
31st Dec 2011	163,975	20,034	2,624	-	16,534	27,614	-	-	66,805	97,070

The above collateral did not include equitable mortgage held against exposure to customers. Non-tangible collateral – such as guarantees and letters of credit – may also be held against corporate exposures although the financial effect of this type of collateral is less significant in terms of recoveries. However, this type of collateral is considered when determining probability of default and other credit related factors.

Collateral and other credit enhancements possessed or called upon.

The Bank obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold in an orderly fashion. Where the proceeds are in excess of the outstanding loan balance they are returned to the borrower.

Off-balance sheet exposures

For certain types of exposures such as Letters of Credit and Guarantees, the Bank obtains collateral such as cash depending on internal credit risk assessments. However, for trade finance products such as Letters of Credit the Bank will also hold legal title to the underlying assets should a default take place.

Financial risk management continued

Concentration of risks of financial assets with credit risk exposure

(a) Industry sectors

The following table breaks down the Bank's maximum credit exposure at their carrying amounts, as categorised by industry sector as at balance sheet date:

As at 31 December 2012

	Cash and	Financial Assets					
	Central Bank	Held for Trading	Available for Sale	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Agriculture					2,827,918		2,827,918
Oil and Gas					14,511,486		14,511,486
Capital market					4,351,626		4,351,626
Manufacturing					58,144,367		58,144,367
General commerce					41,366,823		41,366,823
Real estate and construction					1,862,074		1,862,074
Finance and insurance	25,752,298	29,636,118	129,711,797	56,457,384	15,469,376		257,026,973
General					15,527,262		15,527,262
Power					729,678		729,678
Other public utilities					702,632		702,632
Transportation					1,387,978		1,387,978
Communication					6,912,193		6,912,193
Consumer credits					11,144,828		11,144,828
Others						420,722	420,722
	25,752,298	29,636,118	129,711,797	56,457,384	174,938,241	420,722	416,916,560

As at 31 December 2011

	Cash and Central Bank	Financial Assets Held for Trading	Financial Assets Available for Sale	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Agriculture					6,338,340		6,338,340
Oil and Gas					15,999,789		15,999,789
Capital market					4,007,811		4,007,811
Manufacturing					58,130,078		58,130,078
General commerce					20,835,565		20,835,565
Real estate and construction					21,299		21,299
Finance and insurance	16,743,745	13,512,982	57,877,531	56,933,532	18,817,866		163,885,656
General					27,776,682		27,776,682
Power					2,855,164		2,855,164
Other public utilities					106,863		106,863
Transportation					1,451,476		1,451,476
Communication					5,986,618		5,986,618
Others					747,481	707,282	1,454,763
	16,743,745	13,512,982	57,877,531	56,933,532	163,075,032	707,282	308,850,104

Financial risk management continued

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2012. For this table, the Bank has allocated exposures to regions based on the region of domicile of our counterparties.

As at 31 December 2012 (N'000)

As at 31 December 2012

	Cash and Central Bank	Financial Assets: Held for Trading	Financial Assets: Available for Sale	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
South South	527,825	-	-	-	15,522,073	-	16,049,898
South West	23,297,787	29,636,118	129,711,797	175,427	157,814,912	420,722	341,056,763
South East	249,459	-	-	-	111,894	-	361,353
North West	446,651	-	-	-	1,088,764	-	1,535,415
North Central	1,230,576	-	-	-	400,594	-	1,631,170
North East	-	-	-	-	4	-	4
Europe and the Americas	-	-	-	56,281,957	-	-	56,281,957
	25,752,298	**29,636,118**	**129,711,797**	**56,457,384**	**174,938,241**	**420,722**	**416,916,560**

As at 31 December 2011

	Cash and Central Bank	Financial Assets: Held for Trading	Financial Assets: Available for Sale	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
South South	563,252	-	-	-	20,190,355	-	20,753,607
South West	13,712,118	13,512,982	57,877,531	4,870,822	141,111,492	707,282	231,792,227
South East	732,823	-	-	-	4	-	732,827
North West	691,256	-	-	-	1,364,994	-	2,056,250
North Central	1,044,296	-	-	-	408,184	-	1,452,480
North East	-	-	-	-	3	-	3
Europe and the Americas	-	-	-	52,062,710	-	-	52,062,710
	16,743,745	**13,512,982**	**57,877,531**	**56,933,532**	**163,075,032**	**707,282**	**308,850,104**

Analysis by portfolio distribution and risk rating

	AAA to AA- N'000	A+ to A- N'000	BBB+ to BB- N'000	Below BB- N'000	Unrated Total N'000
At 31 December 2012:	61,981	1,200,094	80,214,537	93,461,629	(174,938,241)
At 31 December 2011:	116,017	890,948	83,943,627	78,124,440	(163,075,032)

Market risk

We recognise market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. Our exposure to market risk arises principally from customer-driven transactions. The objective of our market risk policies and processes is to obtain the best balance of risk and return whilst meeting customers' requirements.

