Standard Chartered
Here for good

Driving investment, trade and the creation of wealth
across Africa, Asia and the Middle East

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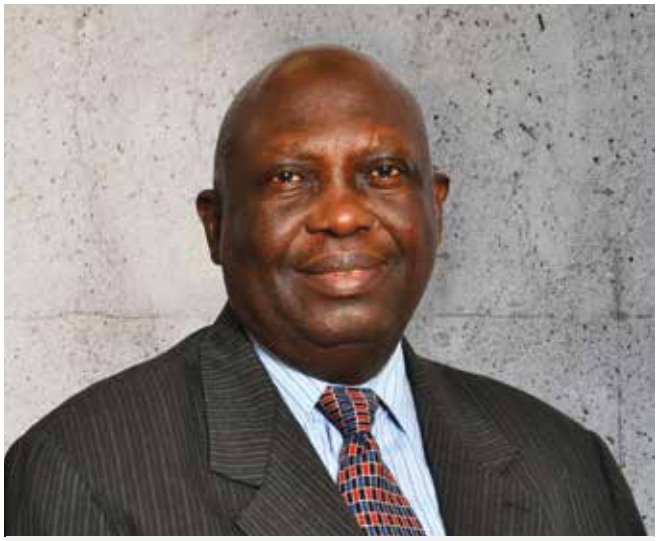
Chairman's statement

Well positioned to drive further value for shareholders



Sir Oluremi Omotoso, MFR
Chairman

"This performance reflects the success of our business model, strategic initiatives and implementation. It sends clear signals regarding our appetite and growth ambitions in a very competitive market."

I am delighted to report that Standard Chartered Bank Nigeria Limited delivered another year of good financial performance in 2013 despite the challenging operating environment. Our overall performance was driven by prudent cost management, effective 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" to all our stakeholders. Our performance continues to demonstrate that we are in the right segments, with the right strategy, and have the right leadership and supportive teams in place to deliver consistent and sustained value for our stakeholders.

- Total Assets rose 27.16% to NGN 551.93 billion
- Earnings per share increased by 33.07% to 849 kobo
- Return on Assets (pre-tax) of 3.73% and ROE (average) of 27.35 % - two indices which stand out as impressive outcomes within the industry.
- Operating income increased by 14.83% from NGN 39.34 billion to NG 45.17 billion.

This performance reflects the success of our business model, strategic initiatives and implementation. It sends clear signals regarding our appetite and growth ambitions in a very competitive market.

Much of what drives the Bank's story remains constant: high liquidity, solid funding and adequate capitalization. This leaves us well placed to weather the vagaries of the economy, support our clients and to capture more market share.

Key highlights

Operating income
N45.17billion
2012: N39.34 billion

Total assets
N551.93billion
2012: N434.06 billion

Global Economy

Slowly the world economy is turning a corner with a good 2013. Of course, for many, it was still a struggle, with the eurozone in recession for much of the year and living standards in most of the developed world still below the 2007 peak. But by the end of the year, many countries had started to catch up, and for them the long nightmare of recession and its aftermath began to recede.

Global sentiment has also improved. There is undoubtedly more momentum in markets and more confidence in businesses. The structural shift from the developed world towards the emerging markets continued in 2013, but at a slightly slower pace in comparison with previous years. Growth in China, at 7.5 per cent, might seem breathtakingly fast, but it is the slowest in 23 years. Growth also slowed in India, to a little below 5 per cent, again fast but slow when compared to the past. Africa, encouragingly, grew by more than 5 per cent.

As for the cyclical climb out of the nasty recession in the developed world, what had started as an uneven and patchy recovery began to strengthen significantly. The US, despite having to cope with feuding over its budget, seems to have sped up. It has been creating jobs and its housing market and Wall Street have moved up sharply.

In Europe there was a better story too, though an uneven one. The North, led by Germany, had a solid year, reducing unemployment and boosting living standards. Across the Mediterranean, the pattern was more disappointing, with Italy, Spain, Portugal and Greece all enduring a year of rising unemployment. However, the numbers have started to improve. Europe and the euro are not out of trouble, but the acute phase of their difficulties may be past. All this bodes better for 2014, which may see better and more balanced growth than any year since 2007.

Operating Environment – Nigeria

Nigeria has built a relatively well-developed and stable financial system as a result of significant reforms undertaken over the past few years.

The Nigerian economy is growing at an annualized rate well above 6%, faster than any of the top-tier emerging markets including China. Although the oil sector still contributed $8 billion to GDP in the first quarter of 2013, largely in the form of exports of crude, the expanding middle class is reducing the dominance of petroleum in GDP contribution.

In 2013, most international investors showed considerable interest in Nigeria's booming economy despite the security challenges. With a GDP at par with global capital destinations like Hong Kong and Singapore, Nigeria is still in the process of outgrowing its "Wild West" reputation for both unruly growth and challenging internal security. Observers have also maintained that if corruption recedes, the young and dynamic population will find jobs, new infrastructure will come online to support private enterprise and while oil remains the center of the economy, education, employment, agriculture and even home ownership will rapidly emerge as linchpins of the new Nigeria.

Putting Lagos on equal footing with Bombay or Sao Paulo as a global capital hub in three years would be quite a feat, but the foundations for that kind of growth are already in place. Despite the risk of terrorist disruption, there is an inflow of funds in the form of direct investment in the domestic economy. In the last quarter of 2013, Procter & Gamble (P&G) for example, a U.S. corporation committed at least $700 million to build new factories and agricultural facilities in the country. The Nigerian government itself announced a $1 billion fund to nurture the local software industry, which officials think can ultimately capture $20 billion a year from rivals like India.

Banking is by far the most developed part of Nigeria's financial infrastructure. The stock market's capitalisation is small (12 per cent of GDP) and concentrated (the largest company represents 25 per cent of the total); while only a handful of new firms have listed since the financial crisis. Similarly, the insurance sector is still underdeveloped at less than one per cent of GDP and has a lot of room for growth. The Nigerian banking system is well capitalised, liquid and profitable and able to withstand systemic shocks, according to the International Monetary Fund.

Nigeria's agriculture sector has also performed well in recent years, with food production steadily increasing. Agriculture remains an important driver of growth in the country not just as a contributor to overall economic growth but also as a major employer. Agriculture also represents a significant opportunity. While agricultural productivity in Nigeria has not yet shown the same leap forward as in other regions, things are starting to change. There is the drive to change the perception of Agriculture as a primary produce sector and take it to the next level as a major supplier for the Agro Allied industry. The Government is now taking agriculture more seriously. With increased investment, and greater policy prioritization, Nigeria's agriculture sector could realise its potential in the next couple of years thus transforming growth opportunities in the region.

The Nigerian manufacturing sector, now worth $35 billion and constituting 6.8 per cent of GDP, has assumed scale. However, this sector still has room for growth. Gradually, we have begun to see the outflow of Nigerian manufactured products into our sub-regional markets. From cement, sacks to biscuits, Nigerian manufactured products are making a showing outside our borders. Now that the sector has become recognized again with its 6.8 per cent contribution to GDP, coupled with the consumption profile of Nigeria's over 170 million population, Nigeria will evolve to be a major manufacturing hub, attracting investments as well as merchandises from other African countries, thus maintaining desired two-way directional trade flows.

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 6.8% in 2013, the Nigerian economy is among the fastest growing economies in the world despite the nation's infrastructural challenges.

As a result of the GDP rebasing, the size of the Nigerian economy has grown by 89 percent to N80.3 trillion ($509.9bn). This compares with South Africa's GDP of $370.3bn at the end of 2013. This also ranks Nigeria as the world's 26th largest economy, the largest economy in Africa, bigger than Angola, Egypt and Vietnam put together, and 12 times the Ghanaian economy. The 89 percent jump thumps the expectations and forecasts of analysts who projected an increase of between 40 to 60 percent from the rebasing. The rebasing also throws up some pertinent issues.

Even before the new GDP statistics were released, Nigeria was already named alongside Mexico, Indonesia and Turkey as one of the four countries perceived as the next generation of developing economies that will achieve great importance in the world.

The most important structural adjustment to note in the Nigerian economy is that it is now dominated by the private sector. Indeed, further transfer of public sector assets through the ongoing privatization programme, including in the power sector, will unlock resources, accelerate growth and broaden the economic base. Therefore, policies supporting private sector development and broader economic base are critical to opening the clog in intra-Africa trade pipelines.

At $509.9 billion, the sheer size of Nigeria's economy brings to the fore the need for a more inclusive growth approach similar to the Chinese-styled double-digit growth model, which incorporates job creation with economic growth. Nigeria's gini index of 49 amid other economic indicators such as double-digit inflation rates should be at the forefront of the country's economic debate. In a country where an estimated 60 percent of the population live under the poverty line, this will require replicating the successful macro story at the micro level.

Economic and political reforms that will focus on improving the education and health care sectors, job creation and ensuring better living standards would be required to increase the nexus between the country's macro-economic aggregates and the realities at the micro level. The ability to translate these revised GDP numbers into a proper planning tool would help defray criticisms that it is just another vanity project.

The scale of population growth is also important. Nigeria, the most populous economy in Africa, is currently ranked 7th in the world by population size. According to UN statistics, by 2035, it could be the 4th most populous country globally. By 2055, it could be 3rd, overtaking the US. Only China and India are likely to have bigger populations.

In 2014, the challenge for Nigerian policy makers will be on 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 jobs, promote technological advancement and ultimately reduce poverty. Important gains have been made, but only within certain pockets of the economy. The challenge for Nigeria, both pre and post-rebasing, is to ensure that conditions that support economic transformation, not just headline growth, are in place. Growth needs to be made meaningful and prosperity needs to be shared more evenly.

Corporate Governance

The Board of Standard Chartered Bank Nigeria Limited 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 regulatory environment has continued to be rigorous and stringent in making the banking systems safer and less prone to crisis. It also ensures there is an efficient and effective financial service system that can provide support for the real sector and ensure quick recovery in the event of systemic upheavals.

In the year under review, the Board of Standard Chartered Bank Nigeria Limited continued to play its role effectively under the robust corporate governance structure. The directors are 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 will continue to hold good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in our business operations.

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 are closely linked to the prevailing economic and market conditions.

Standard Chartered firmly believes in the importance of diverse board membership. Our Board reflects diversity in terms of gender mix, local and international blend 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.

The Executive Team ensures that the Non-Executive Directors receive comprehensive intelligence on the economic and competitive landscape on a consistent basis.

In 2013, a number of changes were made to the Board. Chief Joseph Oladele Sanusi, Mr. Bill Moore, Mrs. Sade Kilaso and Mr. Ade Adeola resigned from the Board. Dr. Remi Oni was appointed to join the Board whilst Alhaji Muhammed Imam Yahaya and I were reappointed to the Board.

I will like to thank Mr Bill Moore, Mrs Sade Kilaso and Mr Ade Adeola for their contributions to the Board while they were members and wish them luck in their future endeavors.

I will also like to particularly thank Chief (Dr) Joseph Oladele Sanusi CON for his dedicated service and significant contributions to the impressive growth and success of the Bank in the seven years he spent on the Board, especially the years he spent as our Chairman.

Future Outlook

As we look forward, it is essential that we stay focused on our strategy and key priorities for 2014. We will continue to deepen our relationships with our customers and clients and ensure we focus on the basics of banking – liquidity, capital risk and cost discipline. We have good momentum, which I am confident will build on the performance trend of prior years.

It is also vitally important that we continue to reinforce and differentiate our brand. Our brand promise, “Here for good”, remains an integral part of how the bank conducts its affairs worldwide 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. We are committed to continuous improvement to put us at the leading edge. “Here for good” is a promise to which the Board is committed and we will show clear examples in our conduct and relationship with our stakeholders. “Here for good”, remains the standard by which we will 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 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”.

The Board remains confident that we have the people, the systems and the processes to deliver superior financial results in the coming years. I thank our customers for their continued patronage and support and our members of staff for their unrelenting commitment and dedication to service.

Finally, I want to thank my colleagues on the Board for their continued exemplary support and co-operation over the years, as evidenced yet again in the strong performance of the Bank in 2013.

Sir Festus Oluremi Omotoso, MFR
Chairman

12 March 2014

Chief Executive's review

2013 was an interesting year

Bola Adesola
Chief Executive

"Our financial results confirm we remain on the right path in delivering on our "Here for progress" promise to our stakeholders. Our business has grown substantially over the last decade and we continue to view Standard Chartered as an exciting growth story. We will continue to support the growth of trade and wealth and drive value for all our clients."

Key highlights

Gross Earnings

N62.66billion

2012: N49.92 billion

Profit after taxation

N21.32billion

2012: N16.04 billion

2013 was an interesting year for Standard Chartered Bank Nigeria, in both our Retail and Corporate and Institutional Banking segments. The Bank remained strong in 2013 with further expansion in our branch network in an effort to be nearer our clients. These huge investments were made to satisfy our clients' requirements for the Bank's operation centers in areas around their places of business and also in areas where there are perceived needs for banking services.

At the forefront of our services remain our best-in-class product offerings which are tailored to fit the very needs of our most esteemed clients. The robust nature of our delivery channels also further illustrates our ability to serve our clients with a wide range of products and services.

Our financial results confirm we remain on the right path in delivering on our "Here for progress" promise to our stakeholders. Our business has grown substantially over the last decade and we continue to view Standard Chartered as an exciting growth story. We will continue to support the growth of trade and wealth and drive value for all our clients.

