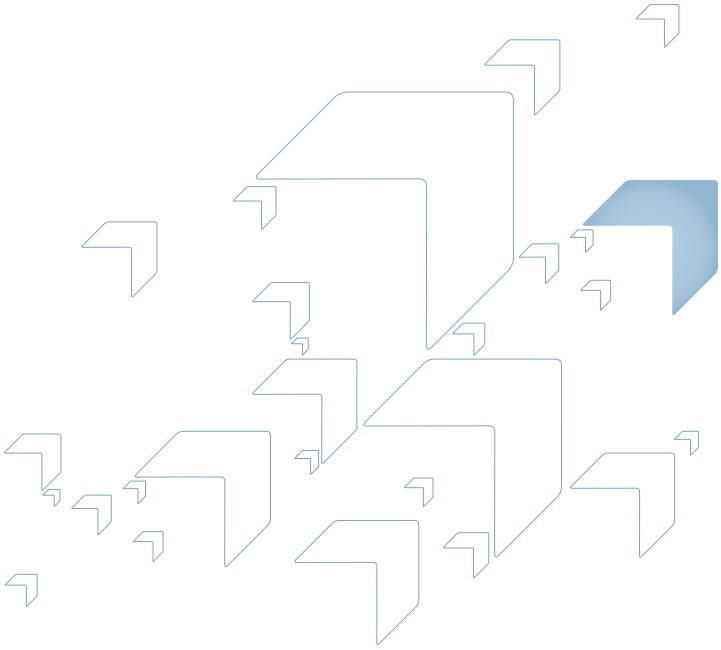

# Stanbic IBTC Bank PLC

Annual Report

2011

Stanbic IBTC Bank
A member of Standard Bank Group

RC 125097

# Building for the future, with our range of products and services at the heart of our strategy

Providing innovative solutions for clients is our core focus. Thinking ahead to design our services for the future is a challenge we embrace.

Looking ahead motivates us to provide a breadth of answers that addresses our customers' and shareholders' financial aspirations – from mobile banking transactions to wholesale corporate investments and wealth management.

Growing from our solid foundation of proven capabilities and experience, our business strategy of providing end-to-end financial solutions keeps us adaptable, innovative and relevant to our clients' demands.

We engineer responsive solutions, planning beyond today to redefine the financial landscape. **We keep you moving forward.**

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# Overview

# Our vision and values

## One vision

To be the leading end-to-end financial solutions provider in Nigeria through innovative and customer-focused people.

## Eight values

### Upholding the highest levels of integrity

Our entire business model is based on trust and integrity as perceived by our stakeholders, especially our customers.

### Growing our people

We encourage and help our people to develop to their full potential and measure our leaders on how well they grow and challenge the people they lead.

### Serving our customers

We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs, provided that everything we do for them is based on sound business principles.

### Respecting each other

We have the highest regard for the dignity of all people. We respect each other and what Stanbic IBTC stands for. We recognise that there are corresponding obligations associated with our individual rights.

## Delivering to our shareholders

We understand that we earn the right to exist by providing appropriate long term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.

## Being proactive

We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.

## Guarding against arrogance

We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs, provided that everything we do for them is based on sound business principles.

## Working in teams

We, and all aspects of our work, are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

# Financial highlights

**All results in this report are presented using the Nigerian GAAP (Generally Accepted Accounting Principles), unless otherwise indicated as being on an IFRS (International Financial Reporting Standards) basis.**

| Gross earnings | Total income | Profit before tax | Profit after tax |
|---|---|---|---|
| ₦67,428 million | ₦56,505 million | ₦11,243 million | ₦7,440 million |
| 19% up | 17% up | 17% down | 21% down |

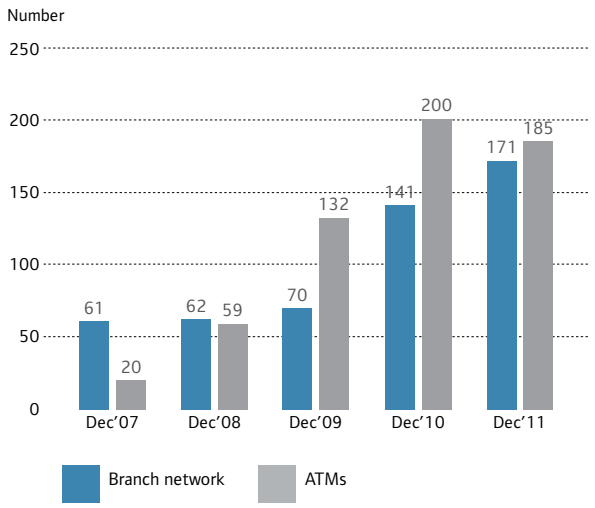
| Gross loans and advances | Deposit liabilities | Pre-tax return on average equity | Cost-to-income ratio |
|---|---|---|---|
| ₦266,582 million | ₦292,273 million | 13.5% | 71.8% |
| 42% up | 57% up | (2010:16.5%) | (2010: 70.8%) |

| Credit loss ratio | NPL/Total loan ratio | Capital adequacy ratio | Liquidity ratio |
|---|---|---|---|
| 1.3% | 7.0% | 22.9% | 71.4% |
| (2010:(0.0%)) | (2010: 7.6%) | (statuatory minimum:10%) | (regulatory minimum:30%) |

| Fitch rating | Price-to-book |
|---|---|
| AAA(nga) | 1.9 times |
| (2010:AAA(nga)) | (2010: 2.1 times) |

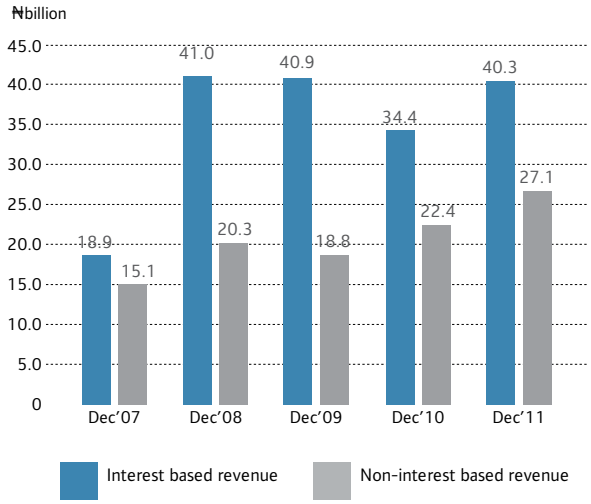
### Points of representation

*CAGR (2007-2011): Branch network: 29%*
*ATMs: 74%*




### Interest based and non-interest based revenue

*CAGR (2007-2011): Interest based revenue: 26%*
*Non-interest based revenue: 20%*



# An end-to-end financial services business



## Brief history

The Standard Bank Group (SBG) merged its Nigerian operations, Stanbic Bank Nigeria with that of IBTC Chartered Bank PLC (IBTC) on 24 September 2007. The merger, by way of the first ever tender offer in Nigeria and $525 million in foreign direct investment, was the largest in Nigerian financial history. The Standard Bank Group, which has a controlling stake of 52.8% in Stanbic IBTC, has been in business for 150 years and is Africa's largest banking group ranked by assets and earnings.

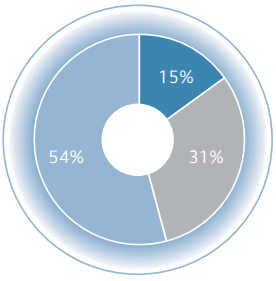
Stanbic Bank Nigeria was created in 1992 when SBG acquired ANZ Grindlays' operations in Botswana, Ghana, Kenya, Nigeria, Uganda, Zaire, Zambia and Zimbabwe. Stanbic Bank Nigeria offered merchant banking services, while Investment Banking and Trust Company (IBTC) was established 23 years ago to offer investment banking and investment management services. IBTC merged with Chartered Bank and Regent Bank in 2005 and was thereafter known as IBTC Chartered Bank PLC - a universal bank. At the time of the merger with Stanbic Bank Nigeria, IBTC Chartered Bank PLC was the leading investment bank in Nigeria.

Stanbic IBTC Bank PLC is a universal bank and has consolidated its position in Nigeria as a diversified business with a proven track record. The group focuses on the three key businesses – Corporate and Investment Banking, Personal and Business Banking and Wealth Management that leverage the skills, economies of scale and synergies that come from being part of an international group, and our excellent Nigerian pedigree.

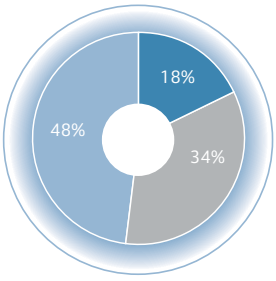
The bank is committed to providing end-to-end financial services to clients and delivering sustainable long term value to shareholders through first class innovative operations and customer-focused people.


| Corporate and Investment Banking (CIB) | Personal and Business Banking (PBB) | Wealth |
|---|---|---|
| Gross revenue | Gross revenue | Gross revenue |
| ₦36.3 billion | ₦21.1 billion | ₦10.0 billion |
| Corporate and investment banking services to government, parastatals, larger corporates, financial institutions and international counter-parties in Nigeria. | Banking and other financial services to individual customers and small to medium sized enterprises. | Investment management in form of asset management, pension fund administration and trusteeship. |

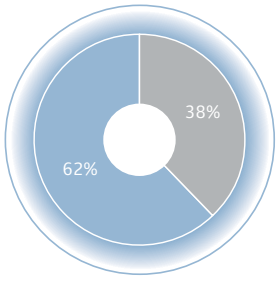
**Gross revenue**



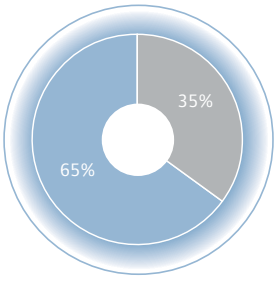

**Total income**




**Total deposits**




**Gross loans and advances**



# Recognition


## Best Custodian for 2011 - Global Investor magazine (a subsidiary of Euromoney)

Stanbic IBTC Bank was rated highest amongst Nigerian banks in domestic, cross-border and leading clients' categories. The bank emerged winner after measures which included perceptions of the quality of the clearing and settlement, and asset-servicing duties that banks provide to their clients were applied.

## Best Investment Bank in Nigeria - Euromoney Awards for Excellence EMEA Finance

In recognition of Stanbic IBTC Bank's achievements in the competitive Nigerian market which experienced reforms in the banking sector in recent years; Euromoney recognised the bank for its achievements in the investment banking area which has resulted in the building of franchises; thereby delivering results to customers.

## Best Sub-Custodian for 2011 - Global Finance magazine

Stanbic IBTC Bank was recognised as a financial institution that reliably provides the best custody services in local markets and regions to global custodians having excelled in areas including customer relations, quality of service, competitive pricing, smooth handling of exception items, technology platforms, post-settlement operations, business continuity plans and knowledge of local regulations and practices.

## Best Brokerage House and Best Investment Bank - EMEA Finance

EMEA Finance magazine recognised Stanbic IBTC Stockbrokers as the best brokerage house in Nigeria for 2011; and Stanbic IBTC Bank as the best investment bank in Nigeria for the same period. Stanbic IBTC was noted among Africa's best banks who, through their client focus and steady management, continue to increase profits, deliver credit to the retail and wholesale markets, and support local and transnational corporations in their businesses across the continent.



## Deal of the Year - African Banker Awards

Stanbic IBTC Bank won the 'Deal of the Year' award for financing the construction of a state-of-the-art sugar refinery complex in Lagos for Golden Sugar Company Limited (a subsidiary of Flour Mills of Nigeria PLC). The 5-year syndicated multi-currency medium term facility amounted to US$143.3 million.

## Best Bank in Nigeria - (Vehicle and Asset Finance) "On Wheels Annual Awards" 2011

The award was won by Stanbic IBTC Bank after being rated as the best bank in the area of vehicle financing in Nigeria.

## 2011 MINDS Award for the Fight Against Malaria Initiative

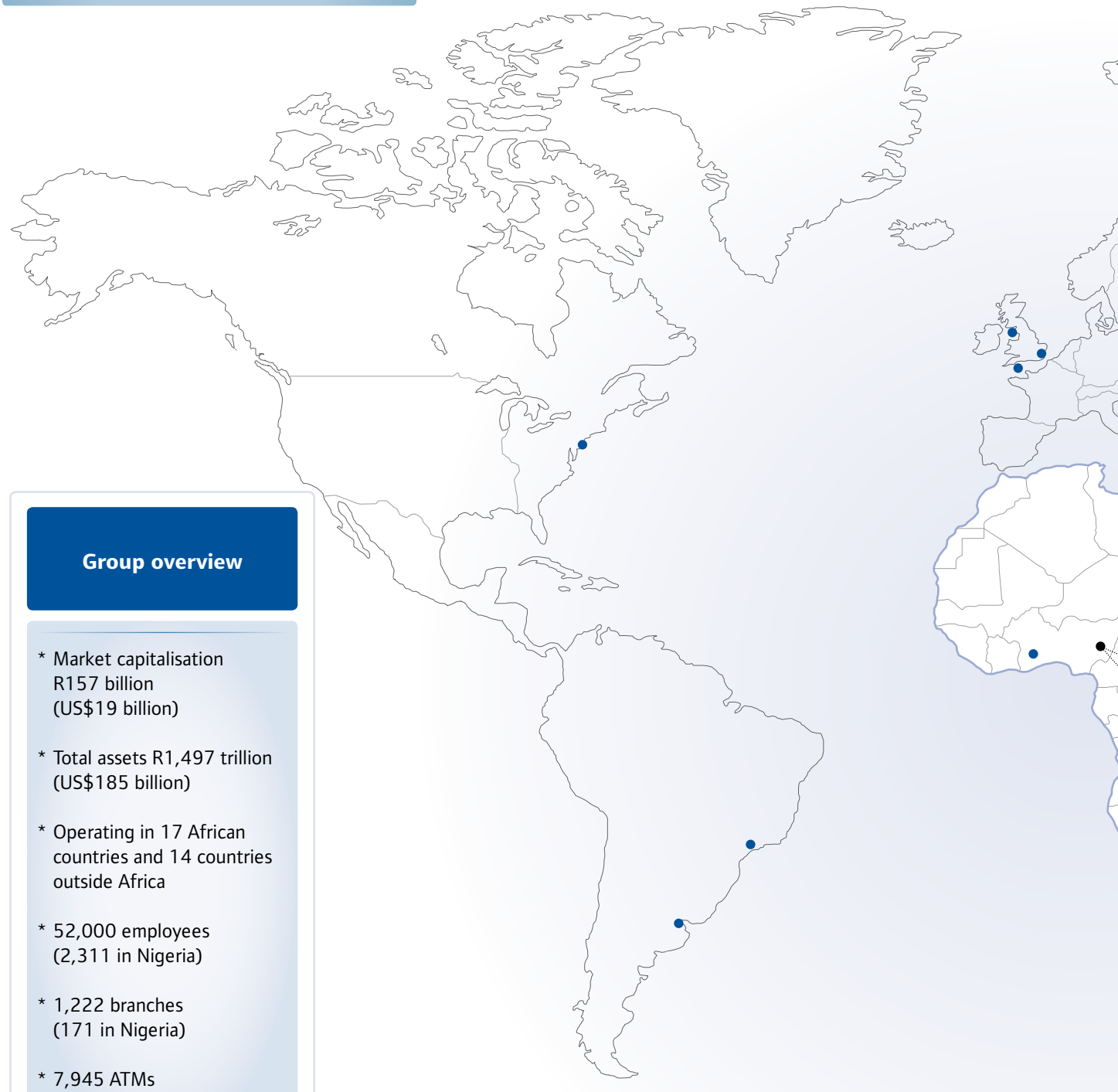
Stanbic IBTC bank received the MINDS Award for the fight against malaria in 2011 as recognition of the bank's support towards the eradication of the malaria scourge in Nigeria.

## Lagos State Government 'Support our Schools CSR Award' 2011

The award was presented to Stanbic IBTC Bank by the Governor of Lagos State in recognition of the bank's outstanding contributions towards the development of the education sector in the state. Stanbic IBTC Bank was cited for its exceptional role in refurbishing Lagos Progressive Schools, comprising one primary and two secondary schools. This forms an integral part of Stanbic IBTC's corporate social investment initiative.

# Standard Bank Group at a glance

## Where we operate



### Group overview

* Market capitalisation R157 billion (US$19 billion)
* Total assets R1,497 trillion (US$185 billion)
* Operating in 17 African countries and 14 countries outside Africa
* 52,000 employees (2,311 in Nigeria)
* 1,222 branches (171 in Nigeria)
* 7,945 ATMs (185 in Nigeria)

## Branches in Nigeria

| | | | |
|---|---|---|---|
| FCT Abuja | - 12 | North West | - 22 |
| Lagos Island | - 17 | South East | - 11 |
| Lagos Mainland | - 44 | South South | - 20 |
| North Central | - 11 | South West | - 28 |
| North East | - 6 | | |

## ATMs

| | | | |
|---|---|---|---|
| FCT Abuja | - 14 | North West | - 25 |
| Lagos Island | - 34 | South East | - 10 |
| Lagos Mainland | - 40 | South South | - 19 |
| North Central | - 10 | South West | - 27 |
| North East | - 6 | | |

## Business review

# Chairman's statement

**The business of banking and indeed the financial services sector remained very competitive during the year as the landscape continued to evolve as a result of reform policies reeled out by the Central Bank of Nigeria.**

*"In the face of these interventions our bank achieved some milestones, we were awarded a mobile payment license, blazed the trail to become the first bank to be awarded an in-principle approval to operate specialised non-interest banking and successfully upgraded our core banking platform"*

Achieved gross earnings

**₦67.43 billion**

2011: **A 19% increase on 2010**

Total assets

**₦554.23 billion**

2011: **Increased by 44% on 2010**

*Chairman,* **Atedo N Peterside CON**

Fellow shareholders, distinguished ladies and gentlemen, on behalf of the board of Stanbic IBTC Bank, I am pleased to welcome you all to the 23rd annual general meeting (AGM) of the group and to present to you the financial statements and reports and review the performance in 2011.

Though we commenced the year 2011 with cautious optimism, we were under no illusion that it would be a challenging year particularly with the political uncertainty surrounding the elections which were scheduled for the second quarter of the year. The elections however culminated in an exercise largely ascribed to be free and fair and this raised local and international expectations regarding the likely trajectory of the Nigerian economy as the elected government reiterated their commitment to implement much needed reforms, particularly in the power and petroleum sectors.

The operating environment however remained susceptible to external shocks from issues such as rising commodity and crude oil prices brought about by political unrests around the world. During the year, commodity price improvements conferred positive transaction shocks on the Nigerian economy as the improved prices for Nigeria's oil, food crops, and agricultural raw materials meant that the Nigerian government's budgetary aspirations became achievable, and oil and non-oil sectors of the economy grew impressively. On the other hand, contractions in global financial markets meant that emerging markets were less liquid and this resulted in renewed pressures on Nigeria's capital account that manifested in the form of sporadic demand surges on the Nigerian foreign exchange market. The economy therefore had the challenge of keeping the gains from commodity price improvements as the recurrent excess demand pressures on the foreign exchange market drained the country's foreign exchange earnings. Foreign reserves have therefore trended steadily downwards even as the price of bonny light crude trended steadily upwards.

The business of banking and indeed the financial services sector remained very competitive during the year as the landscape continued to evolve as a result of reform policies reeled out by the Central Bank of Nigeria. Significant developments include the intervention of the Asset Management Corporation of Nigeria (AMCON) in the nationalization of three banks; the consistent monetary policy tightening measures at Monetary Policy Committee meetings (MPC) to defend the Naira by the second half of the year; the announced diversification of Nigeria's foreign reserves holding from the US dollar to include the Chinese yuan and the series of initiatives toward making Nigeria a cash-lite economy.

In the face of these interventions our bank achieved some milestones, we were awarded a mobile payment license, blazed the trail to become the first bank to be awarded an in-principle approval to operate specialized non-interest banking and successfully upgraded our core banking platform. We are therefore well positioned to adapt to the evolving scene, optimize our investments and take advantage of new opportunities as they arise.

### Income statement

The Stanbic IBTC Group (Stanbic IBTC Bank PLC together with its subsidiaries) achieved gross earnings of ₦67.43 billion for the 12 months ended 31 December 2011, 19% above the N56.75 billion achieved in the corresponding period ended 31 December 2010 on the back of 17% growth in interest income and 21% growth in non-interest revenue.

The non-interest revenue grew from ₦22.02 billion in 2010 to ₦26.74 billion in 2011. The growth was as a result of significantly higher trading revenues that followed the increased volatility in the market, increased transactional volumes as a function of our expanded footprint, our ability to structure foreign exchange related solutions for our corporate clients and steady growth within our Wealth business.

Interest income witnessed a 17% growth year-on-year benefitting from a growing loan book which doused the impact of lower investment and interbank placement income. This resulted from the deliberate policy to concentrate our exposure to higher yielding assets.

Operating costs increased by 18%, from ₦34.25 billion in 2010 to ₦40.56 billion in 2011 as a result of our continued investment in infrastructure - addition of 30 branches to the footprint and deployment of a new banking operating system.

The bank continued to maintain its prudent approach to impairments which policy remained unchanged during the year. Impairment charges increased to ₦4.71 billion from ₦620 million recorded in 2010 as a result of increased provision on risk assets and other assets. Accordingly, both profit before tax and net income fell from ₦13.53 billion and N9.46 billion respectively to ₦11.24 billion and N7.44 billion in 2011.

### Balance sheet

The group's total assets increased by 44% from ₦384.54 billion as at 31 December 2010 to ₦554.23 billion as at 31 December 2011 due to positive growth in loans and advances. The group concentrated efforts on quality exposures and was able to responsibly grow its lending book.

Total liabilities recorded a corresponding increase of 57% from ₦299.42 billion in 2010 to ₦469.51 billion in 2011 driven by a significant 57% increase in customer deposits made possible as our deposit gathering capabilities improved as a result of footprint expansion and improved service delivery.

In line with the comprehensive risk management framework of the group, there were conservative provisions made for the loans and advances portfolio. There were however no significant changes in credit loss and non-performing ratios. As at 31 December 2011, non-performing loans amounted to ₦18.54 billion, representing 7.0% of total advances in comparison to ₦14.24 billion and 7.6% respectively in the prior year. Shareholders' funds remained stable at ₦82.81 billion (2010: ₦83.75 billion), following the payment of a 39 kobo per share dividend amounting to ₦7.13 billion during the year.

For the year ended 31 December 2011, each shareholder will be receiving a dividend of 10 kobo per share. Furthermore, as part of the group reorganisation in line with the new CBN licensing regime, shareholders will receive a distribution, arising from the cancellation of some of their shares.

# Chairman's statement

## General

Since our last AGM, Mr. Jacques Troost and Ms. Marna Roets have resigned from the board. In accordance with Article 81 of the group's Memorandum and Articles of Association, four directors – Mrs. Sola David-Borha, Mr. Ben Kruger, Mr. Ratan Mahtani and Mr. Sam Cookey are retiring today as directors, all being eligible, are offering themselves for re-election. Later in the meeting, we will be required to vote on the election of Mrs. Maryam Uwais and Mr. Kayode Solola, who were appointed as non-executive director and executive director respectively after the last AGM. We will also be required to vote on nominations received in relation to our audit committee.

Our corporate social responsibility initiatives have been concentrated around education, economic empowerment and healthcare. Details of actual disbursements in this regard are contained in the directors' report. We have sustained our support for various social causes with a view to enhancing our ability to take development amongst our people even further, and in so doing, contributing towards creating an enabling environment for more rapid economic growth.

As a group, we remain committed to the attainment and maintenance of the highest standards of corporate governance. We aim to continue to adopt global best practices that are applicable and relevant to our business environment. At the same time we will continue to make significant investments in our people through training across the board, as we recognise that the deepening of our talent pool holds the key to our longer term competitiveness.

In retrospect, the year 2011 was marked with significant policy shifts in the Nigerian banking industry. We are optimistic that the evolving operating environment will present new opportunities which we will capitalize on in 2012 and beyond.

Atedo N A Peterside CON
*Chairman*
*8 February 2012*

# Chief executive's statement

**We are particularly pleased with the group's continued strength against all measures of liquidity and capital adequacy.**

*"With the key initiatives showing good progress and some healthy pipelines across a number of our businesses, we remain positively challenged on delivery of our 2012 promises."*

Network expansion

**171 branches**

**Present in all states of the country**

Increase in operating income

**17%**

**Driven by strong performances from PBB and Wealth businesses**

Accolades

**8 awards**

**A number of achievements**

*Chief executive,* **Sola David-Borha**

In 2011, the global economy witnessed political and economic instabilities due to the civil unrest particularly in the Middle East and the North Africa (MENA) region. The Eurozone debt crisis, the downgrade of the national rating in the United States of America combined with twin natural disasters in Japan further increased the fragility of the global economic recovery. These events significantly reduced investor confidence leading to selling pressure in the financial markets of the affected countries as well as other frontier markets like Nigeria with similar ratings and risk profiles. Consequently, an aversion to risky assets due to increasing risks of contagion still exists in the global market.

Not only did Nigeria have to continue to contend with the effects of the global economic recovery but specifically, the pre- and post- election tensions, the civil attacks in Northern Nigeria and the dramatic events triggered by the banking reform initiatives. The year was characterized by a lull in the capital markets, depreciation of the Naira, excessive liquidity arising from the expansionary government budgets, inflationary pressures and the resultant rising interest rates. As a consequence thereof, for most part of the year, we saw limited trade and arbitrage opportunities in the fixed income and money markets and strong intervention by the Central Bank of Nigeria (CBN) in both the foreign exchange and money markets to curb speculation against the Naira and stimulate foreign portfolio investments.

The National Economic Management team was also formed to drive economic reforms, fiscal responsibility, infrastructural development and job creation measures which would help improve the economic outlook of Nigeria. The country marked a few successes, supported by improving oil price and production levels as well as the non-oil sector, the Nigerian economy reflected strong GDP growth of 7.3% relative to an emerging markets average of 6.2% while the capital markets performance was varied with periods of recovery generally followed by some pull back on profit taking.

