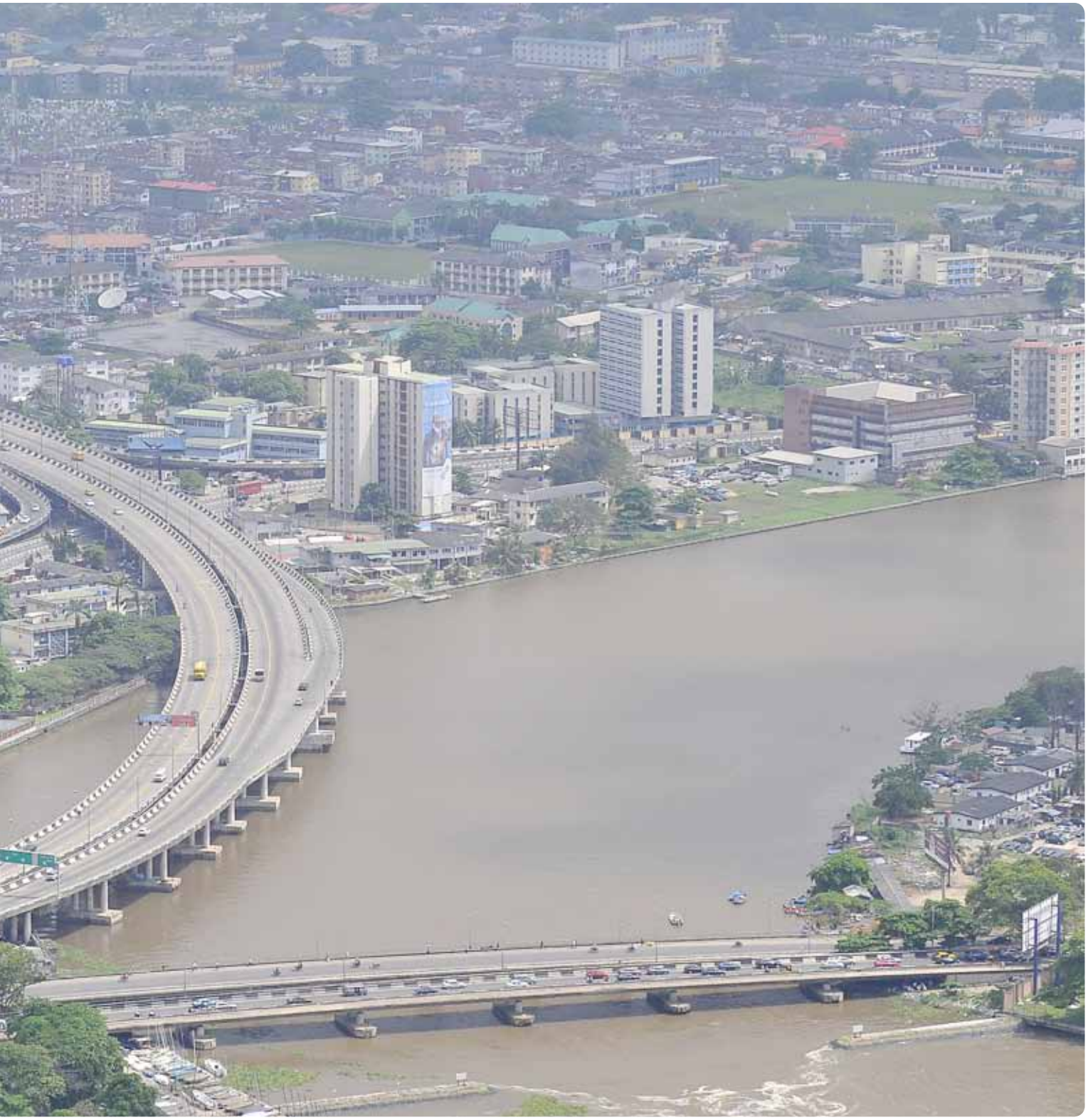
Leading the way
in Nigeria

Standard Chartered
Here for good



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Delivering consistent value

Chief (Dr.) Joseph Oladele Sanusi, CON
Chairman

"One key highlight of Nigeria's electoral process in 2011 was a departure from the ruling party's erstwhile dominance of the political landscape, a factor which further worked to enhance the credibility and general acceptance of the poll results. With a substantially higher level of public participation and confidence relative to historical standards, the 2011 elections were generally adjudged to be fair."

It gives me great pleasure to report that 2011 was another year of splendid performance despite the challenging external environment. Once again, our performance has shown that we are in the right segments, with the right strategy, and have the right leadership in place to deliver consistent value for our stakeholders.

Profit before tax increased by 15% to NGN13.80 billion

Total Assets rose 34% to NGN 309.26 billion

Earnings per share increased by 14% to 389 kobo

The Bank's efficiency (cost/income) ratio remains one of the best in the industry at 43% against an industry average of 64%

Global Economy
2011 was a difficult year for the global economy and indeed for Nigeria as well. The crisis that began in 2007 and brought markets to a halt in the autumn of 2008 continues to unfold. The roots of the crisis are now laid bare – too much debt, too little growth, an erosion of competitiveness and massive macroeconomic imbalances. Restoring the vitality of the world's most developed economies is an enormous endeavor with profound social and economic consequences.

The crisis has undoubtedly accelerated the fundamental shifts in the world economy. Whilst not immune to the problems of the West, countries like China, India, Brazil and Indonesia continue to grow at a steady pace, building industries and infrastructure, turning hundreds of millions of people in other parts of the world into consumers. The clouds over the West should not obscure the sheer scale of wealth creation and social progress in the developing world.

The resilience of African economies also provided some respite from the troubling global outlook. Better governance, continued reform and financial deepening have improved the economic fundamentals of major economies in the continent. However, high energy prices triggered by the crisis in the Arab world, elevated food prices and drought in the horn of Africa were factors faced by the continent in 2011.

Operating Environment – Nigeria
The Nigerian political environment and broader macroeconomic outlook seem to have stabilized since the widely accepted elections of April 2011. The successful conduct of the elections engendered renewed confidence in Nigeria's political process despite her fragile democratic credentials. One key highlight of Nigeria's electoral process in 2011 was a departure from the ruling party's erstwhile dominance of the political landscape, a factor which further worked to enhance the credibility and general acceptance of the poll results. With a substantially higher level of public

participation and confidence relative to historical standards, the 2011 elections were generally adjudged to be fair.

The country's real economy also remained robust in 2011 despite having to contend with the effect of global economic recovery. The overall average GDP growth rate of 7.3% recorded in 2011 was well above the 4.9% achieved by sub-Sahara Africa in the same period but slightly lower than the 7.9% achieved in 2010. The non-oil sector was the major driver of the economy with a total contribution in excess of 80% of total GDP and 8.8% growth in real terms. The rest of the country's economic growth was largely driven by improved activities in the telecommunication, building & construction, hotel & restaurant sectors.

Nigeria made noticeable progress in the initiation of broad sectoral reforms in 2011. While significant milestones were reached in the banking sector with substantial changes in the regulatory and supervisory landscape, the persistent challenges in the power sector continue to constitute a major bottleneck to the realization of the country's vast economic potential. However, the break-up of the state-owned power monopoly, Power Holding Company of Nigeria (PHCN), and the introduction of extensive private sector involvement continues to raise the hope that Nigeria could perhaps finally overcome its most critical infrastructure challenge.

Government revenue also benefitted from the rising crude oil prices and increasing domestic oil production levels based on the relative stability in the Niger Delta. However, revenue increases did not translate to growth in gross foreign reserves as external foreign reserves came under considerable pressure in 2011. The foreign reserves as at the end of 2011 stood at $32.64 billion, more or less flat relative to the $32.34 billion as at the end of 2010. The limited accretion to foreign reserves was due to the strong demand for foreign exchange in the market, a reflection of the import dependent nature of the economy.

The financial services sector continued to witness significant changes as a result of the reform policies pursued by the Central Bank of Nigeria (CBN). Notable among these were the intervention of the CBN and the National Deposit Insurance Corporation (NDIC) in the nationalization of three banks, the conclusion of the mergers/acquisition and capitalization of five other banks, introduction of mobile payments as part of a greater initiative to make Nigeria a cashless economy and the announced diversification of Nigeria's foreign reserves holding from the US dollar to the Chinese Yuan, to mention a few.

The naira shed an average of 5.3% in 2011 as demand for the dollar heightened across segments of the foreign exchange markets. For the better part of the year, global oil prices held steady and stabilized external reserves, supporting the CBN's ability to protect the naira. With increased speculative demand for the dollar partly fuelled by monetary liquidity and rising import demand, it became imperative for the CBN to defend the naira and reverse the plummeting external reserves position in the light of unfavorable global economic outlook and oil prices. After a series of adjustment to the benchmark rate, the CBN announced a new Dollar-Naira mid-rate of N155.00 as well as the extension of the band around the naira allowing it to trade within the N150-N160 range. Hopefully, this adjustment will ultimately reduce the volatility of the currency, as well as the attendant rise in the value of imports.

Most of the CBN's monetary policy actions in 2011 revolved around maintaining macroeconomic stability via lower (single digit) inflation in addition to reduced exchange rate volatility. As the CBN tightened the noose on market liquidity in 2011, inflation assumed a downward trajectory, albeit within the double digit territory for the most part of the year. Headline inflation however slipped to single digit in July and August, while core inflation remained in the double digits throughout the year driven by fiscal expansion and public sector pay increases. The CBN's response was to increase its Monetary Policy Rate (MPR) six times during the year culminating in a sharp 275 bp move at the emergency MPC meeting called on October 10 following a period of intense downward pressure on the naira. This took the MPR to 12.0 percent, a level that was maintained until the end of the year.

During 2011, there were tragic developments which resulted in the loss of lives and property and ultimately heightened security concerns. The increased wave of bombings by the radical Islamic sect "Boko Haram" continued to fan the embers of fear and became a clog in the wheel of Foreign Direct Investment flows into Nigeria. With attacks on various security and civilian institutions in Abuja, Kano, and some North Eastern parts of the country, culminating in the brazen attack on the United Nations Office in the Federal Capital Territory (FCT), the country's security challenges appear to have assumed an international dimension. Despite the attractive growth prospects that the Nigerian economy holds in the developing world, the recent ethno-religious crises in the country portend key downside risks to domestic output growth. The Government is therefore encouraged to act swiftly in tackling both the immediate and the indirect causes of this crisis, to restore confidence in the security of lives and property of the country's inhabitants. Any progress made in addressing the rising wave of insecurity will shape the direction of the Nigerian economy in the medium term, especially with regards to the much needed foreign capital inflows.

The prognosis for the Nigerian economic climate in 2012 remains intricately tied to two factors; global economic conditions and domestic government spending. The global economy has slowed down considerably since the second half of 2011 as developed economies continue to rein in hefty budget deficits and normalize monetary policies. Recent

Chairman's statement continued

"We remain absolutely committed to building a long term, sustainable business in Nigeria through investments; supporting our customers to realize their aspirations; and differentiating our brand through our ability to leverage on our international expertise to introduce new, innovative products and services into the Nigerian market."

developments also show that many emerging economies continue to cut spending, in response to the high borrowing costs which have persistently made financing fiscal deficits difficult. For Nigeria, recent and continued public agitation and criticism of the Government's spending pattern may lead to a shift in that pattern. While we do not expect a cut back in overall fiscal spending, we are likely to see a more productive allocation of government resources in the medium to long term. Coupled with considerable progress made in reforms to key sectors (power and oil and gas sectors), the main downside risks to output growth in 2012 remain the vagaries of global crude prices.

Other potential principal drivers of growth in 2012 will be the full privatization of the power sector and wide ranging reforms in the agricultural sector. With approximately 40% contribution to GDP, agriculture remains critical to the growth of the Nigerian economy. Overall, we believe that Nigeria will continue to thrive on attractive fundamentals, especially as economic managers continue to make progress in reforms to key sectors.

Corporate Governance

The Board of Standard Chartered Bank Nigeria Limited (SCBN) continues to hold good governance as one of our core values and confirms our commitment to the implementation of effective corporate governance principles in our business operations.

Our Board also reflects diversity in terms of gender mix and ethnic background.

Given the fast-changing external environment and volatile markets, we understand the importance of remaining cognizant of changes in the regulatory and political environment. We are aware that our strategic performance and management of risk is closely linked to the prevailing economic and market conditions. The Executive Team ensures that the Non-Executive Directors receive comprehensive intelligence on the economic and competitive landscape on a consistent basis.

In the year under review, there were some major changes in the membership of the board. Ade Adeola was appointed as Executive Director Origination & Client Coverage (OCC) with effect from 3rd June, 2011. Ade joined Standard Chartered Bank Nigeria Limited in July 1999 as Head Institutional Banking. He has 23 years of core banking experience with over 10 years track record in senior management roles. His wealth of experience spans across several banking functions including Retail Banking, Treasury, Corporate and Investment banking. He was Director, Corporate Finance Origination, SCB Africa Regional Office from 2004-2007, after which he was appointed Managing Director, Project & Export Finance,

Standard Chartered Nigeria Soccer team with Liverpool Football Club legends, Phil Neal and David Fairclough

Africa, Standard Chartered Bank Plc in May 2007. With his vast experience, Ade's presence on the Board will increase the depth and strength of the team.

Diana Layfield also joined the Board on 15th November, 2011. Diana joined Standard Chartered Bank in 2004 as the Global Head of Global Corporates. She was responsible for managing the Bank's Wholesale Banking business with large corporates across the African region. In 2007, she was appointed the Chief Operating Officer for Wholesale Banking and subsequently, Group Head of Strategy and Corporate Development where she had global cross-business responsibility for the Group's strategy development.

In recognition of her hard work and dedication to the growth and further development of the Bank, Diana was appointed CEO Africa Region in June 2011. She brings with her a wealth of experience, skill and competence and her presence on the Board will aid the development of our strategic objectives and ultimately ensure the continued strengthening of our franchise in Nigeria.

Mike Hart resigned from the Board as a Non-Executive Director effective 15th November, 2011 to take on other responsibilities within the Group. Mike added a lot of value to the Board and particularly to the Board Risk Committee which he steered as Chairman. We will like to thank Mike for his invaluable contribution to the Bank's growth and success during the four years he spent as a member of our Board.

Summary

Standard Chartered's strategy is to provide responsive, innovative and creative financial solutions for our customers through the creation of linkages between local expertise and international experience.

In Nigeria, our approach has been to consistently enhance our products and services and increase our network. Our innovations have mostly been driven by our customers' needs and a focus on key economic activities.

We have in-depth knowledge of the market and a very sound and diverse management team. We know our customer segments; have a robust growth strategy and a solid pedigree.