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, and combining deep local knowledge with global capability. These fundamentals underscore everything the Bank does, and everything we stand for as a Bank.

Our priorities for 2014 flow naturally from our brand promise and our strategic aspirations. We will aim to deliver profitable growth, we will make tangible progress on our aspirations, we will innovate, digitize and simplify processes in order to improve productivity and effectiveness. We will also raise the bar on conduct and accelerate the next generation of leaders.

Performance

Standard Chartered Nigeria Limited has consistently maintained strong operating results and efficiency in the last five years. For the year ended December 31, 2013, the compounded annual growth rate (CAGR) in total assets was

23% and turnover 48% while the year on year growth was 27% and 26% respectively. The resulting operating profit after tax was N21.3m which reflected a 33% year on year growth (and 28% in five year compound rate – CAGR). Earnings per share grew by 33% to 849 kobo from 638 kobo in 2012.

Technology & Operations

In 2013, we continued to upgrade our technology and operations infrastructure as critical engines of our business growth while maintaining stability across our channels and service delivery platforms for our customers.

In the area of self-service banking, we deployed our 'easy-to-use' mobile banking application, BREEZE. BREEZE enables our customers to perform basic banking on-the-go using their mobile phones to check account balances, pay bills and transfer money among other features. During the year, we also upgraded our online banking self-service features to include instant account number based funds transfer capabilities, instant mobile banking account setup as well as instant opening of additional accounts on-the-go. We have seen rapid volume increase in customer transactions via these channels indicating high customer adoption rate.

It is our primary business objective to keep our technology infrastructure and systems running smoothly and efficiently. We improved network resilience while adding more bandwidth leading to sustained high network availability of electronic channels and branch network. We successfully implemented a range of industry payments and systems transformation projects such as nationwide image based clearing, electronic Forms M processing, SWIFT implementation among others while maintaining firm grip on risks and our people. We continued to lead the way in investing in our people through a combination of well planned on-the-job trainings, special project experiences as well as formal technical and management development trainings and programmes.

In the coming year, we will continue to build on our clear strategy. We will continue to pursue digitization of channels and processes to continue to enhance our customer experience while deriving the benefits of scale for the bank. Keeping our technology and operations infrastructure stable has been and will continue to be one of our key drivers and this will remain of absolute necessity as our customers grow and depend on our channels for their banking needs. Another key objective for next year will be the execution of several franchise growth, industry and regulatory projects.

Human Resources

In the highly competitive and evolving business environment in which we operate, 2013 was an ambitious one for Standard Chartered as both our Consumer & Wholesale businesses sought to sustain the momentum from the previous year. To this end there was an expansion of the Bank's footprint across Nigeria both digitally and through the opening of brick and mortar branches. The Bank's digital banking product 'Breeze' was launched in June 2013 while 6 additional branches were launched during the course of the year. As always, our core objective as a function was to support the growth of the Bank by ensuring the attraction, development and retention of the best available talent in the market as we position Standard Chartered as an employer of choice. By offering a competitive total reward and a strong employee value proposition, 2013 saw the successful on-boarding of 151 new joiners to the Bank hired across all grades and functions.

Employee Development

Training & Development remains a pivotal part of our employee value proposition with a strong focus on employee development. Offering a mixture of formal / classroom and experiential trainings as well as opportunities to learn from others, we achieved approximately 21,000 training hours in Nigeria covering every single member of staff. In addition, some staff went on short-term assignments, permanent transfers, learning opportunities (within & outside Nigeria), cross-functional role changes as well as job rotations.

The theme for our 5th annual Learning Week was Power of Focus: Refresh, Refocus & Re-think. During the week, staffs were exposed to a variety of topics including Nurturing your Mind, Accelerate your Career, The Brand called You and Finding Fitness through Fun. The learning week is an initiative that has gained wide-spread acceptance with relevant and value-adding topics discussed by experienced facilitators.

A key area of focus during the year was building our talent pipeline for the future to ensure that we have the bench strength for a sustainable business. This involved robust succession planning, deepening the pool of next generation leaders and leveraging on our international network and various recruitment channels to identify the best young talents for our Graduate Trainee programmes. Through our International Graduate Programme and Fast Track Graduate Programme, selected candidates are provided with first-class opportunities for personal development, growth and an accelerated career progression path. In 2013, Standard Chartered recruited a total of 13 graduates across Wholesale Bank, Consumer Bank and Audit.

Chief Executive's review continued

Improvement in Service Delivery

In line with our overall strategy to drive efficiencies in service delivery through automation and centralized processing, Standard Chartered continued to drive Employee & Manager Self Service across the Bank through our PeopleSoft and AskHR portals. We also leveraged on our technological and service support networks across the Group network by automating and migrating transactional and administrative processes to our regional service hubs. This in turn freed up more time for our HR professionals to provide more effective, value-adding & strategic support to drive business growth. In 2013, the payroll process was migrated with the attendant cost saves resulting from usage of shared resources. We also launched SABA Anywhere which is a global automated learning tool that supports the delivery of learning solutions in a cost-effective way across the Bank.

Employee Wellbeing

Being Here for Good is more than just a brand promise, it is a way of life for us. Recognising that our people are our most critical resource, we constantly look for ways to support personal aspirations and development.

In 2013, we introduced Sabbatical Leave which is a planned, medium term absence from the organization for a period between 3 and 12 months which provides staff with the opportunity to pursue their personal aspirations. This leave type supports the Group's sustainable lifetime career strategy for our people and aligns with the Here for Good brand promise.

Corporate Affairs

Sustainability

No one organization or government can tackle the world's pressing environmental, social and economic challenges alone. The contribution of business is increasingly vital, and the list of reasons for becoming involved will only get longer, compounded by rapid population growth, urbanisation, increasing commodity prices and growing environmental stress.

For Standard Chartered, community investment is not a separate, nice to have activity, but integral to our strategy and part of our brand promise to be here for good. We are very clear that it makes good business sense to help increase long-term economic activity in the communities where we live and work. The sweet spot is where we can find opportunities to do something with substantial sustainable positive impact on people and economies whilst making money for our shareholders.

In a time when there is increasing pressure on banks to prove their value, Standard Chartered has released an independent study on the social and economic impact we are having in Africa.

The first bank to assess its entire operations across the continent, we have found out that we support almost two million jobs and contribute more than USD10bn to Sub-Saharan Africa's economy – equivalent to 1.2 per cent of the region's GDP. We also:

- Support trade worth USD7.2bn (equivalent to 1.2 per cent of the region's total international trade)
- Serve more than one million retail customers and almost 100,000 small and medium-sized enterprises (SMEs)
- Support USD1.8bn in tax payments to governments in Sub-Saharan Africa (equivalent to 1.1 per cent of total receipts of governments in the region).

At Standard Chartered, we recognise that we have a shared responsibility with our clients to contribute to sustainable economic growth as our continued success is linked directly to the vibrancy and prosperity of the countries in which we operate. We also ensure that we are a responsible company by managing our business and operations to deliver long-term value for our shareholders and society.

Standard Chartered is committed to being a force for good, promoting sustainable economic and social development and working with our local communities to promote these.

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

Employee Volunteering

Millions of people in our community live in poverty, lacking food and healthcare or suffering the effects of environmental degradation and climate change. Most of today's large corporations know that ignoring these challenges is not an option; the sustained performance of a business is linked intrinsically to the health and prosperity of the societies in which it works.

(L-R): Chairman, Standard Chartered Bank Nigeria, Sir Oluremi Omotosho; Vice Chairman, Nigeria Society for the Blind, Asiwaju Fola Osibo; Chairman, Nigeria Society for the Blind, Mrs. Biola Agbaje and Bola Adesola, Managing Director and Chief Executive Officer, Standard Chartered Nigeria during the bank's 2013 Seeing is Believing Fundraising Dinner.

The most obvious response would be to set aside a portion of annual profits for charity, and most corporations do this including Standard Chartered. But at Standard Chartered we realise that we can do more. By enlisting our employees and our networks of business partners and clients, we can extend our reach, raise more money and make that money go a lot further. We can also use our profile and influence to give publicity to critical issues and help others to become involved.

Volunteering changes lives. From working with the visually impaired, to literacy and financial education workshops for students, our members of staff are making a difference in the lives of people in our communities.

Our brand promise to be here for good in Nigeria means sustainable, long-term commitment to the country. In 2013, Standard Chartered Nigeria staff achieved 595 Employee Volunteering days to conduct community investment and economic development programmes.

Seeing is Believing

Globally, visual impairment impacts the health and quality of life of millions with the cost of lost productivity estimated at USD200 billion annually. Yet four out of five of the 39 million blind people across the world suffer from conditions that could be prevented or treated. Around 90 per cent of this avoidable blindness occurs in Asia, Africa and the Middle East.

In 2003, Standard Chartered marked its 150th anniversary with a simple initiative to raise enough money for 28,000 cataract operations. The response from our staff, business partners and markets was overwhelming. Since 2003, our staff and supporters have raised USD16 million for Seeing is Believing. This amount has been matched dollar for dollar by Standard Chartered to reach a total of USD32 million so far.

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

Standard Chartered Bank Nigeria Limited 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.

In Nigeria, as a locally developed project, in 2013, we held our 9th annual fundraising event in support of Standard Chartered's SiB initiative. Standard Chartered Bank Nigeria has held an annual fundraising walk tagged Walk for Sight and in the year under review we held a Charity Fundraising Ball to raise USD100, 000. In the last nine years, we have raised a total of USD830,000 through employee fundraising and client contributions which has helped to fund successful cataract operations (still ongoing) for thousands of Nigerians.

Goal

The Goal Project started in Nigeria in 2011. It is a 3-year intervention programme with the main goal 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.

Goal has become one of the most respected 'sports for development' corporate programs in Nigeria. The methodologies being employed include advocacy, training and sports development activities. 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. It is a Standard Chartered Bank supported project that uses a 4-module manual that encompasses sessions on: "Be yourself; Be healthy; Be empowered and Be Money savvy".

Goal adds value by providing opportunities for women to be key economic contributors in the countries where we operate. Research led by the World Bank shows that countries with educated women have stronger economic growth and higher GNPs. However, in many of our markets, women are not fully participating in the economy and lack basic financial knowledge. Goal seeks to address this gap by focusing on financial literacy and life skills training for adolescent girls so that they can make more informed economic choices as they move into adulthood. The financial literacy component of the Goal programme is consistent with our core expertise as a Bank and furthers our commitment to promoting diversity and inclusion. Goal provides opportunities for employee engagement, allowing staff to volunteer to deliver modules, mentor girls, play sports and offer sessions based on their unique interests and skill sets.

In Nigeria, Goal continues to drive life improvement of girls through life, literacy and financial skills, in addition to football skills. In 2013, with the support of staff, Goal reached out to 16 schools in the country, providing them with school supplies, helping to refurbish dilapidated teaching facilities in addition to running financial literacy programs. It focuses on younger adolescents (11- 16 years) and 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 16,000 young adolescent girls.

Living with HIV (LwHIV)

We continually look for ways to maximise the impact of our programmes or make more use of our core business for contributing to communities. It's not all about fundraising; it's also about giving our time and specialist skills. Living with HIV, our workplace HIV and AIDS education programme, deliberately does not have a fundraising element. Founded in 1999, this sets out to educate our communities on one of the greatest challenges to global health, a disease affecting more than 33 million people.

Our dedicated staff volunteers in Nigeria, known as HIV Champions through our partnerships with the Lagos State Ministry of Health, AIESEC, Nigerian Business Coalition Against Aids (NIBUCAA) and the Youth Empowerment Foundation (YEF), have educated more than 600, 000 people on HIV and AIDS. By providing a range of free education tools, we have enlisted other organizations to conduct their own training, some of which may not otherwise have had the chance to become involved.

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.

The partnerships we have formed are clear demonstrations of national solidarity. In 2013, through our partnership with the Lagos State Government, we educated more than 20,000 people on HIV. World Aids Day, 2013 also gave us an opportunity to promote status testing, spread awareness and educate 800 students and our staff members on HIV and Aids.

Ultimately, we will consider ourselves successful when our intervention is no longer needed to combat HIV and AIDS.

Diversity & Inclusion

Diversity and Inclusion (D&I) is about creating a work place culture that helps deliver our Strategic Intent commitments to our people by enabling each and every employee to make a difference and teams to win.

It is more than just policies, initiatives and processes; it is about how we work with each other and our stakeholders.

Diversity means all the ways in which people differ, including both visible and underlying cultural and thinking styles. Inclusion is about making each individual employee feel valued for what they bring to the organisation. This means providing a work place climate that enables everyone to fulfill their potential and broadening people's perspectives to appreciate and productively maximise the different contributions that different people can make.

Our commitment to D&I is simple, we want to get the best out of the broadest spectrum of people in order to sustain strong business performance and competitive advantage. We believe that managing diversity through inclusion will enable us to understand and serve all our stakeholders better and make us the preferred employer in our markets.

The D&I agenda in Nigeria progressed significantly in 2013. Our major focus was on gender and disability. We strive to be recognised as a leader in gender diversity by helping women realise their full potential through personal development and supportive workplace practices implemented in an engaging and inclusive workplace.

The bank organised a financial planning seminar for female entrepreneurs in partnership with Fate Foundation, WIMBIZ and Leap Africa. The focus was on the importance of cost management and the value of networking for small business owners. The 2 most outstanding entrepreneurs with the most innovative business ideas received a grant of USD6,500 and a 6 months mentoring programme with the bank's SME team.