The financial services sector continued to witness changes of a rapid nature, as a result of the reform policies reeled out by the CBN. Notable among these were the intervention of the Asset Management Corporation of Nigeria (AMCON) in the nationalization of 3 banks, the announced diversification of Nigeria's foreign reserves holding from the US dollar to the Chinese Yuan and the series of initiatives toward making Nigeria a cash-lite economy.

Given this environment, we deem the results of Stanbic IBTC Group (the Group) to be satisfactory. We are particularly pleased with the Group's continued strength against all measures of liquidity and capital adequacy. In this regard, we were delighted that Fitch affirmed our AAA (nga) rating. You will find included herein a number of reports reflecting the various business unit performances. In summary, an increase of 17% in the Group's operating income was recorded, driven particularly by strong performances from the Personal and Business Banking and Wealth businesses.

On the back of our growth strategy, we achieved a strong network expansion (171 branches nationwide), and good balance sheet growth. We were one of the few banks to be successfully awarded a mobile payment license, and we are one of two institutions to obtain approval to operate specialised non-interest banking. We also successfully upgraded the core banking platform to enhance our service delivery and client experience. We are grateful that as an indicator of some key successes, 2011 saw Stanbic IBTC again receiving a number of accolades and awards, being:

- Global Finance Awards for best Sub Custodian, 2011;
- Best Investment Bank in Nigeria, Euromoney, 2011;
- Best Brokerage House, EMEA Finance, 2011;
- Best Investment Bank, EMEA Finance, 2011;
- 2011 MINDS Awards for the Fight Against Malaria Initiative;
- Deal of the Year - African Banker Awards 2011;
- Best Bank in Nigeria - On Wheels Annual Awards 2011; and
- Lagos State Government 'Support Our Schools CSR Award' 2011.

A very big thank you to all our customers and staff, without whom none of the above would have been possible.

Looking ahead, on account of recent initiatives by the CBN and our preference to restructure our group operations along holding company lines, we expect Stanbic IBTC Bank, Stanbic IBTC Pensions, Stanbic IBTC Stockbrokers and other subsidiaries to all operate as direct subsidiaries of Stanbic IBTC Group Plc. With the exception of our Custody and Bureau de Change businesses that will be subsidiaries of the bank. Appropriate announcements will be made before these changes take place and necessary resolutions in this regard will eventually be tabled before shareholders.

With Nigeria going through some critical reforms in the oil and gas, power and agriculture sectors, the hope is that these reforms will translate into greater efficiencies in the economy and higher GDP growth. Our expectation is that the financial markets will regain stability whilst the CBN will maintain its monetary tightening policy stance in the first half of 2012.

The ability to profitably pursue our growth targets and the strategic growth opportunities will depend on our ability to deliver what the customers want, when they want it, and where they want it, while keeping costs competitive. The business will remain focused on revenue generation, while we aim to reduce our cost of funds through lower cost liability sources. The public sector franchise and execution of the electronic channel strategy in anticipation of the cash restriction policy will be critical to achieving this feat. Likewise, we shall continue to keep our operating costs under firm control, while we maintain sufficient flexibility to ensure that the business is adequately prepared to take on new opportunities.

Our success depends on our ability to execute flawlessly. Thus we have internally created more awareness and focus across the group on the following strategic themes, which we believe will be our sources of considerable competitive advantage:

- Client service - Delight our customers through delivery of exceptional service;
- Volumes and cost effectiveness - Achieve business volumes while managing costs;
- End-to-end selling - Ensure we sell end-to-end financial solutions;
- Brand - Strive to establish a differentiated and well recognised brand in Nigeria;

# Chief executive's statement

- People - Ensuring our people are passionate and engaged; and

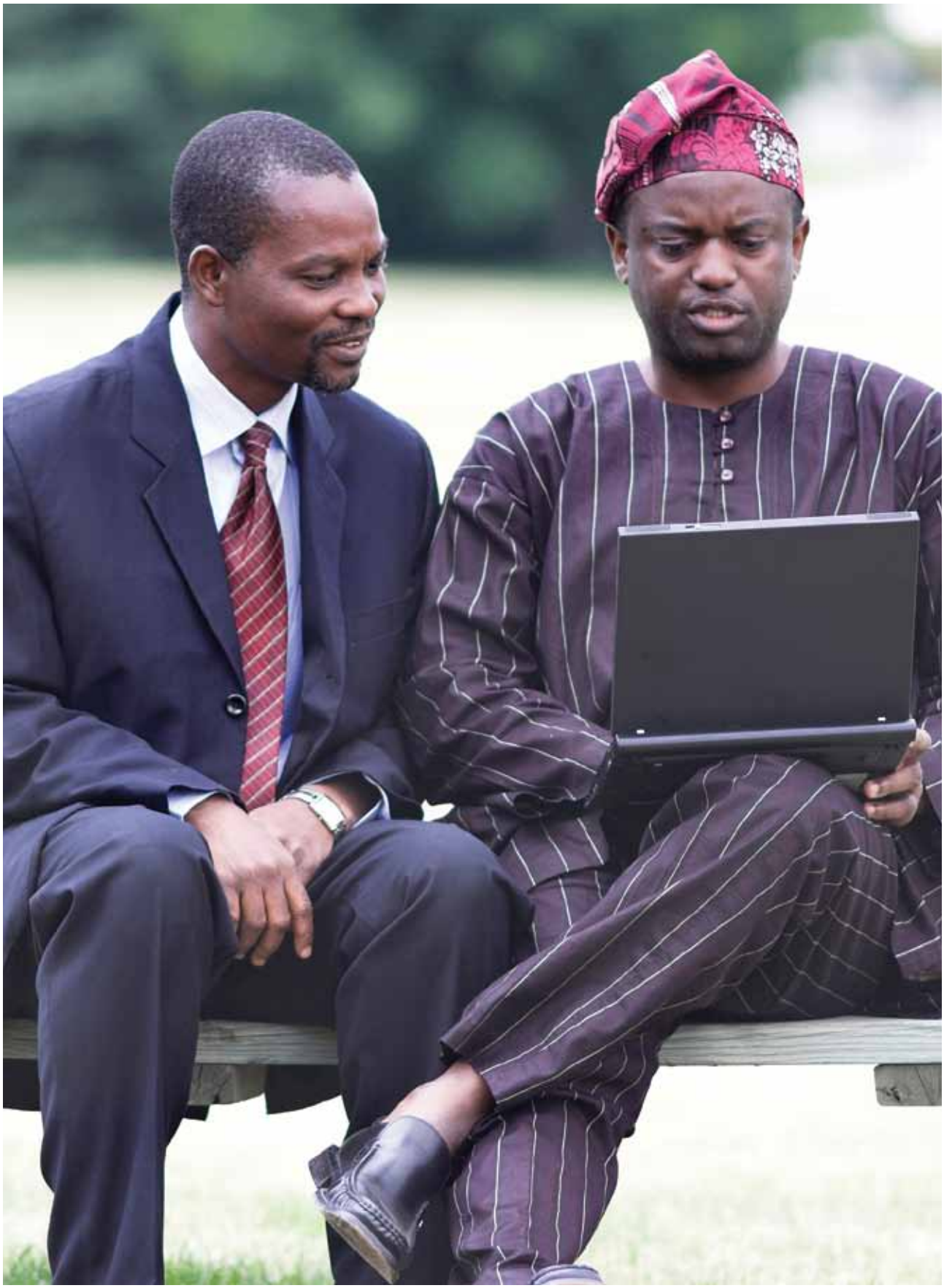
- Processes - Ensure our processes are customer focused.

With the key initiatives showing good progress and some healthy pipelines across a number of our businesses, we remain positively challenged on delivery of our 2012 promises.

I would like to pay tribute to my predecessor, Mr. Chris Newson, for his pioneering role in the post merger Stanbic IBTC. His leadership, credibility within the Standard Bank Group and commitment has been critical in setting a solid foundation for the post merger institution and we wish him the best in his new role as the Chief Executive Standard Bank Africa. I am also thankful for the executive team (especially my deputy Mr. Yinka Sanni), the Chairman (Mr. Atedo Peterside) and the rest of the board for their invaluable support, commitment and contribution.

I extend my sincere appreciation to our shareholders, customers, staff, regulators and other stakeholders who have assisted in making 2011 a reality. With your continued support, we look forward with great expectations to a successful year ahead.

**Sola David-Borha**
*Chief executive*
*8 February 2012*



# Economic review

## Global economic environment

The global economy grew by 3.8% in 2011 (2010: 5.2%). The growth in the global economy was primarily driven by emerging and developing economies. The latest estimates suggest that growth in advanced economies fell to 1.6% in 2011, from 3.2% in 2010, as a result of the sluggish trend in economic activity in the US and increasing fiscal and structural imbalances in the Euro zone. Clearly, this sluggish environment ensures loose liquidity conditions in advanced economies, as illustrated by the Federal Reserve's decision not to change its reference rate in coming years and the European Central Bank's cuts in the refi rate in late 2011.

Meanwhile, growth in emerging markets and developing countries also eased to 6.2%, from 7.3% in 2010, because of a more modest output performance in China and India. Sub-Sahara Africa's growth declined, but was still resilient, at 4.9% in 2011, from 5.3% in 2010, predominantly on the back of robust commodity prices. While the oil price displayed a marginal, but consistent, multi-month downward trend in the second half of 2011, it closed the year at US$113.5 per barrel, from US$80.3 per barrel in 2010.

## Economic growth

Nigeria's real economy remained robust, with GDP growing by 6.7% in the first quarter of the year, 7.6% in the second quarter, 7.3% in the third quarter and 7.7% in the fourth quarter. Overall, economic growth averaged 7.3% in 2011, from 7.9% achieved in 2010. Although agriculture was still the dominant sector in terms of contribution to GDP last year (40.2%), the fastest growth rates were recorded in the telecoms (34.8%), building and construction (12.3%), hotel and restaurants, (12.1%), and mineral sectors (11.5%).

However, the finance and insurance sector continued to lag aggregate GDP dynamics, expanding by only 4.0% in 2011, which partially reflected the still muted performance of the banking system. The Asset Management Corporation of Nigeria's acquisition of the banks' non-performing loans and the initiation of mergers and acquisitions in the banking system were positive steps contributing to a gradual pick up in private sector lending which expanded 33.3% year-on-year (YoY) in December 2011.

However, elevated oil prices and broadly stable production did not translate into a higher oil revenue growth, which was surprisingly in negative territory (-0.5% YoY in 2011). Crude oil production averaged 2.11 million barrel per day (mbpd) in 2011, from 2.07 mbpd in 2010, but appeared to flatten in the last months of the year.

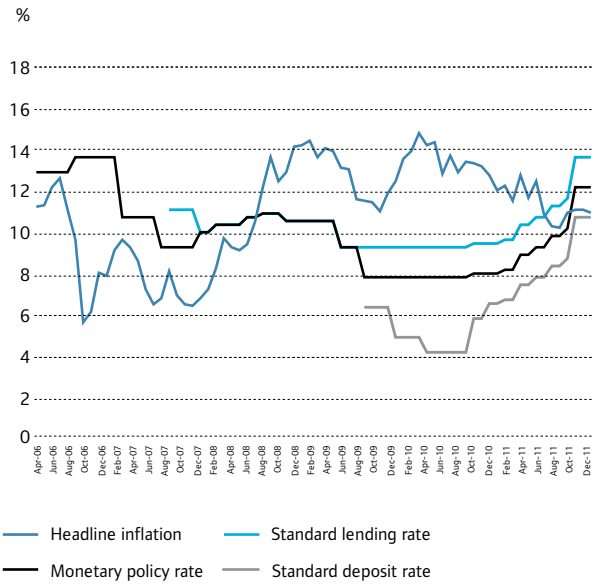
## Fiscal position

Policy makers increasingly focused on the need to consolidate public finances after the countercyclical fiscal stance implemented in previous years. This was illustrated by the 2012 budget draft presented in December 2011 which initially sought to reduce the fiscal deficit-to-GDP ratio to 2.77% of GDP, from 2.96% of GDP in 2010. Furthermore, the Sovereign Wealth Fund bill was adopted by parliament and signed into law by President Goodluck Jonathan in late May, although the effective launch of the fund has yet to materialise.

## Exchange rate and interest rate dynamics

The Central Bank of Nigeria (CBN) showed strong commitment to exchange rate stability in 2011 and pursued its monetary tightening stance to mop up liquidity and reduce foreign exchange demand. In this context, the Monetary Policy Rate (MPR) was raised from 6.25% to 12% last year and the cash reserve requirement ratio increased from 1% to 8%. Also, money market rates surged to record highs, with the 364-day treasury bill yield fluctuating around 20% in late 2011. This implied substantial real interest rates as inflation was brought under control, with consumer prices increasing by 10.9% YoY in 2011, from 13.8% YoY in 2010.

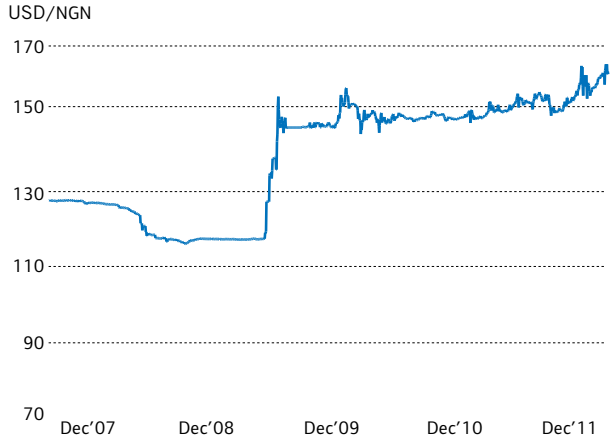
Figure 1: Inflation vs policy rates




Source: CBN, National Bureau of Statistics

The CBN also tightened the requirements for participation at the Wholesale Dutch Auction System WDAS FX window, pushing the bulk of FX demand away from the official market. Consequently, the CBN was increasingly proactive in providing dollars to the interbank market in late 2011. The central bank eventually moved the midpoint of the WDAS exchange rate to 155 in late 2011, from 150, to align it with the 2012 budget assumption, but generally sought to contain the interbank rate below the 162 level.

Figure 2: USD/NGN exchange rate




Source: Bloomberg

Foreign exchange reserves stabilised in a US$32-35bn range, reaching US$32.9bn by end December 2011, from US$32.3bn a year earlier, given the elevated US$ demand and continued monetisation of Excess Crude Account proceeds. While the import cover ratio averaged a modest 7.4 months in 2011, CBN statistics suggest the current account balance improved significantly in the first half of 2011 as exports increased further.

# Financial review


## Overview of financial results

The operating environment in 2011 was marked by monetary policy tightening, inflation threat, bearish trend in the capital market, pressure on exchange rates and the ongoing reform in the banking industry, which culminated in the nationalisation of three banks and takeover of five other banks. Despite the testing operating conditions, the group continued to record satisfactory financial performance. We continued to grow our business responsibly (as evidenced by the growth in risk assets, deposit liabilities, revenues and assets under management), focus actively on balance sheet management and leverage the investment in our operating platform. Our diversified business, highly disciplined approach to risk management, increased points of representation and skilled and passionate people made 2011 a satisfying year at an operational level.

Highlights of the 2011 financial results reveal increased transactional volumes and activities, strong loans and deposits growth, improvement in asset quality, diversified revenue stream, increase in impairment charges and continued investment in infrastructure.

Profit after tax decreased by 21% from ₦9.45 billion in 2010 to ₦7.44 billion due to increased impairment charges and infrastructural investment. The investment in the operating platform and footprint continued with the opening of 30 new branches, bringing the total branch network to 171 at year end and the deployment of a new core banking-application, Finacle, to enhance customer service, product availability and overall financial controls.

### Economic factors impacting the results

The global output growth contracted to 3.8% in 2011 from 5.2% achieved in 2010. The output was driven chiefly by emerging and developing countries as advanced economies growth fell to 1.6% in 2011, from 3.2% in 2010, given the sluggish trend in economic activity in the United States and increasing fiscal and structural imbalances in the Euro zone.

Inflation rates in most advanced economies trended upward in 2011 with the Euro zone debt crises worsening resulting in credit ratings downgrades, implementation of austerity measures and change of governments in some of the countries.

Output growth in the emerging and developing economies also slowed down from 7.3% in 2010 to 6.2% in 2011 on the back of a more modest output performance in China, India and Brazil. Similarly, the sub-Saharan Africa GDP fell slightly to 4.9% from 5.3% in 2010 driven largely by resilient commodity prices.

The Nigerian economy remained robust, with GDP growing by 6.7%, 7.6%, 7.3% and 7.7% in the first, second, third and fourth quarters respectively. The overall GDP average growth rate of 7.3% in 2011 was slightly lower than the 7.9% recorded in 2011. Inflation rate fluctuated within the lower double digits range for most part of 2011. The headline inflation rate averaged 10.9% in 2011 and was better than the 13.8% recorded in 2010.

For the country, security issues continued to be a major challenge during 2011. The pre- and post-elections and the security challenges in the northern part of the country somewhat doused the effect of the security successes recorded in the Niger Delta region via the amnesty program of the government.

The Central Bank of Nigeria (CBN) embarked on contractionary monetary policy in 2011 with an increase in Monetary Policy Rate (MPR) from 6.25% to 12.0%, cash reserve ratio from 1% to 8%, liquidity ratio from 25% to 30% and reduction in open position limit from 5% to 3%. The CBN increased the MPR six times during the year, while the cash reserve ratio was increased three times and liquidity ratio was increased only once. These measures were aimed at reducing inflation, ensuring foreign exchange stability and overall price and financial stability.

## Key financial indices

| Performance indicator | 2011 | 2010 |
|---|---|---|
| Gross income growth | 19% | (5%) |
| Total income growth | 17% | 10% |
| Profit before tax growth | (17%) | 31% |
| Profit after tax growth | (21%) | 16% |
| Gross loans and advances growth | 42% | 41% |
| Deposit growth | 57% | 10% |
| Net interest margin | 5.4% | 6.9% |
| Return on average equity (pre-tax) | 13.5% | 16.5% |
| Return on average assets (pre-tax) | 2.4% | 3.7% |
| Cost-to-income ratio | 71.8% | 70.8% |
| Non-performing loan to total loan | 7.0% | 7.6% |
| Capital adequacy | 22.9% | 32.2% |
| Earnings per share | 40k | 50k |
| Price to book (times) | 1.9 | 2.1 |
| Long term Fitch rating | AAA(nga) | AAA(nga) |

## Profit and loss analysis

### Net interest income

The net interest income increased to ₦29.76 billion from ₦26.37 billion recorded in 2010. This represents a 13% growth. The growth in net interest income was driven by a sustained growth in loan book and lower cost of funding in the first half of the year. Interest income grew by 17% to ₦40.34 billion principally as a result of the growing loan book occasioned by growing customer relationships, a function of our enlarged branch network. The growth in interest income was enough to moderate the effect of 32% growth in interest expense and lower income from investment securities and interbank placements. Interest expense increased in the first two quarters of the year as a result of an increase in the cost of funding occasioned by the monetary tightening by the CBN.

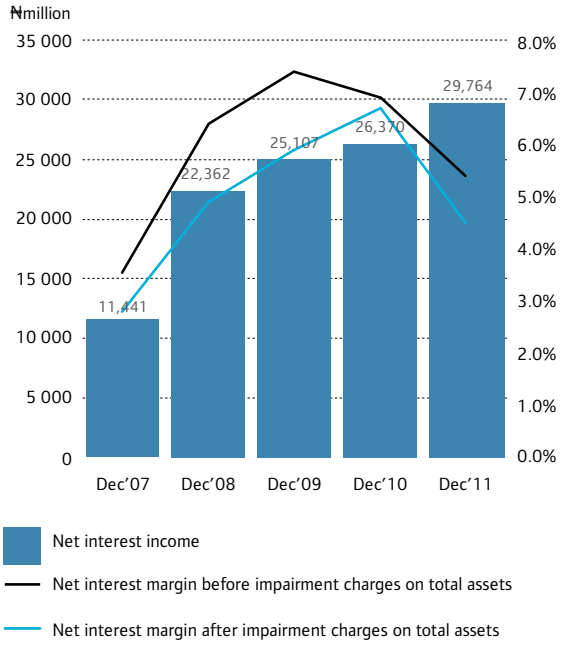
Net interest income represented 52.7% (2010: 54.5%) of total income in 2011.

Total assets increased by 44% to ₦554.23 billion. Consequently, net interest margin (net interest income on total assets) declined to 5.4% from 6.9% in 2010.

| | 2011 ₦million | 2010 ₦million | Change % |
|---|---|---|---|
| Interest income | 40,343 | 34,359 | 17 |
| Interest expense | (10,579) | (7,989) | 32 |
| Net interest income | 29,764 | 26,370 | 13 |

Net interest income

*CAGR (2007-2011): 27%*




Personal and Business Banking's net interest income grew significantly by 86% from ₦7.69 billion in 2010 to ₦14.29 billion due to growth and better pricing of risk assets and lower cost of funding.

Corporate and Investment Banking's net interest income was impacted by margin compression as a result of the hike in monetary policy rates as cost of funds increased at a higher rate than the increase in lending rates coupled with lower investment securities and interbank placement income. Consequently, the net interest income was down by 19% to ₦14.66 billion from ₦18.11 billion achieved in 2010.

### Non-interest revenue

Non-interest revenue, made up of commissions, fees, trading and other non-interest bearing revenue, was up by 21% from ₦22.02 billion in 2010 to ₦26.74 billion. The growth in non-interest revenue is attributable largely to growth in trading revenue and transaction volumes. Trading revenue, which is foreign exchange

# Financial review

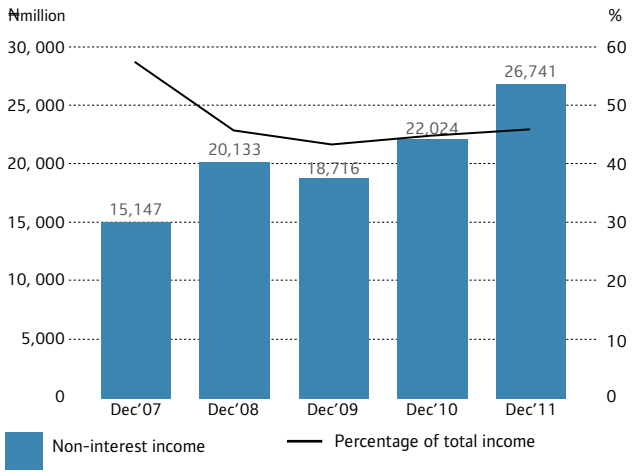
based income grew by a significant 113% from ₦2.66 billion in 2010 to ₦5.66 billion in 2011. The growth was occasioned by increased transaction volumes, exchange rate volatility and our ability to structure foreign exchange solutions for our corporate customers. Non-interest revenue was also impacted positively by a 9% growth in net fees and commissions as a result of increased transaction volumes and activities, a function of our enlarged footprint and continued steady growth within our wealth business. However, the bearish trend in the capital market in 2011 adversely affected the revenues of our Stock Broking, Custody and Asset Management businesses.

### Breakdown of non-interest revenue

| | **2011** | 2010 | Change |
|---|---|---|---|
| | **₦million** | ₦million | % |
| Net fees and commissions | **20,709** | 18,983 | 9 |
| Trading revenue | **5,660** | 2,658 | >100 |
| Other revenue | **372** | 383 | (3) |
| Total | **26,741** | 22,024 | 21 |

### Non-interest revenue

*CAGR (2007-2011): 15%*




Personal and Business Banking's non-interest revenue was up by 10% to ₦4.99 billion from ₦4.55 billion recorded in 2010 due to an increase in transaction volumes and activities.

Corporate and Investment Banking's non-interest revenue grew by 34% from ₦9.37 billion in 2010 to ₦12.53 billion in 2011 largely on the back of a significant growth in trading revenue and increased transactional volumes.

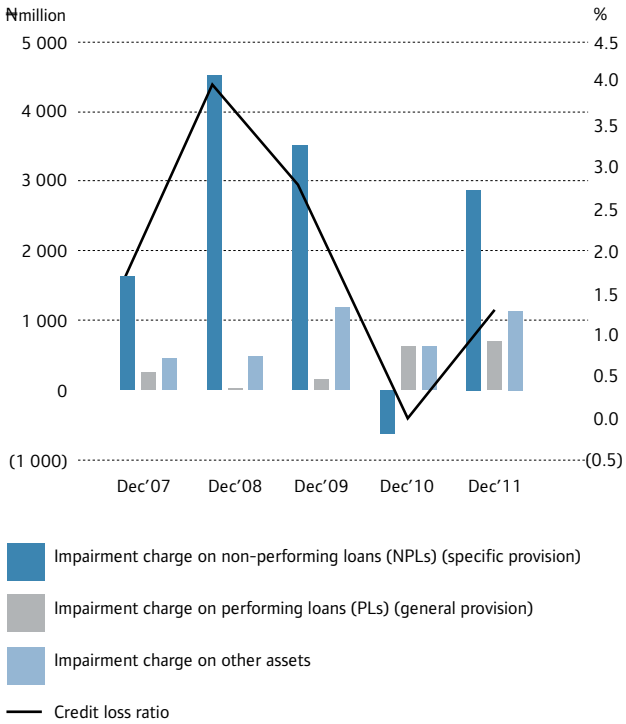
Wealth's non-interest revenue increased to ₦9.22 billion from ₦8.01 billion in 2010, thus representing a 14% increase over the 2010 figures. The increase is occasioned by growth in assets under management and number of clients.

### Impairment charges

Impairment charges increased to ₦4.71 billion from ₦620 million recorded in 2010 as a result of increased provision for credit losses. Credit related impairment charges amounted to ₦3.58 billion in 2011, while non-credit related impairment charges (provision for other assets) was ₦1.13 billion. The increase in credit impairment is driven by a one-off ₦2.81 billion credit impairment charge on one of the top non-performing loans. Expectedly, the increase in impairment charges adversely impacted profitability. The credit loss ratio increased to 1.3% from (0.0%) in 2010.