We remain absolutely committed to building a long term, sustainable business in Nigeria through investments; supporting our customers to realize their aspirations; and differentiating our brand through our ability to leverage on our international expertise to introduce new, innovative products and services into the Nigerian market.

We have a cohesive and distinctive culture with a strong emphasis on values and leadership. Here for good, our brand promise powerfully sums up who we are and what we stand for. We will continue to live our values in our approach to business in Nigeria, managing our people, outserving our customers and communities and working closely with our regulators and the Government. We are conscious of the huge responsibility this places on us as a Board. We however remain committed to this challenge and will continue to build on our strong foundation.

I would like to express my sincere appreciation to our customers for their untiring support. Their custom provides us with the opportunity to be "Here for good'. Our members of staff also deserve special commendation for their continued professionalism and dedication to service.

I will also like to thank the members of the Board for their consistent support. Collectively, they have all shown unwavering commitment to the Bank's progress in the last few years.

In summary, 2011 was another year of strong performance for Standard Chartered, but we are not complacent about the future. While we face challenges in the global economic and regulatory environment, we know we have the right strategy for sustainable growth and we have entered 2012 with real resilience and momentum.

Chief (Dr.) Joseph Oladele Sanusi CON

Chairman
14 March 2012

Chief Executive's review
Exciting growth opportunities

Bola Adesola
Chief Executive

"Over the last few years, we have pursued a focused agenda. We set ourselves ambitious performance goals and have consistently delivered against them. We have strengthened the infrastructure and technology of the Bank; we have reinvigorated our brand; and we have increased staff engagement and deepened our target pool."

The Standard Chartered Bank story is one of consistent delivery and sustained growth. We have the right strategy, a distinctive culture and a strong brand. We had another good year in 2011, delivering strong business growth and impressive financial performance. We maintained our strong drive by delivering good results across a balanced scorecard of performance criteria to sustain our organic business growth model.

Over the last few years, we have pursued a focused agenda. We set ourselves ambitious performance goals and have consistently delivered against them. We have strengthened the infrastructure and technology of the Bank; we have reinvigorated our brand; and we have increased staff engagement and deepened our target pool. We are focused on strategic growth, investing at pace in both our businesses. We are obsessed with the basics of banking; being well capitalized and highly liquid; managing risk proactively; keeping tight control of costs; and staying well diversified.

We continue to drive for greater efficiency in everything we do taking into account changes in our operating environment and all the attendant external challenges.

We continue to grow our customer numbers and improve our product penetration in line with our market share expansion strategy. This makes our balance sheet and earnings extraordinarily resilient.

The Bank's team continues to deliver outcomes to the growth expectations of our stakeholders. We continue to work to significantly improve in the delivery of our commitments to all stakeholders and we are guided by our strategic intent to be "the world's best International Bank, leading the way in Africa, Asia and the Middle East".

Performance

Standard Chartered Bank Nigeria's financial results for the year ended 31, December 2011 reflect an impressive year of growth. Our gross earnings rose by 29% to NGN36.07 billion from NGN27.79 billion in 2010. Profit before tax was NGN13.80 billion, a 15% increase from NGN11.97 billion in 2010 and earnings per share rose 14% to 389 kobo from 340 kobo in 2010.

In addition to an excellent financial performance, we continued to make great progress on our journey to building a long-term, sustainable business in Nigeria. In order to achieve this, we focused relentlessly on the basics of banking; liquidity and capital management, credit risk management, cost control, efficiency, and customer service. We did business in market segments we knew intimately and with products we fully understood.

We have an even stronger balance sheet and a broader, deeper client and customer franchise. The Bank is in very

good shape. We did not let the vagaries of the economy interrupt our track record of consistently delivering for our shareholders. Both our businesses were extremely resilient, producing excellent results.

Wholesale Banking

Over the past 10 years, Wholesale Banking (WB) has been a major contributor to Standard Chartered Nigeria and this fact was reiterated again in 2011. WB clients had a tough time during the year as a result of the challenging business environment. This reflected in WB's performance as revenue was flat year on year. Despite the non-repeat of major deals that occurred in 2010, WB remains on-strategy with a major focus on building annuity revenues in 2012. At the core of our performance is our resolve to remain disciplined and focused, consciously sticking to our strategy of channeling our capabilities to meet the needs of our clients and maintaining a disciplined approach to risk, capital and liquidity.

Standard Chartered Bank Nigeria Limited, through Wholesale Banking, remains a key market participant in the support of Nigeria's economic development. Examples of note are the recruitment of product specialists to assist in the structuring and financing of large projects in key areas of the Nigerian economy and the active role that we play in developing financial products in the Forex and Inter-bank markets. Standard Chartered is currently Sovereign Ratings Advisor to the Federal Government through the Ministry of Finance. In addition, the bank is the leading provider of Project Financing in Nigeria, with a particular focus on energy and infrastructure. Standard Chartered Bank Nigeria also frequently acts as both financial advisor and lender in the oil and gas sector and has participated in major transactions in the market since 2009.

The members of the Standard Chartered Bank Nigeria team in Lagos, together with our colleagues in our centers of excellence –London, Singapore and Dubai –have perfected the pooling together of the extensive technical, legal and commercial backgrounds of staff as well as local knowledge of the market to structure and advice on major oil projects. We continue to support infrastructural development in Nigeria working closely with institutions such as the Infrastructure Concession Regulatory Commission (ICRC) and the Bureau of Public Enterprises (BPE). We have led road shows in London and Dubai to attract investors to explore investment opportunities in Nigeria and have partnered the ICRC and BPE in capacity building.

One of the key highlights of 2011 was the full takeoff of a new segment, Commodity Traders and Agriculture (CTA). CTA was setup to support the Nigerian Government's initiatives to promote agriculture and diversify the economy. The segment draws on significant expertise which the Group has built over the years as Standard Chartered Bank is a major player in Commodity and Agricultural financing in our core markets of Asia, Africa and the Middle East. The core product set is the financing of agricultural commodities against warehouse receipts which is mainly aimed towards importers and exporters as well as end to end financing for commercial farming.

We have started 2012 on a strong note, deepening relationships and providing market-leading solutions for our clients. We will be focused, sticking with our strategy and at the same time deepening our risk management capabilities. We are confident of finishing the year on a strong note and sustaining the record performance Wholesale banking Nigeria has come to be known for.

Consumer Banking

The performance of Consumer Banking in 2011 was very strong. This was on the back of very good revenue trajectory, cost discipline, and improved loan impairment. Operating profit for the business grew significantly by over 77%, while footings (Assets + liabilities) also grew by over 23% within the same period. Non-funded Income continues to be very strong and constituted 59% of revenue.

We remain committed to building a sustainable retail business with our customers as the main focus. At the core of this commitment are our pledges of delivering fast, friendly and accurate services. We have been able to significantly drive this through our customer charter, which is fast yielding positive results. Our Net Promoter Score, a measure of customer service delivery significantly increased to +67 which is a 13 points score over 2010 (+54).

To further reinforce the commitment to our clients, we recently launched the 'SCB WAY'. This is a new sales process that ensures we hold needs based conversations to help identify what financial solutions are required by our customers. The SCB Way platform will drastically change the way we interact with our customers while ensuring that we embed the right sales culture and provide clear direction and expectations from our frontline staff.

We continue to expand our product range to ensure we meet most of the specific needs of our customers. We launched The Wealth Builder, our first retail savings/investment product which encourages saving. We also launched the Naira Visa Card which is a product that gives our customers the ability to carry out transactions while abroad on both POS and ATMs from their local naira account.

In 2011 we opened 3 new branches in Maitama (Abuja), Opebi, and Ikeja GRA (Lagos). These are the first of several branches we will be opening in our drive to ensure greater accessibility to our customers. We will complement our physical footprint with a very efficient remote Banking platform which will also strongly support the cashless initiative.

Chief Executive's review continued

"The year 2012 presents a new set of opportunities which we will take advantage of. We remain committed to delivering our objectives and are well positioned to do so. We will continue to do more of what we have done well in 2011, build fresh revenue streams and explore new business growth areas."

Our control environment continues to be very robust and we have been able to maintain this through sustained discipline, training and strong assurance processes. Operational losses have been very well contained based on this framework. We partnered with PricewaterhouseCoopers and hosted a training program for our SME clients on 'Finance for non-financial Managers'. We also began a series of financial planning seminars for our customers to help grow awareness of their savings and investment needs. We continue to drive strong engagement with our clients through various non-traditional means. Our in house quarterly magazine 'CB Speak' was also launched and this has helped in strengthening communication with our stakeholders.

Our people are encouraged to be socially responsible. In the course of the year we organized a blood donation exercise with participation by many members of staff. Other initiatives under our Community Investment activities were visits to orphanages and various fund raisers for the less privileged. These activities immensely helped us forge a stronger bond with our community thereby reinforcing our SCB Values - Here for people and Here for good.

The year 2012 presents a new set of opportunities which we will take advantage of. We remain committed to delivering our objectives and are well positioned to do so. We will continue to do more of what we have done well in 2011, build fresh revenue streams and explore new business growth areas.

Lastly, we will leverage on our existing talent and ensure proper training, reward and support for the achievement of our 2012 deliverables.

Technology & Operations

The year 2011 was quite challenging and very successful for Group Technology & Operations. We continued to support the business in meeting the changing needs of our customers in an environment of technology and regulatory changes. Despite these external contexts, we were still able to maintain stability in processing systems and operations platforms that enabled quality customer service delivery during the year. With this success, a differentiated service model was launched out for our key and Premier Wholesale Banking clients to further deepen the wallet share.

To improve services to our customers, we demonstrated higher scalability and straight-through processing through automation and increased migration of customers to electronic channels. A significant achievement was the smooth cut over of our customers to the Nigeria Uniform Bank Account Number (NUBAN) Scheme which was done well ahead of the CBN cut over date. Overall, it was a very good year for us as we consistently, reliably and creatively delivered superior service to our customers, thereby reducing processing errors and customers' complaints despite increased transaction volumes.

(Sitting L-R) MD/CEO, Standard Chartered Bank of Nigeria, Bola Adesola; Group Chief Executive Officer, Standard Chartered Bank, Peter Sands; Minister of State for Finance, Dr. Yerima Ngama; Assistant Legal Adviser to Ministry of Finance, Mr. B.M. Yusuf; (Standing L-R) Secretary of State for International Development, Andrew Mitchell; British Prime Minister, David Cameron; and Trade Minister, UK, Lord Steven Green, during the signing of the MOU on Sovereign Ratings Advisory Services between the bank and the Nigerian government in Lagos.

A significant milestone recorded was the capability for more complex transactions and e banking solutions with other revenue growth initiatives, through investment in Open Account Trade Port with focus on delivering market leading online and mobile solutions.

Building on the strength of our people, we were able to deliver this result. In addition, through the enhanced and robust training and development programs, we achieved improved productivity, better staff engagement survey results and increased participation in employee volunteering for corporate social responsibility activities.

Our strategy for 2012 is to be the best bank in operations stability and capabilities and sustain our momentum in delivering differentiated services in supporting our clients. We will continue to provide the support for the overall business agenda on expanded client penetration, improved product capabilities and enhanced alternate distribution of channels while maintaining the highest level of operational discipline.

Human Resources

Massively Multiplying our Leadership Capability

2011 was a particularly ambitious year for our franchise as we looked to expand and establish a stronger presence across Nigeria. As an employer of choice, it was essential for us to ensure we supported the Businesses accordingly by attracting the right talent to help drive and achieve their growth aspirations. In 2011, we successfully recruited more than 130 new talents across all functions in the Bank –including our first Nigerian & first female CEO. Other key positions that were successfully filled in 2011 include the positions of Head, Origination & Client Coverage - Nigeria; Head, Compliance - Nigeria; Cluster Head SME – West Africa as well as the Cluster Risk Head, Consumer Bank - West Africa amongst others.

Leveraging on our international network and various resourcing channels, we continued to attract the best young talents through our International Graduate Programme. Offering a unique employee value proposition; the programme focused heavily on developing the future leaders of the Bank by providing excellent opportunities for personal development, growth and fast track career progression.

As always, retaining our most important assets remained a priority for us in 2011. A number of strategies and initiatives were implemented over the course of the year to help retain our talent. These initiatives included comprehensive learning opportunities – within and outside the country, job rotations, cross-functional role changes amongst many others. A good example would be the Africa Future Leaders workshop. The programme was designed as a forum for high performing employees to get the much needed visibility and recognition they deserve. A total of Forty Six (46) delegates from various functions across Africa were split into Eleven (11) teams and given real-life case studies to resolve. Six (6) Nigerians participated in the workshop – with the overall winning team led by a Nigerian under the mentorship of the Regional Head of Consumer Banking, West Africa & Head of CB Finance, Nigeria.

Continuously improving the way we work

In line with our commitment to continuously improve the way we work; we actively drove employee self service across the Bank, capitalizing on our vast technological and service support network in the SCB Group. With the successful launch of AskHR in 2011, employees were presented with an alternative one-stop shop (accessible via Email, Telephone or PeopleSoft) for the resolution of all general HR related enquiries. We also pro-actively drove the migration of key transactional procedures and processes previously handled locally to our Global HR Shared Service Center in Chennai, India. This effectively freed up more time for the HR Relationship Managers to provide more strategic and value-adding support to the business.

Employee Development & Performance Management

With a particular focus on our high performing talent, we successfully rolled out the Great Employee Programme in 2011. We also successfully organized the 3rd annual learning week event. The event comprised of a series of workshops centered around “The Total Person: Being the best that you can be!”. Topics discussed spanned the areas of Career & Leadership development to Personal Health, Fitness, and Entrepreneurial development amongst others.

Here for good

Reinforcing our Brand Promise of being Here for Good and making SCBN a great place to work for our employees remains a core area of focus for us. During the course of the year, a panel was set up comprising of a cross-section of employees to conduct a medical review; the outcome of which resulted in improved medical cover for all employees. Also, to improve employee welfare, an additional staff bus was added to the existing fleet. The route for the new bus covers the Lekki/Ajah axis, leaving from Ahmadu Bello Way and passing through Ajose Adeogun on its way to its final destination in Awoyaya.

Employee Volunteering remains a pivotal part of SCBN’s culture and driving participation was a priority for HR Nigeria. Hence, it comes as no surprise that Nigeria recorded a total of 508.5 Employee Volunteering Leave days in 2011. This was quite a remarkable feat for us considering the fact that we actually achieved 118% of our target which was set at 432 Volunteering days.

Chief Executive's review continued

"Regardless of our desire for growth, we will proceed with a blend of caution and confidence. We will remain watchful with the full realization of the dangers of complacency. We will remain focused on the effective management of capital, on maintaining excellent levels of liquidity, on improving the risk profile further and on the disciplined execution of our strategy."

Commitment to our Communities

Our ability to create sustained value for our stakeholders is intrinsically linked to the health and prosperity of the communities in which we operate.