The bank also partnered with the Children's Developmental Centre (CDC). The CDC is an NGO that caters to the needs of children and young adults living with disabilities. The partnership was launched with a disability awareness workshop 'Finding Normal' and aims to create awareness on disabilities within the Workplace. The long term goal is to create a more inclusive working environment for employees/new joiners with disabilities.

Economic Development

In 2013, Standard Chartered arranged and coordinated several corporate finance deals in favour of our clients in agriculture, petrochemical, refineries, and construction sub-sectors.

(L-R) Mr. Olusegun Olutoyin Aganga, Hon. Minister of Industry, Trade and Investment; Bola Adesola, Managing Director and Chief Executive Officer, Standard Chartered Nigeria and Diana Layfield, Chief Executive Officer, Africa, Standard Chartered at the Nigeria Economist Summit.

These projects are expected to have far reaching implications for Nigerians including cutting Nigeria's fuel importation by half, creating employment opportunities for thousands of Nigerians, increasing economic activity in other business sectors including packaging and vehicle accessories and massively igniting the Agricultural revolution.

Outlook

2013 was undoubtedly a challenging year for the industry and 2014 will inevitably have its own challenges, but we are very focused on what we have to do. We are making changes to adapt to new realities. We have a strong balance sheet, excellent client relationships and outstanding capabilities.

For the past few years, we have been consistently transformed. I would like to thank our customers for their support throughout 2013 and our great employees for their hard work, professionalism and ongoing commitment to the bank.

We have started the year with very good momentum and 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. We will continue to sharpen our focus to capture the opportunities in Nigeria and we remain confident in the significant growth potential of the market and our competitive strengths.

Driven by the depth of our growth strategy, good risk management, the strength of our personnel, prudent cost management, our performance in 2013 reiterates our continued and unwavering determination to live up to our brand promise of being "Here for Good".

Bola Adesola
Chief Executive

12 March 2014

Consumer Banking

Sharpening our focus and execution to build competitive advantage

The Consumer Banking Business continues to show great momentum within a tough and challenging operating environment. Balance sheet growth was strong, evidenced by an uplift of 66% on the Asset portfolio and 14% in liabilities. Revenue increase over last year was a high single digit despite the regulatory cap on most retail focused tariffs, as we remained committed to deepening relationships and providing solutions to our customers' needs.

To drive loyalty, we ensured our products continued to be well suited to clients. We refreshed our Preferred Banking value proposition and launched two Wealth Management offerings; The Educational Protection Plan (EPP) and the Non-Resident Indian program (NRI). Marketing campaigns and promos to support these products were targeted and impactful with very good responses. These initiatives helped support the drive in accounts opened, with over 45% growth in new relationships within the period.

The entrenchment of 'SCB Way', our unique sales process, allowed for a very structured management of sales and customer engagement by very experienced Relationship Managers. This remains one of the best models in the market with resulting 'Products per customer' above 4, reinforcing client stickiness. With our Customer Charter backing the framework, our services remain fast, friendly and efficient. The resulting customer advocacy as measured by 'Net Promoter Score' continues to be at a high of 74%.

In line with our core strategic theme of optimizing distribution, channel efficiency is a priority. While we expanded and improved our footprint across the major cities, we ensured physical presence was supported by 'best in class' Digital offerings. Further enhancements on our Online Banking platform enabled us deliver one of the best Internet Banking channels in the market. We also launched our global award winning 'Breeze Mobile' which has delivered speed and convenience. We continue to see rapid sign ups of our clients into these services.

Our control environment remains robust and dynamic across all areas and well aligned with business strategy. With an increasingly sophisticated fraud landscape, Risk Management is proactive and forward looking. We will continue to maintain very high standards of discipline within our current framework.

We are focused on ensuring we have the right quality of staff and ensure sound training and investment in people. This is important to help build the value of our bench and raise performance bar.

In line with our 'Here for Good' theme, we remain committed to being responsible members of the communities where we do business. We engaged in several Employee Volunteering activities in the course of the year and continue to encourage this strongly as part of our values.

The future portends great opportunities for the Consumer Banking business particularly with the growth in the general economy, increasing population and stronger credit bureaus. We will continue to be the right partner for our clients and ensure we are well placed to meet their financial needs.

Key highlights

Operating income

N11.6billion

2012: N10.7 billion

Client revenues

N10.9billion

2012: N6.5 billion

Total assets

N24.3billion

2012: N14.6 billion

Wholesale Banking

Strengthening our business to better support our clients

Wholesale Banking (WB) grew client revenues by 20.73% from N29.4bn in 2012 to N35.5bn in 2013. This growth was driven largely by our proven ability to provide fundamental banking solutions and deepen relationships with existing clients.

We participated in a number of landmark transactions, including the delivery of our first airline operating lease for a corporate client in Nigeria, the financing of a refinery project, a petrochemical and a fertilizer plant. Standard Chartered has been mandated to serve as Structuring Bank for two major deals in the power sector, valued at circa USD 700m each. We also executed a N12bn Bond transaction for an international body, a N7bn refinancing deal for a multinational corporate client; and a major lending deal of US$40mn amongst others.

We strengthened the workforce in the Syndications business with a view to helping service expected loan requirements of Nigerian banks. The bank has been shortlisted for 6 path-breaking mandates within the Nigerian power sector and discussions have reached advanced stage with prospective clients. We had a very strong performance in ALM (Asset and Liability Management) on the back of a well-positioned bond portfolio.

We had a very robust year in our FX, Interest Rate and Structured solutions businesses. We were able to structure a number of new market risk hedging solutions that were very well received by a broad range of clients, and enabled our customers to manage their core businesses much more effectively in a particularly volatile year in financial markets. The increased client flow also fed into a very strong performance in our FX and interest rate trading businesses.

The Bank served in various capacities as Global coordinator, Underwriter, Book runner and Mandated lead arranger in 4 syndicated loan transactions with a total deal value of USD3.8billion in 2013. We are intensively involved in strategic dialogue with the Nigerian government and various public sector agencies that should result in numerous opportunities in the upcoming year.

As with our parent company, we remain committed to facilitating initiatives and instigating relationships with players in select sectors that are instrumental to driving value and growth in the Nigerian economy.

As a result of this drive, our efforts, as a group, were recognized with the 2013 Euromoney Award for the African deal of the year with respect to Dangote's US$3bn syndicated loan.

Standard Chartered is committed to fostering discourse and collaboration with our stakeholders. To this end, we organized a well-attended Capital Market forum focused on generating ideas on how to manage risk better in a thriving sub-Saharan Capital Market.

We hosted our corporate clients to a business forum themed: Building a Conducive Environment for Trade and Investment. The event was put together to foster partnership between the organised private sector and the government, wherein both parties can work out sustainable solutions to various challenges impeding the achievement of a conducive environment for business in Nigeria.

In a bid to further widen our product offering, we successfully launched out Custody Business, and we have gained over $600m in assets under management. We expect consistent growth in this area.

On a broader level our focus for 2014 remains largely on our clients. We will also continue to strengthen our workforce, as well as collaborate both internally and externally to ensure that our solutions and services provide optimum value to the clients we serve. Thus, proving that, we are here for good.

Key highlights

Operating income

N33.6billion

2012: N28.6 billion

Client revenues

N35.5billion

2012: N29.4 billion

Total assets

N527.6billion

2012: N419.4 billion

Corporate governance

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. Sir Oluremi Omotoso, MFR, Chairman
2. Chief (Dr.) Joseph Oladele Sanusi, CON (Chairman – retired September 2013)
3. Bola Adesola, Chief Executive Officer
4. Yemi Owolabi
5. Remi Oni (appointed September 2013)
6. Dr. Muhammed Imam Yahaya, OFR
7. Diana Layfield
8. Anil Dua
9. Olusegun B. Ajayi
10. Bill Moore (retired March 2013)
11. Sade Kilaso (retired September 2013)
12. Ade Adeola (retired March 2013)
13. Seye Kosoko (Company Secretary)

Senior Management

1. Bola Adesola, Chief Executive Officer
2. Yemi Owolabi, Executive Director, Finance
3. Remi Oni, Executive Director, Origination & Client Coverage
4. David Adepoju, Head, Global Markets
5. Carol Oyedeji, Head, Consumer Banking
6. Diran Olojo, Head, Corporate Affairs
7. Callistus Obetta, Head, Technology and Operations
8. Seye Kosoko, Head, Legal & Company Secretary
9. Kike Ajeigbe, Head, Human Resources
10. Benjamin Dabrah, Chief Risk Officer
11. Olusiji Adeyinka, Head, Compliance

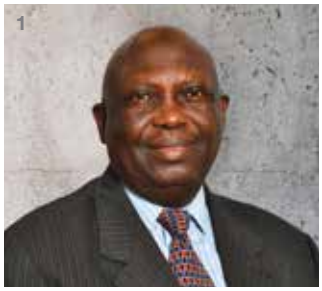
Auditors

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

Company Secretary

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

Board of directors












1. Sir Oluremi Omotoso, MFR
Chairman

2. Chief (Dr.) Joseph Oladele Sanusi, CON
Chairman – retired September 2013

3. Bola Adesola
Chief Executive Officer

4. Yemi Owolabi
Executive Director

5. Remi Oni
Executive Director - appointed September 2013

6. Dr. Muhammed Imam Yahaya, OFR
Non-Executive Director

7. Diana Layfield
Non-Executive Director

8. Anil Dua
Non-Executive Director

9. Olusegun B. Ajayi
Non-Executive Director

10. Bill Moore, OBE
Non-Executive Director – retired March 2013

11. Sade Kilaso
Executive Director
– retired September 2013

12. Ade Adeola
Executive Director
– retired March 2013

13. Seye Kosoko
Company Secretary

Senior management

1. Bola Adesola
Chief Executive Officer

2. Yemi Owolabi
Executive Director, Finance

3. Remi Oni
Executive Director, Origination & Client Coverage

4. David Adepoju
Head, Global Markets

5. Carol Oyedeji
Head, Consumer Banking

6. Diran Olojo
Head, Corporate Affairs

7. Callistus Obetta
Head, Technology and Operations

8. Seye Kosoko
Head, Legal & Company Secretary

9. Kike Ajeigbe
Head, Human Resources

10. Benjamin Dabrah
Chief Risk Officer

11. Olusiji Adeyinka
Head, Compliance

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 2013.

(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:

	2013	2012
	N'000	N'000
GROSS EARNINGS	62,662,864	49,924,704
PROFIT BEFORE TAXATION	20,585,078	21,682,823
Taxation	734,251	(5,642,258)
PROFIT FOR THE YEAR	21,319,329	16,040,565
APPROPRIATION:		
Transfer to Statutory reserves	3,197,900	2,406,085
Preference dividend	87,764	88,837
Transfer to retained earnings and other reserves	18,033,665	13,545,643
	21,319,329	16,040,565
Return on equity (Pre-tax)	27%	33%
Return on equity (Post-tax)	28%	24%

(d) Dividend

The Board of Directors has recommended for the approval of the shareholders an ordinary dividend of N11.775 billion (of which N11.378 bn is from prior year retained earnings) at the rate of N4.71 per ordinary share in respect of the financial year ended 31 December 2013. 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:

	Direct	Direct
	Number of Ordinary Shares Held 2013	Number of Ordinary Shares Held 2012
Shareholding		
Sir Oluremi Omotoso, MFR (Chairman and Independent Non-Executive Director)	Nil	Nil
Chief (Dr.) Joseph Oladele Sanusi, CON (Chairman and Independent Non-Executive Director) – retired September 2013	Nil	Nil
Mrs. Bola Adesola - (Managing Director)	1	1
Mrs. Yemi Owolabi - (Executive Director)	Nil	Nil
Mr Remi Oni (Executive Director) – appointed September 2013	Nil	Nil
Mrs. Sade Kilaso – (Executive Director) – retired September 2013	Nil	Nil
Mr. Ade Adeola (Executive Director) – retired March 2013	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) – retried March 2013	Nil	Nil
Dr. Muhammed Imam Yahaya, OFR (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 2013.

In accordance with the provisions of section 259 of the Companies and Allied Matters Act CAP C20 LFN 2004, 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, Four (4) directors retired during the year and one (1) was appointed.

(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 2013 is as stated below:

Share range	No. of Shareholders	Percentage 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	2,500,000	100

(i) Substantial interest in shares

According to the register of members as at 31 December 2013, 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 N33,132,900 (2012:N33,853,000) during the year, as listed below:

BENEFICIARY	N
YALDA Development Company	750,000
SCB Football Team	1,300,000
Slum to School Project	320,000
Diversity & Inclusion Nigeria	500,000
Association of Assets Custodians of Nigeria	1,000,000
ICC Nigeria	1,200,000
NCI Limited	7,380,000
Fin Correspondence Association of Nigeria	350,000
Corona School Lagos	50,000
Indian Professionals Forum	400,000
International Bar Association (M&A) Conference	4,000,000
LAPO Micro Finance Bank	1,607,900
VAMA Wave Foundation	500,000
Sight Savers International	6,000,000
Nigeria Society of the Blind	6,000,000
Modupe Cole School of the Disabled	200,000
St. Kizitos (People Living with HIV AIDS)	787,500
NAWA ELARA	787,500
	33,132,900

(k) Post balance sheet events

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

(l) Customer complaints

As part of our customer centric approach to doing business, we launched our Customer Charter in 2010. This, together with Treating Customers Fairly (TCF) shape the way we handle complaints. Specifically we are guided by the 3 pillars under our Customer Charter:

- Friendly, Fast & Accurate Service
- Solutions to your Financial Needs
- Recognition of Your Overall Banking Relationship

To enable customers' voice their complaints to the bank and in line with the 1st pillar of our Customer Charter, we have provided multiple channels/touch points as listed below:

- 24 hrs Call Centre
- Customer Service Representatives (CSR) / Service Ambassadors in all branches
- 2 Dedicated e-mail addresses for feedback
- Website and on-line banking platform
- Annual Customer Loyalty Surveys

Report of the directors continued

- Voice of Frontline - Customer pain points shared by staff
- Monthly Surveys of customers on previous month's activities
- Mystery Shopping Exercise
- Customer Forum

Complaint Management

Complaint Management seats with the Customer Care Unit (CCU) which reports to the Head, Service Quality & Re-engineering (SQR). As part of governance on complaints management, the complaints for a previous month are discussed in the new month in the Customer Experience Council (CEC) meeting. The CEC meeting holds monthly and is chaired by the MD/CEO with the Head of Consumer Banking (HoCB) as the alternate.