The group continued to maintain its prudent approach to impairments and the policy remained unchanged during the year.

### Impairment charges and credit loss ratio




### Operating expenses

Operating expenses grew by 18% from ₦34.25 billion in 2010 to ₦40.56 billion in 2011. The increase in operating cost is driven by the investment in infrastructure (branch and ATM network), systems, people and skills, which continued in 2011. During the year, 30

new branches were added to our footprint, thereby bringing the total branch network to 171 at the end of 2011. In addition, a new core banking application, Finacle was deployed in the second half of the year to improve operational efficiency. As a function of this investment, the cost-to-income ratio grew marginally to 71.8% from 70.8% recorded in 2010.

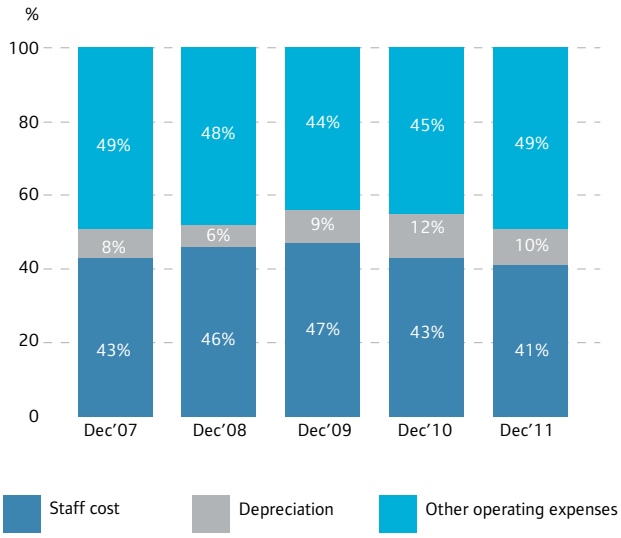
Personal and Business Banking's operating cost was up by 48% to ₦22.10 billion. The cost growth is expected given our continued drive to expand our points of representation, automate and upgrade our IT infrastructure and the need to attract quality people.

Corporate and Investment Banking's operating cost was down by 6% from ₦14.97 billion in 2010 to ₦14.12 billion in 2011. The reduction in cost is driven by the continued focus on cost and operational efficiency by the business division.

Wealth's operating cost decreased marginally by 1% to ₦4.34 billion from ₦4.38 billion in 2010.

The investment in infrastructure has started producing the expected results as the number of customers and transaction volumes continued to increase, thus impacting revenues positively. In 2011, customer numbers grew by 16%, while volume of transactions on ATMs and business transactions and activities grew by 26% and 37% respectively.

Operating expenses mix




Breakdown of operating cost

| | Change % | 2011 ₦million | 2010 ₦million |
|---|---|---|---|
| Staff cost | 12 | **16,570** | 14,781 |
| *Other operating expenses:* | 23 | **23,987** | 19,465 |
| Auditor's remuneration | - | **135** | 135 |
| Communication | 28 | **686** | 534 |
| Depreciation | (2) | **3,973** | 4,034 |
| Information technology | (15) | **2,067** | 2,431 |
| Marketing expenses | 13 | **1,489** | 1,318 |
| Premises | 45 | **3,999** | 2,764 |
| Travel and transportation | (11) | **1,220** | 1,377 |
| AMCON fund | 100 | **1,118** | - |
| Professional fees | 9 | **2,191** | 2,012 |
| NDIC deposit insurance | 45 | **1,248** | 858 |
| Others | 46 | **5,861** | 4,002 |
| **Total operating expenses** | 18 | **40,557** | 34,246 |
| **Cost-to-income ratio** | | **71.8%** | 70.8 % |

## Balance sheet analysis

The group's total assets increased by 44% from ₦384.54 billion in 2010 to ₦554.23 billion in 2011. The growth is driven largely by an increase in loans and advances and liquid assets. Risk assets accounted for 44% of total assets in 2011.

*Key balance sheet indicators*

| | 2011 ₦million | 2010 ₦million | Change % |
|---|---|---|---|
| Loans and advances to banks | **77,282** | 88,659 | (13) |
| Net loans and advances to customers | **255,585** | 177,454 | 44 |
| Total loans and advances | **332,867** | 266,113 | 25 |
| Deposit liabilities | **292,373** | 186,466 | 57 |
| Shareholders' funds | **82,806** | 83,750 | (1) |

# Financial review

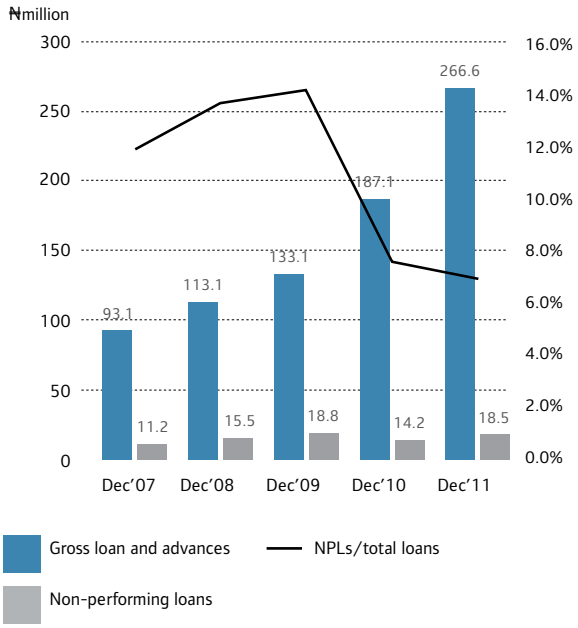
## Loans and advances

We made good progress in growing our loan book in 2011. The risk asset portfolio grew by a significant 42% from ₦187.14 billion in 2010 to ₦266.58 billion in 2011. The growth in loan portfolio is attributable to our growing customer relationships enhanced by our enlarged network. Personal and Business Banking's gross loans and advances grew by 63% to ₦93.66 billion, while Corporate and Investment Banking's total loan portfolio was up by 33% to ₦172.93 billion.

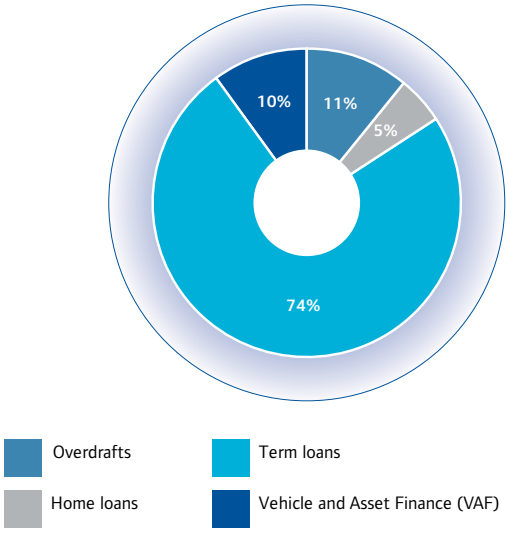
Asset quality continues to improve as the ratio of non-performing loans to total loans improved from 7.6% in 2010 to 7.0% in 2011. We continue to conservatively provide for our loan book and have not modified our provisioning policy, as we continue to impair assets in line with our comprehensive risk management framework.

### Risk asset quality

*Gross loans and advances: (CAGR 2007-2011): 30%*




### Breakdown of loans & advances



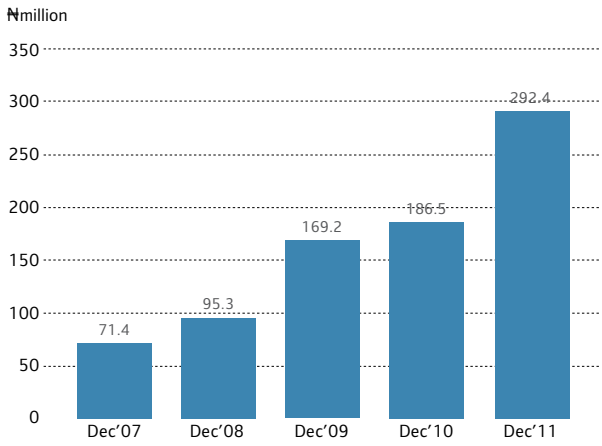

## Funding and liquidity

Our enlarged network, service excellence and ability to structure products that meet customer's needs contributed significantly to our funding base.

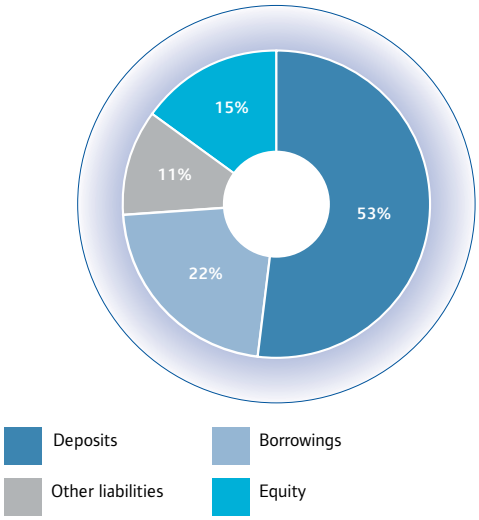
Total deposits and current accounts stood at ₦292.37 billion in 2011. This represents a significant 57% growth over the ₦186.47 billion recorded in 2010. The deposit base funded 53% of the group's total assets in 2011. Personal and Business Banking's deposit portfolio was up by 35% to ₦110.70 billion, while that of Corporate and Investment Banking grew by 74% to ₦181.67 billion.

### Deposit liabilities

*CAGR (2007-2011): 42%*



Funding mix




The group continued to maintain its traditional strong liquidity position, as the liquidity ratio stood at 71.4% at the end of December 2011. The ratio remains well above the minimum regulatory requirement of 30%.

### Capital adequacy

The shareholders' funds stood at ₦82.81 billion in 2011. The tier 1 capital adequacy ratio was 22.2% (2010: 31.4%), while the total capital adequacy ratio stood at 22.9% (2010: 32.2%) in 2011. These ratios are twice the 10% regulatory minimum for the period.

The group's capital is deemed adequate to support business risks and contingencies and will enable us to continue to pursue growth opportunities within the Nigerian market.

Capital adequacy computation

| | **2011 ₦million** | 2010 ₦million | Change % |
|---|---|---|---|
| Tier I capital | **82,806** | 83,657 | (1) |
| Tier II capital | **2,828** | 2,313 | 22 |
| **Total qualifying capital** | **85,634** | 85,970 | (0) |
| Risk-weighted assets | **373,527** | 266,764 | 40 |
| **Capital adequacy** | | | |
| Tier I | **22.2%** | 31.4% | |
| Total | **22.9%** | 32.2% | |

## Accounting policies

### Basis of preparation

The balance sheet, profit and loss account and specific disclosures are published in compliance with section 27 (1) of BOFIA Cap B3 Laws of the Federation of Nigeria 2004. The information disclosed has been extracted from the full financial statements of the bank and the group and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the bank and the group as the full financial statements.

### Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year.

## IFRS results

Standard Bank Group (SBG) reports its results in accordance with International Financial Reporting Standards (IFRS). Accordingly the group prepares IFRS results for inclusion in SBG's results.

Below are extracts of the income statement and balance sheet for the comparative years 31 December 2011 and 2010 prepared in accordance with IFRS.

The fundamental differences between Nigerian GAAP (NGAAP) and IFRS are:

- NGAAP employs a historical cost convention whereas IFRS employs fair value.
- Credit impairments are calculated based on expected losses (a set percentage based on prudential guidelines) instead of the IFRS incurred loss methodology with fair value calculations for security.
- Under NGAAP revenue on yield instruments is recognized purely on an accrual basis with no mark to market adjustments.

# Financial review

| IFRS group income statement | 2011 ₦million | 2010 ₦million | Change % |
|---|---|---|---|
| Interest income | **35,428** | 24,342 | 46 |
| Interest expense | **(7,786)** | (3,895) | 100 |
| **Net interest income** | **27,642** | 20,447 | 35 |
| **Non-interest revenue** | **27,605** | 29,566 | (7) |
| Net fees and commissions revenue | **18,388** | 17,494 | 5 |
| Trading revenue | **8,845** | 11,689 | (24) |
| Other revenue | **372** | 383 | (3) |
| **Total income** | **55,247** | 50,013 | 10 |
| Credit impairment charges | **(3,349)** | (191) | >100 |
| Credit impairment charges on non-performing loans | **(2,381)** | 2,167 | >(100) |
| Credit impairment charges on performing loans | **(968)** | (2,358) | (59) |
| **Income after credit impairment charges** | **51,898** | 49,822 | 4 |
| Operating expenses | **(41,792)** | (34,476) | 21 |
| Staff cost | **(17,840)** | (15,011) | 19 |
| Other operating expenses | **(23,952)** | (19,465) | 23 |
| **Profit before tax** | **10,106** | 15,346 | (34) |

## IFRS group balance sheet

| | 2011 ₦million | 2010 ₦million | Change % |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with central bank | **30,074** | 10,048 | >100 |
| Pledged assets | **19,501** | 18,573 | 5 |
| Derivative assets | **3,081** | 263 | >100 |
| Trading securities | **66,476** | 70,886 | (6) |
| Financial investments | **88,877** | 29,203 | >100 |
| Loans and advances | **302,771** | 209,970 | 44 |
| Loans and advances to customers | **256,720** | 176,679 | 45 |
| Loans and advances to banks | **46,051** | 33,291 | 38 |
| Other assets | **11,299** | 16,375 | (31) |
| Current and deferred taxation | **2,668** | 1,696 | 57 |
| Property and equipment | **24,724** | 25,645 | (4) |
| Intangible assets | **5,036** | 4,559 | 10 |
| **Total assets** | **554,507** | 387,218 | 43 |
| **Equity and liabilities** | | | |
| **Equity** | **81,778** | 89,975 | (9) |
| Equity attributable to ordinary shareholders | **79,867** | 85,602 | (7) |
| Ordinary share capital | **9,375** | 9,375 | - |
| Ordinary share premium | **47,469** | 47,469 | - |
| Reserves | **23,023** | 28,758 | (20) |
| Non-controlling interest | **1,911** | 1,376 | 39 |
| **Liabilities** | **472,729** | 300,240 | 57 |
| Derivative liabilities | **749** | - | 100 |
| Trading liabilities | **63,173** | 50,116 | 26 |
| Deposits and current accounts | **347,405** | 192,350 | 81 |
| Deposits and current accounts with customers | **287,242** | 186,118 | 54 |
| Deposits and current accounts with banks | **60,163** | 6,232 | >100 |
| Other liabilities | **56,215** | 53,701 | 5 |
| Current and deferred tax liabilities | **5,187** | 4,703 | 10 |
| **Total equity and liabilities** | **554,507** | 387,218 | 43 |

# Executive committee

**Sola David-Borha**
*Chief executive officer*

**Yinka Sanni**
*Deputy chief executive officer*

**Kayode Sololа**
*Executive director,*
*Corporate and Investment Banking*

**Obinnia Abajue**
*Head, Personal and Business Banking*

**Wole Adeniyi**
*Head, Business Support*

**Opeyemi Adojutelegan**
*Ag Head, Group Risk*

**Abass Alhassan**
*Head, Internal Audit*

**Barene Beard**
*Head, Marketing and Communication*

**Kandolo Kasongo**
*Head, Credit*

**Isioma Ogodazi**
*Head, Human Resources*

**Chidi Okezie**
*Company Secretary*

**Angela Omo-Dare**
*Head, Legal Services*

**Ronald Pfende**
*Chief Financial Officer*

**Demola Sogunle**
*CEO, Stanbic IBTC Pension Managers Limited*

# Personal and Business Banking

Personal and Business banking delivered a robust performance with total income up by a significant 58%. Total income was driven by strong growth in transactional volumes and activities on the back of an increase in the branch network, number of customers and continued focus on customer service.

## What we offer

Personal and Business Banking is the retail banking arm of Stanbic IBTC Bank. The business unit provides financial solutions to personal and business customers by offering the correct range of products and services at competitive pricing through correctly placed and cost effective channels. Channels include the branches, ATMs, point-of-sale (POS), Internet and telephone banking. Products include overdrafts, medium-term loans, mortgage loans, vehicle and asset finance, credit cards, trade finance and a variety of transactional savings and investment products.

## 2011 highlights

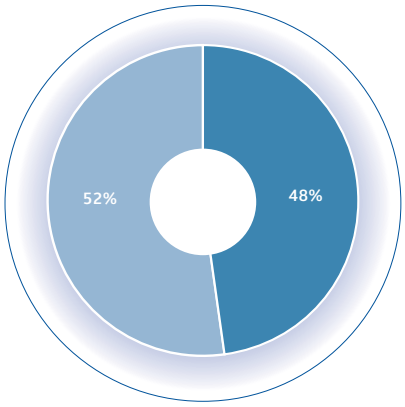
- Gross loans and advances increased by 63% to ₦93.66 billion
- Deposit liabilities grew by 35% to ₦110.70 billion
- Total income grew by 58% to ₦19.28 billion
- Improvement in asset quality as evidenced by the 25% reduction in non-performing loans to ₦3.4 billion (2010: ₦4.5 billion) despite loan growth
- Branch network was up 21% to 171
- Volume and value of transactions on ATMs increased by 26% and 91% to 23.5 million and ₦53.86 billion respectively
- Deployment of new core banking application aimed at improving service excellence
- Obtained operating license to offer mobile payment solutions
- Obtained approval-in-principle to carry out non-interest banking
- Ranked 3rd (2010: 9th) in the KPMG Professionals Customer Satisfaction survey

## 2012 priorities

Continue to:

- leverage the investment in our operating platform
- focus on growing customer base in all segments of the market using various channels and products
- grow our deposit base in the right mix
- improve on service delivery levels
- focus on cost and operational efficiency, whilst balancing that with our strategy to build and grow a sustainable business
- focus on internal credit and risk management processes and systems.

## Revenue by business unit




Personal Banking  Business Banking

**Net interest income**

**₦14,294 million**

2010: ₦7,691 million

**Total income**

**₦19,284 million**

2010: ₦12,236 million

**Deposits**

**₦110,696 million**

2010: ₦82,244 million

**Loans and advances**

**₦93,659 million**

2010: ₦57,335 million

## Overview

Personal and Business Banking (PBB) is responsible for the commercial and small and medium scale (SME); high net worth individuals (HNIs) and personal markets segments of Stanbic IBTC Bank's business. We provide financial solutions through products and services across various channels and platforms. With a nationwide network of branches, ATMs and bank agents, PBB is focused on providing appropriate, affordable, convenient and accessible financial solutions to our customers, through our passionate and customer-focused employees nationwide.

## Strategy

Our strategic focus for PBB remained unchanged in 2011 - the growth of the asset book and expansion of our risk appetite ensured that we could optimize the balance sheet and improve profitability. In addition, the increase in branch network continued with the addition of 30 new branches to bring our network to 171 by December 2011.

We continued to invest in building a long term sustainable business in 2011 and completed the deployment of our Finacle core banking application in July 2011. Further expansion of our distribution capability was achieved with the receipt of a mobile payment license from CBN, which complements our electronic banking channels and extends our reach to the underbanked and unbanked, while providing increased convenience to our existing customers. We remain committed to personal lending across the general and high net worth individual segments, with various asset products on secured and unsecured bases being provided to meet clients' needs.

# Personal and Business Banking

To ensure that our business is closely aligned with the key growth areas of the Nigerian economy, we continued our investment in SME and agricultural banking segments during the year. Our SME client base grew by 43% and our asset book in that segment by 104%. We also started to build a respectable position in the agricultural segment with our participation in the federal government's Commercial Agriculture Credit Scheme initiative.

## Financial performance

| | **2011 ₦million** | 2010 ₦million | Change % |
|---|---|---|---|
| Net interest income | **14,294** | 7,691 | 86 |
| Non-interest revenue | **4,990** | 4,545 | 10 |
| Total income | **19,284** | 12,236 | 58 |
| Operating cost | **(22,101)** | (14,893) | 48 |
| Impairment charges | **(2,576)** | (1,133) | >100 |
| Tax provision | **2,391** | 1,137 | >100 |
| Profit after tax | **(3,002)** | (2,653) | 13 |

Although revenues improved by 58%, the impact of our aggressive network expansion came through in 2011 given the timing of most of the branch expansion in late 2010 and 2011. Our branch expansion has now peaked and we expect a more modest rollout going forward while we reap the benefits of the nationwide network. Future distribution extension will also happen across multiple platforms - ATMs, bank agents and self service channels.

2011 closed on a high note as we launched Stanbic IBTC MobileMoney on the Glo Mobile network. MobileMoney is our mobile payments platform that is designed to drive financial inclusion and support the CBN cash-lite initiative.

We were the first bank to be awarded an in-principle approval to operate specialized non-interest banking. We believe that this will enable us have access to the Islamic population, which has largely operated outside the formal banking sector.

## 2012 Outlook

The business will remain focused on our three key lines - personal banking, business banking and high net worth individuals - providing a simple, affordable, convenient and accessible banking service to the vast majority alongside bespoke personal financial solutions for our high net worth individual clients.

The CBN Cashless Society initiative is expected to have significant impact on customer transactional behavior as people are encouraged to migrate to electronic payment platforms. We expect to see a progressive reduction in operational costs of banks, an increase in self service channels and transactional volumes and an increase in bankable customers. We believe that this will augur well and support the growth of consumers in areas where Stanbic IBTC is one of the strongest institutions locally.

The general macro economic outlook for the country includes a rise in inflation and cost of living driven by downstream petroleum industry deregulation, and further economic reform. We anticipate that service and customer engagement will be critical to success in 2012. Our focus is therefore to continue improving the customer experience at all our touchpoints to encourage retention and loyalty.

We expect to see significant growth in our balance sheet especially in our liabilities base as the client numbers grow and we reap the benefits of our extended retail footprint.


Stanbic
IBTC
Bank
A member of
Standard Bank Group

# Case study



## Dabol Nigeria Limited

*Dabol was incorporated on 12 February 1996 as Dabol Nigeria Enterprises. The business started as a retail outlet for cosmetics, ladies shoes, bags and children wear. As a result of the need to diversify, the company ventured into agricultural produce marketing. The company was then incorporated as a limited liability company.*

In the year 2000, Dabol commenced full supply of grains directly to Cadbury and Guinness on a small scale with the support of Stanbic IBTC Bank by way of invoice discounting facility.

The company which started with three casual staff now has over 100 staff with locations in Zaria, Ibadan and Lagos.

Dabol Nigeria Limited commenced its business relationship with Stanbic IBTC Bank in November 1999. Their initial financial assistance from Stanbic Bank was a temporary overdraft of ₦500,000 for supply of sorghum. This lending relationship improved satisfactorily to a standby invoice discounting facility, local purchase order (LPO) financing, asset finance for the acquisition of company trucks and equipment, and a warehousing facility of ₦510 million.

With the support of Stanbic IBTC Bank, Dabol Nigeria Limited is currently engaged in the following business activities:

- Supply of agricultural produce such as maize, sorghum and soya beans to multi-national agro industrial end-to-end users such as breweries and food and beverage companies and animal feed production companies. Most of these companies are blue chips such Nestle, Cadbury and Guinness.

The table below shows the scale of supplies to the blue chip companies by Dabol Nigeria Limited.

| Crop season | 2005/ 2006 | 2006/ 2007 | 2008/ 2009 | 2009/ 2010 | 2010/ 2011 | 2011/ 2012 |
|---|---|---|---|---|---|---|
| Annual tonnage | 7,650 | 9,200 | 9,300 | 12,500 | 16,000 | 24,000 |

- Agricultural produce processing at its ultra-modern grains processing factory using tender milling technology.

Currently, the company is working on the export of yellow sorghum to Kenya for Guinness. Dabol is a licensed exporter with Nigeria Export Promotion Council (NEPC). The future plan is to expand into flour milling, gritting and a malting plant.

The short term expansion plan is the installation of silos with an initial storage capacity of 6,000 tonnes as well as acquisition of its own trailers and weighbridge.

Dabol Nigeria is currently operating a tender milling contract with Nestle Nigeria and Guinness Nigeria. Amongst the seven tender millers serving Guinness Nigeria, Dabol is well positioned to serve them through their industrial cleaning plant and experienced employees.

Dabol also has a well structured and good management in place and just installed an integrated IT system thereby bringing the company up to best business practice with information readily available for decision making.