We aim to have a positive impact on people and communities. That means making Standard Chartered a great place to work, minimizing our operational impact on the environment and focusing on investing in community programs that promote tangible, positive outcomes in Nigeria.

Through our community investment strategy, we have continued to develop and support initiatives that align with our core business activities, expertise, networks and resources with key issues affecting the countries where we operate.

Our social responsibility initiatives continue to be driven by a strong desire to improve the quality of life of the less privileged. The following examples of our work in Nigeria amplify our partnership with our communities in the country in 2011:

Seeing is Believing

On November 19, 2011, we held our 7th "Walk for Sight" in support of the Group's Seeing is Believing initiative. Seeing is Believing (SIB) is a Standard Chartered Bank community investment program structured to invest funds for the development of sustainable eye care services in less advantaged areas of 20 cities across the world.

In support of the SIB initiative, Standard Chartered Bank Nigeria has held a fundraising walk annually in the last seven years, raising a total of $680,000 which has helped to fund successful cataract operations (still ongoing) for approximately 14,000 persons between January 2006 and December 2011.

We are very proud of all we have achieved with this initiative and with the full support of our customers and staff in Nigeria; we plan a similar 'Walk for Sight' in 2012.

Living with HIV (LwHIV)

After almost three decades since the HIV and AIDS epidemic first emerged, there is still no known cure and the virus continues to affect more than 33 million people – many of them in Standard Chartered Bank's key markets including Nigeria. Prevention remains a critical tactic and lays at the heart of the Bank's commitment to providing a sustainable solution to the AIDS pandemic.

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

The partnerships we have formed are clear demonstrations of national solidarity. In 2011, through our partnership with the Lagos State Government, we educated more than 65,000 people on Living with HIV. World Aids Day also gave us an opportunity to spread awareness and educate our staff members on testing, treatment and care in Nigeria. The bank provided free testing to all employees of the bank and their wards.

Our Education Programme: We provide the relevant information needed to help make safe lifestyle choices and prevent HIV and AIDS transmission for all our employees. Today in Nigeria, we work with 4 partners (Including the Lagos State Government) to help educate communities and we have reached more than 500,000 people since 2009.

GOAL

GOAL is Standard Chartered's global program which uses sports and life skills to transform the lives of adolescent girls in urban areas from low-income families. The programme was first launched in 2006 in Delhi, India reaching 70 girls. By the end of 2009, over 1,600 girls had taken part in the program in India. In October 2009, Standard Chartered committed to a large scale global expansion of its Goal program, aiming to empower 100,000 adolescent girls by 2013.

Launched in Nigeria in March 2010, the award winning programme was initially structured to reach 10,000 girls through football training, life skills and financial literacy education. By 2011 over 12,000 girls had taken part in the program.

GOAL was established to achieve three main objectives in the lives of young adolescent girls. These include providing opportunities and role models to help girls achieve their full potentials, empowering women to improve social and economic development in our markets and offering disadvantaged girls economic knowledge and a safe place to play. Our programme in Nigeria also includes a special focus on HIV and AIDS and women's health.

The programme covers four core content areas - communication skills, health and hygiene, rights and resources, and financial literacy. These areas are delivered using modules by our non- governmental organization (NGO) partner, with deep local knowledge of our communities. To make the learning process more interesting, it's also mixed with some sport training.

The Youth Empowerment Foundation (YEF) was selected as the first implementing partner in the country and began by rolling out the programme in Lagos and Abuja. The NGO has an impressive eight year track record, working to implement projects for youths and adolescents across Nigeria.

At Standard Chartered, we believe women are key drivers of economic success in every market. Their potential often goes untapped, in spite of the fact that studies have shown that programs focused directly on women and girls impact much larger groups of families and communities. Our sponsorship places us in a unique position as a bank that builds local capacity for sustainable growth. Goal is a great initiative that discovers and nurtures young girls and encourages them to be high performers in the future. In addition it also positively impacts the families and local communities of the girls we support.

At its core, Goal is about transformation and building self-confidence, empowering girls with limited opportunities in the past to create a better future for themselves and for their families.

Summary

2012 has started well for our franchise. We have already achieved good momentum and we have a clear management agenda. We see opportunities for growth across our markets in Nigeria and we intend to take advantage of this with our product development strategies.

Regardless of our desire for growth, we will proceed with a blend of caution and confidence. We will remain watchful with the full realization of the dangers of complacency. We will remain focused on the effective management of capital, on maintaining excellent levels of liquidity, on improving the risk profile further and on the disciplined execution of our strategy.

Our brand is all about commitment and our brand promise "Here for good" clearly amplifies this. We are 'Here for good', to create value for our shareholders, to support and partner our clients and customers and to make a positive contribution to the broader community. We are 'Here for the long term'. This is the way we do business and it has underpinned our strategy and success for over 150 years across Africa, Asia and the Middle East; and it will be the foundation of our future.

In particular, I would like to thank the Chairman, Board of Directors, Management, Staff and of course our customers for their excellent support in 2011. Our members of staff again rose to the challenge in a fiercely competitive operating environment and helped us to deliver on our promises to our stakeholders. They have continued to demonstrate professionalism, enthusiasm and commitment. I would like to thank them for their sterling performance in 2011 and for their continued dedication in 2012, which I expect will be another year of exceeding performance and growth expectations for Standard Chartered Bank Nigeria.

Bola Adesola
MD/CEO
14 March 2012

Corporate governance

Board of directors

1. Joseph Oladele Sanusi, CON, Chairman

2. Bola Adesola, Chief Executive Officer

3. Muhammed Imam Yahaya, OFR

4. Diana Layfield

5. Mike Hart

6. Oluremi Omotoso, MFR

7. Anil Dua

8. Yemi Owolabi

9. Sade Kilaso

10. Olusegun B. Ajayi

11. Sriram Padmanabhan

12. Bill Moore, OBE

13. Fola Akande, Company Secretary

Senior management

1. Bola Adesola, Chief Executive Officer

2. Yemi Owolabi, Executive Director, Finance

3. Sade Kilaso, Executive Director, Human Resources

4. Carol Oyedeji, Head, Consumer Banking

5. Ade Adeola, Executive Director, Origination & Client Coverage

6. David Adepoju, Head, Global markets

7. Diran Olojo, Head, Corporate Affairs

8. Callistus Obetta, Head, Technology and Operations

9. Fola Akande, Head, Legal & Company Secretary

10. Ekaba Davies, Head, Project Management Office

11. Olusiji Adeyinka, Head, Compliance

12. Henry Dodoo Amoo, Senior Credit Officer

Directors' report

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 2011.

(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 provisional national commercial banking license on May 2011

(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:

	2011	2010
	N'000	N'000
Gross earnings	**36,071,439**	**27,793,102**
Profit before taxation	13,806,265	11,978,077
Taxation	(3,994,130)	(3,435,899)
Profit after taxation	9,812,135	8,542,178
Appropriations:		
Transfer to statutory reserve	1,471,820	1,281,327
Transfer to micro credit fund reserve	-	-
Preference dividend	83,140	50,738
Transfer to retained earnings reserve	8,257,175	7,210,113
	9,812,135	**8,542,178**

Dividend

No dividend is being proposed by the Board of Directors in respect of the financial year ended 31 December 2011.

(d) **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 Shareholding	
	Number of Ordinary Shares Held 2011	Number of Ordinary Shares Held 2010
Chief (Dr.) Joseph Oladele Sanusi (Chairman and Independent Non Executive Director)	Nil	Nil
Mrs. Bola Adesola (Managing Director) – appointed 10 February, 2011)	1	1
Mrs. Yemi Owolabi (Executive Director)	Nil	Nil
Mr. Mike Hart (British) (Non Executive Director – retired 15 November, 2011)	Nil	Nil
Mr. Anil Dua (British) - (Non Executive Director)	Nil	Nil
Dr Muhammed Imam Yahaya - (Non Executive Director)	Nil	Nil
Mr. Sriram Padmanabhan (British) (Non Executive Director retired 9 March , 2011)	Nil	Nil
Mr. Bill Moore (British) (Independent Non Executive Director)	Nil	Nil
Sir Oluremi Omotoso MFR (Independent Non Executive Director)	Nil	Nil
Mr. Olusegun B. Ajayi (Independent Non Executive Director)	Nil	Nil
Mrs. Sade Kilaso – (Executive Director)	Nil	Nil
Ms. Diana Layfied (British) (Non Executive Director – appointed 15 November, 2011)	Nil	Nil
Mr. Ade Adeola (Executive Director – appointed 3 June, 2011)	Nil	Nil

None of the directors had an indirect shareholding in the Bank as at 31 December 2011.

In accordance with the provisions of Section 259 of the Companies and Allied Matters Act of Nigeria, one third of the directors of the Bank shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election. In accordance with the provisions of this section, Mr. Mike Hart and Mr. Sriram Padmanabhan retired without re-election. Also three new Directors were appointed during the year – Mrs Bola Adesola

(Managing Director), Mr Ade Adeola (Executive Director), and Mrs. Diana Layfield (Non Executive Director).

(e) **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.

(f) **Fixed assets**

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

(g) **Shareholding analysis**

The shareholding pattern of the Bank as at 31 December 2011 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	100.00	2,500,000	100.00

(h) **Substantial interest in shares**

According to the register of members as at 31 December 2011, 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.

(i) **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 N7,589,600 (2010: N14,791,000) during the year, as listed below:

	N'000
Bethseda Child Support Agency	400
Ubhas Dussehra Mela (Indian Community)	550
Nigeria Society of the Blind	2,862
Federal University of Technology, Akure	250
Terra-Kuture	600
African Chinese Forum	1,084
Paradigm Initiative Nigeria	300
Health Bridge Trust Ltd	50
LwHIV Evaluation	117
Enthyst Ltd	436
Cross Marketing – Viewing of Liverpool Match	840
Mega Plaza – Avi International School Draw	100
	7,589

(j) **Post balance sheet events**

There were no post balance sheet events which could have a material effect on the state of affairs of the Bank as at 31 December 2011 and the profit for the year ended on that date that have not been adequately provided for.

(k) **Customer complaints**

Introduction

Standard Chartered Bank is committed to delivering excellent Customer experience at all customer touch points. To help embed this culture of customer centricity, we launched the Customer Charter Initiative in 2010. Our Customer Charter is anchored on our brand promise of 'here for good' and delivery of friendly, fast and superior services to customers.

In the course of normal banking transactions, our Customers have the opportunity to inform us of how well we are doing and what more they require from us. There is an open communication line between the customers and the bank via e-mails, telephone calls, letters, surveys as well as personal visitation. The bank has a mechanism known as Voice of Customers (VOC) through which customer satisfaction is measured.

Complaint Management

The Bank has a robust complaint management guide supported by Treating Customers Fairly (TCF) policies. Complaint Management is under the responsibility of an Assistant General Manager (Head, Service Quality & Reengineering (SQR)). There is a dedicated Customer Care Unit responsible for Complaints management and this unit reports into the Head, SQR.

For ease of resolution, complaints are classified into 3 types:

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

The bank has a robust process for resolving all customers' complaints which includes;

- Receipt of customer's complaint – verbal or via e-mails, telephone calls, letters, etc
- Immediate acknowledgement of the complaint to the customer and followed by a holding response within 24 hours.
- Detailed investigation of the customer's complaint through root cause analysis and feedback of the outcome of the investigation is communicated through our SQR and the Service Ambassadors at the branches.

Report of the directors continued

- We provide follow up trackers to ensure the customer is satisfied with the resolution. We always have a weekly analysis of complaints and resolutions with subsequent communication of lessons learnt to all staff to ensure similar incidents do not occur in future. We equally have an embedded process of training our members of staff on customer service charter via the on-boarding process.
- The above process is complemented by a monthly customers' survey through which the VOC is echoed and relayed to the bank in an undiluted form. This provides the basis for possible process review and re-engineering to support improved quality service in future.

  In addition, the bank provides to the Central Bank of Nigeria a monthly report of resolutions of customers' complaint.

Report on complaints received and resolved from October – December 2011

Month	Number of Complaints	Number Resolved	Number Unresolved > 14 days*	Total Disputed Amounts	Total Amount Refunded
October	203	171	32		
November	137	131	6		
December	124	124	Nil		

* These are mainly 3rd party bank ATM complaints where cash was not dispensed but customers' accounts had been debited.

(l) 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 2011.

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 December 31st 2011, our total workforce had a 40% female engagement level while our senior management team had 33% female representation. On the Board of Directors, the ratio of male to female was 64%:36%. Find below the gender analysis of our employees as at year end.

	Male	Female	Total	%Male	% Female
Employees	**406**	**267**	**673**	**60%**	**40%**
Gender analysis of Board and Top /management is as follows:					
Board	7	4	11	64%	36%
AGM - GM	52	26	78	67%	33%
Total	**59**	**30**	**89**	**66%**	**33%**

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

(m) 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.

(n) Auditors

The Auditors, Akintola Williams Deloitte was appointed during the year to replace KPMG Professional Services who retired as auditors in line with the Central Bank of Nigeria's directive of ten (10) years maximum tenor for external auditors of banks. The auditors, having indicated their willingness to continue in office a resolution will be proposed at the Annual General Meeting to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD

Fola Akande

Company Secretary

142 Ahmadu Bello Way

Victoria Island, Lagos

14 March 2012

Corporate governance report

Standard Chartered Bank Nigeria Limited (SCBN) holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations. The Directors endorse the principles of the "Code of Corporate Governance For Banks in Nigeria Post Consolidation" issued by the Central Bank of Nigeria (CBN) and effective 3 April 2006 and are of the opinion that Standard Chartered Bank Nigeria Limited has in all material respects, complied with the requirements of the CBN guideline during the 2011 financial year.

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

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

The Board is composed of 4 executive directors and 7 non-executive directors headed by the Chairman of the Board.

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

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

The Board

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

Corporate Governance Report

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 five occasions during the 2011 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 composed of 5 non-executive directors. The primary role of the audit 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 Standard Chartered Bank Nigeria Limited 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;

Corporate governance report continued

- To consider the report and any findings and other matters arising from the external auditor's interim and final audits; and
- To be responsible for the review of the integrity of the Bank's financial reporting system.

Four meetings were held by the Board Audit Committee during the 2011 financial year.

Board Risk Committee

The Board Risk Committee is comprised of 5 non-executive directors. The responsibilities of the Committee include:

- To review and recommend risk management strategies, policies and risk tolerance limits for the Board's approval;
- To review and assess adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and systems are in place for risk management i.e. to ensure that the staff responsible for implementing risk management systems perform those duties independently of the financial institutions' risk taking activities;

Corporate Governance Report

- 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.

Meetings are held by the Board Risk Committee at least once a quarter.