Typically, the CCU receives customer complaints logged in by staff via the Complaints Management System (CMS); contact centre and directly from customers. All complaints eventually get logged in the CMS. Each complaint is tagged and processed based on pre-determined Service Level Agreements (SLAs) and an escalation procedure is triggered, if the particular SLA is not met.

For ease of resolution, Complaints are classified into 3 types

- FTR (First Time Resolution)
- Normal
- High Risk Complaints

Complaint Resolution Process

- Customer Complaint is received via any of the touch points such as e-mail, telephone, our website, letter, or in person.
- The complaint is acknowledged and a holding response provided to the customer within 24hours while the resolution process is ongoing.
- The resolution is communicated to the customer thereafter and call back/survey conducted to check the customer's satisfaction on how the complaint was resolved.
- To ensure feedback gets maximum attention, we provide management with complaint status at the monthly CEC forum.
- We also send monthly returns to the Central Bank of Nigeria (CBN) on all complaints received, resolved and unresolved. Where the customer is unsatisfied with our final resolution we escalate such a complaint to CBN for arbitration.

We present below, the complaints received, resolved and unresolved by the bank in 2013 in comparison with 2012 figures.

Report on complaints received and resolved from January – December 2013

S/N	DESCRIPTION	Number		Amount Claimed		Amount Refunded	
		2013	2012	2013	2012	2013	2012
				NGN[1]	NGN*	NGN*	NGN*
1	Pending Complaints B/F	7	10	29,113,876	888,191	-	-
2	Received Complaints	4,351	3,101	224,379,339	49,305,971	-	-
3	Resolved Complaints	4,336	3,102	-	-	100,864,595	19,954,729
4	Unresolved Complaints escalated to CBN for intervention	-	2	-	-	-	-
5	Unresolved complaints pending with the bank C/F	22	7	29,454,926	29,113,876	-	-

[1] Amounts in Naira are an aggregate of both naira and other foreign currencies converted at prevailing rate as at 31 December, 2013

(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 2013.

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 2013, our total workforce had a 39% female engagement level while our senior management team had 33% female representation. On the Board of Directors, the ratio of male to female was 63%:38%. Find below the gender analysis of our employees as at year end.

	Male	Female	Total	Male	Female
	Number	Number	Number		
Employees	502	327	829	61%	39%
Gender analysis of Board and top management as follows:					
Board	5	3	8	63%	38%
AGM – GM	49	24	73	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 Kasoko
Company Secretary
FRC/2013/NBA/00000002006

142 Ahmadu Bello Way
Victoria Island
Lagos
12 March 2014

Corporate governannce

Exemplary governance is key to our long-term success, enabling us to deliver sustainable shareholder value

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), 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 2013 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 comprised of 3 Executive Directors and 5 Non-Executive Directors headed by the Chairman of the Board.

There are 4 (four) Board Committees through which the Board of Directors performs its oversight functions. These are the Board Audit Committee; Board Credit Committee; Board Risk Committee and Board Appointments and Remuneration Committee. Broad policy guidelines are set by these committees, and monitored through extensive consultations and deliberations on various reports and presentations by respective stakeholders, to ensure the proper management and direction of the Bank.

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

The Board

The Board presently comprises 8 members, 3 of whom, inclusive of the MD/CEO, are Executive Directors and 5 Non-Executive Directors, 3 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 shareholder 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 2013 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 presently comprised of three (3) 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 the Bank 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 (4) meetings were held by the Board Audit Committee during the 2013 financial year.

Board Risk Committee

The Board Risk Committee is comprised of three (3) Non-Executive Directors and three (3) 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 (4) meetings were held by the Board Risk Committee during the 2013 financial year.

Board Credit Committee

The Committee is made up of four (4) Non-Executive Directors, who are knowledgeable in credit analysis and responsible for approval of credit facilities in the Bank. The Board Credit Committee reviews 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 (4) meetings were held by the Board Credit Committee during the 2013 financial year.

Board Appointments and Remuneration Committee

The Board Appointments and Remuneration Committee is comprised of 3 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.

Three (3) meetings were held by the Board Appointments and Remuneration Committee during the 2013 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 includes the Management Committee, Assets and Liability Committee, Risk Committee, Credit Committee and Project Steering Committee.

Statement of Directors' responsibilities
for the year ended 31 December 2013

Statement of Directors' responsibilities in relation to the financial statements

for the year ended 31 December 2013

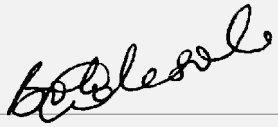
The Directors accept responsibility for the preparation of the annual financial statements set out on pages 31 to 92 that give a true and fair view in accordance with International Financial reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004, the Financial 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 C20 LFN 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.

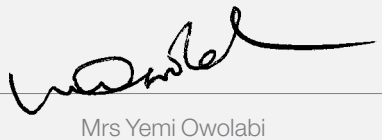
The Directors have assessed the Bank's ability to continue as a going concern and have no reason to believe that the Bank will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Sir Oluremi Omotoso (MFR)
Chairman
(FRC/2013/IOD/00000003315)



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



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

Financial statements and notes

Financial statements and notes

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

Deloitte.

Akintola Williams Deloitte
235 Ikorodu Road, Ilupeju
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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 2013, the income statement and other comprehensive income, statement of changes in equity, cash flow statement for the year ended 31 December 2013 and a summary of significant accounting policies and other explanatory information set out on pages 31 to 92.

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 controls 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 controls. 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 2013, and of the financial performance and cash flows for the year then ended 31 December 2013 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 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.

David Achugamonu, FCA, FRC/2013/ICAN/00000000840

For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
28 April 2014

Income Statement
For the Year ended 31 December 2013

	Note	2013 N'000	2012 N'000
GROSS EARNINGS		**62,662,864**	**49,924,704**
Interest and similar income	4	46,466,428	35,951,961
Interest and similar expense	5	(16,898,991)	(10,081,213)
NET INTEREST INCOME		29,567,437	25,870,748
Fees and commission income	6	9,757,696	9,362,647
Fees and commission expense		(593,559)	(508,042)
Net fees and commission income		9,164,137	8,854,605
Foreign exchange income	7(a)	4,958,788	3,556,970
Income from investments	7(b)	1,479,951	1,053,126
OPERATING INCOME		45,170,313	39,335,449
Operating expenses	8	(22,166,377)	(17,225,422)
Staff costs	8(a)	(9,112,354)	(7,788,438)
Premises cost	8(b)	(1,762,102)	(1,623,499)
Depreciation	8(c)	(518,652)	(508,598)
General administrative expenses	8(d)	(10,773,269)	(7,304,887)
Impairment loss on risk assets	14(c)	(2,418,858)	(427,204)
PROFIT BEFORE TAXATION		20,585,078	21,682,823
Taxation	9 (a)	734,251	(5,642,258)
PROFIT FOR THE YEAR		**21,319,329**	**16,040,565**
Earnings per share - Basic & Diluted	29	849K	638K

Statement of comprehensive income
For the Year ended 31 December 2013

	Note	2013 N'000	2012 N'000
Statement of Comprehensive Income			
Profit for the year		21,319,329	16,040,565
Items that will not be reclassified to profit or loss in subsequent years		-	-
Items that will be reclassified to profit or loss in subsequent years when specific conditions are met:			
- Change in fair value of AFS financial assets	22(f)	397,550	2,054,588
- Deferred tax on fair value charge	21	(127,216)	(616,376)
Total Comprehensive Income for the year		**21,589,663**	**17,478,777**

Statement of financial position
As at 31 December 2013

	Note	December 2013	December 2012
		N'000	N'000
ASSETS:			
Cash and balances with Central Bank	10, 11	43,890,095	25,752,298
Financial assets held for trading	11	23,588,863	29,636,118
Financial assets – available for sale (AFS)	11	152,707,595	129,711,797
Derivative financial assets	11, 16	989,384	-
Due from other banks	11, 12	104,128,867	56,457,384
Loans and advances to customers	11, 13	205,211,342	172,227,053
Investment securities	11, 15	368,058	420,722
Other assets	16	8,284,766	9,741,254
Deferred tax assets	21	267,666	-
Property, Plant and Equipment	17	12,495,229	10,109,466
TOTAL ASSETS		**551,931,865**	**434,056,092**
LIABILITIES:			
Customer deposits	11, 18	378,523,227	237,817,922
Due to other banks	11, 19	79,303,387	93,933,740
Derivative financial liabilities	11	-	358,270
Tax payable	9 (b)	3,182,827	5,425,342
Other liabilities	20	15,001,246	20,753,770
Deferred tax liabilities	21	-	1,159,557
TOTAL LIABILITIES		**476,010,687**	**359,448,601**
EQUITY:			
Ordinary share capital	22	2,500,000	2,500,000
Preference share capital	22	510,000	510,000
Share premium account	22	18,708,524	18,708,524
Retained earnings		31,874,728	30,128,696
Statutory reserves	22	15,415,895	12,217,995
Other Reserves:			
- SMEEIS		249,467	317,131
- Regulatory reserve	22	6,392,230	8,786,933
- AFS equity reserve	22	270,334	1,438,212
		75,921,178	**74,607,491**
TOTAL EQUITY AND LIABILITIES		**551,931,865**	**434,056,092**

These financial statements were approved by the Board of Directors and authorized for issue on 12 March, 2014 and signed on its behalf by:

Sir Oluremi Omotoso (MFR)
Chairman
(FRC/2013/IOD/00000003315)

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 end 31 December 2013

	Share Capital	Share Premium	Statutory Reserve	SMEEIS Reserve	Retained Earnings	Regulatory Reserves	AFS Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January 2013	3,010,000	18,708,524	12,217,995	317,131	30,128,696	8,786,933	1,438,212	74,607,491
Net profit for the year	-	-	3,197,900	-	18,121,429	-	-	21,319,329
Preference dividend	-	-	-	-	(87,764)	-	-	(87,764)
2012 ordinary shares dividend paid	-	-	-	-	(18,750,000)	-	-	(18,750,000)
Movement in AFS reserve	-	-	-	-	-	-	(1,167,878)	(1,167,878)
SMEEIS redemption transferred	-	-	-	(67,664)	67,664	-	-	-
Prudential Loan impairment adjustment	-	-	-	-	2,394,703	(2,394,703)	-	-
Balance as at 31 December 2013	**3,010,000**	**18,708,524**	**15,415,895**	**249,467**	**31,874,728**	**6,392,230**	**270,334**	**75,921,178**

December 2012	Share Capital	Share Premium	Statutory Reserve	SMEEIS Reserve	Retained Earnings	Regulatory Reserves	AFS Reserves	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January, 2012	3,010,000	18,708,524	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	**3,010,000**	**18,708,524**	**12,217,995**	**317,131**	**30,128,696**	**8,786,933**	**1,438,212**	**74,607,491**

Statement of cashflows
For the Year ended 31 December 2013

	Note	2013 N'000	2012 N'000
Operating activities			
Net cash generated from operations	28	96,913,164	93,471,315
Income tax paid	9(b)	(2,446,328)	(4,467,005)
Net cash from operating activities		**94,466,836**	**89,004,310**
Investing activities			
Purchase of fixed assets	17	(2,911,702)	(1,749,611)
Proceeds from the sale of fixed assets		15,697	6,401
Addition to SME Investments	15	(17,085)	-
Proceeds from redemption of SME investments	15	69,749	287,560
Interest received from Interbank placement		3,761,899	2,867,366
Dividend received		6,152	-
Investment in subsidiary	15	-	(1,000)
Movement in investment securities (> 3months)		(60,516,855)	(22,812,217)
Net cash from investing activities		**(59,592,145)**	**(21,401,501)**
Financing activities			
Interest paid on Interbank takings		(4,059,481)	(2,448,846)
Preference dividend paid		(88,837)	(83,140)
Ordinary dividends paid		(18,750,000)	-
Net cash from financing activities		**(22,898,318)**	**(2,531,986)**
Net increase in cash and cash equivalent		**11,976,373**	**65,070,823**
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		198,748,137	133,677,314
Cash and cash equivalents at end of year	31	210,724,510	198,748,137
Increase in cash and cash equivalents		**11,976,373**	**65,070,823**

Notes to the financial statements
For the Year ended 31 December 2013

1.0 Accounting Policies

The following is a summary of Standard Chartered Bank Nigeria Limited accounting policies for the year ended 31 December, 2013.