# Case study

## Debonair Book Store Limited

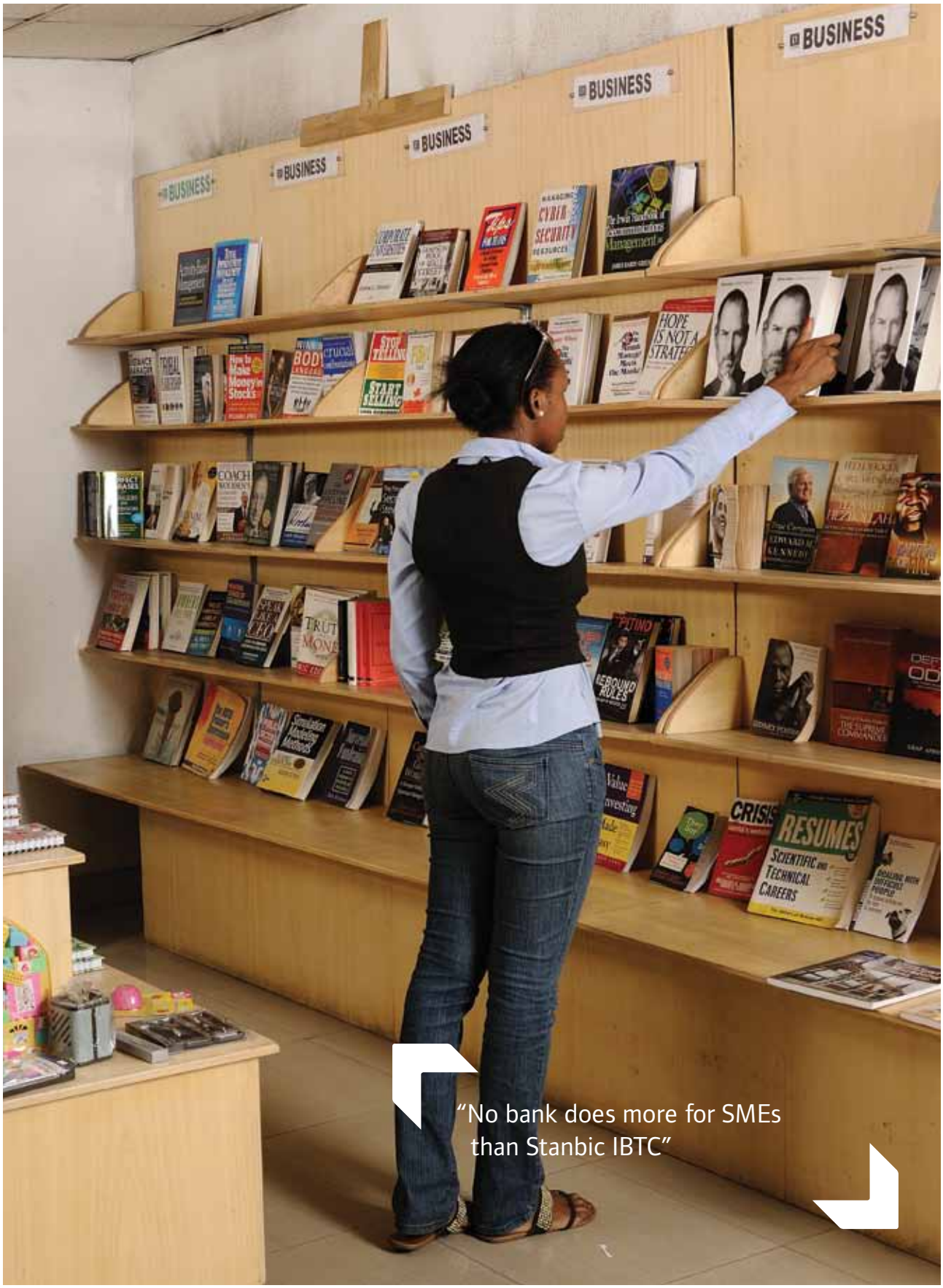
*"At a point it became a no-brainer switching to Stanbic IBTC as my primary bank because I was constantly being advised on how to undertake transactions and structure our internal processes. Till date, I run my plans by the bank and receive candid advice.*

*I recommend the bank to other SMEs because no other bank does more for SMEs in Nigeria than Stanbic IBTC Bank."*

The ability to identify and take advantage of new or existing business opportunities is the hallmark of an entrepreneur. Adebola Omololu, chief executive officer, Debonair Book Store Limited, exemplifies this trait, which explains his transition from being an employee to an employer of labour based on the assumption that book retailing is a potential money-spinner in Nigeria. Mr. Omoniyi had a good job with a great pay cheque, but he just could not resist the allure of entrepreneurship. "I have a passion for books and before setting up Debonair, I would visit bookstores in other countries and the realisation hit me that the business of books has massive potential in Nigeria. Due to my analytical background, I conducted a survey and realised that the local book industry had a potential market value of about $3.2 billion. I decided to take advantage of the opportunity."

This banking relationship, according to Adebolu started when he walked into the newly opened branch of Stanbic IBTC Bank close to his office to learn about the bank's products, just like every other customer. "I met with a staff member who promised to visit our store. He kept to his word and constantly offered advice on how we could take the store forward. At a point it became a no-brainer switching to Stanbic IBTC as my primary bank because I was constantly being advised on how to undertake transactions and structure our internal processes. Up till now, I run my plans by the bank and receive candid advice. We have developed a relationship that goes beyond mere banking transactions. I show them what we are doing, our plans for the future and the challenges we are experiencing. They understand our vision. I recommend the bank to other SMEs because no other bank does more for SMEs in Nigeria than Stanbic IBTC Bank."

Debonair Book Store was one of the first beneficiaries of our SME quick loan product, taking a loan of ₦2.5 million. This was used to buy digital tablets (which he calls "The Debonair Bamboo") and he paid his loan back within three months. He has now been given another loan of ₦4.5 million to increase his stock, fulfilling our promise of helping customers move their businesses forward.




"No bank does more for SMEs than Stanbic IBTC"

# Corporate and Investment Banking

The Corporate and Investment Banking business showed resilience in the face of the testing operating conditions witnessed during 2011. We continue to build trust with our clients by working closely with them to develop deal structures that draw on our extensive sector expertise and global market insight. We maintain our market leadership in equity brokerage, project finance, investment banking and global markets with the resultant strong growth in transaction volumes and activities.

## What we offer

Corporate and Investment Banking (CIB) is the wholesale banking arm of Stanbic IBTC Bank. The business provides innovative investment, financing and advisory solutions to large local and multinational corporates, as well as to institutional and public sector clients in strategic sectors of the economy, while combining skilful research and risk management.

We are appropriately positioned to meet our clients' varying needs both within Nigeria and across the border as a result of a combination of our industry expertise and cross-border linkages with Standard Bank's global CIB team. This is a team of highly skilled and experienced professionals, with a strong and well respected brand in the Nigerian market.

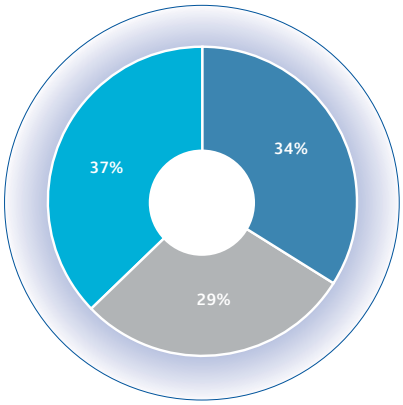
## 2011 highlights

- Gross loans and advances grew by 33% to ₦172.92 billion
- Deposit liabilities were up by 74% to ₦181.68 billion
- Grew foreign exchange income by 131% to ₦5.66 billion
- Grew holdings under custody by 12% to ₦585.67 billion
- Reduced in operating cost by 6% to ₦14.12 billion
- Maintained yearly dominance by market value of the secondary equity stock market, providing first class professionalism in service delivery
- Successfully hosted the annual Stanbic IBTC Investor conference created to provide insight and opportunities, pulling together investors, West African companies and leading policy makers.
- Key mandates won amongst others include:
  - BUA Sugar Refinancing facility mandate of ₦7.5 billion
  - Guinness lease facility signing of ₦13.5 billion
  - Aptics retail shopping mall development mandate of ₦1.8 billion
  - Joint issuing house and underwriter to UBA ₦35 billion 14% fixed rate tier 2 subordinated bond issue
  - Joint issuing house to ₦11.8 billion bond issue by Lafarge WAPCO
  - Joint issuing house to a ₦2 billion bond issue by NAHCO

## 2012 priorities

- Continue to enhance one global view of client
- Continued focus on cost optimization
- Re-focus our business portfolio and concentrate on relevant sectors
- Continue to grow the right mix of deposit liabilities
- Focus on strengthening our client engagement model
- Ensure that tailor-made solutions are provided to clients

## Revenue by business unit




- Investment banking
- Transactional products and services
- Global markets

**Net interest income**

**₦14,664 million**

2010: ₦18,109 million

**Total income**

**₦27,195 million**

2010: ₦27,487 million

**Deposits**

**₦181,677 million**

2010: ₦104,227 million

**Gross loans and advances**

**₦172,923 million**

2010: ₦129,806 million

## Overview

Corporate and Investment Banking (CIB), is made up of four divisions:

- Investment Banking (IB)
- Global Markets (GM)
- Transactional Products and Services (TPS)
- Corporate Banking Coverage (CBC)

Investment Banking, Global Markets and Transactional Products and Services are our product offering divisions whilst corporate banking coverage identify client requirements and align these with the services provided from each division. These teams are distinct but aligned to provide our clients with innovative solutions and financial advisory services.

We continued to build on the internal restructuring that we put in place in 2010 and started seeing the fruition in the 'One CIB' approach to our deals.

**Global Markets** (GM) continued to be the main revenue earner amongst the three product divisions despite the challenging Euro crisis and regulations affecting the market. The GM business remained the leading market maker in foreign exchange (FX), money market (MM) and the fixed income (FI) businesses, however our desire to limit risk taking and defer to a cautious approach in a very turbulent year, led to lower proprietary and trading income. In 2011, we diversified into structured derivatives aimed at minimising interest, exchange and price risks for our clients. These new revenue streams contributed to the success of the portfolio.

# Corporate and Investment Banking

The first wholesale USD/NGN NIBOR indexed cross currency interest rate swap in the country was executed, underscoring our expertise in structuring. GM increased client revenue by engaging Chinese suppliers and African importers and driving awareness of the benefits of trade settlement. Another new initiative was the set-up of the retail sales desk with the primary focus to increase our sales revenue and cross sell opportunities into the Personal and Business Banking division. This has been a successful initiative evidenced by higher volumes and sales.

Stanbic IBTC Stockbrokers Limited (SISL) continued its impressive run in brokerage by winning the EMEA Finance Magazine Award as Best Broker in Nigeria.

**Investment Banking (IB)** had a good year providing advisory services, rights issues and debt arranging for a number of our top clients. IB successfully executed rights issues for Flour Mills Nigeria and Consolidated Breweries. The property finance unit also won the mandate of Aptics Retail Shopping Mall Development. Some of the successful debt arranging solutions provided in 2011 are mentioned in the case studies on pages 43 to 46.

IB also won the EMEA Finance Magazine Award as the Best Investment Bank in Nigeria. Standard bank also won this award in Kenya, Botswana, Ghana, Malawi, Swaziland and Tanzania, positively reflecting the Standard Bank Group strategy to becoming the best Corporate and Investment Bank in Africa.

One of the major highlights of the **Transactional Products and Services (TPS)** unit is the transformation of the platform of our electronic offerings. Working closely with the Personal and Business Banking e-banking team has helped us develop solutions that best suit individual client needs. In 2011, we grew our trade business revenue by 25% as a result of an increase in trade transactions from existing and new clients.

Another key success recorded in 2011 was our appointment as a custodian to the Asset Management Corporation of Nigeria (AMCON) to manage the assets it acquired from the distressed banks.

We successfully obtained one of the few mobile payment licenses by the Central Bank of Nigeria (CBN) to provide customers and non-customers of Stanbic IBTC the flexibility of banking or doing simple financial services on their mobile phones.

A large proportion of the population remains unbanked and our mobile payment service is a great opportunity to bring banking into the community.

## Financial performance

This year saw the monetary policy rate increase six times creating volatility in the market with the resultant pressure on margins as cost of funding increases. The increase in cost of funding, the bearish trend in the capital market and the erosion of mark-to-market value of fixed income securities had a negative impact on revenues. However, the negative impact was somewhat moderated by the significant growth in trading revenue from Global Markets, an increase in fees and commission from advisory services within Investment Banking and an increase in transaction volumes and activities within Transactional Products and Services.

Our continued focus on cost and operational efficiency resulted in a reduction in operating costs. The abridged results are shown below:

| | **2011** | 2010 | Change |
|---|---|---|---|
| | **₦million** | ₦million | % |
| Net interest income | **14,664** | 18,109 | (19) |
| Non-interest revenue | **12,531** | 9,378 | 34 |
| Total income | **27,195** | 27,487 | (1) |
| Operating cost | **(14,115)** | (14,972) | (6) |
| Impairment charges | **(2,129)** | 513 | >(100) |
| Tax provision | **(4,478)** | (3,814) | 17 |
| Profit after tax | **6,473** | 9,214 | (30) |

## Awards

Being part of Standard Bank Group continues to be an asset as it brings the support required to timely and expertly execute deals. Our expertise in this area has been acknowledged by the awards we have received for both our services and the deals in which we have been involved:

- Best Sub-Custodian, Global Finance Awards, 2011
- Best Investment Bank in Nigeria, Euromoney Awards for Excellence, 2011
- Best Broker in Nigeria, EMEA Finance, 2011
- Best Investment Bank, EMEA Finance, 2011

## 2012 Outlook

The recent financial crisis has fundamentally altered the financial outlook and clients are demanding a more active relationship and looking for services that will continue to place them ahead of their competitors, whilst maximising revenues.

*Below are our priorities for 2012:*

- We will continue to strengthen our client engagement model working closely with our Personal and Business Banking and Wealth Management businesses to provide customized offerings reflecting our commitment to serve our clients across all segments.

- We seek to grow our deposit liabilities by providing enhanced service, introducing new products whilst leveraging on our improved electronic and branch platforms.

- CIB will continue to enhance the single global view of a client. We will leverage our global expertise and internal processes to enhance global pipelines or opportunities for our clients.

- We will optimise value for our stakeholders, whilst fully capitalizing on our strengths and continue to hold top-tier positions where we choose to operate.

- To ensure that the best solutions are presented to our clients, we continuously train our staff and provide them with ongoing support. We will continue to attract, develop and retain top industry talent.

- Cost optimisation will remain a focus in 2012 as we seek to continue to deliver at the highest standards of services at an optimal cost.

# Case study

Ikeja City Mall, Lagos and Polo Park, Enugu

## A focus on property development financing - the retail expansion story

*The commitment to the growth of the property development in Nigeria is demonstrated by Stanbic IBTC's financing of world class real estate projects that are contributing to the creation of business infrastructure and retail activities.*

Stanbic IBTC provided novel financing structures and solutions to ensure the construction and completion of the newest first class retail centres across the country - the Ikeja City Mall in Lagos state and Polo Park in Enugu state.

Stanbic IBTC Bank and Standard Bank were joint financiers for the US$100 million Ikeja City Mall, a sprawling 28,500m$^2$ retail centre in Lagos. It is one of the largest malls in West Africa and the first international quality centre financed by a local financial institution.

The seven year facility combined a US Dollar and Naira facility with a balloon repayment, financed by a mix of debt and equity with the debt facility of US$48.6 million secured from Stanbic IBTC Bank and Standard Bank.

The mall was delivered under budget and achieved practical completion within 21 months, less than the projected 24-month period – a commendable feat in the Nigerian real estate and construction industry.

In addition, we also financed the development of the Polo Park mall in Enugu state. A shopping mall being developed jointly by the Persianas Group, the developer responsible for the development of The Palms retail mall in Lagos (the first formal retail centre in Nigeria,) and the Enugu State Government providing approximately 23,000m$^2$ of gross lettable area.

The deal involved putting in place a funding package of US$42.7 million with the debt facilities comprising a US$38.7 million dual currency medium term senior debt, together with a supplemental US$4.0 million mezzanine facility. The loan was structured as an eight year tenured facility with a balloon which includes an interest rate derivative on the USD portion of the facility.

Polo Park mall is at the stage of practical completion having commenced trading activities in December 2011. Given that the

mall is the first of its kind in the state and neighboring states, it is expected to be a one stop destination for shoppers in Enugu for a long while to come.

Both malls have successfully attracted a number of retailers who are entering the Nigerian retail market for the first time, including local and international retail chain operators expanding their network such as Shoprite and Game.

### Partnership

There has been a lot of activity in the retail sector in Nigeria, with a number of developers looking to capitalise on the chronic shortage of modern quality retail malls across the country. The Polo Park mall in Enugu, The Palms in Lagos and other retails malls in Abuja are evidence of the potential success within this industry.

As a result of this interest, Stanbic IBTC is constantly looking for opportunities to partner with local or foreign investors in order to contribute to the development of the retail sector.

Our past involvement and resources available through Standard Bank has enabled us to gain the necessary knowledge and expertise required to assist genuine investors and entrepreneurs in this area of the Nigerian market. The knock on effect will be job creation and infrastructure development.

# Case study

First Hydrocarbon Nigeria (FHN) Limited

## The indigenous Energy Firm of Interest

*"Stanbic IBTC's financing of this project shows a clear endorsement and commitment to the federal government's initiative to develop and encourage indigenous participation within the energy sector."*

*As part of the federal government's drive for the increased participation of local content in Nigeria's oil and gas sector, Stanbic IBTC seeks out strategic opportunities to partner with indigenous local firms with the capacity to meet the high operating standards required of operators in the oil and gas sector whilst maintaining key focus on community related issues and concerns.*

The acquisition of Oil Mining Lease (OML) 26 by First Hydrocarbon Nigeria (FHN) Ltd is the first of such strategic partnership opportunities. FHN acquired the 45% stake of OML 26 held by the joint venture (JV) interests of Total Exploration and Production Nigeria Ltd, Shell Petroleum Development Company of Nigeria Ltd (SPDC) and Nigeria Agip Oil Company Ltd, with the Nigerian National Petroleum Company (NNPC) owning a 55% stake in the asset.

Afren Plc, a tier 1 oil and gas client for Standard Bank, holds a 45% stake in FHN. Afren is listed on the London Stock Exchange with its primary focus of operation in West African oil and gas assets and provides required technical support to FHN. Over the years, Afren has developed a diverse geographic footprint in Africa and established a strong operating track record with 27 assets across African countries including Nigeria, Ghana, Cote D'Ivoire, Sao Tome and Principe JDZ, Congo Brazzaville, South Africa, Ethiopia, Kenya, Madagascar, Seychelles and Tanzania.

OML 26 sits on the vast Niger Delta wetlands region, and comprises developed and producing fields, Ogini and Isoko, and three undeveloped fields (Aboh, Ovo and Ozoro) with exploration upside. The Ogini and Isoko fields are currently producing a combined monthly average of 4,600 barrels of oil per day (bopd) as at September 2011. However, based on the intended work programme for both fields, production is expected to increase to 40,000 bopd over five years.

Crude export from the fields is at the Forcados terminal via a 29km pipeline to the SPDC JV operated Eriemu manifold. Nigerian National Petroleum Company (NNPC) has assigned its interests in the asset to subsidiary company, the Nigerian Petroleum Development Company (NPDC), which will take over from SPDC as operator of OML 26.

## Financing the acquisition of OML 26

Stanbic IBTC was mandated along with another bank to act as the lead arranger and book runner to the transaction. The lead arranger role was provided by the oil and gas project finance teams in our Lagos and London offices.

The transaction entailed structuring a five-year senior secured acquisition and reserve based lending facility of up to $230 million on behalf of FHN 26, a wholly owned subsidiary of FHN. Funds raised are for the acquisition and capital expenditure program of OML 26. The facility was supported by a robust hedging policy to mitigate any substantive negative movements in the crude oil price. The transaction was successfully concluded in November 2011, with the acquisition of the SPDC JV's 45% stake by FHN 26 shortly thereafter.

## Community development

Stanbic IBTC's involvement in the financing of this company is backed by the assurance and full commitment of FHN to community involvement in the operations and development of OML 26. FHN will leverage on Afren's community management expertise and has developed a "Community Affairs" policy ensuring it maintains significant contributions to the economic growth and the well-being of the community it operates in.

# Wealth

The Wealth business continued to witness strong growth in revenues on the back of growth in assets under management and number of clients. The component businesses – pension and non-pension asset management continued to maintain market leadership in their various business sectors.

## What we offer

The Wealth business focuses primarily on pension administration and management, private non-pension asset management as well as trusteeship and estate planning. The latter is the latest product offering of the business unit.

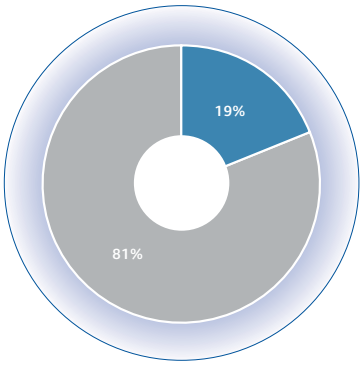
## 2011 highlights

- Achieved a record assets under management of ₦699.8 billion (US$4.4 billion) to reinforce our position as the largest institutional investment business and number one wealth manager in Nigeria
- Year-on-year net profit growth of 37% to ₦3.97 billion
- Improved cost efficiency by attaining a cost-to-income ratio of 43%
- Grew the number of retirement saving accounts by 13% to over 900,000
- Received regulatory approval for the launching of our sixth mutual fund, Stanbic IBTC Balanced Fund
- Strengthened the corporate governance and executive oversight of Stanbic IBTC Pension Managers Limited (SIPML) with the creation of 11 departments and appointment of two new executive directors
- Commenced full operations of Stanbic IBTC Trustees Limited (SITL) specialising in trusteeship and estate management functions
- Agusto and Co, a registered rating agency, conducted its first rating of our Stanbic IBTC Money Market Fund and awarded it a rating of "AA$^{(f)}$", the highest rating assigned to any mutual fund in Nigeria
- Deployed a robust and integrated IT solution, the Microsoft Dynamics NAV for processing, administration and management of pension and non-pension assets
- Corporate governance of the mutual funds was enhanced with the appointment of an asset custodian to hold the underlying assets separately from the managers.

## 2012 priorities

- Continue to grow assets under management and the number of both retail and institutional clients
- Focus on service quality and greater accessibility to clients by building a culture of service and being customer centric
- Identification of new markets and opportunities in the informal and voluntary contribution segment of the pension business
- Development of new products in order to diversify asset classes from mainly fixed income securities and quoted equities and give clients a wider variety of product offerings tailored to their needs and life style

## Revenue by subsidiary




Asset management

Pension management

**Total income**

**₦10,026 million**

2010: ₦8,671 million

**Cost-to-income ratio**

**43.3%**

2010: 50.5%

**Assets under management**

**₦699.8 billion**

2010: ₦580.2 billion

**Retirement savings accounts**

**939,173**

2010: 834,298

## Overview

The Wealth business is one of the three arms of the Stanbic IBTC Group. This business comprises three companies:

- Stanbic IBTC Pension Managers Limited (SIPML) for the administration and management of pension assets;
- Stanbic IBTC Asset Management Limited (SIAML) for the management of private non-pension assets; and
- Stanbic IBTC Trustees Limited (SITL) for trusteeship and estate management functions

At the end of 2011, the Wealth business had approximately ₦700 billion as assets under management and has remained the leading wealth manager in Nigeria with SIPML consolidating its position as the largest pension fund administrator in terms of assets under management and number of retirement savings accounts (RSAs). SIAML also maintained its position as the largest independent non-pension assets manager measured by value of assets under management, number and size of mutual funds and number of customers.

The commencement of operations by SITL enabled us to broaden our product offerings and cater to the needs of different strata of our clientele with respect to estate management and private trusteeship.

## Strategy

The Wealth business model is focused on assisting our clients in investing in a variety of eligible asset classes, including fixed income and equities markets, to accumulate and preserve wealth. However, in doing this we are committed to ensuring security,

# Wealth

liquidity and reasonable returns over a medium-long term investment horizon.

In 2011, the Wealth business focused on increasing our client base and assets under management as well as diversification of product offerings. For the Pension business, we added over 100,000 clients and plan to hit our milestone of one million retirement savings accounts in 2012. Assets under management grew by 24% to close on ₦606.2 billion (US$3.8 billion). The non-pension asset management business closed its assets under management at ₦93.6 billion (US$584 million) and recorded a marginal increase over the 2010 figures, thus weathering the storm of the global economic meltdown, which hit the equities market in 2011. In addition, SIAML recorded a subscriber base of about 35,000 in its mutual funds despite investors' apathy and other macro-economic challenges.

The Wealth business extended its reach beyond pension and non-pension Asset Management to include trusteeship and estate management business. SITL was able to complement the asset management business and close a crucial gap in the cycle of inter-generational wealth transfer by signing-on over 1,000 individual clients under the retail will scheme. In addition, the prospect of diversifying our income stream into other sources such as corporate trusteeship was ignited by successfully playing an agency role in a syndicated loan facility extended to a corporate client.

The Wealth sales team was set up with a specific mandate to cross sell into other group's clientele. To this extent, two new investment advisory mandates were secured from institutional clients and another two new appointments were obtained for the management of unclaimed dividend pools. A greater part of 2011 was spent in trying to penetrate the health insurance industry and spread awareness of our unique product, and over 1,900 lives were signed unto Liberty Health insurance product.

We have continued to emphasize a cost effective and scalable operating model by investing in and deploying core applications and IT platforms with capacity for a large number of accounts and faster processing time in an integrated environment. This resulted in an improved client service experience and increased scale of operations without a commensurate increase in operating cost.

Our commitment to increase accessibility for customers got a boost by leveraging the 171 points of representation of the bank, as well as our regional offices. The service level agreement and other terms, including appropriate incentives and template for measurements, have been fine-tuned in order to increase the quality of service and duty of care rendered through an integrated network of branches and platforms provided by the group.

## Financial performance

2011 was an exciting but challenging year. The aftermath of the banking crisis, multiple adjustments and upward movements in the monetary policy rate, inflationary pressure, erosion of mark-to-market value of fixed income securities and decline in the Nigeria All-Share Index as well as depreciation in the value of the Naira, amongst others, presented a very tough environment for wealth management businesses.

Despite these macro-economic challenges and fee compression, the Wealth group was able to surpass the 2010 financial performance. Revenue grew by 16% and net profit rose by an impressive 37% over the 2010 figures, while total assets under management increased by 21% to close on ₦699.8 billion (US$4.4 billion). This further reflects the strength of our underlying business and the resilience of our operating model in that we were able to extract value from different and uncorrelated income streams, grow the annuity portion of our business, curtail expenses and make savings with efficient and automated operational strategies.

| | **2011 ₦million** | 2010 ₦million | Change (%) |
|---|---|---|---|
| Net interest income | **806** | 570 | 41 |
| Non-interest income | **9,220** | 8,101 | 14 |
| Total income | **10,026** | 8,671 | 16 |
| Staff cost | **(1,711)** | (1,631) | 5 |
| Other operating cost | **(2,630)** | (2,750) | (4) |
| Tax provision | **(1,716)** | (1,396) | 23 |
| Profit after tax | **3,969** | 2,894 | 37 |

## 2012 Outlook

2012 promises to be exciting as we expect complete resolution of the banking crisis, deregulation of the downstream sector of the oil industry, deregulation of and private sector led investments into the power sector, reduction of macro-economic distortions and increased fiscal discipline with improved relative government spending on infrastructure. In addition, we expect the equities market to bottom-out and the interest rate regime to remain at a lower double digit level, on average.