The primary categories of market risk for Standard Chartered are:

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange Options
- Commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agriculture
- Equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options

Market risk governance

The Board Risk Committee approves our market risk appetite taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. Market risk exposures have remained broadly stable in 2012.

The Board Risk Committee is responsible for setting VaR and stress loss triggers for market risk within our risk appetite. It is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Bank. The trading book is defined as per IAS 39 'Financial Instruments: Recognition and Measurement'. Limits by location and portfolio are proposed by the businesses within the terms of agreed policy.

The Board Risk approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

Value at Risk (VaR)

We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

We apply two VaR methodologies:

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for credit spread VaR

In both methods a historical observation period of one year is chosen and applied. VaR is calculated as our exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2012. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Financial risk management continued

At 31 December 2012 (N'000)

At 31 December 2012	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	21,811,500	2,348,191	388,793	1,203,814	-	**25,752,298**
Financial assets held for trading	29,636,118	-	-	-	-	**29,636,118**
Financial assets - AFS	129,711,797	-	-	-	-	**129,711,797**
Due from other banks	4,915,691	38,196,182	7,857,245	4,577,056	911,210	**56,457,384**
Loans and advances to customers	85,544,488	85,974,748	26,018	660,484	21,315	**172,227,053**
Investment securities	420,722	-	-	-	-	**420,722**
Other assets	(18,940,323)	27,518,574	(8,140)	1,274,152	(103,009)	**9,741,254**
Property, Plant and Equipment	10,109,466					**10,109,466**
Total financial assets	**263,209,459**	**154,037,695**	**8,263,916**	**7,715,506**	**829,516**	**434,056,092**
Liabilities						
Customer deposits	141,389,808	83,267,467	8,054,438	5,071,712	34,497	**237,817,922**
Due to other banks	30,517,951	61,468,026	64,418	1,854,110	29,235	**93,933,740**
Current income tax	5,425,342	-	-	-	-	**5,425,342**
Deferred Tax	1,159,557					**1,159,557**
Other liabilities	10,058,345	9,353,168	145,060	789,684	765,784	**21,112,040**
Total Financial Liabilities	**188,551,003**	**154,088,661**	**8,263,916**	**7,715,506**	**829,516**	**359,448,601**
Net on-balance sheet financial position	**74,658,456**	**(50,966)**	**-**	**-**	**-**	**74,607,490**
Off balance sheet	**29,402,244**	**126,953,946**	**1,132,247**	**1,916,007**	**787,212**	**160,191,656**

At 31 December 2011 (N'000)

At 31 December 2011	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	13,598,812	1,608,572	577,291	959,070	-	**16,743,745**
Financial assets held for trading	13,512,982					**13,512,982**
Financial assets - AFS	57,877,531	-	-	-	-	**57,877,531**
Due from other banks	104,313	45,326,241	6,624,210	4,700,879	177,889	**56,933,532**
Loans and advances to customers	98,865,426	60,584,541	2,116	387,433	164,088	**160,003,604**
Investment securities	707,282	-	-	-	-	**707,282**
Other assets	(1,873,253)	5,309,821	(22,326)	2,152	(25,479)	**3,390,915**
Deferred Income Tax Assets	640,926					**640,926**
Property, Plant and Equipment	8,868,453					**8,868,453**
Total financial assets	190,302,472	112,829,175	7,181,291	6,049,534	316,498	**318,678,970**
Liabilities						
Customer deposits	114,110,639	69,342,147	7,006,262	3,874,972	673	**194,334,693**
Due to other banks	(2,943,816)	40,168,156	4,972,607	6,851,362	4,972,609	**54,020,918**
Current income tax	5,434,195	-	-	-	-	**5,434,195**
Other liabilities	17,616,010	5,052,430	(4,799,924)	(4,683,824)	(4,761,091)	**8,423,601**
Deferred Income Tax Liabilities	-	-	-	-	-	-
Total Financial Liabilities	134,217,029	114,562,733	7,178,945	6,042,510	212,191	**261,953,173**
Net on-balance sheet financial position	56,085,444	(1,733,558)	2,346	7,024	104,307	**54,465,563**
Off balance sheet	29,131,851	184,547,538	597,247	2,508,954	457,993	**217,243,583**

Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management process

The Bank's liquidity management process is primarily the responsibility of the Assets and Liabilities Committee (ALCO). Asset Liability Management desk is the executory arm of ALCO and its functions includes:

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

b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

c. Monitoring balance sheet liquidity ratios against internal and regulatory requirements (in conjunction with financial control unit); and

d. Managing the concentration and profile of debt maturities.