1.1 Statement of Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the International Financial Reporting Interpretations Committee (IFRIC); and the relevant national regulations. These financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the accompanying notes. The accounting policies set out have been consistently applied in preparing the financial statements for the year ended 31 December 2013, and the comparative information presented in these financial statements for the year ended 31 December 2012. The disclosure of the nature and extent of risk under IFRS 7 "Financial Instruments: Disclosures" have been made in relevant section of the notes to the financial statements.

1.2 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.

1.3 Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IFRS 10 "Consolidated Financial Statement" – A More Robust Definition of Control. It replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statement and SIC 12 Consolidation – Special Purpose Entities.
- IFRS 11 "Joint Arrangement" – Classification of Joint Arrangement where Two or More Joint Control Exist. Replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers,
- IFRS 12 "Disclosure of Interests in Other Entities" – Extensive Disclosures for Entities with Interest in Subsidiaries, Joint Arrangements, Associates or SPE under SIC 12,
- IFRS 13 "Fair Value Measurement"

  A New Definition of Fair Value for both Financial and Non-Financial Items,
- IAS 19 "Employee Benefits (as revised in 2011) – Changes The Accounting for Defined Benefits plans and Termination Benefits,
- Amendments to IFRS 1 – First-time Adoption of IFRS" – Government Loans - Provides Relief for First-time Adopters,
- Amendments to IFRS 7 "Disclosures" – Offsetting Financial Assets and Financial Liabilities,
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" – Introduce New Terminology to the Statement of Comprehensive Income and Income Statement,

  The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Banks's accounting policies.

1.4 Forthcoming Accounting standards and interpretations – issued but not effective

At 31 December 2013, a number of accounting standards, interpretations and amendments had been issued by the International Accounting Standards Board, which are not yet effective for the Bank financial statements. Those that are expected to have a significant effect on the Bank financial statements in future years are discussed below.

Accounting standards effective 1 January 2014

Amendment to IAS 32 Financial Instruments: Presentation clarifies the requirements for offsetting financial assets and liabilities and addresses inconsistencies noted in current practice when applying the offsetting criteria in IAS 32. These amendments require retrospective application, can be early adopted. Investment Entities (amendments to IFRS 10, IFRS 12 and

IAS 27), requires entities meeting the definition of an investment entity to not consolidate its subsidiaries or apply IFRS 3 Business Combinations when it obtains control of another entity. An investment entity is defined as an entity that:

- obtains funds from one or more investor for the purpose of providing those investor(s) with investment management services
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- measures and evaluates the performance of substantially all of its investments on a fair value basis

Entities not meeting the definition of an investment entity, including the parent company of an eligible investment entity, will continue to consolidate all subsidiaries. The investment entity consolidation exemption is not expected to have a material impact on the Bank.

Accounting standards effective 1 January 2015

IFRS 9 Financial instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement and introduce new requirements for the classification and measurement of financial assets and financial liabilities. When completed, IFRS 9 will also introduce a new model for recognizing loan impairment based on expected losses, to replace the current model in IAS 39, which measures loan impairment estimates based on incurred losses and provide for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology in addition to now permitting risk components of non-financial items to be hedged. This IFRS 9 is expected to become effective in January 2015.

Classification and measurement

IFRS 9 as published operates a binary classification model whereby financial assets and liabilities are classified either at amortized cost or at fair value. Amortized cost classification is only permitted where the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and where these contractual cash flows are solely payment of principal and interest. In all other cases the financial asset is classified and measured at fair value through profit or loss. Fair value movements on non-trading equity instruments may be presented in other comprehensive income, though these cannot be recycled to the income statement upon disposal of the equity instrument. Financial liabilities are required to be measured at fair value or amortized cost as is the case under IAS 39, except that the change in fair value relating to own credit is reported within other comprehensive income and not the income statement. In November 2012, the IASB issued an exposure draft of limited amendments to the classification and measurement requirements of IFRS 9 which proposed introducing a third classification category where, subject to qualifying criteria, fair value changes on debt instruments would be measured through reserves and will be eligible for recycling.

Impairment

The IASB continues to debate proposals around recognizing credit losses based on an expected loss approach. Based on its most recent deliberations, the Board has indicated that it will proceed with a methodology whereby either 12 months' expected losses or lifetime expected losses would be measured depending on whether certain criteria for recognizing lifetime expected losses are met including whether or not the asset deteriorates below 'investment grade'. The IASB is expected to issue a new exposure draft on impairment for financial assets held at amortized cost before the new Standards becomes effective in 2015.

1.5 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 following estimates and judgments in pages 91 & 92 are considered key significant judgments and in the preparation of these financial statements

- Loan impairment estimates
- Fair value of financial instruments
- Share based payments
- Taxation

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

1.6 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.

Notes to the financial statements continued

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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 cash settled share based compensation plan. The awards are revalued at each year end date and a liability 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 performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

1.13 Taxation

Taxation

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

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

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.

1.14 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.

1.15 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

Notes to the financial statements continued

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.

1.15 (i) 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 which is 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.

1.15(ii) 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. Dividend 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(iii) Reclassification

Reclassification of financial assets, other than as set out below or financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit and loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Bank has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loan and receivables category, where they would have met the definition of a loan and receivable at the state of reclassification and the Bank has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.

Financial assets are classified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognized in shareholders' equity prior to the date of reclassification is amortized to the income statement over the remaining life of the financial asset, using the effective interest method.

1.15 (iv) 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.

1.15 (v) Income recognition

For available-for-sale assets and financial assets and liabilities held at amortized 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.

1.16 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.

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.

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

Notes to the financial statements continued

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

Available – for – Sale financial 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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 Bank 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.

1.21 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-Dec-13 N'000	31-Dec-12 N'000
Provision per prudential guideline	10,865,892	11,498,121
Loan impairment per IFRS	(4,473,662)	(2,711,188)
Regulatory reserve (PG)	**6,392,230**	**8,786,933**

	2013 N'000	2012 N'000
Performing loans	198,880,147	166,630,600
Non-Performing loans (NPL)	10,804,857	8,307,641
Gross loans	**209,685,004**	**174,938,241**
NPL ratio	**5.15%**	**4.75%**

1. Regulatory reserve

   Impairment of 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:

	2013			2012		
	CB N'000	WB N'000	Total N'000	CB N'000	WB N'000	Total N'000
Revenue						
Derived from external customers	10,972,405	35,494,023	46,466,428	6,553,400	29,398,561	35,951,961
Interest and similar expense	(5,075,882)	(11,823,109)	(16,898,991)	(1,268,400)	(8,812,813)	(10,081,213)
Interest margin	**5,896,523**	**23,670,914**	**29,567,437**	**5,285,000**	**20,585,748**	**25,870,748**
Allowance for risk assets	(288,532)	(2,130,326)	(2,418,858)	(194,906)	(232,298)	(427,204)
Net interest margin	**5,607,991**	**21,540,588**	**27,148,579**	**5,090,094**	**20,353,450**	**25,443,544**
Other income	5,668,889	9,933,987	15,602,876	5,461,597	8,003,104	13,464,701
Depreciation	(267,648)	(251,004)	(518,652)	(267,648)	(240,950)	(508,598)
Operating expense	(7,980,539)	(13,667,186)	(21,647,725)	(6,784,603)	(9,932,221)	(16,716,824)
Profit before taxation	**3,028,693**	**17,556,385**	**20,585,078**	**3,499,440**	**18,183,383**	**21,682,823**
Taxation	(664,894)	1,399,145	734,251	(664,894)	(4,977,364)	(5,642,258)
Profit after taxation	**2,363,799**	**18,955,530**	**21,319,329**	**2,834,546**	**13,206,019**	**16,040,565**
Segment assets	24,349,642	527,582,223	551,931,865	14,644,489	419,411,603	434,056,092
Segment liabilities	(160,411,544)	(315,599,143)	(476,010,687)	(142,603,746)	(216,844,857)	(359,448,603)

4. Interest and similar income

Interest and similar income was derived from:

	Dec-13 N'000	Dec-12 N'000
Interest and Similar Income:		
Placements	3,761,899	2,867,366
Treasury Bills/Debt Securities	22,562,638	12,674,321
Loans and Advances	19,964,281	18,360,737
Investment securities	42,826	1,680,650
Interest on impaired assets (discount unwind)	134,784	368,887
	46,466,428	**35,951,961**
Interest Income earned in Nigeria	46,466,428	35,951,961
Interest Income earned outside Nigeria	-	-
	46,466,428	**35,951,961**
Analyzed as follows:		
Available for Sale	22,096,065	13,021,433
Trading	1,704,880	1,148,738
Amortised Cost	22,665,483	21,781,790
Total Interest and Similar Income	**46,466,428**	**35,951,961**

5. Interest and Similar Expense

	Dec-13 N'000	Dec-12 N'000
Current Accounts	1,180,030	1,136,525
Savings Accounts	249,107	149,390
Time Deposits	11,410,373	6,346,452
Inter-Bank Takings	4,059,481	2,448,846
	16,898,991	10,081,213

Total interest expense on financial instruments held at amortized cost in 2013 is N16.899bn (2012: N10.081bn).

Notes to the financial statements continued

6. Fees and commissions

	Dec-13 N'000	Dec-12 N'000
Credit related fees	169,789	272,604
Commission on turnover	1,646,413	2,041,883
Commission on off-balance sheet transactions	237,549	152,519
Remittance Fees	2,421,226	2,407,319
Letters of Credits commission and fees	2,356,140	1,758,687
e-Transact fees	1,306,495	914,109
Other Fees and Commission	1,620,084	1,815,526
	9,757,696	**9,362,647**

7. a) Foreign exchange income

Foreign currency trading	5,610,767	3,517,518
Net conversion (loss)/gain	(651,979)	39,452
	4,958,788	**3,556,970**

b) Income from investments

Realised gain on marketable securities	1,463,242	689,382
Profit on sale of securities	-	356,969
Dividend income	6,152	-
Profit on sale of fixed assets	8,410	6,401
Other income	2,147	374
	1,479,951	**1,053,126**

8. Operating expenses

a. Staff cost (note 27a)

Salaries and allowances	8,776,050	7,405,217
Share save cost	85,828	138,428
Pension cost (note 20[a. iii])	250,476	244,793
	9,112,354	**7,788,438**

The staff cost above excludes compensation paid to executive directors (which have been disclosed in note 27 (b)

b. Premises cost

Rental of premises	756,386	697,913
Rental of equipment	225,487	209,252
Premises security	348,955	199,093
Repairs & Maintenance	431,274	517,241
	1,762,102	**1,623,499**
c. Depreciation (note 17)	**518,652**	**508,598**

	2013 N'000	2012 N'000
d. General administrative expenses:		
Auditor's Remuneration	46,000	46,000
Director's Emolument (note 27b)	269,403	221,684
Admin & general expense	1,038,071	1,139,709
Insurance premium	1,267,823	1,164,330
Travelling cost	715,310	510,962
Legal & professional fees	207,732	140,453
AMCON contributory cost	2,170,280	927,806
Other operating expenses	5,058,650	3,153,943
	10,773,269	7,304,887

9. Taxation:

a) Analysis of tax charge in the year

Analysis of tax charged for the year		
Profit before tax	20,585,079	21,682,824
Taxable expenses	1,515,500	436,861
Tax free income	(22,776,450)	(14,429,248)
Balancing charge/(Capital allowance)	11,012	(764,712)
Taxable profit	**(664,859)**	**6,925,725**
Income tax at 30%	-	2,077,717
Education tax at 2%	-	153,809
Technology tax	203,813	214,681
Adjustment to tax charge on prior year tax	-	2,011,944
current tax on income for the year	**203,813**	**4,458,151**
Deferred tax charge - temporary difference	(938,064)	1,184,107
Tax on profit on ordinary activities	**(734,251)**	**5,642,258**
Effective tax rate	**-4%**	**26%**

b) Tax payable

At 1 January	5,425,342	5,434,195
Tax paid	(2,446,328)	(4,467,005)
Income tax charge	203,813	4,458,152
At 31 December	**3,182,827**	**5,425,342**

Notes to the financial statements continued

The company income tax charge for the year has been computed at the current rate of 30% (2012: 30%) on taxable profit for the year;

(a) Education tax has been computed at the rate of 2% (2012: 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% (2012: 1%) of the profit before tax for the year.

10. Cash and balances with Central Bank

	Dec-13	Dec-12
	N'000	N'000
Cash	5,770,978	5,643,532
Operating Account with Central Bank	9,703,833	2,645,873
Cheques in course of collection	-	456,675
	15,474,811	8,746,080
Mandatory Reserve Deposits with Central Bank	28,415,284	17,006,218
	43,890,095	25,752,298

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.

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.