The wealth management industry is not mature despite its relative size and age. It is fragmented with many players and there is a low barrier to entry except in pension asset management. Based on the above scenarios, scale and size will continue to be critical elements for long term success especially as the coverage ratio in pension business is set to move beyond single digits and fees continue to trend downwards.

We have therefore adopted a multi-pronged approach of retirement savings accounts, mutual funds and corporate trusteeship. We will grow the numbers of retirement savings accounts, by exploring new markets and population clusters, taking advantage of the transfer window and increased compliance enforcement by the regulators and implementing a more active portfolio investment strategy. Through our mutual funds, we will be offering a wider variety of asset classes to cater to the needs of retail and institutional investors, while extending our expertise to new groups of asset owners.

As the economy becomes more private sector led and banks increase credit to the private sector, we will grow our corporate trust business particularly the agency desk i.e. facility, security and escrow agent functions. In all these, our differentiator will be our customer-focused and innovative people.

# Abridged sustainability report

The objective of this report is to highlight Stanbic IBTC Bank's impact on the Nigerian society as well as stakeholders in the areas pertaining to the environment and social and economic value for all stakeholders.

A responsible business is underpinned by strong values and has a clear and compelling vision of where it is going. Over the past few years, Stanbic IBTC Bank has achieved success on the strength of its distinctive values and clear vision. This report sets out the steps taken by the bank in 2011 to ensure that in our present and future business, we continue to live our values.

The bank's corporate social investment strategy is aimed at applying distinctive capabilities in a coordinated manner to address social challenges. The strategy is anchored on Standard Bank Group philosophy that our growth potential is dependent on the wellbeing of people in the communities where we live and work. The philosophy is anchored on three platforms; our business, community and the environment. These three interwoven platforms are prerequisites to achieving and sustaining social development. Through strategic interventions in such communities, our values are reinforced while achieving our business objectives.

The bank's focus on growing its global presence entails consistently investing in local capacity as healthy and economically active communities have a direct impact on our long term business growth. Since our stakeholders live and work in the communities in which we operate, it follows that by supporting and investing in the wellbeing of these communities, Standard Bank Group is investing in its own sustainability.

As a bank operating in developing markets, our CSR efforts align to our business activities and enable us to take economic development even further.

The group's CSR philosophy is therefore closely aligned with that of Standard Bank. Very importantly, it is guided by three major criteria:

a) Social and developmental relevance

Our corporate social investments should bear strong relevance to the social and economic developmental needs of the larger society.

b) Wide-impact

Our corporate social investments should impact positively on as many people and/or communities as practical.

c) Sustainability

Our corporate social investments should be able to self-replicate themselves year after year. In other words, the initiatives should with time, perpetuate themselves and become self-sustaining rather than those that will require perpetual intervention.

## Projects Undertaken

In the course of 2011, a number of projects were undertaken:

### Stanbic IBTC Adopt a school project

In a bid to contribute meaningfully to the development of education in Nigeria, the group continued the journey towards creating an enabling environment for learning in our schools by handing over the Stanbic IBTC Adopt a School program to Lagos State Government. The pilot project was in Lagos, with the adoption of the Lagos Progressive schools, (primary, junior and senior secondary) Surulere, with others being added as we progress.

### Bizaids

Bizaids is an initiative of the Pan African Business Coalition which helps SMEs in mitigating against the economic effects of HIV/AIDS, tuberculosis and malaria. Standard Bank was the co-founder. Through this initiative we hope to make a contribution to improve quality of life and standards of living by creating sustainable businesses. Our contribution allows us to touch 1,000 people and add significant value to their lives.

### Office of the first lady's retreat

We sponsored the international retreat on etiquette, protocol and administration for wives of all state governors in the Federal Republic of Nigeria. Requested by the CEO as a means of capacity building within individual states of the Federal Republic of Nigeria.

### University of Ibadan

As part of our focus on education the bank donated funds towards the rehabilitation of the analytical services and livestock production at the University of Ibadan. The donation will contribute towards improving intellectual and socio-economic development of the university community and the society at large.

### Internal audit department charity project

The Internal Audit department raised ₦180,000 for the Heart of Gold's Hospice for some urgently required items. The objective is to improve lives and/or living conditions of the less privileged children in our society.

### Tender Cradle School

The bank sponsored the valedictory service and 10th year anniversary.

### Management Sciences for Health (MSH)

MSH requested a partnership agreement with the bank to help with their health systems strengthening initiative in Nigeria. MSH specifically required funding to run additional streams of their fellowship program as well as assistance with capacity building in certain areas of the program i.e. financial management and report writing.

### Association of waste managers (AWAM) conference

The bank commenced a successful partnership with the Lagos State Waste Management Authority "LAWMA", which culminated in the successful handover of the first batch of 100 compactors by the Executive Governor of Lagos State. These were financed through our vehicle and asset finance department.

### World Physiotherapy Day Celebration

Health and wellness is one of the focus areas of the bank. The World Physiotherapy Day was held on 8 September 2011.

### World Aids Day

Standard Bank Group partnered with UNaids for the 2011 World Aids Day campaign (Getting to Zero. Zero new HIV infections. Zero discriminations and Zero aids related deaths). Nigeria was selected as one of the countries in which the campaign was launched. This project was divided into two parts (internal and external). The internal campaign included staff talks in order to educate our staff. The external part involved educating fifteen secondary schools across the country and included HIV/Aids status testing and counselling for the communities.

### Donation to the Police Special Fraud Unit (SFU)

The police, especially, the Special Fraud Unit (SFU) have been partnering with us to combat fraud since 2004. In 2011, the bank contributed the sum of ₦3 million to cover the purchase of laptops, Internet facilities, fourteen volumes of Laws of the Federation of Nigeria and weekly law reports. By assisting the Nigerian Police Force we contribute to safety and security of communities.

### Maria Sam Foundation

Maria Sam Foundation is a non-governmental organization that was conceived as an avenue to create awareness on the benefits of screening, early detection and prevention of cancer, HIV/Aids and other terminal ailments. The bank supported this cause by contributing towards sending five doctors to the U.S. for medical training.

### You Win Programme

The Federal Government of Nigeria introduced the Youth Enterprise with Innovation in Nigeria programme as a means to provide financial support for the expansion of youth owned businesses while encouraging the development of business ideas that would lead to job creation. This programme seeks to empower young people and re-direct them towards adding value to themselves and society with strong, positive messages. The bank believes that the future of Nigeria lies in the desire of the youth to change thinking and attitudes in the society.

### We care for our children (Stanbic VAF Team)

The Vehicle and Asset Finance unit embarked on a charity project with the theme "we care for our children". The objective was to improve lives and living conditions of the less privileged children in our society. A visit to the Heart of Gold Children Hospice resulted in meeting a young lady who was in need of corrective eye surgery. A sum of 7,000 USD was required for this surgery to cover all expenses.

### Take a Girl Child to Work Day®

A brain child of the South African High Commission in Nigeria, the objective is to create a sense of belonging and responsibility among girls. The bank in support of Nigeria's ratification of the Millennium Development Goals (MDGs), supported the project again this year, and was responsible for the re-orientation of twenty undergraduates of the University of Lagos.

### University of Ibadan: Flood alleviation

During 2011 the University of Ibadan was affected by a devastating flood which resulted to many losses in various areas within the school. Stanbic IBTC who are passionate about education donated towards alleviating some of the losses suffered. Education is one of the areas the bank is willing to partner with stakeholders as a form of giving back to society.

### Training of twenty female SME customers

As part of the banking value proposition for women, the bank signed a training agreement with the International Finance Corporation (IFC), a member of the World Bank Group to support the bank with their training programs designed to improve the management skills of business owners. The SME team identified twenty existing high value female SME customers to receive the Business Edge training to help them build capacity and grow their business.

# Abridged sustainability report

### Women in Successful Careers (WISCAR)

The bank supported WISCAR for the graduation of the second stream of mentees in December 2011. This investment will contribute to the ideal of developing women to create a better nation.

### 2011 Nigerian Economic Summit (NES)

The bank's involvement in the 17th edition of NES underscores an in-depth interest in creating an enabling environment, conducive to good governance, responsible private sector investment and sustainable economic growth and development. The aim is to achieve economic liberalization, deregulation, public sector reforms, an improved investment climate, transparency in governance and public and private partnerships.

### 1st stakeholder roundtable on Niger Delta environmental protection and regeneration

The roundtable was held under the patronage of the Minister of Petroleum Resources and in collaboration with the Ministry of Environment, Ministry of Niger Delta, industry players, international organisations and the diplomatic community. The aim is to strengthen current and proposed relationships with these stakeholders. The bank's sponsorship supports the objective to promote responsible hydrocarbon exploitation in the Niger Delta.

### Investment workshop on Agro-Allied Industries

Hosted by the Ministry of Trade and Investment, this is a one day workshop involving various stakeholders in the agro-allied industries.

The group supports the UN Global Compact and its ten principles covering human rights, labour, environment and anti-corruption. As a member of Standard Bank Group, we have also adopted the Equator Principles, a voluntary set of standards for determining, assessing and managing social and environmental risk in project financing.

The group will continue to focus on producing superior returns for shareholders and achieving this through responsible and sustainable business growth. By living our values we will reach our ever-stretching goals. Performance driven and values-led growth is the key to sustainable shareholder value.

Sustainability is also about taking care of communities where we live, work and do business, and being sensitive to their changing needs. Across the world, people are expecting more from business. It is essential to engage with the issues that people really care about.

We know that Stanbic IBTC Bank's reputation as a responsible company is not to be taken for granted. We have to work hard to renew it day by day. It is in us, in our processes, in our people, and in our plans for the future. Everyone who comes in contact with us, however briefly, must see that we live by our values, the values that make us who we are.


Stanbic
IBTC
Bank

## Annual report and financial statements

# Board of directors

**Atedo N.A. Peterside** C O N
*Chairman*

*B.Sc, MBA*
*Appointed: Director 1989, Chairman 2007*

*Directorships: Stanbic IBTC Bank PLC, Stanbic IBTC Pension Managers Ltd, Cadbury Nigeria Plc, Nigerian Breweries Plc, Presco Plc, Unilever Nigeria Plc, Flour Mills of Nigeria Plc*

*Committee member: board nominations committee*

**Sola David-Borha**
*Chief executive officer*

*B.Sc (Econs), MBA*
*Appointed: 1994*

*Directorships: Stanbic IBTC Bank PLC, Stanbic Nominees Nigeria Ltd, Stanbic IBTC Stockbrokers Ltd, Stanbic IBTC Asset Management Ltd, Stanbic IBTC Pension Managers Ltd, Stanbic IBTC Ventures Ltd, Financial Institutions Training Centre (FITC), First Securities Discount House, Credit Reference Company, Frezone Plant Fabrication Int Ltd, First SMI Investment Company, Vectis Capital Nigeria Ltd, Fate Foundation, Redeemers International School*

*Committee member: board nominations committee, board credit committee, board risk management committee*

**Yinka Sanni**
*Deputy chief executive officer*

*B.Sc, MBA, ACS, AMP*
*Appointed: 2005*

*Directorships: Stanbic IBTC Bank PLC, Stanbic IBTC Asset Management Ltd, Stanbic IBTC Stockbrokers Ltd, Stanbic IBTC Trustees Ltd*

*Committee member: board nominations committee, board credit committee, board risk management committee*

**Kayode Solola**
*Executive*

*HND, MBA,FCA*
*Appointed: 2012*

*Directorships: Stanbic IBTC Bank PLC; Stanbic IBTC Stockbrokers Ltd*

*Committee member: board credit committee*

**Moses Adedoyin**
*Non-executive*

*FCIB*
*Appointed: 2005*

*Directorships: Stanbic IBTC Bank PLC, Remofal Ltd, Allegiance Technologies Ltd, Bank Directors Association of Nigeria*

*Committee member: board credit committee, audit committee*

**Sam Cookey**
*Non-executive*

*B.A. Hons A & E D, B.Arch Hons*
*Appointed: 2009*

*Directorships: Stanbic IBTC Bank PLC, Space Concepts Limited, Context Matrix Ltd, Mentor Trinity Ltd*

*Committee member: board risk management committee, audit committee*

### Ifeoma Esiri
*Non-executive*

*LLB, BL, LLM*
*Appointed: 2004*

*Directorships: Stanbic IBTC Bank PLC, Stanbic IBTC Asset Management Limited, Podini International Limited, Veritas Geophysical Nigeria Limited, Ashburt Leisures Limited, Ashburt Beverages Limited, Ashburt Oil and Gas Limited*

*Committee member: board risk management committee, board remuneration committee, board nominations committee*

### Arnold Gain
*Non-executive*

*B.Com, FA, BDP*
*Appointed 2011*

*Directorships: Stanbic IBTC Bank PLC*

*Committee member: board credit committee, board risk management committee*

### Ben Kruger
*Non-executive*

*B.Com (Hons) CA (SA)*
*Appointed: 2007*

*Directorships: Stanbic IBTC, Standard Bank Plc, Stanbic Africa Holdings Ltd*

*Committee member: board credit committee, board risk management committee, board remuneration committee, board nominations committee*

### Ratan Mahtani
*Non-executive*

*Appointed: 2008*

*Directorships: Stanbic IBTC Bank PLC, Aegean Investments Limited, Churchgate Nigeria Limited, First Century International Limited, Foco International Investments Limited, T F Kuboye & co, International Seafoods Limited*

*Committee member: audit committee*

### John H. Maree
*Non-executive*

*B.Com, MA, PMD*
*Appointed: 2007*

*Directorships: Stanbic IBTC Bank PLC, Standard Bank Group Ltd, The Standard Bank of South Africa Ltd, Standard International Holding SA, Standard Bank plc, SBIC Investments SA, Liberty Group Ltd, Liberty Holdings Ltd, Jobco, The River Club Ltd, Stanbic Africa Holdings, Banking Association of South Africa*

*Committee member: board remuneration committee*

### Maryam Uwais MFR
*Non-executive*

*LLB, LLM*
*Appointed: 2011*

*Directorships: Stanbic IBTC Bank PLC, Wali Uwais & Co*

*Committee member: board remuneration committee*

# Directors' report

For the year ended 31 December 2011

The directors present their annual report on the affairs of Stanbic IBTC bank PLC ("the bank") and its subsidiaries ("the group"), together with the financial statements and auditor's report for the year ended 31 December 2011.

## a. Legal form

The bank was incorporated in Nigeria under the Companies and Allied Matters Act (CAMA) as a private limited liability company on 2 February 1989. It was granted a license on 3 February 1989 to carry on the business of merchant banking and commenced business on 1 March 1989. The bank was converted into a public limited liability company on 25 January 2005. The bank's shares were listed on 25 April 2005 on The Nigerian Stock Exchange, by way of introduction.

## 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 the granting of loans and advances, corporate finance and money market activities.

Its major subsidiaries carry out asset management, stockbroking and pension fund administrator businesses.

The bank has five wholly owned subsidiaries: Stanbic IBTC Asset Management Limited, Stanbic IBTC Stockbrokers Limited, Stanbic IBTC Ventures Limited, Stanbic Nominees Nigeria Limited and Stanbic IBTC Trustees Limited. It is the majority shareholder in another subsidiary; Stanbic IBTC Pension Managers Limited.

The group prepares consolidated financial statements. Separate financial statements of the bank accompany the consolidated financial statements.

## c. Operating results and dividends

The group's gross earnings increased by 19%, while the profit before tax of the group decreased by 17%. The board recommended the approval of a final dividend of ₦0.10k per share (Final dividend 2010: ₦0.39k).

Highlights of the group's operating results for the year under review are as follows:

| | **2011 Group ₦million** | 2010 Group ₦million | **2011 Bank ₦million** | 2010 Bank ₦million |
|---|---|---|---|---|
| Gross earnings | **67,428** | 56,745 | **57,581** | 48,934 |
| Profit before tax | **11,243** | 13,528 | **5,994** | 10,187 |
| Taxation | **(3,803)** | (4,073) | **(1,946)** | (2,376) |
| Profit after taxation | **7,440** | 9,455 | **4,048** | 7,811 |
| Non controlling interest | **(978)** | (653) | **-** | - |
| Profit attributable to the group/bank | **6,462** | 8,802 | **4,048** | 7,811 |
| Appropriations: | | | | |
| Transfer to statutory reserve | **1,022** | 1,450 | **607** | 1,172 |
| Transfer to retained earnings reserve | **5,440** | 7,352 | **3,441** | 6,639 |
| | **6,462** | 8,802 | **4,048** | 7,811 |
| Dividend proposed (interim/final) | **1,875** | 7,313 | **1,875** | 7,313 |
| Total non-performing loans and advances (₦million) | **18,535** | 14,237 | **18,535** | 14,237 |
| Total non-performing loans to gross loans and advances (%) | **7.0** | 7.6 | **7.0** | 7.6 |

## d. Directors' shareholding

The direct interest of directors in the issued share capital of the group as recorded in the register of directors' shareholding and/or as notified by the directors for the purposes of section 275 and 276 of CAMA and the listing requirements of The Nigerian Stock Exchange are as follows:

| | **Number of ordinary shares held 2011** | Number of ordinary shares held 2010 |
|---|---|---|
| Mr. Atedo Peterside (CON) | **220,000,000** | 220,000,000 |
| Mrs. Sola David-Borha | **16,121,573** | 16,121,573 |
| Mr. Yinka Sanni | **1,000,000** | 1,000,000 |
| Mr. Moses Adedoyin | **42,500,000** | 44,400,000 |
| Mr. Sam Cookey | **2,000,000** | 2,000,000 |
| Mrs. Ifeoma Esiri | **100,844,394** | 100,844,394 |
| Mr. Ben Kruger | **Nil** | Nil |
| Mr. Jacko Maree | **Nil** | Nil |
| Mr. Arnold Gain | **Nil** | Nil |
| Mrs. Maryam Uwais | **472,000** | Nil |
| Mr. Ratan Mahtani* | **53,373,333** | 53,373,333 |

* Mr Ratan Mahtani has indirect shareholdings amounting to 2,003,148,405 ordinary shares (2010: 2,002,457,635) through First Century International Limited, Churchgate Nigeria Limited, International Seafoods Limited, Foco International Limited, Aegean Investments Limited and R B Properties Limited.

Messrs Marna Roets and Jacques Troost voluntarily retired during 2011. The board also appointed Messrs Maryam Uwais and Kayode Solola as non-executive director and executive director respectively after the annual general meeting held in June 2011. While the appointment of Mrs. Uwais is effective 15 July 2011, the appointment of Mr. Kayode Solola became effective on 24 January 2012. Shareholders will be requested to appoint Mrs. Uwais and Mr. Solola as directors at the annual general meeting in 2012.

The directors to retire by rotation at the next AGM are Mrs. Sola David-Borha, Mr. Ben Kruger, Mr Ratan Mahtani and Mr Sam Cookey. All of these directors, being eligible, offer themselves for re-election.

## e. Directors interest in contracts

There were no director related contracts with the group disclosed to the board during 2011, in compliance with the requirements of section 277 of CAMA.

## f. Property and equipment

Information relating to changes in property and equipment is given in note 20 to the accounts. In the directors' opinion the disclosures regarding the group's properties are in line with the related statement of accounting policy of the group.

## g. Shareholding analysis

The shareholding pattern of the group as at 31 December 2011 is as stated below:

| Share range | No. of shareholders | Percentage of shareholders | No. of holding | Percentage holdings |
|---|---|---|---|---|
| 1 - 1,000 | 27,305 | 25.9 | 22,691,867 | 0.1 |
| 1001 - 5,000 | 45,799 | 43.5 | 126,311,673 | 0.7 |
| 5,001 - 10,000 | 13,249 | 12.6 | 112,284,220 | 0.6 |
| 10,001 - 50,000 | 14,137 | 13.4 | 336,495,341 | 1.8 |
| 50,001 - 100,000 | 2,276 | 2.2 | 181,888,707 | 1.0 |
| 100,001 - 500,000 | 1,938 | 1.8 | 435,587,979 | 2.3 |
| 500,001 - 1,000,000 | 248 | 0.2 | 191,785,275 | 1.0 |
| 1,000,001 - 5,000,000 | 183 | 0.2 | 374,565,438 | 2.0 |
| 5,000,001 - 10,000,000 | 36 | 0.0 | 263,528,289 | 1.4 |
| 10,000,001 - 50,000,000 | 58 | 0.1 | 1,408,946,029 | 7.5 |
| 50,000,001 - 18,750,000,000 | 31 | 0.0 | 15,295,915,182 | 81.6 |
| **Grand total** | 105,260 | 100.0 | 18,750,000,000 | 100.0 |
| **Foreign shareholders** | 147 | | 10,133,750,356 | 54.1% |

## 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 of the bank except the following:

| Shareholder | Number of Shares held | Percentage Shareholding |
|---|---|---|
| Stanbic Africa Holdings Limited | 9,893,310,623 | 52.76% |
| First Century International Limited | 1,400,790,732 | 7.47% |

i. Dividend payment history

| Year ended | Total amount paid ₦million | Dividend paid per share Kobo |
|---|---|---|
| 31 March 2000 | 240.0 | 40 |
| 31 March 2001 | 270.0 | 45 |
| 31 March 2002 | 300.0 | 30 |
| 31 March 2003 | 400.0 | 40 |
| 31 March 2004 | 500.0 | 25 |
| 31 March 2005 | 1,174.2 | 20 |
| 31 March 2006 | 2,411.4 | 20 |
| 31 March 2007 | 3,750.0 | 30 |
| 31 December 2007 | 4,687.5 | 25 |
| 31 December 2008 | 7,500.0 | 40 |
| 31 December 2009 | 5,625.0 | 30 |
| 31 December 2010 | 7,313.0 | 39 |

j. Share capital history

| Year | Authorised (₦000) | | Issued and fully paid up | | Consideration |
|---|---|---|---|---|---|
| | Increase | Cumulative | Increase | Cumulative | |
| 1989 | - | 20,000 | - | 12,000 | Cash |
| 1991 | 30,000 | 50,000 | 12,000 | 24,000 | Bonus (1:1) |
| 1992 | - | 50,000 | 16,000 | 40,000 | Bonus (2:3) |
| 1994 | 100,000 | 150,000 | 60,000 | 100,000 | Bonus (3:2) |
| 1996 | 50,000 | 200,000 | 100,000 | 200,000 | Bonus (1:1) |
| 1997 | 400,000 | 600,000 | 400,000 | 600,000 | Bonus (2:1) |
| 2001 | 400,000 | 1,000,000 | 400,000 | 1,000,000 | Bonus (2:3) |
| 2003 | 1,000,000 | 2,000,000 | 1,000,000 | 2,000,000 | Bonus (1:1) |
| 2004 | 2,000,000 | 4,000,000 | - | 2,000,000 | |
| 2005 | 1,000,000 | 5,000,000 | 935,492 | 2,935,492 | Cash |
| 2006 | 1,500,000 | 6,500,000 | 3,314,508 | 6,250,000 | Cash and share exchange |
| 2007 | 3,500,000 | 10,000,000 | 3,125,000 | 9,375,000 | Share exchange |

## k. Donations and charitable gifts

The group made contributions to charitable and non-political organizations amounting to ₦66,705,717 (2010: ₦50,751,000) during the year.

| | ₦ |
|---|---|
| Pan African Business Coalition on BIZAIDS | 10,000,000 |
| Management Sciences for Health | 10,000,000 |
| University of Ibadan | 7,025,217 |
| The Nigeria Economic Summit 2011 | 5,000,000 |
| International retreat on protocol and administration | 5,000,000 |
| Youth Enterprise with Innovation in Nigeria (YOUWIN) Programme | 5,000,000 |
| World Aids Day | 3,994,500 |
| Business Edge training for female SME managers | 3,133,000 |
| Nigerian Police Force | 3,000,000 |
| Roundtable on Niger Delta Environmental Protection and Regeneration | 3,000,000 |
| Ministry of Trade and Investment - Workshop on Agro Allied Industries | 2,500,000 |
| Association of Waste Managers (AWAM) Conference | 1,500,000 |
| Chartered Institute of Bankers of Nigeria (CIBN) | 1,390,000 |
| Lagos Progressive Secondary School, Surulere | 1,000,000 |
| Avante Garde Charity Ball | 1,000,000 |
| Lagos State CSR Performance publication | 840,000 |
| NPDC/NNPC Golf Tournament | 750,000 |
| Heart of Gold Children Hospice | 743,000 |
| Maria Sam Foundation Incorporation | 500,000 |
| High Court of Lagos State annual legal walk | 500,000 |
| World Physiotherapy Day celebration | 250,000 |
| Women in Successful Careers (WISCAR) | 250,000 |
| Tender Cradle school | 200,000 |
| South African High Commission Take a Girl Child to Work Day | 130,000 |
| **Total** | **66,705,717** |

## l. Post balance sheet events

There were no post balance sheet events which could have a material effect on the financial position of the group as at 31 December 2011.

## m. Human resources

*Employment of disabled persons*

The bank continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. The bank's policy prohibits discrimination of disabled persons or persons with HIV in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled efforts will be made to ensure that, as far as possible, their employment with the bank continues and appropriate training is arranged to ensure that they fit into the bank's working environment.

*Health, safety and welfare at work*

The group enforces strict health and safety rules and practices which are reviewed and tested regularly. The group's staff are covered under a comprehensive health insurance scheme (Liberty Blue) pursuant to which the medical expenses of staff and their immediate family are covered up to a defined limit. Fire prevention and fire fighting equipment are installed in strategic locations within the group's premises. The group has both group personal accident and workmen's compensation insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2004.