Board Credit Committee

The Committee is made up of 5 non executive directors, who are knowledgeable in credit analysis and responsible for approval of credit facilities in the Bank. The Board Credit Committee reviews all credits granted by the Bank and meetings are held at least once a quarter. The Chairman of the Committee is neither the Chairman of the Board of directors nor the Managing Director. Five meetings were held by the Board Credit Committee during the 2011 financial year.

Board Appointment and Remuneration Committee

The Board Remuneration Committee is composed of 4 non-executive directors. Meetings are held at least once annually. The responsibilities of the committee include reviewing, considering and determining appropriate remuneration payable to the Bank's executive directors.

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 and Project Steering Committee.

Statement of Directors' responsibilities in relation to the financial statements

for the year ended 31 December 2011

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 13 to 74 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars and guidelines.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Chief (Dr) Joseph Oladele Sanusi (CON)

Chairman

14 March 2012

Mrs Bola Adesola

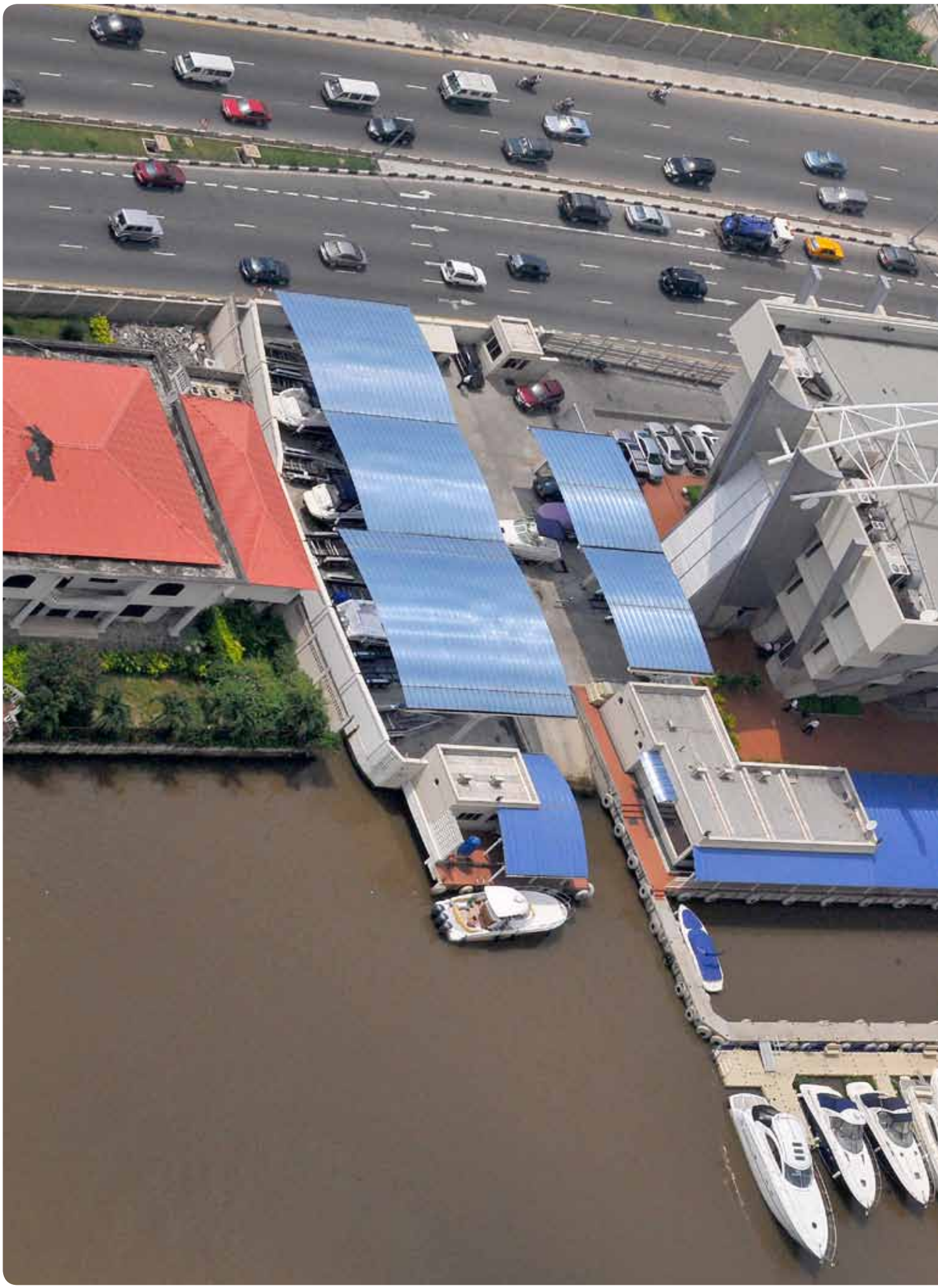
Managing Director

14 March 2012

Mrs Yemi Owolabi

Finance Director

14 March 2012



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
P.O. Box 965, Marina
Lagos
Nigeria

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

Report on the Financial Statements

We have audited the accompanying financial statements of Standard Chartered Bank Nigeria Limited, set out on pages 27 to 69 which comprise the balance sheet as at 31 December 2011, the income statement, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other financial information.

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, and the Banks and Other Financial Institutions Act, Cap B3 LFN 2004, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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 2011, and of its financial performance and its cash flows for the year then ended. Standard Chartered Bank Nigeria Limited has kept proper books of account, which are in agreement with the balance sheet and income statement, in the manner required by the Companies and Allied Matters Act, Cap C20 LFN 2004, and, in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria.

Other matter

The financial statements of the bank for the year ended 31 December 2010 were audited by another firm of auditors whose report dated 21 March 2011 expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Report on Compliance with Banking Regulations
Our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of related party transactions are disclosed in note 26 to these financial statements.

Contraventions

The Bank contravened a section of the Banks and Other Financial Institutions Act, Cap B3, LFN 2004 and a section of Securities and Exchange Commission Act during the year ended 31 December 2011. Details of these contraventions and penalties paid are disclosed in note 32 to the financial statements.

Chartered Accountants
Lagos, Nigeria

4 May 2012

Statement of significant accounting policies

The principal accounting policies which have been consistently applied throughout the current and preceding years in the preparation of these financial statements are set out below:

a. **Basis of preparation**
These financial statements are of Standard Chartered Bank Nigeria Limited ("the Bank"), a company incorporated in Nigeria on 6 May 1999. The financial statements are prepared under the historical cost convention modified by the revaluation of certain investment securities, and comply with the Statement of Accounting Standards issued by the Financial Reporting Council of Nigeria (FRC) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars and guidelines.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

The Bank's format for segment reporting is based on business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

c. **Foreign currency translation**

i. Reporting currency
The financial statements are presented in Nigerian naira, which is the Bank's reporting currency.

ii. Transactions and balances
Transactions denominated in foreign currencies are translated into the reporting currency at the actual exchange rates as of the date of the transaction (or, where appropriate, the rate of the related forward contract). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the official rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

d. **Recognition of income**

(i) Interest is accrued monthly on all interest-bearing assets except for interest overdue by more that 90 days, which is suspended and recognised only to the extent that cash is received.

(ii) Credit related income is spread systematically over the tenor of the facility where they constitute at least 10% of the projected average annual yield of the facility, otherwise, credited to income at the time of occurrence.

(iii) Non-credit related fee income is recognised when the successful outcome of the transaction can be determined and the transaction is considered substantially completed.

(iv) Fees and commissions charged to customers for services rendered, are recognised at the time the service or transaction is effected. The income and expense relating to acceptances, bonds and guarantees, letters of credit and committments, disclosed as contigent liabilities are reported net in the profit and loss account.

(v) Interest earned on investment securities is reported as interest income in the profit and loss account and recognised on an accrual basis.

(vi) Dividend income is recognised in the profit and loss account when the Bank's right to receive payment is established.

e. **Loans and advances**

Loans and advances are stated net of allowance for bad and doubtful loans.

Classification and provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facilities as follows:

Interest and/or Principal outstanding for over	Classification	Provision
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
Over 360 days	Lost	100%

Statement of significant accounting policies continued

Hair cut adjustments:
The Bank adjusts the value of any qualified collateral held in respect of loans and advances classified as Lost to take account of any possible future fluctuations in the value of the collateral, occasioned by market movement.

The bank did not have any specialized loan in its portfolio at the end of the year.

The following hair cut adjustments are applicable on all loan types classified as lost:

Description of Collateral	Haircut adjustments weightings
Cash	0%
Treasury Bills and government securities e.g. bonds	0%
Quoted equities and other traded securities	20%
Bank Guarantees and Receivables of blue chip companies	20%
Residential legal mortgage	50%
Commercial legal mortgage	50%

Haircut adjustments on lost facilities are made for only one year. If the collaterals are realized within one year, the shortfall in provision is recognized.

General Provision
A minimum of 1% general allowance is made on all performing loans and advances, which have not been specifically provided for to recognise losses in respect of risks inherent in any credit portfolio.

When a loan is deemed not collectible, it is written off against the related allowance for impairments and subsequent recoveries are credited to the profit and loss account. A loan is written off only when full provision has been made on such a facility for at least one year.

Risk assets in respect of which a previous provision was not made are written off directly to the profit and loss account when they are deemed to be not collectible.

f. **Investment securities**

The Bank categorises its investment securities into the following categories: short term investments and long term investments. Investment securities are initially recognised at cost and Management determines the classification at initial investment.

Short term investments
Short-term investments are investments held temporarily in place of cash and which can be converted into cash when current financing needs make such conversion desirable. In addition, Management intends to hold such investments for not more than one year.

Short-term investments in treasury bills and other marketable securities held for trading and other short term investments in marketable securities not held for trading are subsequently re-measured at net realisable value with any resultant gain or loss recognised in the profit and loss account for the year. The original cost is disclosed.

Treasury bills not held for trading are presented net of unearned discount. Unearned discount is deferred and amortised as earned. Unearned discount is not recognised on treasury bills held for trading.
Interest earned while holding short term securities is recognized as interest income in the profit and loss account.

Long term investments
Long term investments are investments held by Management over a long period of time to earn income. Long-term investments comprise investments in marketable debt securities and unquoted equity securities.

Long term investments in marketable debt securities are re-measured at the lower of cost and net realizable value. The market value is disclosed. Any discount or premium arising on acquisition of long term investments in marketable debt securities is included in the original cost of the investment and is amortised over the period of purchase to maturity.

Interest earned whilst holding marketable debt securities is recognized as interest income in the profit and loss account.

Investments in unquoted equity securities are carried at cost. Provisions are made for permanent diminution in value of such investments, which is recognised if the carrying amount of the investment is greater than its estimated recoverable amount. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

Income earned as dividend on unquoted equity securities is separately reported in investment income when a dividend is declared and the Bank has the right to receive payment.

g. **Fixed assets**
All fixed assets are initially recorded at cost. They are subsequently carried at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be reliably measured. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred.

Construction costs in respect of offices are carried at cost as capital work in progress. Upon completion, the attributable cost of each asset is transferred to the relevant asset category. No depreciation is charged until the assets are put into use.

Depreciation is provided on a straight-line basis to write-off the cost of fixed assets 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

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell.

Gains or losses on the disposal of property and equipment are determined by comparing sales proceeds with carrying amount. These are included in the profit and loss account for the year.

h. **Offsetting**
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

i. **Cash and cash equivalents**
Cash comprises cash on hand and demand deposits denominated in Naira and foreign currencies. Cash equivalents are short-term, highly liquid instruments which are:

(a) readily convertible into cash, whether in local or foreign currency; and
(b) so near to their maturity dates as to present insignificant risk of changes in value as a result of changes in interest rates.

j. Provisions, contingent liabilities and contingent assets
Provisions are recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated. Contingent liabilities are disclosed in the notes to the financial statements. Contingent liabilities normally comprise legal claim under arbitration or court processes in respect of which a liability may likely eventuate.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurence or non occurence of one or more uncertain future events not wholly within the control of the group. Contingent assets are never recognised, rather, they are disclosed in the financial statements when they arise.

k. Retirement benefits
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 entertainment 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.

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.

l. Taxation
Income tax expenses/credits are recognized in the profit and loss account. Current income tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Statement of significant accounting policies continued

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

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

n. **Ordinary share capital**

i. Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ii. Dividends on ordinary shares
Dividends on ordinary shares are appropriated from retained earnings and recognised as a liability in the period in which they are approved by the Bank's shareholders.

Dividends proposed by the Directors but not yet approved by members are disclosed in the notes to the financial statements in accordance with the requirements of the Companies and Allied Matters Act of Nigeria.

o. **Other assets**
Receivables and other sundry balances are classified as other assets and are stated net of allowances. A 100% specific allowance is made for receivables and other assets whose collection has been identified by management as doubtful. An allowance of at least 1% is made on other receivables to recognise losses in respect of risks inherent in these assets.

When a receivable is deemed not collectible, it is written off against the related allowance and subsequent recoveries are credited to the profit and loss account.

Prepayments are stated at cost, less amortization.

p. **Sale of loans or securities**
A sale of loans or securities without recourse to the seller is accounted for as a disposal and the assets derecognised from the balance sheet. The Bank regards a sale of loans or securities as without recourse, if it satisfies all the following conditions.

- control over the economic benefits of the asset must be passed on to the buyer;
- the seller can reasonably estimate any outstanding cost; and
- there must not be any repurchase obligations.

Any sale not satisfying these conditions is regarded as with recourse.

Profits or losses on sale of loans or securities without recourse to the seller are recognised by the seller when the transaction is completed.

A sale or transfer of loans or securities with recourse where there is an obligation to, or an assumption of, repurchase is not treated as a sale, and the asset remains in the Bank's balance sheet, with any related cash received recognised as a liability. Profit arising from sale or transfer of loans or securities with recourse to the seller is amortised over the period of the transaction in the profit and loss account. However, losses are recognised as soon as they can be reasonably estimated.

q. **Derivatives**
A derivative is a financial instrument whose value changes in response to the change in an underlying variable. It requires no initial net investment or little initial net investment relative to other types of contracts that have a similar response to changes in market conditions and that is settled at a future date. Derivatives include options, forward contracts, cross currency swaps and interest rate swaps.

Derivatives are initially recognised in the balance sheet at fair value and marked to market periodically. Any changes in fair value are recognised immediately in the profit and loss account.

r. **Leases**
Operating leases
A lease where a significant proportion of the risks and reward is retained by the lessor is classified as operating lease. Total payments made under the operating lease, where the Bank is a leasee, are recognised in the profit and loss account on a straight-line basis over the lease term.

s. **Earnings per share**
The Bank presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated using the profit or loss attributable to ordinary shareholders divided by the weighted number of ordinary shares in issue during the period.

t. **Deposits**
Deposit liabilities, which represent the Bank's sources of debt funding, are carried at cost.