December 2013	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	-	-	43,890,095	-	-	43,890,095
Financial assets held for trading	23,588,863	-	-	-	-	23,588,863
Financial assets – AFS	-	152,707,595	-	-	-	152,707,595
Treasury bills	-	146,099,667	-	-	-	146,099,667
Debt securities	-	6,607,928	-	-	-	6,607,928
Derivative financial assets	-	989,384	-	-		989,384
Investment Securities - Equity shares	-	368,058	-	-	-	368,058
Due from Other Banks	-	-	104,128,867	-	-	104,128,867
Loans and Advances to Customers	-	-	205,211,342	-	-	205,211,342
Others	-	-	-	-	21,047,661	21,047,661
Total at 31 December 2013	**23,588,863**	**154,065,037**	**353,230,304**	**-**	**21,047,661**	**551,931,865**

11.1 Financial Instruments classification continued

31 December 2012	Assets at fair value		Assets at amortised cost			
Assets	Trading N'000	Available for sale N'000	Loans and receivables N'000	Held-to-maturity N'000	Non-financial assets N'000	Total 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	-	-	-	116,056,456
Debt securities	-	13,655,341	-	-	-	13,655,341
Derivative financial assets	-	-	-	-	-	-
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
Others	-	-	-	-	19,850,720	19,850,720
Total at 31 December 2012	**29,636,118**	**130,132,519**	**254,436,735**	**-**	**19,850,720**	**434,056,092**

11.2 Financial Instruments classification continued

December 2013	Liabilities at fair value			
Liabilities	Trading N'000	Amortised cost N'000	Non-financial liabilities N'000	Total N'000
Financial liabilities	-	-	-	-
Customer Deposits	-	378,523,227	-	378,523,227
Due to other banks	-	79,303,387	-	79,303,387
Derivative financial liabilities	-	-	-	-
Other Liabilities	-	14,621,666	379,580	15,001,246
Total at 31 December 2013	-	472,448,280	379,580	472,827,860

December 2013	Liabilities at fair value			
Liabilities	Trading N'000	Amortised cost N'000	Non-financial liabilities N'000	Total N'000
Financial liabilities	-	-	-	-
Customer Deposits	-	237,817,922	-	237,817,922
Due to other banks	-	93,933,740	-	93,933,740
Derivative financial liabilities	358,270	-	-	358,270
Other Liabilities	-	20,328,114	425,656	20,753,770
Total at 31 December 2012	**358,270**	**352,079,776**	**425,656**	**352,863,702**

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 utilizes 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 utilized, 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 utilized 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

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.

Notes to the financial statements continued

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.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out above as at 31 December, 2013.

2013	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Financial assets held for trading	23,588,863	-	-	23,588,863
Financial assets – AFS	-	-	-	-
Treasury bills	146,099,667	-	-	146,099,667
Debt securities	1,605,277	5,002,651	-	6,607,928
Derivative instruments	-	989,384	-	989,384
Total as at 31 December 2013	**171,293,807**	**5,992,035**	**-**	**177,285,842**

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	6,148,616	7,506,725	-	13,655,341
Derivative instruments	-	-	-	-
Total as at 31 December 2012	**151,841,190**	**7,506,725**	**-**	**159,347,915**

	2013 N'000	2012 N'000
12. Due from other banks		
Current Balances with Banks in Nigeria	1,952,365	175,427
Current Balances with Banks outside Nigeria	545,702	10,298
Placements with Banks and discount houses	101,630,800	56,271,659
	104,128,867	**56,457,384**
13. Loans and advances to customers		
Overdraft	38,862,589	38,647,228
Term Loans of which:		
Less than 1 year	75,972,647	65,516,675
Beyond 1 year	78,036,598	59,628,414
Personal loans	16,813,170	11,145,924
	209,685,004	**174,938,241**
Individual loan impairment	(2,885,552)	(1,446,256)
Portfolio impairment	(1,588,110)	(1,264,932)
	205,211,342	**172,227,053**
14. Loan impairment:		
a) Movement in loan impairment		
At 1 January,	2,711,188	3,071,428
Impairment during the year (note 14b)	2,088,857	265,686
Releases during the year (note 14b)	(326,383)	(138,222)
Impairment applied against debt	-	(487,704)
Balance at 31 December	**4,473,662**	**2,711,188**

Analysis of loans by performance		
Performing	199,343,682	166,630,600
Non-Performing	10,341,322	8,307,641
Gross loans	209,685,004	174,938,241
NPL ratio	4.93%	4.75%

Notes to the financial statements continued

b) Analysis of loan impairment

	Individual impairment N'000	Portfolio impairment N'000	Total N'000
At Jan 1, 2013	1,446,256	1,264,932	2,711,188
Profit and loss charge (note 14c)	1,765,679	323,178	2,088,857
Releases during the year (note 14a)	(326,383)	-	(326,383)
At Dec 31, 2013	**2,885,552**	**1,588,110**	**4,473,662**

At Jan 1, 2012	1,717,041	1,354,387	3,071,428
Profit and loss charge	221,240	44,446	265,686
Profit and loss Release	(4,321)	(133,901)	(138,222)
Provisions applied against debts	(487,704)		(487,704)
At Dec 31, 2012	**1,446,256**	**1,264,932**	**2,711,188**

c) Analysis of impairment charge for the year

	2013 N'000	2012 N'000
Profit and loss charge	2,088,857	265,686
Profit and loss Release	-	(138,221)
Direct write-off	330,001	299,739
	2,418,858	**427,204**

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

Analysis by Maturity	2013 N'000	2012 N'000
0 - 30 days	83,930,433	54,403,897
1 - 3 month	49,616,841	27,994,207
3 - 6 month	15,871,764	24,664,798
6 - 12 month	4,783,889	7,529,880
Over 12 months	55,482,077	60,345,459
	209,685,004	**174,938,241**

15. Investment securities

a.) Unlisted equity securities at cost:

	2013 N'000	2012 N'000
- SMEEIS investments - (note 15c)	249,466	317,130
- NIBSS Plc - (note 15d)	52,583	52,583
- FMDQ - (note 15e)	15,000	-
- CRC Credit Bureau - (note 15f)	50,009	50,009
- SCB Nominees Ltd - (note 15g)	1,000	1,000
	368,058	**420,722**

b). Movement in the Bank's unlisted investment portfolio was as follows:

At 1 January	420,722	707,282
Additions during the year	17,085	1,000
Redemption during the year	(69,749)	(287,560)
At 31 December	368,058	420,722

c). SMEEIS investments comprise:

Aureos West Africa Fund (note 15c (ii))	249,466	247,381
Nycil Limited	-	69,749
Total Investment Securities	**249,466**	**317,130**

Movement in SMEEIS Investment portfolio

At 1 January	317,130	604,690
Additions during the year	2,085	-
Redemption during the year	(69,749)	(287,560)
At 31 December	**249,466**	**317,130**

(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. See note 22d below.

(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. During the year, additional N2.085 million was called up by the Fund.

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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 2013 to expire in June 2014. 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.

The movement in the Bank's portfolio in AWAF as at 31 December 2013 was as follows:

	N'000	N'000
At 1 January	247,381	247,381
Additions during the year	2,085	-
Redemption during the year	-	-
At 31 December	**249,466**	**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 invested in Financial Market Derivatives Quotation Plc (FMDQ) amounting to N15m during the year. FMDQ is subscribed to by all deposit money banks.

(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

(g) 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, 2013 was N8.7m (2012: N1.77m). This is considered very insignificant to the Bank to present consolidated financial statement in the Annual reports. SCB Nominees holds securities on behalf of clients valued at N133.8bn (2012:N59.15bn). These securities are held in custody and would be released to the clients on demand or at contractual date. The entity does not reserve or exercise a trading right on the securities and there is no recourse on the Company in the event of any unfavourable market conditions. The risks and rewards are for the client.

In addition to the above, all the five conditions not to consolidate the entity's financial statements as specified in IFRS 10 (Consolidated financial statements) was met by the bank.

16. Other Assets

	2013 N'000	2012 N'000
Other Assets		
Prepayments	1,911,890	1,884,392
Accounts Receivables (note 16a)	6,372,876	7,856,862
	8,284,766	**9,741,254**
Analysis by Maturity:		
Amount falling due less than 1 year	8,284,766	9,741,254
Amount falling due after one year	-	-
	8,284,766	**9,741,254**

16	**(a) Account receivables comprise of;**		
	Trade settlement - Fin Instruments	1,521,135	443,633
	CBR Receivable	1,520,490	1,523,443
	Accounts Receivable - Fess & Comm.	199,333	19,601
	Other assets – Acceptance	2,929,992	5,398,131
	Others	201,926	472,054
		6,372,876	**7,856,862**

16 (b) Analysis of derivatives assets 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	Maturity Date	Notional 1 (NGN)	Notional 2 (USD)	Net Present Value (NGN)
Currency swaps	18/04/13	22/04/14	49,008,562,500	308,707,279	(42,908,030,283)
Currency swaps	05/02/13	12/02/18	7,860,000,000	50,000,000	8,438,082,074
Currency swaps	06/11/13	06/11/14	34,810,562,500	218,707,279	35,619,038,034
Currency swaps	20/12/13	20/03/14	9,102,275,256	56,280,000	(7,454,649)
Non-Deliverable Forwards	5/23/2013	2/20/2014	(1,690,000,000)	10,000,000	(63,956,562)
Non-Deliverable Forwards	6/27/2013	3/28/2014	(1,690,000,000)	13,000,000	3,037,362,898
Non-Deliverable Forwards	9/3/2013	3/3/2014	(1,690,000,000)	6,000,000	(3,125,657,056)
Total					**989,384,456**

Notes to the financial statements continued

17. Property, Plant & Equipment

	Leasehold Land and Buildings	Motor Vehicle	Furniture and	Computer and Office Equipment	Leasehold Improvement	Work-In Progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
COST							
1 January 2013	3,934,329	129,313	1,116,623	2,290,853	1,428,698	5,408,460	14,308,276
Additions	-	20,942	-	79,391	-	2,811,369	2,911,702
Reclassification	-	-	118,585	145,476	168,066	(432,127)	-
Disposals	-	(50,713)	-	-	-	-	(50,713)
31 December 2013	3,934,329	99,542	1,235,208	2,515,720	1,596,764	7,787,702	17,169,265
ACCUMULATED DEPRECIATION							
1 January 2013	478,791	96,490	643,033	2,068,056	912,440	-	4,198,810
Charge for the Year	100,113	15,354	159,114	151,965	92,106	-	518,652
Reclassification	-	-	(24,489)	24,489	-	-	-
Disposal	-	(43,426)	-	-	-	-	(43,426)
31 December 2013	578,904	68,418	777,658	2,244,510	1,004,546	-	4,674,036
NET BOOK VALUE:							
31 December 2013	3,355,425	31,124	457,550	271,210	592,218	7,787,702	12,495,229
1 January 2013	3,455,538	32,823	473,590	222,797	516,258	5,408,460	10,109,466

(a) Contracted capital commitments, as at the balance sheet date amounted to N3,839,773,958 (2012 - N6,193,721,329)

18. Customer deposits

	2013 N'000	2012 N'000
Savings	17,818,544	6,380,968
Current	46,197,785	62,817,732
Time	156,683,298	72,191,108
Domiciliary	157,823,600	96,428,114
	378,523,227	237,817,922
Analysis by Maturity		
0 - 30 days	282,902,614	208,592,164
1 - 3 month	73,096,088	23,521,383
3 - 6 month	14,528,185	3,972,413
6 - 12 month	5,353,520	1,691,962
Over 12 months	2,642,820	40,000
	378,523,227	237,817,922

19. Due to other banks

	2013 N'000	2012 N'000
Current balances with banks	1,999	5,482
Takings from SCB Group Companies	77,826,322	63,600,072
CBN BOI Intervention funds	1,475,066	3,328,186
Inter - Bank Taking	-	27,000,000
	79,303,387	**93,933,740**
Analysis by Maturity:		
Amount falling due less than 1 year	47,598,815	90,307,939
Amount falling due after one year	31,704,572	3,625,801
	79,303,387	**93,933,740**

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

	2013 N'000	2012 N'000
Customers deposits for Letters of Credits	2,667,015	3,608,783
Defined Contribution schemes (note 20a(i))	1,846	3,070
Accounts Payable (note 20a(ii))	11,342,944	15,977,728
Preference dividend payable	87,764	88,836
Share based payments (note 20b)	377,734	422,586
Others - SCB Group Companies	523,943	652,767
	15,001,246	**20,753,770**
Analysis by Maturity:		
Amount falling due less than 1 year	15,001,246	20,753,770
Amount falling due after one year	-	-
	15,001,246	**20,753,770**

Notes to the financial statements continued

20. (a) Analysis of other liabilities

(i) Movement in Retirement Benefit Obligations

	2013 N'000	2012 N'000
At the start of year	3,070	18,896
Charge to Profit or Loss	259,692	244,794
Contributions remitted	(260,916)	(260,620)
At the end of the year	**1,846**	**3,070**

The charge to profit or loss for the year consisted of executive directors (N9,216) and other staff (N250,476)

(ii) Accounts payable comprises of

Other liabilities – Acceptance	2,929,992	5,398,131
Cashier's Order Payable	1,301,998	825,914
Unclaimed items	1,175,787	1,049,425
Tax Collection a/c	314,022	1,070,094
CBR payable	1,739,650	652,768
Accrued expenses	2,319,668	4,808,145
Unearned revenue	539,396	314,636
Unsettled trade - T.Bill & Debt Sec	605,983	1,770,837
Other payables	416,448	87,778
	11,342,944	**15,977,728**

20 b. 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.