Funding approach

Sources of liquidity are regularly reviewed by Asset Liability Management desk to maintain a wide diversification by currency, geography, provider, product and term.

Maturity profile – On balance sheet

31 December 2012

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 years	Over 5 years	Gross Nominal	Net Nominal
Assets:								
Cash and balances with central banks	25,752,298	-	-	-	-	-	25,752,298	25,752,298
Financial assets held for trading	742,086	1,565,495	5,432,181	9,748,455	54,539	12,093,362	29,636,118	29,636,118
Treasury bills and other eligible bills	22,540,137	38,212,742	29,076,662	26,226,915	1,035,290	12,620,051	129,711,797	129,711,797
Due from other banks	33,648,231	20,852,038	515,030	1,442,085	-	-	56,457,384	56,457,384
Loans and advances to customers	51,280,883	27,994,207	24,664,798	7,529,880	42,182,529	18,574,756	174,938,241	172,227,053
Investment Securities	420,722	-	-	-	0	-	420,722	420,722
Other assets	9,741,254	-	-	-	-	-	9,741,254	9,741,254
Property and equipment	-	-	-	-	-	10,109,466	10,109,466	10,109,466
	144,125,611	**88,624,482**	**59,688,671**	**44,947,335**	**43,272,358**	**53,397,635**	**436,767,280**	**434,056,092**
Liabilities:	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Customer deposits	205,263,978	23,521,383	4,722,413	2,057,548	2,252,600	-	237,817,922	237,817,922
Due to other banks	33,300,077	27,401,989	18,744,000	6,248,000	638,631	7,601,043	93,933,740	93,933,740
Current income tax	5,425,342	-	-	-	-	-	5,425,342	5,425,342
Other Liabilities	21,112,041	-	-	-	-	-	21,112,041	21,112,041
Deferred income tax liabilities	1,159,557	-	-	-	-	-	1,159,557	1,159,557
	266,260,995	**50,923,372**	**23,466,413**	**8,305,548**	**2,891,231**	**7,601,043**	**359,448,602**	**359,448,602**
Gap	**(122,135,384)**	**37,701,110**	**36,222,258**	**36,641,787**	**40,381,127**	**45,796,592**	**77,318,678**	**74,607,490**

Financial risk management continued

31 December 2011

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 years	Over 5 years	Gross Nominal Value	Net Nominal Value
Assets:								
Cash and balances with central banks	16,743,745	-	-	-	-	-	16,743,745	16,743,745
Financial assets held for trading	13,512,982						13,512,982	13,512,982
Treasury bills and other eligible bills	6,534,805	15,911,757	11,261,952	24,169,017	-	-	57,877,531	57,877,531
Due from other banks	12,256,937	5,229,165	16,106,861	23,157,009	183,560	-	56,933,532	56,933,532
Investment Securities	707,282	-	-	-	-	-	707,282	707,282
Loans and advances to customers	94,561,195	26,629,145	15,138,847	5,351,180	2,302,977	19,091,688	163,075,032	160,003,604
Deferred Income Tax Assets	640,926						640,926	640,926
Other assets	3,390,915	-	-	-	-	-	3,390,915	3,390,915
Property and equipment	-	-	-	-	-	8,868,453	8,868,453	8,868,453
	148,348,787	**47,770,066**	**42,507,660**	**52,677,206**	**2,486,537**	**27,960,141**	**321,750,398**	**318,678,970**
Liabilities:	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Customer deposits	171,828,816	16,302,787	3,962,406	2,238,032	2,652	-	194,334,693	194,334,693
Due to other banks	29,548,355	16,534,230	516,142	239,426	7,182,765	-	54,020,918	54,020,918
Current income tax	-	933,195	1,565,313	2,935,687	-	-	5,434,195	5,434,195
Other Liabilities	8,423,601	-	-	-	-	-	8,423,601	8,423,601
Deferred income tax liabilities	-	-	-	-	-	-	-	-
	209,800,772	**33,770,212**	**6,043,861**	**5,413,145**	**7,185,417**	**-**	**262,213,407**	**262,213,407**
Gap	**(61,451,985)**	**13,999,855**	**36,463,799**	**47,264,060**	**(4,698,879)**	**27,960,141**	**59,536,991**	**56,465,563**

Maturity profile - Off Balance Sheet

(a) Financial guarantees and other financial facilities

Performance Bonds and financial guarantees (Note 23), are included in the table below based on the earliest contractual maturity date.