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

Acceptances:
Acceptances are undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from customers. Acceptances, which meet the conditions, set out in Central Bank of Nigeria (CBN) Guidelines on the treatment of Bankers Acceptances and Commercial Papers are accounted for and disclosed as contingent liabilities. The net income relating to these acceptances are recognised and reported in the profit and loss account.

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

Commissions and fees charged to customers for services rendered in respect of bonds and guarantees are recognised at the time the services or transactions are effected.

Transaction related contingencies:

(i) Letters of credit
The Bank provides letters of credit to guarantee the performance of customers to third parties. These are accounted for as off balance sheet items. Commissions and fees charged to customers for the service are recognised at the time the service or transaction is effected.

(ii) Commitments
Commitments to deliver on sales and/or purchases of foreign exchange transactions in future at contracted rates are recognized as contingent liabilities. Foreign exchange commitments are converted at contracted rates at the balance sheet date.

Profit and loss account

For the year ended 31 December 2011

	Note	2011 N'000	2010 N'000
GROSS EARNINGS		36,071,439	27,793,102
Interest and similar income	3	19,940,196	11,854,821
Interest and similar charges	4	(5,972,705)	(2,874,790)
NET INTEREST INCOME		13,967,491	8,980,031
Fees and commission income	5	11,110,064	7,748,678
Fees and commission expense		(406,580)	(255,204)
Net fees and commission income		10,703,484	7,493,474
Net foreign exchange income	6	4,536,824	4,844,105
Income from investments	7	484,355	3,345,498
OPERATING INCOME		29,692,154	24,663,108
Operating expenses	8 (b)	(12,816,805)	(11,360,942)
Allowance for risk assets	14	(3,043,874)	(1,330,450)
Allowance for other assets/(write back)	16(b)	(25,210)	6,361
PROFIT BEFORE TAXATION		13,806,265	11,978,077
Taxation	9(a)	(3,994,130)	(3,435,899)
PROFIT AFTER TAXATION		**9,812,135**	**8,542,178**
APPROPRIATED AS FOLLOWS:			
Statutory reserves	24	1,471,820	1,281,327
Preference dividend	23(c)	83,140	50,738
Retained earnings	24	8,257,175	7,210,113
		9,812,135	**8,542,178**
Earnings per share – basic	29	**389k**	**340k**
Declared dividend per share	30	**Nil**	**N2.80**

The significant accounting policies on pages 27 to 31 and financial statements and notes on pages 35 to 54 form an integral part of these financial statements.

Balance sheet

As at 31 December 2011

	Note	2011 N'000	2010 N'000
ASSETS			
Cash and balances with central bank	10	16,782,315	7,262,648
Treasury bills	11	66,468,282	37,608,185
Due from other banks	12	56,933,532	67,466,123
Loans and advances to customers	13	147,804,840	95,998,243
Investment securities	15	7,258,893	10,689,897
Other assets	16	5,152,264	2,343,535
Fixed assets	17	8,868,453	8,816,965
TOTAL ASSETS		**309,268,579**	**230,185,596**
LIABILITIES			
Customer deposits	18	193,848,366	153,838,598
Due to other banks	19	54,020,918	16,218,220
Taxation payable	9	4,824,286	4,087,260
Other liabilities	20	8,868,829	10,901,055
Deferred tax liabilities	21	32,636	213,740
Retirement benefit obligations	22	18,896	1,070
TOTAL LIABILITIES		261,613,931	185,259,943
EQUITY:			
Ordinary share capital	23	2,500,000	2,500,000
Preference share capital	23	510,000	510,000
Share premium		18,708,524	18,708,524
Reserve	24	25,936,124	23,207,129
TOTAL EQUITY		47,654,648	44,925,653
TOTAL EQUITY AND LIABILITIES		**309,268,579**	**230,185,596**
Acceptance, bonds, guarantees and other obligations for the account of customers	25	267,793,928	244,469,815

The significant accounting policies on pages 27 to 31 and financial statements and notes on pages 35 to 54 were approved by the Board of Directors on 14 March 2012 and signed on its behalf by:

_____) Chairman
Chief (Dr) Joseph Sanusi (CON))

_____) Managing Director
Mrs Bola Adesola)

_____) Finance Director
Mrs Yemi Owolabi)

Statement of cash flows

For the year ended 31 December 2011

	Note	2011 N'000	2010 N'000
Operating activities			
Net cash generated from operations	28	25,992,617	30,771,947
Income tax paid	9	(3,438,208)	(2,598,890)
Net cash provided by operating activities		22,554,409	28,173,057
Investing activities			
Purchase of fixed assets	17	(886,384)	(3,399,988)
Proceeds from the sale of fixed assets		394,629	8,356
Proceeds from redemption of SME investments	15(f)	59,857	115,024
Dividend received	7	28,373	-
Purchase of FGN and state government bonds	15(c)	(2,841,025)	(4,499,084)
Proceeds from redemption of FGN bonds	15(c)	8,074,137	13,499,947
Net cash provided by investing activities		4,829,587	5,724,255
Financing activities			
Preference dividend paid	23(c)	(50,738)	(58,093)
Ordinary dividends paid	30(c)	(7,000,000)	-
Net cash used in financing activities		(7,050,738)	(58,093)
Increase in cash and cash equivalents		20,333,258	33,839,219
Analysis of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year	31	111,451,421	77,612,202
Cash and cash equivalents at end of year	31	131,784,679	111,451,421
Increase in cash and cash equivalents		20,333,258	33,839,219

Notes to the financial statements

For the year ended 31 December 2011

1. **General Information**

The Bank was incorporated as a private limited liability company on 6 May 1999. It obtained a commercial banking license on 6 September 1999 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 baking model by the Central Bank of Nigeria in 2010, the bank was issued a provisional national commercial banking license on May 2011.

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.

2. **Segment analysis**

(a) By business segment

The Bank operates the following main business segments:

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:

	2011			2010		
	CB N'000	**WB N'000**	**Total N'000**	**CB N'000**	**WB N'000**	**Total N'000**
Revenue						
Derived from external customers	5,304,560	14,635,636	19,940,196	2,788,473	9,066,348	11,854,821
Interest and similar expense	(1,478,498)	(4,494,207)	(5,972,705)	(1,212,442)	(1,662,348)	(2,874,790)
Interest margin	**3,826,062**	**10,141,429**	**13,967,491**	**1,576,031**	**7,404,000**	**8,980,031**
Allowance for risk assets	(196,498)	(2,847,376)	(3,043,874)	(347,815)	(982,635)	(1,330,450)
Net interest margin	**3,629,564**	**7,294,053**	**10,923,617**	**1,228,216**	**6,421,365**	**7,649,581**
Allowance for other assets (write back)	-	(25,210)	(25,210)	-	6,361	6,361
Other income	5,453,243	10,271,420	15,724,663	4,840,785	10,842,292	15,683,077
Depreciation	(296,938)	(240,950)	(537,888)	(348,198)	(267,609)	(615,807)
Operating expense	(5,942,174)	(6,336,743)	(12,278,917)	(5,103,194)	(5,641,941)	(10,745,135)
Profit before taxation	**2,843,695**	**10,962,570**	**13,806,265**	**617,609**	**11,360,468**	**11,978,077**
Taxation	-	-	(3,994,130)	-	-	(3,435,899)
Profit after taxation	-	-	9,812,135	-	-	8,542,178
Segment assets	9,867,466	299,401,113	309,268,579	9,243,425	220,942,171	230,185,596
Segment liabilities	(121,356,581)	(140,257,350)	(261,613,931)	(94,560,059)	(90,699,884)	(185,259,943)

(b) By geographical segment

No geographical segment information has been presented in these financial statements, as there is only one geographical segment, which is Nigeria.

3. **Interest and similar income**

(a) Interest and similar income was derived from:

	2011 N'000	2010 N'000
Loans and advances to customers	11,971,258	7,148,480
Placements with financial institutions	2,645,289	806,461
Investment securities	1,589,230	2,656,158
Treasury bills	3,348,078	998,776
Placements with fellow group companies	386,341	244,946
	19,940,196	11,854,821

Notes to the Financial Statements continued

(b) The distribution of interest and similar income by geographical location was as follows:

	2011 N'000	2010 N'000
Interest income earned in Nigeria	19,553,855	11,609,875
Interest income earned outside Nigeria	386,341	244,946
	19,940,196	11,854,821

4. **Interest and similar expense**

(a) Interest and similar expense was paid as follows:

	2011 N'000	2010 N'000
Borrowings from financial institutions	1,626,701	290,652
Borrowings from other depositors:		
- Current accounts	1,985,638	509,488
- Savings accounts	179,732	118,593
- Time deposits	488,120	1,271,410
Borrowings from fellow group companies	1,692,514	684,647
	5,972,705	2,874,790

(b) The distribution of interest and similar expense by geographical location was as follows:

	2011 N'000	2010 N'000
Interest expense paid in Nigeria	4,280,191	2,190,143
Interest expense paid outside Nigeria	1,692,514	684,647
	5,972,705	2,874,790

5. **Fees and commission income**

Fees and commission income comprises:

	2011 N'000	2010 N'000
Credit related fees	1,235,274	73,068
Commission on turnover	2,090,149	1,542,105
Commission on off balance sheet transactions	364,411	561,284
Commission on remittances	2,498,042	2,079,529
Letters of credit commissions and fees	2,231,416	1,022,165
Facility management fees	1,291,910	1,450,060
Other fees and commission	1,398,862	1,020,467
	11,110,064	7,748,678

6. **Net Foreign exchange income**
Net foreign exchange income comprises:

	2011 N'000	2010 N'000
Foreign currency trading	4,541,921	5,037,533
Net conversion loss	(5,097)	(193,428)
	4,536,824	4,844,105

7. **Income from investments**
Income from investments comprises:

	2011 N'000	2010 N'000
Profit on sale of investment securities	358,372	3,367,742
Unrealised loss on valuation of securities	-	(30,171)
Dividend income	28,373	-
Profit on sale of fixed assets	97,610	7,927
	484,355	3,345,498

8. **Supplementary profit and loss information**
(a) General information
The Bank's profit on ordinary activities before taxation for the year has been stated after charging the following:

	2011 N'000	2010 N'000
Depreciation on fixed assets	537,888	615,807
Profit on disposal of fixed assets	97,610	7,927
Auditors' remuneration	46,000	46,000
Deposit insurance premium	743,105	777,913
AMCON regulatory cost	690,557	-

(b) Analysis of operating expenses

	2011 N'000	2010 N'000
Staff costs (see note 27 (a))	6,519,516	5,874,762
Depreciation (see note (17))	537,888	615,807
Auditor's remuneration	46,000	46,000
Director's emoluments (see note 27)	176,097	152,486
Administration and general expenses	1,382,125	2,062,048
Insurance	842,127	780,292
Repairs and maintenance	549,193	307,058
Rent and rates	688,174	248,710
Travelling	467,050	392,057
Legal and professional fees	78,777	62,796
Other operating expenses	839,301	818,926
AMCON regulatory cost	690,557	-
	12,816,805	11,360,942

Notes to the Financial Statements continued

9. **Taxation:**

(a) Tax charge

The tax charge for the year comprises:

	2011 N'000	2010 N'000
Company income tax (see note (c))	4,222,266	3,419,099
Education tax (see note (d))	297,831	222,837
Technology tax (see note (e) below)	143,425	118,595
Over provision in prior year	(488,288)	-
Corporate income tax charge (see (b) below)	4,175,234	3,760,531
Deferred tax credit – (See note 21)	(181,104)	(324,632)
Total tax charge for the year	3,994,130	3,435,899

(b) Taxation payable:

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

	2011 N'000	2010 N'000
Balance, beginning of year	4,087,260	2,925,619
Payments during the year	(3,438,208)	(2,598,890)
Charge for the year (see (a) above)	4,175,234	3,760,531
Balance, end of year	4,824,286	4,087,260

(c) The company income tax charge for the year has been computed at the current rate of 30% (2010: 30%) on taxable profit for the year;

(d) Education tax has been computed at the rate of 2% (2010: 2%) on assessable profit for the year.

(e) 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% (2010:1%) of the profit before tax for the year.

10. **Cash and balances with central bank**

(a) Cash and balances with central bank comprise:

	2011 N'000	2010 N'000
Cash	5,447,028	3,833,625
Operating account with central bank	2,127,075	1,758,557
Cheques in course of collection	808,762	784,931
Included in cash and cash equivalents (see note 31)	8,382,865	6,377,113
Cash reserve deposits with central bank (see note (b) below)	8,399,450	885,535
	16,782,315	7,262,648

(b) 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. **Treasury bills**

Treasury bills comprise:

	2011 N'000	2010 N'000
Federal Government of Nigeria Treasury Bills (see note 31 below)	66,468,282	37,608,185

(a) Included in Federal Government of Nigeria treasury bills are bills held for trading valued at N10,742,572,243 (2010: N9,111,768,000) with an original cost of N10,749,488,391 (2010: N9,109,348,412).

(b) Treasury bills valued at N8,792,607,000 (2010: N7,322,107,000) have been pledged by the Bank to third parties as collateral for various transactions.

(c) The original cost of the treasury bills held by the Bank at 31 December 2011 was N69,946,985,000 (2010: N37,825,274,000)

12. **Due from other banks**

Due from other banks comprise:

	2011 N'000	2010 N'000
Current balances with banks within Nigeria	104,313	62,894
Current balances with banks outside Nigeria (see note (a) below)	7,325,673	25,605,103
Placements with banks:		
- Local banks	-	11,400,000
- Foreign banks	49,503,546	29,198,126
Placements with discount houses	-	1,200,000
	56,933,532	67,466,123

(a) Included in current balances with banks outside Nigeria is an amount of N1,994,200,005 (2010: N5,328,126,000), which represents the naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability for this amount is included in other liabilities (see note 20).

(b) Placements with banks (local and foreign) and discount houses in the current and prior year are unsecured.

13. **Loans and advances to customers**

Loans and advances comprise:

(i) Non-specialised loans

	2011 N'000	2010 N'000
Overdraft	38,952,329	34,217,585
Term loans	115,093,832	65,573,266
Bankers acceptances and commercial papers	747,481	4,778,987
Staff loans	6,429,429	1,268,667
	161,223,071	105,838,505
Loan loss allowance		
- Specific (see note 13(d) (i))	(9,743,281)	(8,777,300)
- Interest in suspense (see note 13(d)(ii))	(2,178,463)	(1,062,962)
- General	(1,496,487)	-
	147,804,840	95,998,243

Notes to the Financial Statements continued

(ii) As at 31 December 2011, the Bank had no specialized loans as defined by the Central Bank of Nigeria prudential guidelines for deposit money banks which became effective 1 July 2010.