	2013 Number '000	Weighted average exercise price N per share	N'000	2012 Number ('000)	Weighted average exercise price N per share	N'000
At 1 January	125	3,381	422,586	84	3,098	260,234
Granted during the year	43	2,140	92,030	43	3,955	170,042
Exercised during the year	(41)	(3,339)	(136,882)	(2)	(3,845)	(7,690)
Lapsed during the year	-	-		-	-	-
At 31 December	127	2,974	377,734	125	3,381	422,586

	2013							
					Weighted average remaining life			
Range of exercise price	Weighted average exercise price	Number of options	Expected years		Weighted average exercise price	Number of options	Expected years	Contractual years
	2,974	6	3-5years		3,354	6	3-5years	3-5years

	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	3,098	260,234	84	3,098	260,234
Granted during the year	43	3,955	170,042	-	-	-
Exercised during the year	(2)	(3,845)	(7,690)	-	-	-
Lapsed during the year	-	-	-	-	-	-
At 31 December	125	3,381	422,586	84	3,098	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
	3,354	6	3-5years	3-5years	3,098	3-5 years	3-5years	-

21. Deferred taxes

	Dec-13 N'000	Dec-12 N'000
Balance beginning of year	1,159,557	(640,926)
Deferred tax on AFS -2012	(616,376)	-
Charge for the year	(938,063)	1,184,107
Deferred tax on AFS change	127,216	616,376
	(267,666)	**1,159,557**

Notes to the financial statements continued

22. Share capital and reserves:

	2013	2012
a **Authorised:**	N'000	N'000
2,500,000,000 ordinary shares of N1 each	2,500,000	2,500,000
510,000,000 irredeemable non-cumulative	510,000	510,000
	3,010,000	3,010,000
b **Issued and fully paid:**		
i Ordinary Shares		
At 31 December	2,500,000	2,500,000
ii Preference Shares		
At 31 December	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 and 1 July to 31 December of every year. During the year, N88,836 million (2012: N83,140 million) was paid as dividend while accrual of N87,764 million (2012: N88,836 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% (2012:15%) 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 N249.466million (2012: N317.13million) in the SMEIES reserve as at 31 December 2013 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 N67.664 million (2012: N446.7million) represents proceeds of matured SME investments from which the Bank has now divested its interest in accordance with the investment agreement.

(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. **Regulatory Reserve**

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

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

(ii) Prudential estimate is less than IFRS estimate; 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.

	2013	2012
a) AFS Analysis by securities	N'000	N'000
Treasury Bills	258,084	609,223
Government bonds	139,466	1,445,365
	397,550	2,054,588
Deferred tax charge	(127,216)	(616,376)
AFS Reserves net of tax	**270,334**	**1,438,212**

b) Movement in AFS reserves		
1 January	1,438,212	(1,233,298)
31 December	270,334	1,438,212
Net Movement	**(1,167,878)**	**2,671,510**

23. Contingent liabilities, commitments and arrangements

a. **Legal proceedings**

The Bank in the ordinary course of business is presently involved in 30 litigation suits for claims amounting to N12,027,027,598 (2012: N11,880,825,756). 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 reporting date.

b. **Capital commitments**

At the reporting date, the Bank had capital commitments amounting to N3,839,773,958 (2012: N6,193,721,329) 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 2013 are shown below:

	2013 N'000	2012 N'000
Contingent liabilities		
Irrevocable letters of credit	26,751,306	32,653,317
Performance bonds and Guarantees	112,747,407	62,077,408
	139,498,713	**94,730,725**
Commitments		
Documentary credits and short term trade-related transactions	86,379,208	-
Forward assets purchased and sold - Treasury contingents	-	65,460,931
	86,379,208	**65,460,931**
	225,877,921	**160,191,656**

Notes to the financial statements continued

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
BOFIA	Non rendition of returns on loan to off- shore client	2,000

25. Events after the reporting date

There were no events after the reporting date which could have a material effect on the financial position of the Bank as at 31 December 2013 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 2013

(i) Direct credit assets

Included in loans and advances to customers is an amount of N87,126,167 (2012: N32,615,838) 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 2013, were granted under normal conditions applicable to staff.

(ii) Inter-bank placement

Included in due from other banks is an amount of N48,693,653,000 (2012: N41,471,266,000) representing placements with other SCB group companies. The balances as at 31 December 2013 are as follows:

Name of company	Relationship - transaction type	Amount N'000	Status	Security
Standard Chartered Bank (UK)	Affiliate Placement	7,554,205	Performing	Unsecured
Standard Chartered Bank (NY)	Affiliate Placement	22,878,999	Performing	Unsecured
Standard Chartered Bank (Germany)	Affiliate Placement	661,219	Performing	Unsecured
Standard Chartered Bank (Kenya)	Affiliate Placement	7,999,650	Performing	Unsecured
Standard Chartered Bank (Mauritius)	Affiliate Placement	7,999,650	Performing	Unsecured
Standard Chartered Bank (Gambia)	Affiliate Placement	1,599,930	Performing	Unsecured
		48,693,653		

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)	Affiliate Placement	624,800	Performing	Unsecured
		41,471,265		

(b) Deposit liabilities

Included in deposit liabilities is an amount of N157,255,810 (2012: N50,646,436) 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 N140,543,000 (2012: N729,252,000) representing interest income on placements with other SCB group companies. The balance as at 31 December 2013 was as follows:

Name of Company	Relationship	Income Type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	Interest income on placement	80,545
Standard Chartered Bank (US)	Affiliate	Interest income on placement	6,963
Standard Chartered Bank (Germany)	Affiliate	Interest income on placement	1,445
Standard Chartered Bank (Mauritius & others)	Affiliate	Interest income on placement	51,590
			140,543

(d) Interest expense

Included in interest expense is an amount of N1,133,091,608 (2012: N1,229,021,102) representing interest expense on takings from other SCB group companies. The balance as at 31 December 2013 was as follows:

Name of company	Relationship	Income type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	Interest expense on borrowing	1,133,092

(e) Derivatives transactions hedged with SCB UK were as follows:

Product	currency		Notional (USD)	Net Present Value (NGN)
Commodity	USD	(4,802,045)	(143,840,651)	(679,500,135)
Commodity	GBP	(6,641)	(86,500)	(1,757,999)
Currency swaps	USD	(4,394,227,353)	140,000,000	745,203,451
FX Option vanilla	USD	722,363	(5,403,348)	115,573,015
Interest rates swaps	USD	(2,391,814)	104,000,000	(544,567,848)
Total				**(365,049,516)**

Notes to the financial statements continued

27 Employees and directors

a. Employees:

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

	2013 Number	2012 Number
Executive Directors	4	4
Management	283	304
Non-Management	542	485
	829	793

Compensation for the above staff (excluding Executive Directors):

	N'000	N'000
Staff cost		
Salaries & Wages	8,776,050	7,405,217
Share save cost	85,828	138,428
Pension cost (note 20(a.iii))	250,476	244,793
	9,112,354	**7,788,438**

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

	2013 Number	2012 Number
N 300,001 - N2,000,000	223	240
N2,000,001 - N2,800,000	54	49
N2,800,001 - N3,500,000	55	50
N3,500,001 - N4,000,000	32	27
N4,000,001 - N5,500,000	83	81
N5,500,001 - N6,500,000	46	44
N6,500,001 - N7,800,000	53	43
N7,800,001 - N9,000,000	66	56
N9,000,001 and above	213	199
	825	789

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

	2013 N'000	2012 N'000
Fees and sitting allowances	29,983	28,654
Executive compensation	186,944	150,773
Retirement benefit costs	9,216	7,126
Share save expense	29,664	23,924
Other directors expenses and benefits	13,596	11,207
	269,403	**221,684**

Fees and emoluments include:		
The Chairman	8,543	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:

	2013 Number	2012 Number
Less than N5,000,000	5	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:

	2013 N'000	2012 N'000
Profit after taxation	21,319,329	16,040,565
Add: tax charge for the year	(734,251)	5,642,258
Profit before taxation	20,585,078	21,682,823
Reconciliation of profit before tax to cash generated from operations:		
Specific impairment allowance	1,765,679	221,240
Portfolio impairment allowance	323,178	(89,455)
Impairment write back	-	(4,320)
Direct write off	330,001	299,739
Profit on disposal of fixed assets	(8,410)	(6,401)
Dividend received	(6,152)	-
Depreciation	518,652	508,598
Interest received from interbank placement	(3,761,899)	(2,867,366)
Interest paid on interbank takings	4,059,481	2,448,846
Operating profit before changes in operating assets and liabilities	**23,805,608**	**22,193,704**
(Increase) / decrease in operating assets:		
Loans and advances to customers	(34,746,763)	(11,863,209)
Derivatives financial instruments	(1,347,654)	(1,200,387)
Changes in fair value of available for sale financial assets	(1,167,878)	2,019,133
Other assets	1,456,488	(6,350,338)
Restricted balances with central bank	(11,409,065)	(8,606,768)
	(47,214,872)	**(26,001,569)**
Increase / (decrease) in operating liabilities:		
Customer deposits	140,705,305	43,483,229
Due to other banks	(14,630,353)	39,912,821
Other liabilities	(5,752,524)	13,883,130
	120,322,428	**97,279,180**
Net cash generated from operations	**96,913,164**	**93,471,315**

Notes to the financial statements continued

29. Basic/diluted 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:

	2013 N'000	2012 N'000
Net profit attributable to shareholders (N'000)	21,319,330	16,040,565
Amount attributable to preference shareholders (N'000)	(87,764)	(88,836)
Net profit attributable to ordinary shareholders (N'000)	21,231,566	15,951,729
Number of ordinary shares in issue as at year end (note 22 (a)) ('000)	2,500,000	2,500,000
Time weighted average number of ordinary shares in issue ('000)	2,500,000	2,500,000
Earnings per share – basic & diluted	**849K**	**638K**

Diluted earnings provides a measure of the interest of each ordinary share in the performance of an entity while giving effect to all dilutive potential ordinary shares outstanding during a period. There exist no potential ordinary share of the bank outstanding during the year ended 31 December 2013 and the comparative year, consequently diluted and basic earnings per share are the same.

30 Dividend

a) Declared dividend per ordinary shares

Declared dividend per ordinary shares:		
Declared dividend (N'000)	11,775,000	18,750,000
No of ordinary shares	2,500,000	2,500,000
Declared dividend per share	471k	750K

b) Proposed dividend

The Board of directors after the balance sheet date has proposed a dividend of N4.71 per ordinary shares amounting to N11.775 billion (of which N11.378 billion is from previous years' retained earnings) to be distributed from reserves as at 31 December 2013. The dividends are subject to deduction of applicable withholding tax at the time of payment.

31 Cash and Cash equivalent

	2013 N'000	2012 N'000
Cash and balances with central bank (note 10)	15,474,811	8,746,080
Treasury bills and eligible bills	91,120,832	133,544,673
Due from other banks (note 12)	104,128,867	56,457,384
	210,724,510	**198,748,137**

Value added statement
Year ended 31 December 2013

	2013 N'000	%	2012 N'000	%
Gross income	62,662,864		49,924,704	
Interest paid:				
Local	(14,021,056)		(8,904,458)	
Foreign	(2,877,935)		(1,176,754)	
Fees and commission expense (local)	(593,559)		(508,042)	
	45,170,314		**39,335,450**	
Allowance on risk and other assets	(2,418,858)		(427,204)	
Bought in materials and services (local)	(12,447,608)		(8,839,550)	
Value added	**30,303,848**	**100**	**30,068,696**	**100**
Applied to pay:				
Employees				
Salaries and benefits	9,112,354	30	7,788,438	26
Providers of funds				
Ordinary dividend				
Preference dividend	87,764	1	88,837	1
Government				
Company income tax	203,813	1	4,458,151	15
Deferred taxation	(938,064)	(3)	1,184,107	3
Retained in the business				
For replacement of fixed assets (depreciation)	518,652	1	508,598	2
To augment reserves	21,319,329	70	16,040,565	53
	30,303,848	100	**30,068,696**	**100**

Four year financial summary

	IFRS			
	2013 N'000	2012 N'000	2011 N'000	2010 N'000
Assets				
Cash and balances with Central Bank	43,890,095	25,752,298	16,743,745	7,262,648
Treasury bills	-	-	-	
Financial assets held for trading	23,588,863	29,636,118	13,512,982	10,810,389
Financial assets – AFS	152,707,595	129,711,797	57,877,530	41,275,085
Derivative financial assets	989,384	-	-	-
Due from Other Banks	104,128,867	56,457,384	56,933,532	67,466,123
Loans and Advances to Customers	205,211,342	172,227,053	160,003,604	98,553,151
Investment Securities	368,058	420,722	707,282	767,139
Other Assets	8,284,766	9,741,254	3,390,916	2,343,535
Deferred Income Tax Assets	267,666	-	640,926	-
Property, Plant and Equipment	12,495,229	10,109,466	8,868,453	8,816,965
	551,931,865	**434,056,092**	**318,678,970**	**237,295,035**
Financed by:				
Customer deposits	378,523,227	237,817,922	194,334,693	153,838,598
Due to other banks	79,303,387	93,933,740	54,020,918	16,218,220
Derivative financial liabilities	-	358,270	-	-
Taxation payable	3,182,827	5,425,342	5,434,195	4,087,260
Other liabilities	15,001,246	20,753,770	8,423,601	10,902,125
Deferred tax liabilities	-	1,159,557	-	120,554
Retirement benefit obligations	-	-	-	-
Ordinary share capital	2,500,000	2,500,000	2,500,000	2,500,000
Preference share capital	510,000	510,000	510,000	510,000
Share premium	18,708,524	18,708,524	18,708,524	18,708,524
Reserves	54,202,654	52,888,967	34,747,039	30,409,754
	551,931,865	**434,056,092**	**318,678,970**	**237,295,035**

Four year financial summary continued

Profit and Loss Account	IFRS			
	2013	2012	2011	2010
	N'000	N'000	N'000	N'000
Gross earnings	62,662,864	49,924,704	36,071,439	27,793,102
Profit before taxation	20,585,078	21,682,823	17,124,034	11,978,077
Taxation	734,251	(5,642,258)	(4,604,038)	(3,435,899)
Profit after taxation	21,319,329	16,040,565	12,519,996	8,542,178
Proposed dividend	11,775,000	18,750,000	-	7,000,000
Earnings per share (basic)	849K	638K	497K	340k
Earnings per share (diluted)	849K	638K	497K	340k
Number of business offices	40	31	29	26

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 of 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 Standard and Poors' 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 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 advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

i. Mortgages over residential properties

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 authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized 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 allowances 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 N166 billion when compared with 2012. Exposure to loans and advances to customers has increased by N35 billion since 2012 due to broad-based growth across several industry sectors. Further details of the loan portfolio are set out on page 77.