(b) Contingent letters of credits

Unfunded letters of credit (Note 23) are also included in the table below based on the earliest contractual payment date

31 December 2012

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 years	Over 5 years	Gross Nominal Value	Net Nominal Value
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Performance bonds and financial guarantees	2,125,954	3,920,842	9,107,045	28,056,835	17,987,385	879,347	62,077,408	62,077,408
Contingent Letters of credits	7,186,884	10,081,631	7,868,106	8,538,050	187,440	-	33,862,111	33,862,111
FX Contracts							-	-
Credit Related contingents	65,460,931						65,460,931	65,460,931
	74,773,769	**14,002,473**	**16,975,151**	**36,594,885**	**18,174,825**	**879,347**	**161,400,450**	**161,400,450**

Maturity profile- off balance sheet continued

31 December 2011

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 years	Over 5 years	Gross Nominal Value	Net Nominal Value
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Performance bonds and financial guarantees	3,643,666	9,298,270	2,215,015	29,856,906	2,176,476	-	47,190,333	47,190,333
Contingent Letters of credits	5,179,841	11,148,201	5,205,802	10,775,057	2,753,393	-	35,062,294	35,062,294
FX Contracts							-	-
Credit Related contingents	80,339,078	7,426,262	387,185	1,559,990	36,509,218	8,769,222	134,990,955	134,990,955
	89,162,585	**27,872,733**	**7,808,002**	**42,191,953**	**41,439,087**	**8,769,222**	**217,243,582**	**217,243,582**

Capital management

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

a. To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;

b. To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

c. To maintain a strong capital base to support the development of its business.

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

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N25 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.

The Bank's regulatory capital as managed by its Financial Control and Asset and Liability management desk is divided into two tiers:

i. Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and

ii. Tier 2 capital: preference shares, minority interests arising on consolidation, qualifying debt stock, fixed assets revaluation reserves, foreign currency revaluation reserves, general provisions subject to maximum of 1.25% of risk assets and hybrid instruments - convertible bonds.

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2012 and 2011. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

Financial risk management continued

For the year ended 31 December 2012

	2012 N'000	2011 N'000
Tier 1 capital	2,500,000	2,500,000
Share premium	18,708,524	18,708,524
Statutory reserves	12,217,995	9,811,910
Contingency reserve		
SMIEIS/MCF reserve	317,131	763,888
Other reserve	10,225,145	9,113,505
Retained earnings	30,128,696	15,057,736
Total qualifying Tier 1 capital	74,097,490	55,955,563
Tier 2 capital		
Preference shares	510,000	510,000
Minority shares		
Convertible bonds		
Revaluation reserve - fixed assets		
Revaluation reserve - investment securities		
Translation reserve		
General provision		
Total qualifying Tier 2 capital	510,000	510,000
Total regulatory capital	74,607,490	56,465,563
On balance sheet	205,145,453	162,155,478
Off balance sheet	103,030,298	73,549,388
Total risk weighted assets	308,175,751	235,704,866
Risk weighted capital adequacy ratio		
	24%	**24%**

Operational risk

The Standard Chartered Bank's Operational Risk Framework sets out the approach to the management of operational risk. It describes how operational risk should be managed and controlled in order to drive a consistent approach and common understanding across the Bank. It is our vision to be the best international bank in enhancing our competitiveness and commitment to customers, clients and other stakeholders with disciplined and proactive management of operational risk.

The Bank's operational risk management approach serves to continually improve it's ability to anticipate all material risks and to increase the ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. It also clarifies and reinforces the need for clear ownership and accountability for all processes around the bank, with no significant gaps or duplication. This reinforces the 3 lines of defence and enhances risk culture.

Effective management of operational risk delivers value to all our stakeholders. In particular it delivers continuous improvement in a number of business outcomes:

Reduces unexpected earnings volatility and likelihood of financial or reputational distress.

Improves sustainable returns and optimises use of capital.

Enhances market and regulator confidence in our management and process discipline.

Improves BAU & investment resource allocation through risk-based prioritisation.

Improves process reliability and service quality.