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

	2011 N'000	2010 N'000
Secured against real estate	1,416,934	7,370,547
Secured against shares of quoted companies	4,383,461	4,383,943
Otherwise secured	43,416,708	65,283,845
Unsecured	112,005,968	28,800,170
	161,223,071	105,838,505

Cash collateral against advances amounted to 1,427,804,487.32 (2010: N1,319,859,461). The corresponding liabilities are in deposits. See note 18 below.

(b) The classification of loans and advances by performance is as follows:

	2011 N'000	2010 N'000
Performing	146,468,259	96,157,665
Non-performing		
- Substandard	3,022,025	186,695
- Doubtful	226,492	3,299,950
- Lost	9,327,832	5,131,233
- Interest in suspense	2,178,463	1,062,962
	161,223,071	105,838,505

(c) The maturity profile of loans and advances is as follows:

0 – 30 days	66,327,597	62,249,642
1 – 3 months	26,411,499	13,443,884
>3 – 6 months	15,143,014	6,471,170
>6 – 12 months	5,352,588	5,319,041
Over 12 months	47,988,373	18,354,768
	161,223,071	105,838,505

(d) The movement on the allowance for risk assets account during the year was as follows:

		2011 N'000	2010 N'000
(i)	Specific allowance:		
	Balance, beginning of year	8,777,300	8,030,151
	Allowance during the year (see note (14))	1,334,898	747,149
	Allowance no longer required	(368,917)	-
	Balance, end of year	9,743,281	8,777,300
(ii)	Interest in suspense:		
	Balance, beginning of year	1,062,962	786,043
	Interest suspended during the year	1,115,501	276,919
	Balance, end of year	2,178,463	1,062,962

	2011 N'000	2010 N'000
(iii) General allowance:		
Balance, beginning of year	-	-
Allowance during the year (see note (14))	1,496,487	-
Balance, end of year	1,496,487	-

In the current year, the Bank made a 1% general provision on performing loans and advances as required by paragraph 55 of Statement of Accounting Standard SAS 10: Accounting By Banks and Non-Bank Financial Institutions (Part I) issued by Financial Reporting Council of Nigeria (FRC).

14. Allowance for risk assets

	2011 N'000	2010 N'000
Specific:		
- Allowance during the year (see note (13) (d) (i))	1,334,898	747,149
General:		
- Allowance during the year	1,496,486	-
Direct write-offs	303,121	639,372
Recoveries on previously written off accounts	(90,631)	(56,071)
	3,043,874	1,330,450

15. Investment securities

(a) Long term investments:

Long term investment securities comprise:

	2011 N'000	2010 N'000
Listed debt securities at cost:		
- FGN Bonds (see note (c) and (d))	2,841,025	6,724,137
- State Government bonds (see note (j))	150,000	1,500,000
	2,991,025	8,224,137
Unlisted equity securities at cost:		
- SMEEIS investments (see note (g))	604,690	664,547
- NIBSS Plc (see note (h) below)	52,583	52,583
- CRC Credit Bureau (see note (i))	50,009	50,009
	707,282	767,139
Total long term investment	3,698,307	8,991,276

	2011 N'000	2010 N'000
(b) Short term investments:		
Short term investment securities comprise:		
Debt securities (listed) at net realisable value:		
- FGN Bonds (see note (e) below)	3,560,586	1,698,621
	3,560,586	1,698,621
Total investment securities	7,258,893	10,689,897

Notes to the Financial Statements continued

(c) The movement in the Bank's long term bonds portfolio during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of the year	8,224,137	17,225,000
Additions during the year	2,841,025	4,499,084
Redemption/disposal during the year	(8,074,137)	(13,499,947)
	2,991,025	8,224,137

(d) Long term Federal Government of Nigeria (FGN) Bonds comprise:

	2011 N'000	2010 N'000
9.50% Fixed rate FGN Bond 2012	-	417,238
14.50% Fixed rate FGN Bond 2011	-	1,000,000
9.23% Fixed rate FGN Bond 2012	-	3,362,917
10.50% Fixed rate FGN Bond 2012	-	87,553
10.50% Fixed rate FGN Bond 2011	-	1,856,429
14.66% Fixed rate FGN Bond 2017	159,962	
15.88% Fixed rate FGN Bond 2018	1,909,976	-
15.22% Fixed rate FGN Bond 2019	72,167	-
14.87% Fixed rate FGN Bond 2015	578,471	-
15.13% Fixed rate FGN Bond 2014	49,561	-
15.16% Fixed rate FGN Bond 2014	70,888	-
	2,841,025	6,724,137

The market value of long term investments in Federal Government of Nigeria (FGN) bonds at balance sheet date was N2,837,108,000 (2010: N6,656,087,811).

(e) Short-term Federal Government Nigeria (FGN) Bonds comprise:

	2011 N'000	2010 N'000
9.25% Fixed rate FGN Bond 2014	-	575,360
10.7% Fixed rate FGN Bond 2018	-	124,057
10.5% Fixed rate FGN Bond 2011	-	77,386
5.5% Fixed rate FGN Bond 2011	-	703,711
9.35% Fixed rate FGN Bond 2017	-	218,107
9.20%% Fixed rate FGN Bond 2012	84,274	-
17.39% Fixed rate FGN Bond 2012	3,099,550	-
19% Fixed rate FGN Bond 2012	376,762	-
	3,560,586	1,698,621

The original cost of the short term Federal Government of Nigeria (FGN) Bonds was N3,739,256,479 (2010: N1,698,505,118).

(f) The movement in the Bank's unlisted equity securities during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of the year	767,139	882,163
Additions during the year	-	-
Redemption during the year (see note 24)	(59,857)	(115,024)
	707,282	767,139

(g) SMEEIS investments comprise:		
Aureos West Africa Fund (see note (g) (ii))	247,381	247,381
Ekhay Cartons Limited	-	40,000
Crestville Property Development	17,809	37,666
Nycil Limited	139,500	139,500
Orwell (Oil and Gas) Nigeria Limited	200,000	200,000
	604,690	664,547

(i) The Bank makes investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) per policy guidelines of 2001 fiscal year (monetary policy circular No. 35). During the year, the Bank's investment in some of the SMEEIS companies matured in line with the investment agreement. The proceeds were released to general reserve. See note 24 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.

AWAF is a 9-year limited life fund that commenced in June 2003 with foreign and local investors and target capitalisation of US$50 million. 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.

(iii) The movement in the Bank's portfolio in AWAF as at 31 December 2011 was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	247,381	261,785
Redemption during the year	-	(14,404)
	247,381	247,381

(h) 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.

(i) 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.

(j) This represents the Bank's investment in the12.5% Kaduna State Government bond issued in 2010. The bond will mature on 31 August 2015. The market value of the outstanding Bank's investment as at 31 December 2011 was N138,139,599.45.

(k) In the opinion of the directors, the market value of other unquoted investments is not lower than their cost.

Notes to the Financial Statements continued

(l) The classification of the bank's investment securities into the Available-for-Sale and Trading categories is shown in table below:

	Available for Sale (at Book Value) N'000	Trading (at Market Value) N'000	Total Marketable Securities N'000	Trading book MTM to P&L N'000
Treasury Bills	55,725,710	10,742,572	66,468,282	(6,917)
Government Bonds	3,781,201	2,770,410	6,551,611	273
Total	59,506,911	13,512,982	73,019,893	(6,644)

16. **Other assets**

(a) Other assets comprise:

	2011 N'000	**2010 N'000**
Interest receivable	2,289,644	967,432
Prepayments	1,509,333	1,004,091
Accounts receivable	1,405,330	398,845
	5,204,307	2,370,368
Allowance for other assets (see (b) below)	(52,043)	(26,833)
	5,152,264	2,343,535

(b) The movement in the allowance for other assets account during the year was as follows:

	2011 N'000	**2010 N'000**
Balance, beginning of year	26,833	33,194
Allowance made/(written back) during the year	25,210	(6,361)
Balance, end of year	52,043	26,833

17. **Fixed Assets**

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

	Leasehold Land and Buildings N'000	Motor vehicles and N'000	Furniture and fittings N'000	Computer office equipment N'000	Leasehold improvement N'000	Work-in-progress N'000	Total N'000
COST							
Beginning of year	3,934,329	102,254	630,430	2,005,168	1,428,698	3,908,117	12,008,996
Additions	-	40,396	-	72,717	-	773,271	886,384
Reclassification	-	-	247,560	107,477	-	(355,037)	-
Disposals	-	(13,860)	-	(11,658)	-	(286,522)	(312,040)
Write-off	-	-	-	-	-	(10,348)	(10,348)
End of year	3,934,329	128,790	877,990	2,173,704	1,428,698	4,029,481	12,572,992
ACCUMULATED DEPRECATION							
Beginning of year	278,101	90,828	419,613	1,749,139	654,350	-	3,192,031
Charge for the year	100,345	15,310	101,336	190,273	130,624	-	537,888
Disposals	-	(13,860)	-	(11,520)	-	-	(25,380)
End of year	378,446	92,278	520,949	1,927,892	784,974	-	3,704,539
NET BOOK VALUE							
End of year	3,555,883	36,512	357,041	245,812	643,724	4,029,481	8,868,453
Beginning of year	3,656,229	11,424	210,817	256,029	774,347	3,908,117	8,816,965

(b) No leased assets are included in the above fixed asset accounts.

(c) Contracted capital commitments, as at the balance sheet date amounted to N 7,393,489,500 (2010 - N7,744,315,392).

(d) Lands are held under a statutory right of occupancy.

18. **Customer deposits**

(a) Customer deposits comprise:

	2011 N'000	**2010 N'000**
Demand deposits	68,337,617	43,493,749
Savings deposits	6,010,184	6,003,906
Term deposits	39,276,512	36,727,988
Domiciliary deposits	80,224,053	67,612,955
	193,848,366	153,838,598

(b) The maturity profile of deposit liabilities is as follows:

0 - 30 days	176,894,889	136,675,110
1 - 3 months	11,753,670	12,254,526
3 - 6 months	196,819	171,819
6 - 12 months	28,087	113,038
Over 12 months	4,974,901	4,624,105
	193,848,366	153,838,598

Notes to the Financial Statements continued

19. **Due to other banks**
Due to other banks comprise:

	2011 N'000	2010 N'000
Current balances with banks	63,154	297,005
Interbank takings (SCB Group)	49,574,304	10,948,608
CBN/BOI intervention funds (see (a) below)	4,383,460	4,972,607
	54,020,918	16,218,220

(a) 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:**
Other liabilities comprise:

	2011 N'000	2010 N'000
Customers' deposits for letters of credit (see note 12 (a))	1,994,200	5,328,126
Due to other SCB group companies (see (a) below)	741,915	140,668
Other creditors and accrued charges	6,049,574	5,381,523
Preference dividend payable	83,140	50,738
	8,868,829	10,901,055

(a) Due to other SCB Group companies is made up of:

Due to SCB London	609,836	76,209
Due to SCB New York	132,079	64,459
	741,915	140,668

21. **Deferred tax liabilities**
The movement on the deferred tax liabilities account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	213,740	538,372
Write back for the year (See note (9))	(181,104)	(324,632)
Balance, end of year	32,636	213,740

(a) The Bank's exposure to deferred tax which has been fully provided for in the financial statements is attributable to the following:

	2011 N'000	2010 N'000
Fixed assets	469,721	577,342
Net unrealised foreign exchange losses	(437,085)	(67,079)
Others	-	(296,523)
Balance, end of year	32,636	213,740

22. **Retirement benefit obligations**
This comprises:

	2011 N'000	2010 N'000
Defined contribution scheme (see note (a) below)	18,896	1,070

(a) The movement in the defined contribution liability account during the year was as follows:

	2011 N'000	2010 N'000
Balance, beginning of year	1,070	23,049
Charge to the profit and loss account	198,586	171,492
Contributions remitted	(180,760)	(193,471)
Balance, end of year	18,896	1,070

(b) The Bank and its employees make a joint contribution of 15% of basic salary, housing and transport allowances to each employee's retirement savings account maintained with their Pension Fund Administrators. The outstanding balance as at year end of N18.896 million
(2010: N1.07 million) was remitted to the respective staff Pension Fund Administrators subsequent to the balance sheet date.

23. **Share capital:**

	2011 N'000	2010 N'000
(a) Authorised:		
2,500,000,000 ordinary shares of N1 each	2,500,000	2,500,000
510,000,000 irredeemable non-cumulative preference shares of N1 each	510,000	510,000
	3,010,000	3,010,000
(b) Issued and fully paid:		
2,500,000,000 ordinary shares of N1 each	2,500,000	2,500,000
510,000,000 irredeemable non-cumulative preference shares of N1 each (see note (c) below)	510,000	510,000
	3,010,000	3,010,000

(c) Preference shares
This represents 510,000,000 irredeemable non-cumulative preference shares of N1 each. Under the terms of the issue, the preference shares qualify as core capital and non-cumulative dividend is payable semi-annually at the prevailing 3-year Federal Government of Nigeria bond rate plus a preference share risk premium of 350 basis points per annum. Dividends are calculated in respect of the periods 1 January to 30 June 30 and 1 July to 31 December of every year. During the year, N50.738 million (2010: N58.093 million) was paid as dividend while accrual of N83.140 million (2010: N50.738 million) was made in respect of due and unpaid dividend (see note 20).

Notes to the Financial Statements continued

24. **Reserves**

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

	Statutory reserves	SMEIES reserves	Micro credit fund reserve	Retained earnings	Total
	N'000	N'000	N'000	N'000	N'000
Balance, 1 January 2010	6,652,584	938,769	799,588	6,324,748	14,715,689
Dividend paid	-	-	-	-	-
Transfer from profit and loss account	1,281,327	-	-	7,210,113	8,491,440
Transfer to general reserves (see note (c))	-	(115,024)	(799,588)	914,612	-
Transfer to micro credit reserve fund (see note (d))	-	-	-	-	-
Balance, 1 January 2011	7,933,911	823,745	-	14,449,473	23,207,129
Dividend paid (see note (30))	-	-	-	(7,000,000)	(7,000,000)
Transfer from profit and loss account	1,471,820	-	-	8,257,175	9,728,995
Transfer to general reserves (see note (c) and (d))	-	(59,857)	-	59,857	-
Balance, 31 December 2011	9,405,731	763,888	-	15,766,505	25,936,124

(a) In accordance with section 16 (1) of the Banks and Other Financial Institutions Act CAP B3 LFN 2004 (as amended), 15% (2010:15%) of the profit after taxation for the year has been transferred to statutory reserves.

(b) 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.

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 N604.69 million in the SMEIES reserve as at 31 December 2011 represents the Bank's outstanding investments under the scheme in respect of on-going projects.

(c) Amount transferred to general reserves from the SMEIES reserve account of N59.857 million (2010: N115.024 million) represents proceeds of matured SME investments from which the Bank has now divested its interest in accordance with the investment agreement (see note (15 (f))).