## n. Employee involvement and training

The group ensures, through various fora, that employees are kept informed on matters concerning them. Formal and informal channels are employed for communication with employees with an appropriate two-way feedback mechanism. In accordance with the group's policy of continuous staff development, training facilities are provided in the group's well equipped training school (Blue Academy). Employees of the group attend training programmes organized by the Standard Bank Group (SBG) in South Africa and elsewhere and participate in programmes at the Standard Bank Global Leadership Centre in South Africa. The bank also provides its employees with on the job training in Nigeria and at various Standard Bank locations.

## o. Auditors

In accordance with section 357(1) of CAMA, the Messrs KPMG Professional Services were appointed to act as the bank's auditors for the 2011 financial year. KPMG have indicated their willingness to continue in office as auditors. In accordance with section 357 (2) of CAMA, a resolution will be proposed, and if considered appropriate, passed by shareholders at the AGM, to authorize the directors to fix their remuneration.

By order of the board

**Chidi Okézie**
*Company secretary*
*08 February 2012*

# Directors' responsibility for annual financial statements

For the year ended 31 December 2011

The Companies and Allied Matters Act, and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the bank at the end of the year and of its profit or loss. The responsibilities include ensuring that the bank:

i. keeps proper accounting records that disclose, and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;

ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

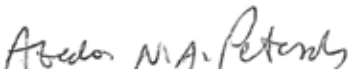
iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with:

- Nigerian Accounting Standards;
- Prudential guidelines for licensed banks;
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Bank and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and profit of the bank and group for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



**Atedo N A Peterside CON**
*Chairman*
*8 February 2012*

**Sola David-Borha**
*Chief executive officer*
*8 February 2012*

# Statement of directors' responsibilities in relation to the financial statements

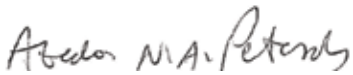
For the year ended 31 December 2011

The directors accept responsibility for the preparation of the annual financial statements set out on pages 93 to 130 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 regulations.

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 company'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 directors by:



**Atedo N A Peterside CON**
*Chairman*
*8 February 2012*

**Sola David-Borha**
*Chief executive officer*
*8 February 2012*

# Corporate governance report

For the year ended 31 December 2011

## Introduction

The bank is a member of Standard Bank Group, which holds a 52.76% equity holding in the bank.

Standard Bank Group (SBG) is committed to implementing initiatives that improve corporate governance for the benefit of all stakeholders. SBG's board of directors remains steadfast in implementing governance practices that comply with international best practice, where substance prevails over form.

Subsidiary entities within SBG are guided by these principles in establishing their respective governance frameworks, which are aligned to SBG's standards in addition to meeting the relevant jurisdictional requirements in their areas of operation.

Stanbic IBTC Bank PLC (Stanbic IBTC or the bank), and its subsidiaries (the group), as a member of SBG, operates under a governance framework which enables the board to balance its role of providing oversight and strategic counsel with its responsibility to ensure conformance with regulatory requirements, group standards and acceptable risk tolerance parameters.

The major subsidiaries of the bank; Stanbic IBTC Asset Management Limited; Stanbic IBTC Pension Managers Limited and Stanbic IBTC Stockbrokers Limited have their own distinct boards and take account of the particular statutory and regulatory requirements of the businesses they operate. These subsidiaries operate under a governance framework that enables their boards to balance their roles in providing oversight and strategic counsel with their responsibility for ensuring compliance with the regulatory requirements that apply in their areas of operation and the standards and acceptable risk tolerance parameters adopted by the group.In this regard they have aligned their respective governance frameworks to that of the group. As the bank is the holding company for the subsidiaries in the group, the bank's board also acts as the group board, with oversight of the full activities of the group.

A number of committees have been established by the group's board that assists the board in fulfilling its stated objectives. The committees' roles and responsibilities are set out in their mandates, which are reviewed periodically to ensure they remain relevant. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the board.

## Codes and regulations

The group operates in highly regulated industries and compliance with applicable legislation, regulations, standards and codes, including transparency and accountability, remain an essential characteristic of its culture. The board monitors compliance with these by means of management reports, which include information on the outcome of any significant interaction with key stakeholders such as SBG's various regulators.

The group complies with all applicable legislation, regulations, standards and codes.

## Shareholders' responsibilities

The shareholders' role is to approve the appointments of the board of directors and the external auditors as well as to grant approval for certain corporate actions that are by legislation or the company's articles of association specifically reserved for shareholders. Their role is extended to holding the board accountable and responsible for efficient and effective corporate governance.

## Developments during 2011

During 2011, the following developments in the group's corporate governance practices occurred:

- Full compliance with the requirements of the Central Bank of Nigeria's Code of Corporate Governance in relation to independent directors was maintained with the appointment of a second independent director on the board in July 2011.
- There was a continued focus on directors training via attendance at various courses.
- The provision of an enhanced level of information in the financials provided to shareholders and investors on an annual and quarterly basis continued.
- The bank received final approval from the Central Bank of Nigeria to implement its compliance plan in terms of the governance framework for the operating structure it will be adopting pursuant to the Central Bank of Nigeria's regulation on the Scope of Banking Activities and Ancillary Matters No 3, 2010, which brought to an end the universal banking regime.

## Focus areas for 2012

The group intends during 2012 to:

- continue the focus of directors' training via formal sessions and information bulletins on issues that are relevant;
- continue to enhance the level of information provided to and interaction with shareholders, investors and stakeholders generally; and
- fully implement the compliance plan with respect to the Central Bank of Nigeria's regulation on the Scope of Banking Activities and Ancillary Matters No 3, 2010, which will see the establishment and listing of a holding company; the transfer of the shareholders of the bank to the holding company; and the de-listing of the bank from The Nigerian Stock Exchange.

## Board and directors

*Board structure and composition*

Ultimate responsibility for governance rests with the board of directors of the group, who ensure that appropriate controls, systems and practices are in place. The group has a unitary board structure and the roles of chairman and chief executive are separate and distinct. The group's chairman is a non-executive director. The number and stature of non-executive directors ensures that sufficient consideration and debate are brought to bear on decision making thereby contributing to the efficient running of the board.

One of the features of the manner in which the board operates is the role played by board committees, which facilitate the discharge of board responsibilities. The committees each have a board approved mandate that is regularly reviewed. Details on how these committees operate are provided on pages 72 to 78 of this report.

### Strategy

The board considers and approves the group's strategy. Once the financial and governance objectives for the following year have been agreed, the board monitors performance against financial objectives and detailed budgets on an on-going basis, through quarterly reporting.

Regular interaction between the board and the executive is encouraged. Management is invited, as required, to make presentations to the board on material issues under consideration. Directors are provided with unrestricted access to the group's management and company information, as well as the resources required to carry out their responsibilities, including external legal advice, at the group's expense.

It is the board's responsibility to ensure that effective management is in place to implement the agreed strategy, and to consider issues relating to succession planning. The board is satisfied that the current pool of talent available within the bank and the group, and the ongoing work to deepen the talent pool, provides adequate succession depth in both the short and long term.

### Skills, knowledge, experience and attributes of directors

The board ensures that directors possess the skills, knowledge and experience necessary to fulfill their obligations. The directors bring a balanced mix of attributes to the board, including:

- international and domestic experience;
- operational experience;
- knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the group;
- local knowledge and networks; and
- financial, legal, entrepreneurial and banking skills.

The credentials and demographic profile of the board are regularly reviewed, to ensure the board's composition remains both operationally and strategically appropriate.

# Corporate governance report

For the year ended 31 December 2011

## Appointment philosophy

The appointment philosophy ensures alignment with all necessary legislation and regulations which include, but are not limited to the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act as well as the Companies and Banks Act of SBG's home country.

Consideration for the appointment of directors and key executives take into account compliance with legal and regulatory requirements and appointments to external boards to monitor potential for conflicts of interest and ensure directors can dedicate sufficient focus to the group's business. The board takes cognisance of the skills, knowledge and experience of the candidate, as well as other attributes considered necessary to the prospective role.

In April 2011, the bank's erstwhile CEO, Mr. Chris Newson, voluntarily retired from the board and was replaced by Mrs. Sola David-Borha. Two other executive directors Mr. Jacques Troost and Ms. Marna Roets voluntarily resigned from the board (following the completion of their respective assignments in Nigeria), and have been re-assigned to other roles within Standard Bank Group. Also, in 2011 Mrs. Maryam Uwais MFR and Mr. Kayode Solola were appointed as non-executive director and an executive director respectively. In terms of the articles of association, the appointment of the two directors will be tabled at the next annual general meeting, at which, shareholders will be asked to approve their appointments and elect them to the board.

With these retirements and appointments, the board's size as at 31 December 2011 has reduced to two executive directors; one executive director designate (awaiting shareholders' approval) and eight non-executive directors and one non-executive director designate (awaiting shareholders' approval).

The board has the right mix of competencies and experience.

## Board responsibilities

The key terms of reference in the board's mandate, which forms the basis for its responsibilities, are to:

- agree the group's objectives, strategies and plans for achieving those objectives;
- annually review the corporate governance process and assess achievement against objectives;
- review its mandate at least annually and approve recommended changes;
- delegate to the chief executive or any director holding any executive office or any senior executive any of the powers, authorities and discretions vested in the board's directors, including the power of sub-delegation; and to delegate similarly such powers, authorities and discretions to any committee and subsidiary company boards as may exist or be created from time to time;
- determine the terms of reference and procedures of all board committees and review their reports and minutes;
- consider and evaluate reports submitted by members of the executive;
- ensure that an effective risk management process exists and is maintained throughout the bank and its subsidiaries to ensure financial integrity and safeguarding of the group's assets;
- review and monitor the performance of the chief executive and the executive team;
- ensure consideration is given to succession planning for the chief executive and executive management;
- establish and review annually, and approve major changes to, relevant group policies;
- approve the remuneration of non-executive directors on the board and board committees, based on recommendations made by the remuneration committee, and recommended to shareholders for approval;
- approve capital funding for the group, and the terms and conditions of rights or other issues and any prospectus in connection therewith;
- ensure that an adequate budget and planning process exists, performance is measured against budgets and plans, and approve annual budgets for the group;
- approve significant acquisitions, mergers, take-overs, divestments of operating companies, equity investments and new strategic alliances by the group;
- consider and approve capital expenditure recommended by the executive committee;
- consider and approve any significant changes proposed in accounting policy or practice, and consider the recommendations of the statutory audit committee;
- consider and approve the annual financial statements, quarterly results and dividend announcements and notices to shareholders, and consider the basis for determining that the group will be a going concern as per the recommendation of the audit committee;
- assume ultimate responsibility for financial, operational and internal systems of control, and ensure adequate reporting on these by committees to which they are delegated;
- take ultimate responsibility for regulatory compliance and

ensure that reporting to the board is comprehensive;

- ensure a balanced and understandable assessment of the group's position in reporting to stakeholders;
- review non financial matters that have not been specifically delegated to a management committee; and
- specifically agree, from time to time, matters that are reserved for its decision, retaining the right to delegate any of these matters to any committee from time to time in accordance with the articles of association.

### Delegation of authority

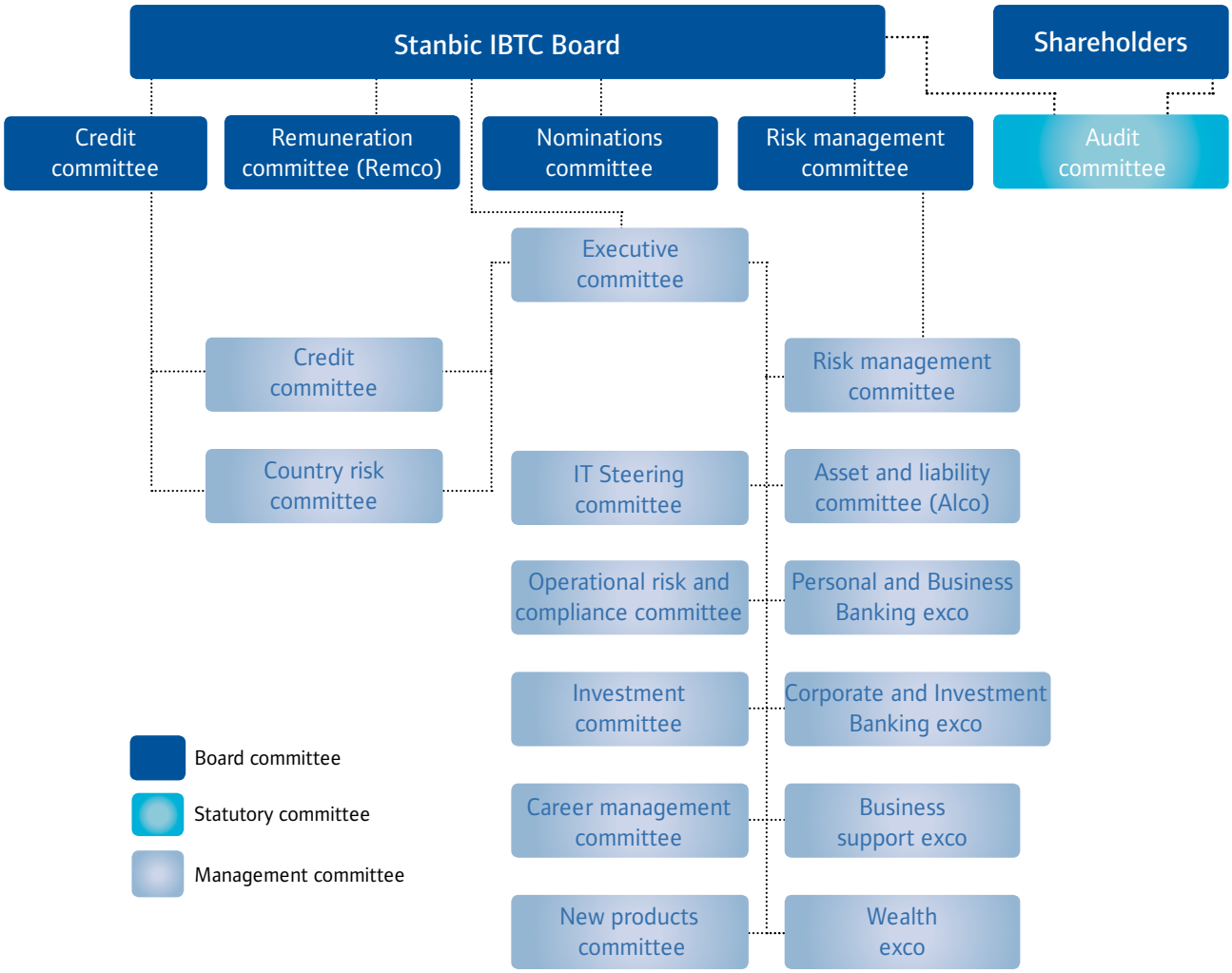
The ultimate responsibility for the bank's and group's operations rests with the board. The board retains effective control through a well-developed governance structure of board committees. These committees provide in-depth focus on specific areas of board responsibility.

The board delegates authority to the chief executive to manage the business and affairs of the group. The executive committee assists the chief executive when the board is not in session, subject to specified parameters and any limits on the board's delegation of authority to the chief executive.

Membership of the executive committee is set out on page 29 and 30.

In addition, a governance framework for executive management assists the chief executive in his task. Board-delegated authorities are regularly monitored by the company secretary's office.

The corporate governance framework adopted by the board on 25 October 2007 and formalised with mandate approvals on 29 January 2008 is set out below:



# Corporate governance report

For the year ended 31 December 2011

## Board effectiveness and evaluation

The board is focused on continued improvements in its corporate governance performance and effectiveness.

During the year the board of directors underwent an evaluation conducted by an independent consultant. The aim of this evaluation was to assist the board and committees to constantly improve their effectiveness. The assessment conducted in 2011 focused on structure, process and effectiveness.

The report on this evaluation was discussed at a board meeting and relevant action points have been noted for implementation to further improve board functioning.

The performance of the chairman and chief executive are assessed annually, providing a basis to set their remuneration.

## Induction and training

An induction programme designed to meet the needs of each new director has been implemented. One-on-one meetings are scheduled with management to introduce new directors to the group and its operations. The company secretary manages the induction programme.

The CBN's code of conduct is provided to new directors on their appointment.

Directors are kept abreast of all relevant legislation and regulations as well as sector developments leading to changing risks to the organisation on an ongoing basis. This is achieved by way of management reporting and quarterly board meetings, which are structured to form part of ongoing training.

Directors attended various workshops that included money laundering and risk programmes conducted by the regulatory authorities as well as IFRS training during the second half of 2011. These workshops were aimed at enhancing the understanding of key issues, and skills of bank directors.

## Board meetings

The board meets, at a minimum, once every quarter with ad-hoc meetings being held whenever deemed necessary. The board held a strategy session in October 2011. Directors, in accordance with the articles of association of the bank, attend meetings either in person or via tele conferencing.

Directors are provided with comprehensive board documentation at least four days prior to each of the scheduled meetings.

Attendance at board meetings from 1 January to 31 December 2011 is set out in the following table

| Name | Feb | Apr | Aug | Oct |
|---|---|---|---|---|
| Mr. Atedo Peterside CON (Chairman) | ✓ | ✓ | ✓ | ✓ |
| Mr. Chris Newson* | ✓ | ✓ | - | - |
| Mrs. Sola David-Borha | ✓ | ✓ | ✓ | ✓ |
| Mr. Yinka Sanni | ✓ | ✓ | ✓ | ✓ |
| Ms. Marna Roets | ✓ | ✓ | ✓ | ✓ |
| Mr. Jacques Troost | ✓ | ✓ | ✓ | ✓ |
| Mr. Moses Adedoyin | ✓ | ✓ | ✓ | ✓ |
| Mr. Sam Cookey | ✓ | ✓ | ✓ | ✓ |
| Mr. Ifeoma Esiri | ✓ | ✓ | ✓ | ✓ |
| Mr. Ben Kruger | ✓ | ✓ | ✓ | ✓ |
| Mr. Ratan Mahtani | ✓ | ✓ | ✓ | ✓ |
| Mr. Jacko Maree | ✓ | ✓ | ✓ | ✓ |
| Mr. Arnold Gain | ✓ | ✓ | ✓ | ✓ |
| Mrs. Maryam Uwais** | - | - | ✓ | ✓ |

✓ Attendance - Not applicable

* Resigned April 2011 ** Appointed July 2011

## Board committees

Some of the functions of the board have been delegated to board committees, consisting of board members appointed by the board, which operate under mandates originally established on 29 January 2008. The composition and mandates of the committees were reviewed during the course of 2011.

### Credit committee

During the period under review, the credit committee was vested with the following responsibilities:

- recommend credit policies and guidelines for the board's approval;
- review and approve credit facilities to be granted by the bank that fall under the category of insider related credits or which are being granted to the bank staff in the cadres assistant general manager and above; and
- other matters relating to the credit operations of the bank such as may be specifically delegated to the committee by the board.

The committee's mandate is in line with SBG's standards, while taking account of local circumstances.

The mandate ensures that effective frameworks for credit governance are in place across the bank. This involves ensuring that the committees within the structure operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk, including country risk. The committee reports on credit portfolios, adequacy of provisions and status of non-performing loans. The credit committee met its objectives in the year under review.

The committee consists of the seven directors, three of whom, including the chairman, were non-executives during the year under review.

Members' attendance at credit committee meetings during the financial year ended 31 December 2011 are stated below:

| Name | Feb | Apr | Aug | Oct |
|---|---|---|---|---|
| Mr. Ben Kruger (Chairman) | ✓ | ✓ | ✓ | ✓ |
| Mr. Chris Newson* | ✓ | ✓ | - | - |
| Mrs. Sola David-Borha | **A** | ✓ | ✓ | ✓ |
| Mr Yinka Sanni | ✓ | ✓ | **A** | ✓ |
| Mr. Jacques Troost | ✓ | ✓ | ✓ | ✓ |
| Mr. Moses Adedoyin | ✓ | ✓ | ✓ | ✓ |
| Mr. Arnold Gain | **A** | ✓ | ✓ | ✓ |

✓ Attendance - Not applicable **A** Apology

* Resigned April 2011

## Risk management committee

The board is ultimately responsible for risk management. The main purpose of the risk management committee, as specified in its mandate, is the provision of independent and objective oversight of risk management within the group. The committee is assisted in fulfilling its mandate by a number of management committees.

To achieve effective oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are effectively managed and contribute to a culture of discipline and control that reduces the opportunity for fraud.

During the period under review, the risk management committee was vested with the following responsibilities:

- oversee the management of all risks including market, liquidity, operational and legal risk;
- periodically review the group's risk management systems and report the outcome to the board;
- ensure that the group's material business risks are being effectively identified, quantified, monitored and controlled and that the systems in place to achieve this are operating effectively at all times; and
- other matters relating to the group's risk assets such as may be specifically delegated to the committee by the board.

The committee's mandate is in line with SBG's standards, while taking account of local circumstances.

A more in-depth risk management section, which provides details of the overall framework for risk management in the group, is provided in this annual report.

The committee consisted of nine directors, four of whom, including the chairman were non-executives during the year under review.

Members' attendance at risk management committee meetings during the financial year ended 31 December 2011 are stated below:

| Name | Feb | Apr | Aug | Oct |
|---|---|---|---|---|
| Mr Ifeoma Esiri (Chairman) | ✓ | ✓ | ✓ | ✓ |
| Mr. Ben Kruger | ✓ | ✓ | ✓ | ✓ |
| Mr Yinka Sanni | ✓ | ✓ | **A** | ✓ |
| Mr. Chris Newson* | ✓ | ✓ | - | - |
| Mrs. Sola David-Borha | **A** | ✓ | ✓ | ✓ |
| Ms. Marna Roets | ✓ | ✓ | ✓ | ✓ |
| Mr. Jacques Troost | ✓ | ✓ | ✓ | ✓ |
| Mr. Sam Cookey | ✓ | ✓ | ✓ | ✓ |
| Mr. Arnold Gain | **A** | ✓ | ✓ | ✓ |

✓ Attendance - Not applicable **A** Apology

* Resigned April 2011

## Remuneration committee

The remuneration committee (Remco) was vested with the following responsibilities:

- review the remuneration philosophy and policy;
- consider the guaranteed remuneration, annual performance bonus and pension incentives of the group's highest-paid executive directors and managers;
- review the performance measures and criteria to be used for annual incentive payments for all employees;
- determine the remuneration of executive directors;
- determine the remuneration of the chairman and non-executive directors, which are subject to board and shareholder approval;
- consider the average percentage increases of the guaranteed remuneration of executive management across the group, as well as long and short term incentives; and
- agree incentive schemes across the group.

The chief executive attends meetings by invitation. Other members of executive management are invited to attend when appropriate. No individual, irrespective of position, is expected to be present when his or her remuneration is discussed. When determining the remuneration of executive and non-executive directors as well as senior executives, Remco is expected to review market and competitive data, taking into account the group's performance using indicators such as earnings.

Remco utilises the services of a number of suppliers and advisors to assist it in tracking market trends for all levels of staff, including fees for non-executive directors. In 2011 KPMG Professional Services facilitated a remuneration survey co-sponsored by the bank.

The board reviews Remco's proposals and, where relevant, submits them to shareholders for approval at the annual general meeting. The board remains ultimately responsible for the remuneration policy.

The committee consists of four directors, all of whom are non–executives.

Members' attendance at Remco meetings during the financial year ended 31 December 2011 is stated below:

| Name | Feb | April | July | Oct |
|---|---|---|---|---|
| Mr. Jacko Maree (Chairman) | ✓ | **A** | ✓ | ✓ |
| Mr. Ben Kruger | ✓ | ✓ | ✓ | **A** |
| Mrs. Maryam Uwais* | - | - | ✓ | ✓ |
| Mr. Ifeoma Esiri | ✓ | ✓ | ✓ | ✓ |

✓ Attendance - Not applicable **A** Apology

* Appointed July 2011

## Remuneration

*Introduction*

The purpose of this section is to provide stakeholders with an understanding of the remuneration philosophy and policy applied across the group for executive management, employees, and directors (executive and non-executive).

*Remuneration philosophy*

The group's board and remuneration committee set a remuneration philosophy which is guided by SBG's philosophy and policy as well as the specific social, regulatory, legal and economic context of Nigeria.

In this regard, the group employs a cost-to-company structure, where all benefits are included in the listed salary and appropriately taxed.

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals:

- providing rewards that enable the attraction, retention and motivation of employees and the development of a high performance culture;
- maintaining competitive remuneration in line with the market, trends and required statutory obligations;
- rewarding people according to their contribution;
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees;
- utilising a cost-to-company remuneration structure; and
- educating employees on the full employee value proposition.

The group's remuneration philosophy aligns with its core values, including growing our people, appropriately remunerating high performers and delivering value to our shareholders. The philosophy emphasizes the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

The principles for the group's remuneration philosophy are set in line with the approved business strategy and objectives. The philosophy aims at maintaining an appropriate balance between employee and shareholder interests. The philosophy also takes into account performance reviews at a number of levels – business, individuals and competitive.

The group's remuneration philosophy includes short and long term incentives. Short term incentives, which are delivery specific, are viewed as strong drivers of competitiveness and performance. A significant portion of top management's reward is therefore variable, being determined by financial performance and personal contribution against specific criteria set in advance. This incentivizes the commitment and focus required to achieve targets. Long term incentives seek to ensure that the objectives of management and shareholders are broadly aligned over longer time periods.

Remuneration policy

The group has a clear policy on the remuneration of staff and executive and non-executive directors, that aim to set remuneration at levels that are fair and reasonable in a competitive market for the skills, knowledge, experience required and which complies with all relevant tax laws.

Remco assists the group's board in monitoring the implementation of the group remuneration policy, which ensures that:

- policies and salary structures, as well as cash and long term incentives, motivate sustained high performance and are linked to corporate performance objectives;
- stakeholders are able to make a reasonable assessment of reward practices and the governance process; and
- the group complies with all applicable laws and codes.