	2013 N'000	2012 N'000
Interbank Placements[1]	104,128,867	56,457,384
Loans and advances to customers	209,685,004	174,938,241
Investment securities	176,296,458	159,347,915
Derivative assets	989,384	-
Irrevocable letters of credit	26,751,306	32,653,317
Performance bonds and Guarantees	112,747,407	62,077,408
Documentary credits and short term trade-related transactions	86,379,208	-
Forward assets purchased and sold - Treasury contingents	-	65,460,931
	716,977,634	**550,935,196**

1 Included in the interbank placement is the amount of N102.17 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 2013	209,685	45,360	27,357	269	7,522	34,335	-	-	114,843	94,842
31st Dec 2012	174,938	32,134	13,045	202	5,432	53,637	-	-	104,450	70,488

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 categorized by industry sector as at balance sheet date:

	Cash and Central Bank	Financial Assets		Due from banks	Loans	Investment Securities	Total
		Held for Trading	Available for Sale				
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Agriculture					2,748,437		2,748,437
Oil and Gas					29,437,430		29,437,430
Capital market					3,570,436		3,570,436
Manufacturing					54,359,064		54,359,064
General commerce					37,574,149		37,574,149
Real estate and construction					7,711,807		7,711,807
Finance and insurance	43,890,095	23,588,863	153,696,979	104,128,867	25,081,350		350,386,154
General					10,826,240		10,826,240
Power					-		-
Other public utilities					6,807,917		6,807,917
Transportation					4,304,226		4,304,226
Communication					10,450,778		10,450,778
Consumer credits					16,813,170		16,813,170
Others						368,058	368,058
	43,890,095	23,588,863	153,696,979	104,128,867	209,685,004	368,058	535,357,866

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
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

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 2013. For this table, the Bank has allocated exposures to regions based on the region of domicile of our counterparties.

	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	341,332	-	-	-	12,298,189	-	12,639,521
South West	41,537,157	23,588,863	153,696,979	1,952,365	196,253,770	368,058	417,397,192
South East	338,729	-	-	-	45,850	-	384,579
North West	474,443	-	-	-	-	-	474,443
North Central	1,198,434	-	-	-	601,891	-	1,800,325
North East	-	-	-	-	485,304	-	485,304
Europe and the Americas	-	-	-	102,176,502	-	-	102,176,502
	43,890,095	**23,588,863**	**153,696,979**	**104,128,867**	**209,685,004**	**368,058**	**535,357,866**

As at 31 December 2012 (N'000)

	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**

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 2013:	-	5,155,933	44,719,430	159,809,641	209,685,004
At 31 December 2012:	61,981	1,200,094	80,214,537	93,461,629	174,938,241

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 2013.

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 2013. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

Financial risk management continued

At 31 December 2013 (N'000)	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with Central Bank	40,765,681	1,590,219	700,175	834,020	-	**43,890,095**
Financial assets held for trading	23,588,863	-	-	-	-	**23,588,863**
Financial assets – AFS	152,707,595	-	-	-	-	**152,707,595**
Derivative financial assets	989,384	-	-	-	-	**989,384**
Due from other banks	(36,542,471)	131,623,011	5,377,608	2,419,366	1,251,353	**104,128,867**
Loans and advances to customers	92,072,779	109,653,774	295,102	3,147,037	42,650	**205,211,342**
Investment securities	368,058	-	-	-	-	**368,058**
Other assets	16,626,128	(8,363,983)	(5,504)	26,971	1,154	**8,284,766**
Total financial assets	**290,576,017**	**234,503,021**	**6,367,381**	**6,427,394**	**1,295,157**	**539,168,970**
Liabilities						
Customer deposits	220,863,378	144,111,851	9,145,259	4,402,739	-	378,523,227
Due to other banks	(66,175,932)	143,526,656	35,128	1,917,535	-	79,303,387
Current income tax	3,182,827	-	-	-	-	3,182,827
Other liabilities	11,478,955	2,147,006	104,327	81,840	1,189,118	15,001,246
Total Financial Liabilities	**169,349,228**	**289,785,513**	**9,284,714**	**6,402,114**	**1,189,118**	**476,010,687**
Net on-balance sheet financial position	**121,226,789**	**(55,282,492)**	**(2,917,333)**	**25,280**	**106,039**	**63,158,283**
Off balance sheet	**38,800,657**	**176,285,723**	**87,716**	**9,294,166**	**1,409,652**	**225,877,921**

At 31 December 2012 (N'000)

	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with Central Bank	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**
Total financial assets	**253,099,993**	**154,037,695**	**8,263,916**	**7,715,506**	**829,516**	**423,946,626**
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**
Derivative financial liabilities	358,270	-	-	-	-	**358,270**
Current income tax	5,425,342	-	-	-	-	**5,425,342**
Other liabilities	9,700,075	9,353,168	145,060	789,684	765,784	**20,753,771**
Total Financial Liabilities	**187,391,446**	**154,088,661**	**8,263,916**	**7,715,506**	**829,516**	**358,289,045**
Net on-balance sheet financial position	**65,708,547**	**(50,966)**	**-**	**-**	**-**	**65,657,581**
Off balance sheet	**29,402,244**	**126,953,946**	**1,132,247**	**1,916,007**	**787,212**	**160,191,656**

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

December 2013

	Up to 1 Month N'000	1-3 Months N'000	3-6 Months N'000	6-12 Months N'000	1-5 years N'000	Over 5 years N'000	Gross Nominal N'000	Net Nominal N'000
Assets:								
Cash and balances with Central Bank	43,890,095	-	-	-	-	-	43,890,095	43,890,095
Financial assets held for trading	6,319,512	7,538,839	7,613,642	2,116,870		-	23,588,863	23,588,863
Treasury bills and other eligible bills	28,125,536	50,452,232	50,952,835	14,166,744	9,010,248	-	152,707,595	152,707,595
Derivative financial assets	989,384	-	-	-	-	-	989,384	989,384
Due from other banks	46,546,295	47,942,572			9,640,000	-	104,128,867	104,128,867
Loans and advances to customers	41,711,898	26,524,332	34,206,799	13,054,775	54,120,539	40,066,660	209,685,003	205,211,342
Investment Securities	368,058	-	-	-	-	-	368,058	368,058
Other assets	8,284,766						8,284,766	8,284,766
Deferred Tax	-	-	-	-	267,666	-	267,666	267,666
Property and equipment	-	-	-	-	-	12,495,229	12,495,229	12,495,229
	176,235,544	**132,457,975**	**92,773,276**	**29,338,389**	**73,038,453**	**52,561,889**	**556,405,526**	**551,931,865**
Liabilities:								
Customer deposits	282,902,613	73,096,088	14,528,185	5,353,520	2,642,821	-	378,523,227	378,523,227
Due to other banks	3,521,843	28,180,289	256,598	20,941,263	26,403,394		79,303,387	79,303,387
Current income tax	3,182,827	-	-	-	-	-	3,182,827	3,182,827
Other Liabilities	15,001,246	-	-	-	-	-	15,001,246	15,001,246
Deferred income tax liabilities	-	-	-	-	-	-	-	-
	304,608,529	**101,276,377**	**14,784,783**	**26,294,783**	**29,046,215**	**-**	**476,010,687**	**476,010,687**
Gap	**(128,372,985)**	**31,181,598**	**77,988,493**	**3,043,606**	**43,992,238**	**52,561,889**	**80,394,839**	**75,921,178**

Financial risk management continued

December 2012

Assets:	Up to 1 Month N'000	1-3 Months N'000	3-6 Months N'000	6-12 Months N'000	1-5 years N'000	Over 5 years N'000	Gross Nominal N'000	Net Nominal N'000
Cash and balances with Central Bank	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	21,285,944	174,938,241	172,227,053
Investment Securities	420,722	-	-	-	-	-	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**	**56,108,823**	**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
Derivative financial liabilities	358,270						358,270	358,270
Current income tax	5,425,342	-	-	-	-	-	5,425,342	5,425,342
Other Liabilities	20,753,770	-	-	-	-	-	20,753,770	20,753,770
Deferred income tax liabilities	1,159,557	-	-	-	-	-	1,159,557	1,159,557
	266,260,994	**50,923,372**	**23,466,413**	**8,305,548**	**2,891,231**	**7,601,043**	**359,448,601**	**359,448,601**
Gap	**(122,135,383)**	**37,701,110**	**36,222,258**	**36,641,787**	**40,381,127**	**48,507,780**	**77,318,679**	**74,607,491**

(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 2013	Up to 1 Month N'000	1-3 Months N'000	3-6 Months N'000	6-12 Months N'000	1-5 years N'000	Over 5 years N'000	Gross Nominal Value N'000	Net Nominal Value N'000
Performance bonds and financial guarantees	14,936,620	3,570,856	7,370,929	32,299,270	35,653,738	18,915,994	112,747,407	112,747,407
Contingent Letters of credits	5,268,228	10,032,208	5,989,797	5,269,082	191,991	-	26,751,306	26,751,306
Credit Related contingents	86,379,208	-	-	-	-	-	86,379,208	86,379,208
	106,584,056	**13,603,064**	**13,360,726**	**37,568,352**	**35,845,729**	**18,915,994**	**225,877,921**	**225,877,921**

31 December 2012	Up to 1 Month N'000	1-3 Months N'000	3-6 Months N'000	6-12 Months N'000	1-5 years N'000	Over 5 years N'000	Gross Nominal Value N'000	Net Nominal Value 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**

Capital management

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

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

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 summarizes the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2013 and 2012. 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 2013

	2013 N'000	2012 N'000
Tier 1 capital	2,500,000	2,500,000
Share premium	18,708,524	18,708,524
Statutory reserves	15,415,895	12,217,995
Contingency reserve		
SMIEIS/MCF reserve	249,467	317,131
Other reserve	6,662,564	10,225,145
Retained earnings	31,874,728	30,128,696
Total qualifying Tier 1 capital	**75,411,178**	**74,097,491**
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	**75,921,178**	**74,607,491**
On balance sheet	247,136,681	205,145,453
Off balance sheet	148,103,173	103,030,298
Total risk weighted assets	**395,239,854**	**308,175,751**
Risk weighted capital adequacy ratio	**19%**	**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.

Financial risk management continued

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
- 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 Impairment estimates

The Bank's loan loss estimates 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 48 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.

Significant accounting estimates and judgments continued

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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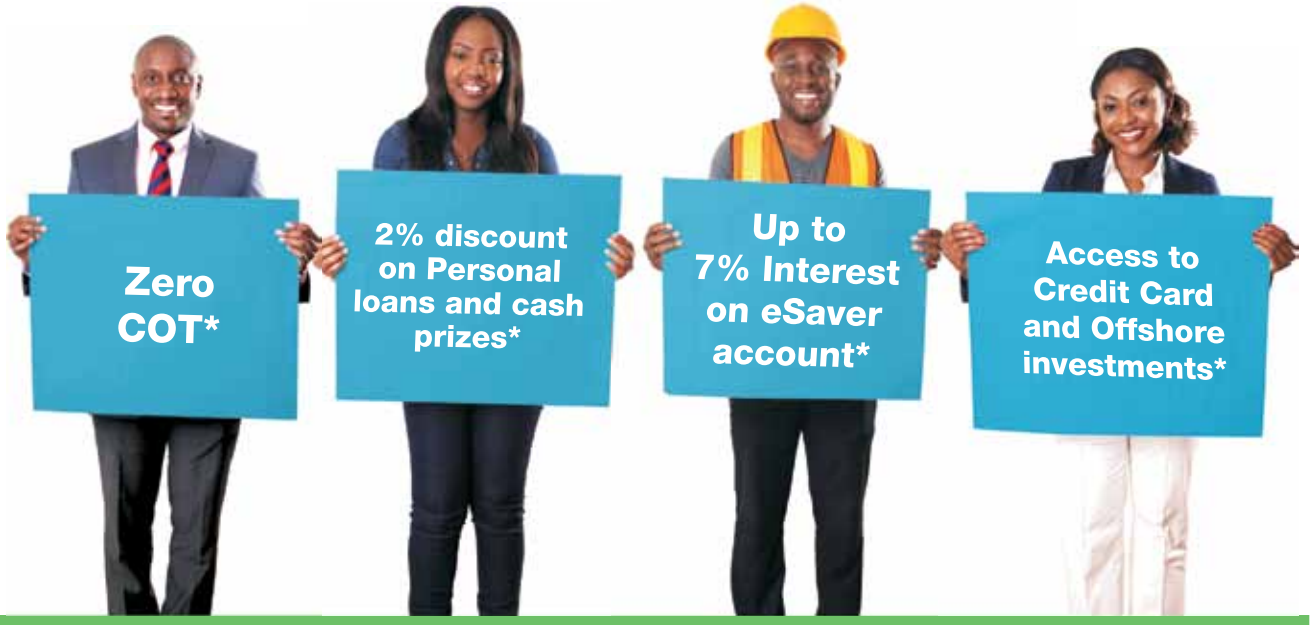

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