(d) 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.

25. **Contingent liabilities, commitments and arrangements**

a. Legal proceedings
The Bank in the ordinary course of business is presently involved in 29 litigation suits amounting to N12,754,367,951.85 (2010: to N11,825,131,376.23). The Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Bank and are not aware of any other pending or threatened claims and litigations at the balance sheet date.

b. Capital commitments
At the balance sheet date, the Bank had capital commitments amounting to N7,393,489,500 (2010: N7,744,315,392) in respect of authorized and contracted capital projects.

c. Acceptances, bonds, guarantees and other obligations for the account of customers
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 the balance sheet date were:

	2011 N'000	2010 N'000
Letters of credit	35,062,295	43,815,805
Performance bonds and guarantees	47,684,686	19,781,295
Credit-related contingents	75,625,538	56,734,510
Treasury arrangements	109,421,409	124,138,205
	267,793,928	244,469,815

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 2011
(i) Direct credit assets
Included in loans and advances to customers is an amount of N35,290,120 (2010: N17,904,674) 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 2011, were granted under normal conditions applicable to staff.

(ii) Inter-bank placement
Included in due from other banks is an amount of N44,715,137,949 (2010: N29,198,126,000) representing placements with other SCB group companies. The balances as at 31 December 2011 are as follows:

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

(b) Other liabilities
Included in other liabilities is an amount of N741,914,935 (2010: N437,673,200) representing takings and amounts due to other SCB group companies. The balances as at 31 December 2011 are as follows:

Name of company	Relationship	Transaction Type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	inter-company transaction	609,836
Standard Chartered Bank (US)	Affiliate	inter-company transaction	132,079
			741,915

Notes to the Financial Statements continued

(b) Deposit liabilities
Included in deposit liabilities is an amount of N32,121,749 (2010: N8,608,681) which represents the outstanding balance on deposits made by some of the Bank's executive and non-executive directors.

(d) Other assets
Included in other assets is an amount of N313,766,376 (2010: N657,882,552) representing interest, fee and other receivables from other SCB group companies. The balances as at 31 December 2011 were as follows:

Name of company	**Relationship**	**Transaction Type**	**Amount N'000**
Standard Chartered Bank (UK)	Affiliate	Interest and fee receivable	313,766
			313,766

(e) Interest income
Included in interest income is an amount of N386,339,797 (2010: N244,946,365) representing interest income on placements with other SCB group companies. The balance as at 31 December 2011 was as follows:

Name of company	Relationship	Income type	Amount N'000
Standard Chartered Bank (UK)	Affiliate	Interest income on placement	371,093
Standard Chartered Bank (US)	Affiliate	Interest income on placement	15,246
			386,339

(f) Interest expense
Included in interest expense is an amount of N1,692,513,434 (2010: N675,098,898) representing interest expense on takings from other SCB group companies. The balance as at 31 December 2011 was as follows:

Name of company	**Relationship**	**Expense type**	**Amount N'000**
Standard Chartered Bank (UK)	Affiliate	Interest expense on borrowing	1,692,513

27. **Employees and directors**

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

	2011 Number	**2010 Number**
Executive Directors	4	3
Management	251	180
Non-Management	418	444
	673	627

Compensation for the above staff (excluding Executive Directors):

	2011 N'000	2010 N'000
Salaries and wages	6,320,930	5,703,270
Pension costs:		
Defined contribution plans	198,586	171,492
	6,519,516	**5,874,762**

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

			2011 Number	2010 Number
N 300,001	-	N2,000,000	140	141
N2,000,001	-	N2,800,000	49	49
N2,800,001	-	N3,500,000	50	50
N3,500,001	-	N4,000,000	27	27
N4,000,001	-	N5,500,000	81	81
N5,500,001	-	N6,500,000	44	44
N6,500,001	-	N7,800,000	43	43
N7,800,001	-	N9,000,000	32	32
N9,000,001 and above			203	158
			669	624

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

	2011 N'000	2010 N'000
Fees and sitting allowances	27,921	22,417
Executive compensation	132,798	125,159
Retirement benefit costs	5,978	2,940
Other directors expenses and benefits	9,400	1,970
	176,097	152,486

Fees and emoluments include:

The Chairman	7,820	7,266
The highest paid Director (executive)	75,000	68,447

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

	2011 Number	2010 Number
Less than N5,000,000	7	8
N5,000,001 - N25,000,000	-	-
Above N25,000,001	4	3

Notes to the Financial Statements continued

28. **Cash generated from operations**

Reconciliation of profit before tax to cash generated from operations:

	2011 N'000	2010 N'000
Profit after taxation	9,812,135	8,542,178
Add: tax charge for the year	3,994,130	3,435,899
Profit before taxation	13,806,265	11,978,077
Reconciliation of profit before tax to cash generated from operations:		
Specific provision for loan loss - allowance	1,334,898	747,149
General provision for loan loss – allowance	1,496,486	-
Provision write back	(368,917)	-
Profit on disposal of fixed assets	(97,610)	(7,927)
Fixed assets written off	-	73,731
Allowance for other assets written back	25,210	(6,361)
Dividend received	(28,373)	-
Depreciation	537,888	615,807
Operating profit before changes in operating assets and liabilities	16,705,847	13,400,476
(Increase) / decrease in operating assets:		
Loans and advances to customers	(54,269,065)	(33,808,849)
Short term investments	(1,861,965)	7,486,191
Other assets	(2,833,939)	1,552,131
Restricted balances with central bank	(7,513,915)	(182,072)
	(66,478,884)	(24,952,599)

Increase /(decrease) in operating liabilities:

	2011 N'000	2010 N'000
Customer deposits	40,009,768	27,247,751
Due to other banks	37,802,689	15,830,408
Other liabilities	(2,064,628)	(732,110)
Other payables	17,826	(21,979)
	75,765,654	42,324,070
Net cash generated from operations	25,992,617	30,771,947

29. **Earnings per share**

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

	2011 N'000	2010 N'000
Net profit attributable to shareholders (N'000)	9,812,135	8,542,178
Amount attributable to preference shareholders (N'000)	(83,140)	(50,738)
Net profit attributable to ordinary shareholders (N'000)	9,728,995	8,491,440
Number of ordinary shares in issue as at year end (note 23 (a)) ('000)	2,500,000	2,500,000
Time weighted average number of ordinary shares in issue ('000)	2,500,000	2,500,000
Basic earnings per share	389 k	340 k

30. **Dividend**

(a) Declared dividend per ordinary share

	2011	2010
Declared dividend (N'000)	-	7,000,000
No of ordinary shares ('000)	2,500,000	2,500,000
Declared dividend per share	-	280k

(b) Proposed dividend

The Board of directors has not proposed any dividend on ordinary shares after the balance sheet date (2010: N7 billion) and there is none to be distributed from reserves at 31 December 2011.

(c) Dividend payable

	2011 N'000	2010 N'000
Balance, beginning of the year	-	-
Declared during the year	7,000,000	-
Payment during the year	(7,000,000)	-
	-	-

Notes to the Financial Statements continued

31. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash and non-restricted balances with the Central Bank of Nigeria, treasury bills and other eligible bills, and amounts due from other banks and short-term government securities.

	2011 N'000	2010 N'000
Cash and balances with central bank (see note (10))	8,382,865	6,377,113
Treasury bills and eligible bills (see note (11))	66,468,282	37,608,185
Due from other banks (see note (12))	56,933,532	67,466,123
	131,784,679	111,451,421

32. Compliance with banking regulations

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

	Banking legislation	Nature of Contravention	Penalties N'000
(a)	BOFIA section 64 (1)	Appointment / employment of top Management staff without obtaining CBN's approval	20,000
(b)	SEC Act Section 170	Delay in rendition of returns to SEC	80
			20,080

33. Events after the balance sheet date

There were no post balance sheet events which could have a material effect on the financial position of the Bank as at 31 December 2011 and the financial performance for the year ended on that date that have not been adequately provided for, or disclosed in these financial statements.

Value added statement

For the year ended 31 December

	2011 N'000	%	2010 N'000	%
Gross income	36,071,439		27,793,102	
Interest paid:				
- Local	(4,280,190)		(2,190,143)	
- Foreign	(1,692,515)		(684,647)	
Fees and commission expense (local)	(406,580)		(255,204)	
	29,692,154		24,663,108	
Allowance on risk and other assets	(3,069,084)		(1,324,089)	
Bought in materials and services (local)	(5,759,400)		(4,870,373)	
Value added	20,863,669	100	18,468,646	100
Applied to pay:				
Employees				
- Salaries and benefits	6,519,516	31	5,874,762	32
Providers of funds				
- Ordinary dividend	-	-	7,000,000	38
- Preference dividend	83,140	-	50,738	1
Government				
- Taxation	3,994,130	19	3,435,899	18
Retained in the business				
- For replacement of fixed assets (depreciation)	537,888	3	615,807	3
- To augment reserves	9,728,995	47	1,491,440	8
	20,863,669	100	18,468,646	100

Five year financial summary

Balance Sheet

	2011	2010	2009	2008	2007
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and balances with Central Bank	16,782,315	7,262,648	7,780,413	13,244,437	3,626,203
Treasury bills	66,468,282	37,608,185	4,401,664	495,943	37,108,939
Due from other banks	56,933,532	67,466,123	66,133,588	64,189,378	17,328,211
Loans and advances to customers	147,804,840	95,998,243	62,936,543	61,516,057	35,740,124
Investment securities	7,258,893	10,689,897	27,291,975	10,390,107	17,473,458
Other assets	5,152,264	2,343,535	3,889,305	4,245,465	14,285,610
Fixed assets	8,868,453	8,816,965	6,106,944	6,197,437	4,887,907
	309,268,579	**230,185,596**	**178,540,432**	**160,278,824**	**130,450,452**
Financed by:					
Customer deposits	193,848,366	153,838,598	126,590,847	93,175,801	47,112,977
Due to other banks	54,020,918	16,218,220	387,812	3,000,000	11,000,000
Taxation payable	4,824,286	4,087,260	2,925,619	4,272,824	2,190,382
Other liabilities	8,868,829	10,901,055	11,640,520	24,216,450	36,643,817
Deferred tax liabilities	32,636	213,740	538,372	280,185	225,955
Retirement benefit obligations	18,896	1,070	23,049	4,621	38,231
Ordinary share capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Preference share capital	510,000	510,000	510,000	510,000	510,000
Share premium	18,708,524	18,708,524	18,708,524	18,708,524	18,708,524
Reserves	25,936,124	23,207,129	14,715,689	13,610,419	11,520,566
	309,268,579	**230,185,596**	**178,540,432**	**160,278,824**	**130,450,452**
Acceptances and guarantees	267,793,928	244,469,815	90,363,882	58,682,620	68,864,840

Profit and Loss Account

	2011	2010	2009	2008	2007
	N'000	N'000	N'000	N'000	N'000
Gross earnings	36,071,439	27,793,102	30,252,552	26,336,597	17,296,257
Profit before taxation	13,806,265	11,978,077	10,306,254	11,393,587	8,671,929
Taxation	(3,994,130)	(3,435,899)	(2,892,891)	(3,366,759)	(1,721,012)
Profit after taxation	9,812,135	8,542,178	7,413,363	8,026,828	6,950,917
Proposed dividend	-	7,000,000	-	6,250,000	5,875,000
Earnings per share (basic)	389k	340k	294k	319k	275k
Earnings per share (diluted)	389k	340k	294k	319k	275k
Number of business offices	29	26	26	18	12

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 Underwriting Standard 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 Underwriting 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

A) Purpose and Requirements

The Bank ensures that:
- The facility is suitable for the customer needs
- The facility is not speculative
- The size and structure of the facilities is such that upstreaming and downstreaming of funds to the owners or associate companies is not facilitated.

B) Facility structure

- The Bank will not provide facilities that would allow diversion of funds to activities other than stated in the BCA.
- Short trades should be structured such that tenor is in line with the customer's net working capital cycle (stock days + debtors days – creditor days).
- Permanent increases in core trading assets resulting from long term sales growth or the finance investment in fixed assets will need to be supported by longer term financing repaid from profits generated over many operating cycles.

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.

Facility structure

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 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 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 substandard, doubtful and loss Accounts are downgraded to CG12A-14.

Each scorecard has a set of financial and non-financial factors used for rating a 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 the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and

Financial risk management continued

return whilst minimising potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in market, products and emerging best practice. Risk management is carried out by Management under the leadership of the Country Chief Risk Officer within policies approved by the Board of Directors. Management identifies, evaluate and manage respective aspects of financial risks with oversight from 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 risk. Market risk includes currency risk, interest rate and other price risk.

Credit risk

The Bank takes on exposure to credit risk, which is the risk that a 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; 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 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 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.

The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

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

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

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

The Board has set credit authority for credit officers in Nigeria and these are based on the Loss Given Default (LGD) in line with Basel II. The maximum LGD that the local credit officers may approve is USD 50 million. In addition to this, the Board has recognized the existence of more senior credit experts in the Group credit chain who will also assess and where appropriate recommend for approval credit applications outside the local credit officers delegated authority.

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

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

i. Mortgages over residential properties
Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise 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.