## Remuneration structure

### Non-executive directors

*Terms of service*

Directors are appointed by the shareholders at the annual general meeting (AGM), although board appointments may be made between AGMs. These appointments are made in terms of the group's policy. Shareholder approvals for such interim appointments are however sought at the AGM that holds immediately after such appointments are made.

Non-executive directors are required to retire after three years and may offer themselves for re-election. If recommended by the board, their re-election is proposed to shareholders at the AGM.

In terms of regulations, a non-executive director cannot hold office for more than ten consecutive years. If a director over the age of 70 is seeking re-election to the board his age must be disclosed to shareholders at the meeting at which such reelection is to occur.

*Fees*

Non-executive directors receive fixed annual fees and sitting allowances for service on boards and board committees in line with the Central Bank of Nigeria's guidelines. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short term incentives, nor do they participate in any long term incentive schemes.

Remco reviews the non-executive directors' fees annually and makes recommendations to the board for consideration. Based on these recommendations the board in turn recommends a gross fee to shareholders for approval at the AGM (fees are payable for the reporting period 1 January to 31 December of each year).

| Category | **2012*** | 2011 |
|---|---|---|
| Chairman | ₦41,267,138 | ₦37,211,125 |
| Non-executive directors | ₦11,470,214 | ₦10,342,844 |
| Sitting allowances for board meetings**: | | |
| - Chairman | ₦213,399 | ₦192,425 |
| - Non-executive directors | ₦134,716 | ₦121,475 |

* Proposed for approval by shareholders at the AGM taking place in 2012.

** Fees quoted as sitting allowance represent per meeting sitting allowance paid for board, board committee and ad hoc meetings. No annual fees are payable to committee members with respect to their roles on such committees

*Retirement benefits*

Non-executive directors do not participate in the pension scheme.

### Executive directors

The bank has three executive directors as at 31 December 2011. Mr. Kayode Solola's appointment is however subject to shareholders' approval at the AGM.

Executive directors receive a remuneration package and qualify for long term incentives on the same basis as other employees.

Executive directors' bonuses and pension incentives are subject to performance against various criteria assessed by Remco. The criteria include key financial performance of the group based on key financial measures and qualitative aspect of performance such as effective implementation of group strategy and leadership.

The employment contracts of executive directors have a termination clause of three months. Executive directors, other than the CEO, are required to retire from the board on a rotational basis, that usually occurs after three years and may offer themselves for re-election.

If recommended by the board, their re-election is proposed to shareholders at the AGM.

## Management and general staff

Total remuneration packages for employees comprise the following:

- guaranteed remuneration – based on market value and the role played;
- annual bonus – used to incentivize achievement of group objectives;
- long term incentives – rewards behavior that aligns to the creation of sustainable shareholder value;
- pension – provides a competitive post-retirement benefit; and
- where applicable, expatriate benefits in line with other expatriates in Nigeria.

### *Terms of service*

The minimum terms and conditions for managers are governed by relevant legislation and the notice period is one month. Employees on international assignments have notice periods of three months.

### *Fixed remuneration*

Managerial remuneration is based on a total cost-to-company structure. Cost-to-company comprises a fixed cash portion, compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

To achieve business objectives and reward individual contribution, performance related payments have formed an increasing proportion of total remuneration for all employees.

All employees (executives, managers and general staff) are rated on the basis of performance and this is used to influence performance-related remuneration. Rating and the consequent pay decision is done on an individual basis. There is therefore a link between rating, measuring individual performance and reward.

### *Short term incentives*

All staff participate in a performance bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance. In keeping with the remuneration philosophy, the bonus scheme seeks to attract and retain high-performing managers.

The size of the award is assessed in terms of performance factors as well as market-related issues and pay levels for each skill set, which may for instance be influenced by the scarcity of skills in that area.

### *Long term incentives*

It is essential for the group to retain key skills over the longer term. The group has put in place an equity growth scheme for qualifying managers. Participation rights in such scheme are granted to qualifying managers in accordance with the rules of the scheme approved by the board.

### *Retention agreements*

As part of the group's strategy to retain highly mobile and talented employees, the group has selectively entered into agreements in terms of which retention payments are made. Retention payments have to be repaid should the individual concerned leave within a stipulated period.

## Post-retirement benefits

### *Pension*

Retirement benefits are provided to employees of all levels in line with the Pension Reform Act 2004.

## Remuneration for 2011

The amounts specified below represent the total remuneration paid to executive and non-executive directors for the period under review:

| | Group ₦million | Bank ₦million |
|---|---|---|
| Fees and sitting allowance | 122 | 122 |
| Executive compensation | 497 | 497 |
| Total | 619 | 619 |

The group will continue to ensure its remuneration policies and practices remain competitive, incentivise performance and are aligned across the group and with its values.

## The audit committee

The role of the audit committee is defined by the Companies and Allied Matters Act and includes making recommendations to the board on financial matters. These matters include assessing the integrity and effectiveness of accounting, financial, compliance and other control systems. The committee also ensures effective communication between internal auditors, external auditors, the board and management.

The committee's key terms of reference comprise various categories of responsibilities and include the following:

- reviewing the audit plan with the external auditors with specific reference to the proposed audit scope, and approach to risk activities and the audit fee;
- meeting with external auditors to discuss the audit findings and consider detailed internal audit reports with the internal auditors;
- annually evaluating the role, independence and effectiveness of the internal audit function in the overall context of the risk management systems;
- reviewing the accounting policies adopted by the group and all proposed changes in accounting policies and practices;
- considering the adequacy of disclosures;
- reviewing the significant differences of opinion between management and internal audit;
- reviewing the independence and objectivity of the auditors; and
- other matters such as are reserved to the audit committee by the Companies and Allied Matters Act and the Bank's Articles of Association.

As specified in the Central Bank of Nigeria (CBN) Code of Corporate Governance (the CBN code), the audit committee members have recent and relevant financial experience.

*Composition*

The committee is made up of six members, three of whom are non-executive directors while the remaining three members are shareholders elected at the AGM. The committee is chaired by a shareholder representative as required by the CBN code.

As at 31 December 2011 the committee consisted of the following persons:

| | |
|---|---|
| Mr. Waheed Adegbite* | Chairman |
| Barr. Jude Nosagie* | Member |
| Mr. Tokunbo Akerele* | Member |
| Mr. Moses Adedoyin ** | Member |
| Mr. Sam Cookey** | Member |
| Mr. Ratan Mahtani** | Member |

* = Shareholders representative

** = Non-executive director

The shareholders re-elected all shareholder representatives at the AGM held on 8th June 2011. Members' attendance at audit committee meetings during the financial year ended 31 December 2011 is stated below:

| Name | Feb | April | July | Oct |
|---|---|---|---|---|
| Mr. Waheed Adegbite | ✓ | ✓ | ✓ | ✓ |
| Mr. Moses Adedoyin | ✓ | ✓ | ✓ | ✓ |
| Mr. Sam Cookey | ✓ | ✓ | ✓ | ✓ |
| Mr. Ratan Mahtani | **A** | **A** | **A** | **A** |
| Jude Nosagie* | - | - | ✓ | ✓ |
| Mr. Tokunbo Akerele* | - | - | ✓ | ✓ |

✓ Attendance - Not applicable **A** Apology

* Appointed June 2011

# Corporate governance report

For the year ended 31 December 2011

## Company secretary

It is the role of the company secretary to ensure the board remains cognisant of its duties and responsibilities. In addition to providing the board with guidance on its responsibilities, the company secretary keeps the board abreast of relevant changes in legislation and governance best practices. The company secretary oversees the induction of new directors, including subsidiary directors, as well as the ongoing training of directors. All directors have access to the services of the company secretary.

At the board meeting of 03 August 2011, the board approved the appointment of Mr Chidi Okezie as acting company secretary of the bank, while the bank's erstwhile company secretary Ms Angela Omo-Dare will continue her role as head of Legal Services of the bank.

## Going concern

On the recommendation of the audit committee, the board annually considers and assesses the going concern basis for the preparation of the financial statements at the year end.

The board continues to view the company as a going concern for the foreseeable future.

## Management committees

The group has the following management committees:

- Stanbic IBTC Group executive committee;
- Corporate and Investment Banking (CIB) executive committee;
- Personal and Business Banking (PBB) executive committee;
- Wealth executive committee;
- Credit committee;
- Business support executive committee;
- Asset and liability committee (Alco);
- Risk management committee;
- IT steering committee;
- Investment committee;
- Operational risk and compliance committee;
- Career management committee;
- New products committee; and
- Pricing committee.

## Relationship with shareholders

As an indication of its fundamental responsibility to create shareholder value, effective and ongoing communication with shareholders is seen as essential. In addition to the ongoing engagement facilitated by the company secretary and the head of investor relations, the group encourages shareholders to attend the annual general meeting and other shareholder meetings where interaction is welcomed. The chairman of the group's audit committee is available at the meeting to respond to questions from shareholders.

Voting at annual general meetings is conducted either on a show of hands or a poll depending on the subject matter of the resolution on which a vote is being cast and separate resolutions are proposed on each significant issue.

## Dealing in securities

In line with its commitment to conduct business professionally and ethically, the group has introduced policies to restrict the dealing in securities by directors, shareholder representatives on the audit committee and employees. A personal account trading policy is in place to prohibit employees and directors from trading in group securities during closed periods, which period commences from 1 December to publication of final results. Compliance with this policy is monitored on an ongoing basis.

## Sustainability

Social and environmental responsibility remains an important part of the group's culture. The monitoring and reporting of sustainability issues is still an evolving discipline within our organisation.

## Social responsibility

As an African business, the group understands the challenges and benefits of doing business in Africa, and owes its existence to the people and societies within which it operates.

The group is committed therefore not only to the promotion of economic development but also to the strengthening of civil society and human well being.

The group is concentrating its social investment expenditure in defined focus areas which currently include education in order to make the greatest impact. These areas of focus will be subject to annual revision as the countries socio-economic needs change.

During the year, the bank established a unit to handle this issue.

### Ethics and organizational integrity

The code of ethics rolled out in the bank in 2008 continued to operate during 2011.

### Breaches of the code

The bank, on a number of occasions, breached the requirement that anticipatory approvals granted by board committees should be ratified at a committee meeting held within 30 days of the grant of such approval. However all such anticipatory approvals were subsequently ratified by the relevant committee, albeit outside of the specified time line.

# Audit committee report

In compliance with the provisions of section 359(3) to (6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, the audit committee considered the audited financial statements for the year ended 31 December 2011 together with the management controls report from the auditors and the bank's response to this report at its meeting held on 31 January 2012.

In our opinion, the scope and planning of the audit for the year ended 31 December 2011 were adequate.

We are of the opinion that the accounting and reporting policies of the bank and group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2011 were satisfactory and reinforce the group's internal control systems.

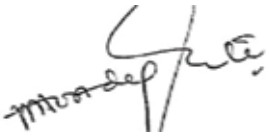
After due consideration, the audit committee accepted the report of the auditors that the financial statements were in accordance with ethical practice and generally accepted accounting principles and give a true and fair view of the state of the bank's financial affairs.

The committee reviewed management's response to the auditor's findings in respect of management matters and we and the auditors are satisfied with management's response thereto.

We are satisfied that the bank has complied with the provisions of Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks", and hereby confirm that an aggregate amount of ₦28,524,421,000 (31 December 2010: ₦18,727,259,000) was outstanding as at 31 December 2011. The status of performance of insider related credits is as disclosed in note 40.

The committee therefore recommended that the audited financial statements of the bank for the year ended 31 December 2011 and the auditor's report thereon be presented for adoption by the company at the annual general meeting.

The committee also approved the provision made in the financial statements in relation to the remuneration of the auditors.



**Mr. Waheed Adegbite**
*Chairman, Audit committee*
*31 January 2012*

Members of the audit committee are:

- Mr. Waheed Adegbite
- Mr. Moses Adedoyin
- Mr. Sam Cookey
- Mr. Ratan Mahtani
- Mr. Barr. Jude Nosagie
- Mr. Tokunbo Akerele

# Independent auditor's report

## To the members of Stanbic IBTC Bank PLC

We have audited the accompanying financial statements of Stanbic IBTC Bank Plc ("the bank") and its subsidiary companies (together "the group"), which comprise the balance sheets as at 31 December, 2011, and the profit and loss accounts, statements of cash flows and value added statements for the year then ended, and the statement of accounting policies, notes to the financial statements, the group's five year financial summary and the bank's five year financial summary, as set out on pages 83 to 164.

*Directors' responsibility for the financial statements*

The directors are responsible for the preparation of financial statements 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 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.

*Auditor's responsibility*

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

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

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, these financial statements give a true and fair view of the financial position of Stanbic IBTC Bank Plc ("the bank") and its subsidiaries (together "the group") as at 31 December 2011, and of the group's and bank's financial performance and cash flows for the year then ended in accordance with statements of accounting standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

*Other matter*

The financial statements of the bank for the year ended 31 December 2010 was audited by another auditor whose report dated 24 February 2011, expressed an unmodified opinion on those financial statements.

*Report on other legal and regulatory requirements*

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

In our opinion, proper books of account have been kept by the bank, so far as appears from our examination of those books and the bank's balance sheet and profit and loss account are in agreement with the books of accounts.

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

i) The bank was charged a penalty of ₦2million by the Central Bank of Nigeria (CBN) during the year for an infraction of a CBN regulation. Details are disclosed in note 36 of the financial statements.

ii) Related party transactions and balances are disclosed in note 43 of the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

KPMG

Lagos, Nigeria
15 March 2012

# Statement of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

## a. Basis of preparation

These financial statements are the consolidated and separate financial statements of Stanbic IBTC Bank Plc, a company incorporated in Nigeria on 2 February 1989 and its subsidiaries (hereinafter collectively referred to as "the group"). The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS) issued by the Financial Reporting Council (formerly the Nigerian Accounting Standards Board (NASB)). The financial statements are presented in the functional currency, Nigerian Naira (₦), and prepared under the historical cost convention as modified by the revaluation of certain investment securities, property and equipment.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles in Nigeria requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, 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 may differ from those estimates.

## b. Basis of consolidation

Subsidiary undertakings, which are those companies in which the group directly or indirectly, has interest of more than half the voting rights or otherwise has power to exercise control over their operations, have been consolidated. Subsidiaries are consolidated from the date effective control is transferred to the group. Subsidiaries cease to be consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been adjusted to ensure consistency with the policies adopted by the group. Separate disclosure is made for non-controlling interest.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and other entities by the group. The cost of an acquisition is measured as the market value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the entities acquired, the difference is recognised directly in the profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

## c. Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are regularly reviewed by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to management. It represents the classification of the group's activities in segments that reflect the risk and return of the group's product offerings in different product markets. Additional information relating to products and services, geographic areas and major customers is provided.

Segments whose total revenue (internal and external), absolute profit or loss or total assets are 10% or more of the group total, are reported separately. Transactions between segments are priced at market-related rates.

## d. Foreign currency transactions

Transactions denominated in foreign currency are converted into Naira at the rate of exchange ruling at the date of the transaction. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date or, where appropriate, at the related forward exchange rate. Exchange differences are included in the profit and loss account in the period in which they arise.

e. Recognition of interest income and expense

i. Interest income and expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis except for interest income overdue for more than 90 days, which is suspended and recognised only to the extent that cash is received.

ii. Income accruing on advances under finance lease is amortised over the lease period to achieve a constant rate of return on the outstanding net investment. Rental income on equipment leased to customers is recognised on a straight line basis over the lease term.

iii. Income earned on bonds and guarantees are amortised over the life of the guarantee, while other fees are recognised as commissions in the period in which they occur.

f. Provision against credit risk

Provision is made in accordance with the Statement of Accounting Standard for Banks and Non-Bank Financial Institutions, (SAS 10) issued by the Nigerian Accounting Standards Board, and prudential guidelines issued by the Central Bank of Nigeria. For each account that is not performing in accordance with the terms of the related facility, provision is made as follows:

| Interest and/or principal outstanding for over: | Classification | Minimum provision |
|---|---|---|
| 90 days but less than 180 days | **Substandard** | **10%** |
| 180 days but less than 360 days | **Doubtful** | **50%** |
| Over 360 days | **Lost** | **100%** |

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the profit and loss account.

A minimum of 1% general provision on performing loans is made in accordance with the prudential guidelines.

g. Investment securities

The group categorises its investment securities into short and long term investments. Investment securities are initially recognised at cost and management determines classification at initial investment.

*i. 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. They include debt and equity securities intended to be held for a period not exceeding one year.

Short term investments in marketable securities are subsequently re-measured at net realisable value. The gain/loss on revaluation is credited/charged to profit and loss account for the period.

*ii. Long term investments*

Investment securities intended to be held for an indefinite period of time, or until maturity, and which may be sold in response to needs for liquidity or change in market rates, exchange rates or equity prices are classified as long term investments. Long term investments may include debt and equity securities.

Long term investments in marketable securities are carried at the lower of cost and net realisable value. Unrealised losses are charged to the profit and loss account.

Other long term investments are carried at cost less impairment. An investment is impaired if its carrying amount is greater than its estimated recoverable amount.

Any discount or premium arising on acquisition of bonds is included in the original cost of the investment and is amortised over the period of purchase to maturity.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared. A change in market value of investment securities is not taken into account unless it is considered to be permanent.

# Statement of significant accounting policies

### h. Investments in subsidiaries

Investments in subsidiaries are carried in the bank's balance sheet at cost less provisions for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the profit and loss account.

### i. Property and equipment

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

Construction cost in respect of offices is carried at cost as work in progress. On completion of construction, the related amounts are transferred to the appropriate category of property and equipment. No depreciation is charged until the assets are put into use.

Depreciation is calculated on a straight line basis to write-off the cost less residual value of an item of property and equipment over their estimated useful life. The basis of calculation for each class of asset are set out below:

| | |
|---|---|
| Branch improvements | **The shorter of the lease term or its useful life** |
| Buildings | **25 yrs** |
| Motor vehicles | **4 yrs** |
| Furniture and fittings | **4 yrs** |
| Office equipment | **6 yrs** |
| Computer hardware | **3 yrs** |
| Auto-teller machines (ATM) | **5yrs** |
| Mid to long range computer hardware | **5 yrs** |
| Leasehold assets, machinery and equipment | **Over the life of the lease** |

### j. Intangible assets

Direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, not exceeding three years, from the date that they are available for use. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

### k. Leases

Investments under finance lease arrangements are recorded as receivables at an amount equal to the net investment in the lease i.e. the present value of the lease payments including any residual value payable on the lease. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Income accruing on the lease is amortised over the lease period on a basis reflecting a constant periodic rate of return on the outstanding net investment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the bank are classified as operating leases, and accounted for by the bank as an item of fixed asset. The depreciation of these assets is on the basis of the bank's normal depreciation policy for the various classes of assets leased out. The periodic lease rentals receivable are treated as rental income in the income statement during the period they occur; while initial direct costs incurred are written off to the income statement in the period incurred.

## l. Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity, associate or joint venture at the date of acquisition. Goodwill arising on the acquisition of an entity is reported in the balance sheet as an intangible asset.

Goodwill arising on acquisitions is allocated to cash generating units and tested annually for impairment. Negative goodwill is recognised as income in the period in which it arises. Where there has been impairment in the value of goodwill, the loss is recognised in the year in which the impairment was made. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## m. Cash and cash equivalents

Cash comprises cash on hand and demand deposits denominated in Naira and foreign currencies and cash balances with the central bank. Cash equivalents are short term, highly liquid instruments which are:

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

## n. Provisions

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

## o. Employee benefits

*(i) Retirement benefits*

The group operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act, with contributions based on the sum that consists of employees basic salary, housing and transport allowance in the ratio 7.5% by the employee and 7.5% by the employer.

The group's contributions to the scheme are charged to the profit and loss account in the period to which they relate, and the scheme's assets are held by pension fund administrators on behalf of the beneficiary staff.

*(ii) Share scheme*

The group operates a cash-settled share-based compensation plan for its management personnel. The management personnel are entitled to the share appreciation rights at a predetermined price after spending three years in the bank. Provision is made based on the directors' best estimate of the amount payable to employees in respect of share appreciation rights. The provision is recognized as an expense with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment.

## p. Deferred taxation

Deferred income tax is provided in full using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## q. Borrowed funds

Borrowed funds are recognised initially at their issue proceeds and subsequently stated at cost less any repayments.

Transaction costs where immaterial, are recognized immediately in the profit and loss account. Where transaction costs are material, they are capitalized and amortised over the life of the loan.

Interest paid on borrowings is recognised in the profit and loss account for the year.

## r. Ordinary share capital

*Share issue costs*

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

s. Dividend

*Dividends on ordinary shares*

Proposed dividends on ordinary shares are disclosed as a note to the financial statements in the period in which they are proposed by the directors. Amounts ratified for dividend payment by the shareholders are recognised as a charge against the distributable reserve in the period in which the payment become obligatory.

Dividends on ordinary shares are appropriated from revenue reserve in the period they are approved by the bank's shareholders.

t. Off balance sheet transactions

Off balance sheet engagements comprise direct credit substitutes and transaction related contingencies such as guarantees, acceptances, bid bonds, performance guarantees and forward contracts which the bank is a party to in its normal course of business. Income earned on bonds and guarantees are amortised over the life of the guarantee, while other fees are recognised as commissions in the period in which they occur.

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 group or the group has a present obligation as a result of past events but it 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group.

u. 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 excluded from the balance sheet. Profits or losses on sale of loans or securities without recourse to the seller is recognised by the seller when the transaction is completed.

The group regards a sale of loans or securities as without recourse, if it satisfies all the following conditions. Any sale not satisfying these conditions will be regarded as with recourse:

- 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.

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 group'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 remaining life. However, losses are recognised as soon as they can be reasonably estimated.

Where there is no obligation to, or assumption of repurchase, the sale is treated as a disposal and the asset excluded from the balance sheet, and any contingent liability disclosed.

v. Fiduciary activities

Where the group acts in a fiduciary capacity such as nominee, assets and liabilities arising, together with the related undertakings to return such assets to the customers, are excluded from the financial statements.

w. Fees and commission

Fees and commission are generally recognised on an accrual basis when the service has been provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as establishing letters of credit, arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised over the period the service is provided.

x. Income taxation

Income tax expense is the aggregate of the charges to the profit and loss account in respect of current income tax, education tax, information technology development tax and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Company Income Tax Act (CITA). Education tax is assessed at 2% of the assessable profits whilst information technology development tax is assessed at 1% of profit before tax.

### y. Earnings per share

The group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year.

### z. Derivative assets and liabilities

A derivative is a financial instrument for which value changes in response to an underlying variable, that requires little or no initial net investment and is settled at a future date. The group enters into sales or purchase of securities under agreements to deliver such securities at a future date (forward contracts) at a fixed price. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value. Changes in fair value are recognized in the profit and loss account.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Securities sold under a forward contract agreement are accounted for as payable or receivable on execution of the contracts.

# Profit and loss accounts

For the year ended 31 December 2011

| | Note | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **Gross earnings** | | **67,428** | 56,745 | **57,581** | 48,934 |
| Interest and similar income | 3 | **40,343** | 34,359 | **39,458** | 33,808 |
| Interest and similar expense | 4 | **(10,579)** | (7,989) | **(10,603)** | (8,012) |
| **Net interest income** | | **29,764** | 26,370 | **28,855** | 25,796 |
| Fee and commission income | 5 | **21,053** | 19,345 | **10,956** | 10,531 |
| Fee and commission expense | | **(344)** | (362) | **(250)** | (295) |
| **Net fee and commission income** | | **20,709** | 18,983 | **10,706** | 10,236 |
| Foreign exchange income | 6a | **5,660** | 2,658 | **5,660** | 2,658 |
| Income from investments | 6b | **289** | 132 | **1,474** | 1,917 |
| Other income | | **83** | 251 | **33** | 20 |
| **Operating income** | | **56,505** | 48,394 | **46,728** | 40,627 |
| Operating expenses | 7 | **(40,557)** | (34,246) | **(36,029)** | (29,820) |
| Provision for credit losses | 14a | **(3,571)** | 6 | **(3,571)** | 6 |
| Diminution in other assets value | 14b | **(1,134)** | (626) | **(1,134)** | (626) |
| **Profit before tax** | | **11,243** | 13,528 | **5,994** | 10,187 |
| Taxation | 8(a) | **(3,803)** | (4,073) | **(1,946)** | (2,376) |
| **Profit after tax** | | **7,440** | 9,455 | **4,048** | 7,811 |
| Non-controlling interest | 27 | **(978)** | (653) | **-** | - |
| **Profit attributable to the group/bank** | | **6,462** | 8,802 | **4,048** | 7,811 |
| **Appropriated as follows:** | | | | | |
| Transfer to statutory reserve | 29 | **1,022** | 1,450 | **607** | 1,172 |
| Transfer to retained earnings | 29 | **5,440** | 7,352 | **3,441** | 6,639 |
| | | **6,462** | 8,802 | **4,048** | 7,811 |
| Earnings per share (basic) | 35 | **40 k** | 50 k | **22 k** | 42 k |
| Dividend per share (declared) | 34 | **39 k** | 30 k | **39 k** | 30 k |

The accounting policies on pages 83 to 88 and notes on pages 92 to 126 form an integral part of these financial statements.