Embeds a culture of ownership for continuous improvement of processes and proactive management of related risks.

Improves planning informed by risk assessments and anticipation of a range of plausible scenarios.

Supports sustainable business growth and competitive advantage through operational excellence and a continuous improvement culture.

ROLES & RESPONSIBILITIES

The Bank's Risk Management Framework (RMF) sets out the respective responsibilities of the 3 Lines of Defence. These include:

First Line of Defence

The First Line of defence is all employees who have any level of supervisory responsibility since they are required to ensure the effective management of operational risks within the scope of their direct organisational responsibilities.

The risk management responsibilities of First Line managers are as follows:

Ensure all material risks are identified, assessed, mitigated, monitored and reported.

Ensure applicable external laws and regulations and internal policies, procedures, limits and other risk control requirements are implemented and complied with.

Propose control enhancements to ensure that any known risks are controlled within acceptable boundaries and to consistent standards.

Align business (or functional) strategy with risk appetite and seek to optimise the risk-return profile of the business.

Set the right tone for the risk management culture of the team in internal communications and performance objectives.

Managers have First Line ownership of all processes operated within their respective function or business.

Unlike some other risk types, all the Bank's activities give rise to operational risks. Therefore, all individuals who have management responsibility also necessarily have First Line responsibility for managing operational risk.

Second Line of Defence

The Second Line of defence for operational risk comprises the Bank's Head of Operational Risk and other Operational Risk Control Owners, supported by their respective control functions.

Risk Control Owners (RCO) are responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite. In discharging this responsibility, RCOs must:

- Challenge and verify First Line risk identification and assessments, in line with changes in the internal and external environment.

Financial risk management continued

- Identify and report key risks material to the Bank.
- Maintain a good understanding of applicable laws and regulations.
- Design, implement and maintain controls and mitigants for exposures material to the Bank.
- Ensure effective communication of policies and other control requirements.
- Define key control indicators and control sample testing requirements as appropriate.
- Monitor compliance with and effectiveness of the risk control environment.
- Monitor 'live' risk issues and events material to Bank and verify whether appropriate management action is being taken to mitigate their impact.
- Advise governance bodies on key risks, the effectiveness of mitigants and controls, and alignment of residual risks with appetite.

It should be noted that these Second Line responsibilities are additional to any First Line responsibilities that the Risk Control Owner may have as a line manager.

Third Line of Defence

The Third Line of defence comprises the independent assurance provided by the Bank's Internal Audit (GIA) function, which has no responsibilities for any of the activities it examines.

GIA provides independent assurance of the effectiveness of management's control of its own business activities (the First Line) and of the processes maintained by the Risk Control Functions (the Second Line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework. The role of GIA is defined and overseen by the Board Audit Committee.

Significant accounting estimates and judgments

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the notes.

Loan loss provisioning

The Bank's loan loss provisions are established to recognize incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables.

Impairment losses for specific loan assets are assessed either on an individual or on a portfolio basis. Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are assessed based on the probability of default inherent within the portfolio of impaired loans or receivables.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Portfolio impairment is also adopted to recognize the possibility of other losses that could happen within the loan portfolio but which could not be attributable to any specific loan as at balance sheet date. In arriving at this judgment, we take into account past loss experience as a result of uncertainties arising from the economic environment, and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

Generally, the bank uses known parameters for arriving at both individual and portfolio impairment allowances, however given that these parameters are also sensitive to changes in economic and credit conditions within the Country; it is possible that actual events over the next year could differ from the assumptions built into the model resulting in adjustments to the carrying amount of loans and advances

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique, which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs. Subsequent to initial

recognition, some of the Bank's financial instruments are carried at fair value, with changes in fair value either reported within the income statement or within equity until the instrument is sold or becomes impaired. Details of the type and classification of the Bank's financial instruments are set out in page 33 of the accounts and the accounting policy set out in note 1 to the accounts. In addition to these instruments, the carrying value of a financial instrument carried at amortised cost that is the hedged item in a qualifying fair value hedge relationship is adjusted by the fair value gain or loss attributable to the hedged risk.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument, and for unlisted securities, is not active, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters.

Share based payments

The bank operates a cash settled share awards which are expensed based on fair value at date of grant. The awards are revalued at each balance sheet date through the use of option valuation model and equity recognized on the balance sheet for all options that have not been exercised, with any changes in fair value charged or credited to staff cost in the income statement. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

Taxes

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognized on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset

Provisions for liabilities and charges

The Bank receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in the country's legal systems.

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