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

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

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

Provisioning policies

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

Risk Assets (Loans and Advances, off-balance sheet direct credit substitutes, etc)
Loans and advances are summarised as follows:

	2011 N'000	2010 N'000
Performing	146,468,259	96,157,665
Non-performing		
- Substandard	3,022,025	186,695
- Doubtful	226,492	3,299,950
- Lost	9,327,832	5,131,233
Interest in suspense	2,178,463	1,062,962
	14,754,812	9,680,840
Gross Loans and advances	161,223,071	105,838,505

Financial risk management continued

Performing but past due loans
Loans and advances less than 90 days past due are considered performing, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but performing were as follows:

At 31 December 2011	Retail	Corporate	Total
	N'000	N'000	N'000
Past due up to 30 days	176,171	-	176,171
Past due 30-60 days	84,131	-	84,131
Past due 60-90 days	62,085	-	62,085
	322,388	-	322,388

At 31 December 2011	Retail	Corporate	Total
	N'000	N'000	N'000
Past due up to 30 days	1,064,543	-	1,064,543
Past due 30-60 days	291,155	-	291,155
Past due 60-90 days	134,969	-	134,969
	1,490,667	-	1,490,667

Non Performing Loans by Industry

	2011	2010
	N'000	N'000
Agriculture	557,910	402,366
Oil and Gas	2,855,530	2,746,997
Capital market	4,007,811	3,813,477
Consumer credit	130,920	85,086
Manufacturing	1,429,661	593,627
Mining and quarrying	-	33,131
Real estate and construction	253,724	76,849
Finance and insurance	1,016,264	841,412
General commerce	2,448,513	507,743
Others	2,054,479	580,152
	14,754,812	9,680,840

Non-Performing Loans by Geography

	2011	2010
	N'000	N'000
South-south	2,879,568	423,488
South west	11,875,244	9,249,081
South east	-	-
North west	-	-
North central	-	8,271
North east	-	-
Europe and the Americas	-	-
	14,754,812	9,680,840

Concentration of risks of financial assets with credit risk exposure

(a) **Industry sectors**
The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by industry sector as at balance sheet date:

As at 31 December 2011

	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000
Agriculture	-	6,338,340	-	6,338,340
Oil and Gas	-	15,999,789	-	15,999,789
Capital market	-	4,007,811	-	4,007,811
Consumer credit	-	-	-	-
Manufacturing	-	58,130,078	-	58,130,078
General commerce	-	20,835,565	-	20,835,565
Mining and quarrying	-	-	-	-
Mortgage	-	-	-	-
Real estate and construction	-	21,299	-	21,299
Finance and insurance	56,933,532	19,656,347	-	76,589,879
General	-	25,833,721	-	25,833,721
Power	-	2,855,164	-	2,855,164
Other public utilities	-	106,863	-	106,863
Transportation	-	1,451,476	-	1,451,476
Communication	-	5,986,618	-	5,986,618
Education	-	-	-	-
Others	-	-	7,258,893	7,258,893
	56,933,532	161,223,071	7,258,893	225,415,496

As at 31 December 2010

	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000
Agriculture	-	5,444,813	-	5,444,813
Oil and Gas	-	-	-	-
Capital market	-	3,813,485	-	3,813,485
Consumer credit	-	6,793,029	-	6,793,029
Manufacturing	-	46,212,692	-	46,212,692
General commerce	-	30,909,532	-	30,909,532
Mining and quarrying	-	33,131	-	33,131
Mortgage	-	837,216	-	837,216
Real estate and construction	-	76,849	-	76,849
Finance and insurance	67,466,123	4,874,438	-	72,340,561
General	-	6,843,320	767,139	7,610,459
Power	-	-	-	-
Other public utilities	-	-	-	-
Transportation	-	-	-	-
Communication	-	-	-	-
Education	-	-	-	-
Others	-	-	9,922,758	9,922,758
	67,466,123	105,838,505	10,689,897	183,994,525

Financial risk management continued

(c) **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 2011. For this table, the Bank has allocated exposures to regions based on the region of domicile of our counterparties.

As at 31 December 2011 (N'000)

	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000
South South	-	20,190,355	-	20,190,355
South West	4,870,822	139,259,531	7,108,893	151,239,246
South East	-	4	-	4
North West	-	1,364,994	150,000	1,514,994
North Central	-	408,184	-	408,184
North East	-	3	-	3
Europe and the Americas	52,062,710	-	-	52,062,710
	56,933,532	161,223,071	7,258,893	225,415,496

As at 31 December 2010 (N'000)

	Due from banks	Loans	Investment Securities	Total
	N'000	N'000	N'000	N'000
South South	-	10,512,785	-	10,512,785
South West	12,650,894	93,142,984	10,689,897	116,483,775
South East	-	28	-	28
North West	-	-	-	-
North Central	-	2,182,680	-	2,182,680
North East	-	28	-	28
Europe and the Americas	54,815,229	-	-	54,815,229
	67,466,123	105,838,505	10,689,897	183,994,525

Analysis by portfolio distribution and risk rating

	AAA to AA-	A+ to A-	BBB+ to BB-	Below	Unrated BB-	Total
	N'000	N'000	N'000	N'000		N'000
At 31 December 2011	-	6,889,409	99,072,165	55,261,497	-	161,223,071
At 31 December 2010	-	6,963,455	90,668,257	8,206,793	-	105,838,505

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 summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2011. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

At 31 December 2011 (N'000)

	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central banks	13,637,382	1,608,572	577,291	959,070	-	16,782,315
Treasury bills	66,468,282	-	-	-	-	66,468,282
Due from other banks	104,313	45,326,241	6,624,210	4,700,879	177,889	56,933,532
Loans and advances to customers	86,829,500	60,584,541	2,116	387,433	1,250	147,804,840
Investment securities	7,258,893	-	-	-	-	7,258,893
Other assets	(1,963,865)	7,161,782	(22,326)	2,152	(25,479)	5,152,264
Fixed Assets	8,868,453					8,868,453
Total assets	181,202,958	114,681,136	7,181,291	6,049,534	153,660	309,268,579
Liabilities						
Customer deposits	113,624,313	69,342,147	7,006,262	3,874,972	672	193,848,366
Due to other banks	(2,307,654)	40,168,156	4,972,607	6,851,362	4,336,447	54,020,918
Current income tax	4,824,286	-	-	-	-	4,824,286
Other liabilities	15,799,572	5,052,430	(4,799,924)	(4,683,824)	(2,499,425)	8,868,829
Deferred Income Tax Liabilities	32,636	-	-	-	-	32,636
Retirement Benefit Obligations	18,896	-	-	-	-	18,896
Total Financial Liabilities	131,992,049	114,562,733	7,178,946	6,042,510	1,837,694	261,613,931
Net on-balance sheet financial position	**49,210,910**	**118,404**	**2,346**	**7,024**	**(1,684,034)**	**48,482,168**
Off balance sheet	52,455,964	211,773,771	597,247	2,508,954	457,993	267,793,928

Financial risk management continued

At 31 December 2010 (N'000)

	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with Central Bank	5,657,503	886,617	308,750	409,778	-	7,262,648
Treasury bills	37,608,185	-	-	-	-	37,608,185
Due from other banks	19,507,102	37,975,496	5,884,648	3,796,601	302,276	67,466,123
Loans and advances to customers	62,409,866	31,901,506	84,754	1,453,459	148,658	95,998,243
Investment securities	10,689,897	-	-	-	-	10,689,897
Other assets	1,875,118	451,403	4,171	12,720	123	2,343,535
Fixed assets	8,816,965	-	-	-	-	8,816,965
Total assets	146,564,636	71,215,022	6,282,323	5,672,558	451,057	230,185,596
Liabilities						
Customer deposits	92,642,034	50,845,843	6,082,777	4,267,111	833	153,838,598
Due to other banks	5,269,612	10,948,608	-	-	-	16,218,220
Current income tax	3,798,787	-	-	-	-	3,798,787
Other liabilities	977,056	7,869,865	198,979	1,400,805	454,350	10,901,055
Deferred income tax liabilities	502,213	-	-	-	-	502,213
Retirement benefit obligations	1,070	-	-	-	-	1,070
Total liabilities	103,190,772	69,664,316	6,281,756	5,667,916	455,183	185,259,943
Net on-balance sheet financial position	43,373,864	1,550,706	567	4,642	(4,126)	44,925,653
Off balance sheet	131,109,790	85,970,450	432,785	9,926,538	17,030,252	244,469,815

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 are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;

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

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

d. Managing the concentration and profile of debt maturities.

Funding approach

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

Maturity profile – On balance sheet

31 December 2011

	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 banks	16,782,315	-	-	-	-	-	16,782,315	16,782,315
Treasury bills and other eligible bills	4,597,834	12,926,496	24,774,934	24,169,018	-	-	66,468,282	66,468,282
Due from other banks	18,786,779	5,229,165	14,868,122	17,865,906	183,560	-	56,933,532	56,933,532
Investment Securities	-	-	3,199,600	376,763	992,992	2,689,538	7,258,893	7,258,893
Loans and advances to customers	66,327,597	26,248,661	15,143,014	5,352,588	33,403,270	1,329,710	147,804,840	147,804,840
Other assets	5,152,264	-	-	-	-	-	5,152,264	5,152,264
Fixed assets	-	-	-	-	-	8,868,453	8,868,453	8,868,453
	111,646,789	44,404,322	57,985,670	47,764,275	34,579,822	12,887,701	309,268,579	309,268,579
Liabilities:								
Customer deposits	172,279,904	17,359,571	3,962,406	243,832	2,653	-	193,848,366	193,848,366
Due to other banks	25,164,895	16,534,230	516,142	1,672,753	10,132,898	-	54,020,918	54,020,918
Current income tax	-	-	-	4,824,286	-	-	4,824,286	4,824,286
Other Liabilities	8,868,829	-	-	-	-	-	8,868,829	8,868,829
Deferred income tax liabilities	-	-	-	-	32,636	-	32,636	32,636
Retirement benefit obligations	18,896	-	-	-	-	-	18,896	18,896
	206,332,524	33,893,801	4,478,548	6,740,871	10,168,187	-	261,613,931	261,613,931
Gap	(94,685,735)	10,510,521	53,507,122	41,023,404	24,411,635	12,887,701	47,654,648	47,654,648

31 December 2010

Assets:								
Cash and balances with central banks	7,262,648	-	-	-	-	-	7,262,648	7,262,648
Treasury bills and other eligible bills	10,363,185	6,000,000	18,745,000	2,500,000	-	-	37,608,185	37,608,185
Due from other banks	46,257,083	3,801,600	7,603,200	9,619,875	184,365	-	67,466,123	67,466,123
Investment Securities	8,156,214	1,905,177	628,500	-	4	2	10,689,897	10,689,897
Loans and advances to customers	62,249,642	13,443,884	6,471,170	5,319,041	4,678,965	13,675,803	105,838,505	95,998,243
Other assets	2,370,368	-	-	-	-	-	2,370,368	2,343,535
Fixed assets	-	-	-	-	-	8,816,965	8,816,965	8,816,965
	136,659,140	25,150,661	33,447,870	17,438,916	4,863,334	22,492,770	240,052,691	230,185,596
Liabilities:								
Customer deposits	136,675,110	12,254,526	171,819	113,038	4,624,105	-	153,838,598	153,838,598
Due to other banks	11,246,413	-	-	-	1,534,141	3,437,666	16,218,220	16,218,220
Current income tax	-	1,739,290	1,565,313	782,657	-	-	4,087,260	4,087,260
Other Liabilities	10,901,055	-	-	-	-	-	10,901,055	10,901,055
Deferred income tax liabilities	-	-	-	-	213,740	-	213,740	213,740
Retirement benefit obligations	1,070	-	-	-	-	-	1,070	1,070
	158,823,648	13,993,816	1,737,132	895,695	6,371,986	3,437,666	185,259,943	185,259,943
Gap	(22,164,508)	11,156,845	31,710,738	16,543,221	(1,508,652)	19,055,104	54,792,748	44,925,653

Financial risk management continued

Maturity profile - Off Balance Sheet

(a) Financial guarantees and other financial facilities
Performance Bonds and financial guarantees (Note 25), are included in the table below based on the earliest contractual maturity date.

(b) Contingent letters of credits
Unfunded letters of credit (Note 25) are also included in the table below based on the earliest contractual payment date.

31 December 2011

	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 years	Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Performance bonds and financial guarantees	3,643,666	9,298,270	2,215,015	29,856,906	2,670,829	-	47,684,686
Contingent letters of credit	5,179,841	11,148,201	5,205,802	10,775,057	2,753,394	-	35,062,295
Credit related contingents	-	-	-	-	75,625,538	-	75,625,538
Treasury arrangements	54,769,532	7,426,262	387,185	1,559,990	36,509,218	8,769,222	109,421,409
	63,593,039	**27,872,733**	**7,808,002**	**42,191,953**	**117,558,979**	**8,769,222**	**267,793,928**

31 December 2010

Performance bonds and financial guarantees	35,270	5,376,258	1,614,118	8,613,033	3,784,553	358,063	19,781,295
Contingent letters of credit	6,514,386	13,989,285	6,520,165	16,229,332	562,637	-	43,815,805
Credit related contingents	-	-	-	-	56,734,510	-	56,734,510
Treasury arrangements	9,723,018	94,038,611	608,256	1,520,640	18,247,680	-	124,138,205
	16,272,674	**113,404,154**	**8,742,539**	**26,363,005**	**79,329,380**	**358,063**	**244,469,815**

Capital management

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

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

Financial risk management continued

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2011 and 2010. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

For the year ended 31 December 2011

	2011 N'000	2010 N'000
Tier 1 capital	2,500,000	2,500,000
Share premium	18,708,524	18,708,524
Statutory reserves	9,405,731	7,933,911
Contingency reserve	-	-
SMIEIS/MCF reserve	763,888	823,745
Bonus issue reserve	-	-
Retained earnings	15,766,503	14,449,473
Less: goodwill and intangible assets	-	-
Total qualifying Tier 1 capital	47,144,646	44,415,653
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	47,654,648	44,925,653
On balance sheet	162,155,478	131,747,558
Off balance sheet	73,549,388	33,096,781
Total risk weighted assets	235,704,866	164,844,339
Risk weighted capital adequacy ratio	**20%**	**27%**

The regulatory capital of 20% is above the minimum of 10% but fell below the 2010 level due to dividend paid on 2010 profit.

Operational risk

Operational risk management directly supports the Bank's strategic intent, It underpins the approach of management discipline, especially the balance of growth with firm control of risk. It helps the Bank protect the achievement of superior financial performance as well as the Bank's reputation. The Bank's approach to Operational risk management process is detailed in 4 steps:

- Risk Identification – This is achieved through our toolkits such as KCSA, KRI, incident analysis, scenario analysis, customer complaints, audit exceptions, etc
- Risk Assessment – Achieved through the use of the risk grading matrix / Real Time Incident Report (RTIR)
- Risk Mitigation and Control – The action taken could be any of the following: Transfer, avoid, reduce, accept risk
- Risk Monitoring - To ensure the effectiveness of controls/mitigant and keep the assessment current. The operational risk profile and the action plan tracking are the applicable tools

The Bank's Operational risk management and assurance process is described through a framework known as ORMAF (Operational Risk Management and Assurance Framework). ORMAF articulates a consistent approach to operational risk management. This is driven through different operational risk forum at the Country and Business / support function levels. The Country Operational Risk Group (CORG) is chaired by the CEO and it represents the forum for ensuring that operational risk is being managed appropriately at the Country level. The assigned risk owners must put in place controls and mitigation plans and provide progress update to CORG. At the Business / support function level, the process is driven through the Business/Support function Operational risk group (B / FORG) with the Business / Function Heads accountable for the Management of operational risks within their Business / support function. Operational risk management and assurance provides stakeholders the assurance that regulations, policies and controls are complied with and that risks are effectively mitigated and controlled.

The framework consists of three lines of Assurance which are:

- 1st line of Assurance – achieved by businesses and functions adhering to embedded controls and through control self assessment activities conducted to ensure ongoing effectiveness of these controls.
- 2nd line of Assurance – Provides an independent assessment of the quality of the 1st line control self assessment
- 3rd line of Assurance – Provides an independent review of the overall effectiveness of the assurance framework.

The Bank makes use of the Phoenix system for recording operational losses, risk exposures and events.

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