# Balance sheets

For the year ended 31 December 2011

| | Note | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with central banks | 9 | **30,074** | 10,048 | **30,072** | 10,048 |
| Treasury bills | 10 | **63,710** | 12,428 | **60,558** | 12,428 |
| Due from other banks | 11 | **77,282** | 88,659 | **75,796** | 87,439 |
| Loans and advances to customers | 12 | **230,707** | 163,952 | **230,707** | 164,203 |
| Advances under finance lease | 15 | **24,878** | 13,502 | **24,878** | 13,502 |
| Investment securities | 16 | **67,485** | 47,585 | **60,530** | 37,689 |
| Investment in subsidiaries | 17 | **-** | - | **1,984** | 1,924 |
| Deferred tax assets | 26 | **1,566** | 939 | **1,556** | 939 |
| Other assets | 18 | **27,648** | 16,176 | **25,915** | 13,683 |
| Property and equipment | 20 | **25,839** | 26,693 | **25,233** | 26,280 |
| Intangible asset | 21 | **5,036** | 4,559 | **5,033** | 4,477 |
| **Total assets** | | **554,225** | 384,541 | **542,272** | 372,612 |
| | | | | | |
| **Liabilities** | | | | | |
| Customers' deposits | 22 | **292,373** | 186,466 | **295,905** | 187,595 |
| Due to other banks | 23 | **68,542** | 56,152 | **68,542** | 56,152 |
| Other borrowings | 24 | **47,618** | 18,272 | **47,618** | 18,272 |
| Other liabilities | 25 | **55,934** | 34,220 | **53,388** | 30,983 |
| Current income tax | 8(b) | **4,947** | 4,197 | **2,524** | 2,051 |
| Deferred tax liabilities | 26 | **92** | 108 | **-** | - |
| **Total liabilities** | | **469,506** | 299,415 | **467,977** | 295,053 |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 28(i) | **9,375** | 9,375 | **9,375** | 9,375 |
| Share premium | 28(ii) | **47,469** | 47,469 | **47,469** | 47,469 |
| Revaluation reserve | 29 | **-** | 93 | **-** | - |
| Retained earnings | 29 | **10,462** | 12,335 | **3,559** | 7,430 |
| Other reserves | 29 | **15,500** | 14,478 | **13,892** | 13,285 |
| **Attributable to equity holders of the parent** | | **82,806** | 83,750 | **74,295** | 77,559 |
| Non-controlling interest | 27 | **1,913** | 1,376 | **-** | - |
| **Total equity** | | **84,719** | 85,126 | **74,295** | 77,559 |
| | | | | | |
| **Total equity and liabilities** | | **554,225** | 384,541 | **542,272** | 372,612 |
| | | | | | |
| Acceptances and guarantees on behalf of customers | 31(c) | **37,752** | 14,861 | **37,752** | 14,861 |

The accounting policies on pages 83 to 88 and notes on pages 92 to 126 form an integral part of these financial statements and were approved by the board of directors on 8 February 2012 and signed on its behalf by

Atedo N. A. Peterside (CON)
**Chairman**

Sola David-Borha
**Chief Executive Officer**

# Statement of cash flows

For the year ended 31 December 2011

| | Note | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Cash used in operations | 41 | **17,412** | (22,771) | **9,958** | (26,553) |
| Interest received | 3 | **40,343** | 34,359 | **39,458** | 33,808 |
| Interest paid | 4 | **(10,579)** | (7,989) | **(10,603)** | (8,012) |
| VAT paid | | **(124)** | (59) | **(123)** | (59) |
| Tax paid | 8 | **(3,531)** | (4,734) | **(1,840)** | (3,437) |
| **Net cash used in operating activities** | | **43,521** | (1,194) | **36,850** | (4,253) |
| **Investing activities** | | | | | |
| Disposal of long term investment | | **12,347** | 41,592 | **12,347** | 40,554 |
| Purchase of long term investment | | **(27,297)** | (17,330) | **(25,998)** | (15,679) |
| Dividend received | 6(b) | **183** | 103 | **1,368** | 1,886 |
| Additional investment in subsidiaries | | **-** | - | **(60)** | - |
| Purchase of property and equipment | 20 | **(4,432)** | (11,972) | **(4,015)** | (11,724) |
| Proceeds from sale of property and equipment | | **980** | 3,572 | **949** | 3,518 |
| **Net cash generated from/(used in) investing activities** | | **(18,219)** | 15,965 | **(15,409)** | 18,555 |
| **Financing activities** | | | | | |
| Dividend paid to shareholders of the parent | 29 | **(7,313)** | (5,625) | **(7,313)** | (5,625) |
| Dividend paid to non-controlling interest | 27 | **(441)** | (294) | **-** | - |
| Proceeds from long term loan | 24 | **31,841** | 5,625 | **31,841** | 5,625 |
| Repayment of long term loan | 24 | **(2,495)** | - | **(2,495)** | - |
| **Net cash used in financing activities** | | **21,592** | (294) | **22,033** | - |
| **Increase in cash and cash equivalents** | | **46,894** | 14,477 | **43,474** | 14,302 |
| Analysis of changes in cash and cash equivalents | | | | | |
| At start of year | 39(a) | **109,293** | 94,816 | **108,073** | 93,771 |
| At end of year | 39(a) | **156,187** | 109,293 | **151,547** | 108,073 |
| **Increase in cash and cash equivalents** | | **46,894** | 14,477 | **43,474** | 14,302 |

The accounting policies on pages 83 to 88 and notes on pages 92 to 126 form an integral part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2011

## 1. General information

Stanbic IBTC Bank Plc ("the bank") was incorporated as a private limited liability company on 2 February 1989, granted a merchant banking license on 3 February 1989 and commenced operations on 1 March 1989. Its merchant banking license was converted into a universal banking license in January 2002, pursuant to the universal banking scheme of the Central Bank of Nigeria. The bank's shares are quoted on the Nigerian Stock Exchange and held by both foreign and Nigerian individuals and corporate investors.

The group comprises the bank and its subsidiaries undertakings (''the group''). The group provides corporate and investment banking, stockbroking, asset management and personal and business banking services.

The bank, which was incorporated as Investment Banking & Trust Company Plc ("IBTC"), merged with Chartered Bank Plc and Regent Bank Plc on 19 December 2005, and changed its name to IBTC Chartered Bank Plc. On 24 September 2007, the bank merged with Stanbic Bank Nigeria Limited ("SBN"), a wholly owned subsidiary of Stanbic Africa Holdings Limited (''SAHL'') a subsidiary of Standard Bank Group ("SBG") of South Africa, in accordance with the scheme of merger, SAHL acquired a majority shareholding (50.75%) in the bank. The bank's name was subsequently changed to Stanbic IBTC Bank Plc.

The bank has six subsidiaries as analysed below:

| | |
|---|---|
| Stanbic IBTC Ventures Limited | 100% |
| Stanbic IBTC Asset Management Limited | 100% |
| Stanbic IBTC Pension Managers Limited | 70.59% |
| Stanbic Nominees Nigeria Limited | 100% |
| Stanbic IBTC Stockbrokers Limited | 100% |
| Stanbic IBTC Trustees Limited | 100% |

## 2. Segment analysis

The directors confirm that the financial statements comply with the information reported to the bank's board of directors and top management for the purposes of evaluating units' past performance as it relates to performance of the bank and its subsidiaries during the year.

The group is structured on the basis of products and services and the segments have been identified on this basis. The principal business units in the group are as follows:

Business units:

| | |
|---|---|
| Personal and Business Banking (PBB) | Banking and other financial services to individual customers and small-to-medium-sized enterprises.<br>Products offer are:<br>- Mortgage lending – Provides residential accommodation loans to mainly personal market customers.<br>- Instalment sale and finance leases – Provides instalments finance to personal market customers and finance for vehicles and equipment in the business market.<br>- Card products – Provides credit and debit card facilities for individuals and businesses.<br>- Transactional and lending products – Transactions in products associated with the various points of contact channels such as ATMs, branches, Internet and telephone banking. This includes deposit taking activities, electronic banking, cheque accounts and other lending products coupled with debit card facilities to both personal and business market customers. |
| Corporate and Investment Banking (CIB) | Corporate and investment banking services to larger corporates, financial institutions and international counterparties. Products offer are:<br>- Global markets – Includes foreign exchange, fixed income, interest rates and equity trading.<br>- Transactional products and services – Includes transactional banking and investor services.<br>- Investment banking – Includes project finance, structured finance, equity investments, advisory, corporate lending, primary markets acquisition and leverage finance and structured trade finance. |
| Wealth | - The Wealth business unit comprise the bank's subsidiaries, whose activities involve investment management, portfolio management, unit trust/funds management, trusteeship, and pension fund management and administration. |

## Segment analysis (continued)

The group's operations by major operating segment during the period is contained below:

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Corporate and Investment Banking | Personal and Business Banking | Wealth | Elimination | Group |
| | ₦million | ₦million | ₦million | ₦million | ₦million |
| Total revenue: | | | | | |
| Derived from external customers | 36,668 | 20,739 | 10,021 | - | 67,428 |
| Derived from other business segments | 1,579 | 339 | 5 | (1,923) | - |
| **Total revenue** | 38,247 | 21,078 | 10,026 | (1,923) | 67,428 |
| Total cost: | | | | | |
| Interest expense | 8,822 | 1,794 | - | (37) | 10,579 |
| Risk and other asset provisions | 2,129 | 2,576 | - | - | 4,705 |
| Other operating expenses | 14,946 | 22,101 | 4,341 | (487) | 40,901 |
| **Total cost** | 25,897 | 26,471 | 4,341 | (524) | 56,185 |
| Profit before tax | 12,350 | (5,393) | 5,685 | (1,399) | 11,243 |
| Tax | (4,487) | 2,391 | (1,716) | - | (3,803) |
| **Profit after tax** | 7,872 | (3,002) | 3,969 | (1,399) | 7,440 |
| Segment assets | 379,354 | 164,904 | 13,496 | (3,529) | 554,255 |
| Segment liabilities | 332,625 | 134,386 | 4,847 | (2,352) | 469,506 |
| **Net assets** | 46,729 | 30,518 | 8,649 | (1,177) | 84,719 |

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Corporate and Investment Banking | Personal and Business Banking | Wealth | Elimination | Group |
| | ₦million | ₦million | ₦million | ₦million | ₦million |
| Total revenue: | | | | | |
| Derived from external customers | 33,890 | 14,204 | 8,651 | - | 56,745 |
| Derived from other business segments | 560 | 121 | 20 | (701) | - |
| **Total revenue** | 34,450 | 14,325 | 8,671 | (701) | 56,745 |
| | | | | | |
| Total cost: | | | | | |
| Interest expense | 5,976 | 2,089 | - | (76) | 7,989 |
| Risk and other asset provisions | (513) | 1,133 | - | - | 620 |
| Other operating expenses | 18,320 | 12,532 | 4,381 | (625) | 34,608 |
| **Total cost** | 23,783 | 15,754 | 4,381 | (701) | 43,217 |
| | | | | | |
| Profit before tax | 10,667 | (1,429) | 4,290 | - | 13,528 |
| Tax | (3,106) | 429 | (1,396) | - | (4,073) |
| **Profit after tax** | 7,561 | (1,000) | 2,894 | - | 9,455 |
| | | | | | |
| Segment assets | 254,788 | 122,016 | 10,771 | (3,034) | 384,541 |
| Segment liabilities | 200,399 | 96,498 | 3,899 | (1,381) | 299,415 |
| **Net assets** | 54,389 | 25,518 | 6,872 | (1,653) | 85,126 |

All transactions between business units were conducted at arms length. Internal charges and transfer pricing adjustments are reflected in the performance of each segment. The bank operates in a single geographical location, thus no segmentation based on geographical location is presented in these financial statements.

# Notes to the financial statements

For the year ended 31 December 2011

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **3** | **Interest and similar income** | | | | |
| | Placements | **1,510** | 3,686 | **1,510** | 3,686 |
| | Treasury bills and investment securities | **8,641** | 10,395 | **8,212** | 10,278 |
| | Loans and advances | **26,919** | 18,306 | **26,463** | 17,872 |
| | Advances under finance leases | **3,273** | 1,972 | **3,273** | 1,972 |
| | | **40,343** | 34,359 | **39,458** | 33,808 |
| | **Interest and similar income by geographical location:** | | | | |
| | Interest income earned in Nigeria | **39,985** | 34,183 | **39,100** | 33,632 |
| | Interest income earned outside Nigeria | **358** | 176 | **358** | 176 |
| | | **40,343** | 34,359 | **39,458** | 33,808 |
| **4** | **Interest and similar expense** | | | | |
| | Current accounts | **574** | 590 | **581** | 667 |
| | Savings accounts | **199** | 248 | **199** | 248 |
| | Time deposits | **5,059** | 5,561 | **5,076** | 5,507 |
| | Inter-bank takings | **4,246** | 1,036 | **4,246** | 1,036 |
| | Borrowed funds | **501** | 554 | **501** | 554 |
| | | **10,579** | 7,989 | **10,603** | 8,012 |

Interest expense paid outside Nigeria for the group amounted to ₦708 million (2010: ₦850 million) and for the bank ₦708 million (2010: ₦850 million).

| | | | | | |
|---|---|---|---|---|---|
| **5** | **Fees and commission income** | | | | |
| | Credit related fees | **3,137** | 2,902 | **3,137** | 2,902 |
| | Commission on turnover | **2,860** | 1,904 | **2,860** | 1,904 |
| | Commission on off-balance sheet transactions | **55** | 170 | **55** | 170 |
| | Letters of credit commissions and fees | **890** | 388 | **890** | 388 |
| | Facility management fee | **13,171** | 12,267 | **3,074** | 3,552 |
| | Other fees and commissions | **940** | 1,714 | **940** | 1,615 |
| | | **21,053** | 19,345 | **10,956** | 10,531 |

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **6a** | **Foreign exchange income** | | | | |
| | Trading gain | **2,758** | 2,658 | **2,758** | 2,658 |
| | Gains on derivative transactions (note 32) | **2,902** | - | **2,902** | - |
| | | **5,660** | 2,658 | **5,660** | 2,658 |
| **6b** | **Income from investments** | | | | |
| | Dividend income | **183** | 103 | **1,368** | 1,886 |
| | Profit on sale of securities | **106** | - | **106** | - |
| | Other investment income | **-** | 23 | **-** | 23 |
| | Rental income | **-** | 6 | **-** | 8 |
| | | **289** | 132 | **1,474** | 1,917 |
| **7** | **Operating expenses** | | | | |
| | Staff costs (note 39(a)) | **16,570** | 14,898 | **14,613** | 13,072 |
| | Depreciation (note 20) | **3,901** | 3,931 | **3,645** | 3,654 |
| | Amortisation of intangible assets (note 21) | **72** | 103 | **49** | 64 |
| | Auditors' remuneration | **135** | 135 | **103** | 103 |
| | Directors' emoluments (note 39(b)) | **619** | 720 | **619** | 720 |
| | (Profit)/Loss on disposal of property and equipment | **(144)** | (8) | **(137)** | (2) |
| | Other operating expenses | **19,404** | 14,467 | **17,137** | 12,209 |
| | | **40,557** | 34,246 | **36,029** | 29,820 |
| **8** | **Taxation** | | | | |
| **(a)** | **Charge** | | | | |
| | Company income tax | **3,975** | 3,328 | **2,194** | 1,721 |
| | Education tax | **186** | 165 | **62** | 60 |
| | Technology tax | **120** | 71 | **57** | 71 |
| | Income tax charge | **4,281** | 3,564 | **2,313** | 1,852 |
| | Under provision in prior years | **-** | 720 | **-** | 720 |
| | Deferred tax (note 26) | **(603)** | (360) | **(627)** | (345) |
| | Charge for the year | **3,678** | 3,924 | **1,686** | 2,227 |
| | Withholding tax charge | **125** | 149 | **260** | 149 |
| | | **3,803** | 4,073 | **1,946** | 2,376 |
| **(b)** | **Payable** | | | | |
| | At start of year | **4,197** | 4,660 | **2,051** | 2,916 |
| | Tax paid | **(3,531)** | (4,734) | **(1,840)** | (3,437) |
| | Income tax charge | **4,281** | 3,564 | **2,313** | 1,852 |
| | Reclassification to deferred tax | **-** | (13) | **-** | - |
| | Under provision in prior years | **-** | 720 | **-** | 720 |
| | **At end of year** | **4,947** | 4,197 | **2,524** | 2,051 |

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **9** | **Cash and balances with central bank** | | | | |
| | Cash | **12,897** | 7,367 | **12,895** | 7,367 |
| | Operating account with central bank | **2,298** | 839 | **2,298** | 839 |
| | Included in cash and cash equivalents | **15,195** | 8,206 | **15,193** | 8,206 |
| | Mandatory reserve deposits with central bank | **14,879** | 1,842 | **14,879** | 1,842 |
| | | **30,074** | 10,048 | **30,072** | 10,048 |

Mandatory reserve deposits are not available for use in the group's day to day operations.

| | | | | | |
|---|---|---|---|---|---|
| **10** | **Treasury bills** | | | | |
| | Available for sale instruments | **53,815** | 9,495 | **50,663** | 9,495 |
| | Trading securities | **9,895** | 2,933 | **9,895** | 2,933 |
| | | **63,710** | 12,428 | **60,558** | 12,428 |

Included in treasury bills are bills amounting to ₦10.37 billion (2010: ₦9.38 billion) held by third parties as collateral for various transactions. The original cost of treasury bills held by the group is ₦62.90 billion (2010: ₦12.13 billion).

Total mark-to-market gain on trading securities for the group amounting to N42million was taken to the income statement during the year. (Note 14b)

| | | | | | |
|---|---|---|---|---|---|
| **11** | **Due from other banks** | | | | |
| | Current balances with banks within Nigeria | **1,785** | 1,293 | **299** | 73 |
| | Current balances with banks outside Nigeria | **41,764** | 20,524 | **41,764** | 20,524 |
| | Placements with banks and discount houses | **33,733** | 66,842 | **33,733** | 66,842 |
| | | **77,282** | 88,659 | **75,796** | 87,439 |

Balances with banks outside Nigeria include ₦10.1 billion (2010: ₦5.3 billion), which represents the Naira value of foreign currency bank balances held on behalf of customers in respect of letters of credit transactions. The corresponding liability is included in other liabilities. The amount is not available for the day to day operations of the group and the bank.

Included in placements with banks and discount houses are placements with banks within Nigeria of ₦22.7 billion (2010: ₦32.4 billion).

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **12 Loans and advances** | | | | |
| Overdrafts | **27,901** | 26,920 | **27,901** | 26,920 |
| Term loans | **212,441** | 145,753 | **212,441** | 146,004 |
| Others | **336** | 71 | **336** | 71 |
| | **240,678** | 172,744 | **240,678** | 172,995 |
| Loan loss provision (note 13a) | **(7,990)** | (7,322) | **(7,990)** | (7,322) |
| Interest in suspense (note 13b) | **(1,981)** | (1,470) | **(1,981)** | (1,470) |
| | **230,707** | 163,952 | **230,707** | 164,203 |
| **Analysis by performance:** | | | | |
| Performing | **223,565** | 160,841 | **223,565** | 161,092 |
| Non-performing: | | | | |
| - substandard | **3,609** | 420 | **3,609** | 420 |
| - doubtful | **12,272** | 8,796 | **12, 272** | 8,796 |
| - lost | **1,232** | 2,687 | **1,232** | 2,687 |
| | **240,678** | 172,744 | **240,678** | 172,995 |
| **Analysis by maturity:** | | | | |
| 0 - 30 days | **14,300** | 44,176 | **14,300** | 44,176 |
| 1 - 3 months | **71,273** | 42,907 | **71,273** | 42,907 |
| 3 - 6 months | **19,100** | 11,874 | **19,100** | 12,125 |
| 6 - 12 months | **12,375** | 7,756 | **12,375** | 7,756 |
| Over 12 months | **123,630** | 66,031 | **123,630** | 66,031 |
| | **240,678** | 172,744 | **240,678** | 172,995 |
| **Analysis by security:** | | | | |
| Secured against real estate | **30,214** | 24,779 | **30,214** | 24,779 |
| Secured by shares of quoted companies | **1,418** | 920 | **1,418** | 920 |
| Otherwise secured | **129,986** | 40,099 | **129,986** | 40,099 |
| Unsecured | **79,060** | 106,946 | **79,060** | 107,197 |
| | **240,678** | 172,744 | **240,678** | 172,995 |

# Notes to the financial statements

For the year ended 31 December 2011

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **13** | **Loan loss provision and interest in suspense** | | | | |
| **a.** | **Movement in loan loss provision** | | | | |
| | **At start of year** | | | | |
| | - Specific provision | **5,679** | 10,506 | **5,679** | 10,506 |
| | - General provision | **1,643** | 1,068 | **1,643** | 1,068 |
| | | **7,322** | 11,574 | **7,322** | 11,574 |
| | Additional provision | | | | |
| | - specific (note 14) | **6,091** | 2,958 | **6,091** | 2,958 |
| | - general (note 14) | **593** | 575 | **593** | 575 |
| | Provision no longer required (note 14) | **(2,874)** | (3,616) | **(2,874)** | (3,616) |
| | Reclassification to finance lease | **-** | (165) | **-** | (165) |
| | Amounts written off | **(3,142)** | (4,004) | **(3,142)** | (4,004) |
| | | **668** | (4,252) | **668** | (4,252) |
| | **At end of year** | | | | |
| | - Specific provision | **5,754** | 5,679 | **5,754** | 5,679 |
| | - General provision | **2,236** | 1,643 | **2,236** | 1,643 |
| | | **7,990** | 7,322 | **7,990** | 7,322 |
| **b.** | **Movement in interest-in-suspense** | | | | |
| | **At start of year** | **1,470** | 1,509 | **1,470** | 1,509 |
| | Suspended during the year | **1,998** | 1,954 | **1,998** | 1,954 |
| | Amounts written back | **(413)** | (625) | **(413)** | (625) |
| | Amounts written off | **(1,074)** | (1,368) | **(1,074)** | (1,368) |
| | **At end of year** | **1,981** | 1,470 | **1,981** | 1,470 |
| | **Summary:** | | | | |
| | - General provision | **2,236** | 1,643 | **2,236** | 1,643 |
| | - Specific provision | **5,754** | 5,679 | **5,754** | 5,679 |
| | - Interest in suspense | **1,981** | 1,470 | **1,981** | 1,470 |
| | | **9,971** | 8,792 | **9,971** | 8,792 |

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **14** | **The charge for the year is analysed as follows:** | | | | |
| **a.** | **Provision for credit losses** | | | | |
| | Loans and advances - specific (note 13(a)) | **6,091** | 2,958 | **6,091** | 2,958 |
| | Loans and advances - general (note 13(a)) | **593** | 575 | **593** | 575 |
| | Advances under finance lease - specific (note 15(c)) | **853** | 856 | **853** | 856 |
| | Advances under finance lease - general (note 15(c)) | **105** | 48 | **105** | 48 |
| | Recoveries/provision no longer required: | | | | |
| | - Loans and advances (note 13(a)) | **(2,874)** | (3,616) | **(2,874)** | (3,616) |
| | - Advances under finance lease (note 15(c)) | **(152)** | (305) | **(152)** | (305) |
| | Recovery on previously written-off accounts | **(1,045)** | (522) | **(1,045)** | (522) |
| | | **3,571** | (6) | **3,571** | (6) |
| **b.** | **Diminution in other assets value** | | | | |
| | Impairment of other assets | **787** | - | **787** | - |
| | Provision for diminution of investments | **270** | (206) | **270** | (206) |
| | Provision for other known losses | **77** | 832 | **77** | 832 |
| | | **1,134** | 626 | **1,134** | 626 |

# Notes to the financial statements

For the year ended 31 December 2011

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **15** | **Advances under finance lease** | | | | |
| | Gross investment | **31,911** | 17,730 | **31,911** | 17,730 |
| | Less: Unearned income | **(6,007)** | (3,332) | **(6,007)** | (3,332) |
| | Net investment | **25,904** | 14,398 | **25,904** | 14,398 |
| | Less: total provision (note 15(c)) | **(1,026)** | (896) | **(1,026)** | (896) |
| | | **24,878** | 13,502 | **24,878** | 13,502 |
| **a.** | **Analysis by performance:** | | | | |
| | Performing | **24,482** | 12,064 | **24,482** | 12,064 |
| | Non-performing: | | | | |
| | - substandard | **344** | 1,079 | **344** | 1,079 |
| | - doubtful | **1,008** | 1,194 | **1,008** | 1,194 |
| | - lost | **70** | 61 | **70** | 61 |
| | | **25,904** | 14,398 | **25,904** | 14,398 |
| **b.** | **Analysis by maturity:** | | | | |
| | 0 - 30 days | **433** | 1,150 | **433** | 1,150 |
| | 1 - 3 months | **7,415** | 975 | **7,415** | 975 |
| | 3 - 6 months | **134** | 442 | **134** | 442 |
| | 6 - 12 months | **389** | 408 | **389** | 408 |
| | Over 12 months | **17,533** | 11,423 | **17,533** | 11,423 |
| | | **25,904** | 14,398 | **25,904** | 14,398 |
| **c.** | **Movement in advances under finance lease provision** | | | | |
| | **At start of year** | | | | |
| | - Specific provision | **756** | 40 | **756** | 40 |
| | - General provision | **140** | 92 | **140** | 92 |
| | | **896** | 132 | **896** | 132 |
| | **Additional provision:** | | | | |
| | - specific (note 14) | **853** | 856 | **853** | 856 |
| | - general (note 14) | **105** | 48 | **105** | 48 |
| | Reclassification from loans and advances | **-** | 165 | **-** | 165 |
| | Provision no longer required (note 14) | **(152)** | (305) | **(152)** | (305) |
| | Amounts written off | **(676)** | - | **(676)** | - |
| | | **130** | 764 | **130** | 764 |
| | **At end of year** | | | | |
| | - Specific provision | **781** | 756 | **781** | 756 |
| | - General provision | **245** | 140 | **245** | 140 |
| | | **1,026** | 896 | **1,026** | 896 |

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **16** | **Investment securities** | | | | |
| **a.** | **Investment securities comprise:** | | | | |
| | **Long term investments:** | | | | |
| | Debt securities: | | | | |
| | - Listed | **54,331** | 38,695 | **50,719** | 36,543 |
| | - Unlisted | **29** | 28 | **29** | 28 |
| | Equity securities: | | | | |
| | - Listed | **1,056** | 1,591 | **-** | - |
| | - Unlisted | **1,747** | 1,793 | **1,373** | 1,793 |
| | | **57,163** | 42,107 | **52,121** | 38,364 |
| | Provisions for diminution in value | **(945)** | (675) | **(945)** | (675) |
| | | **56,218** | 41,432 | **51,176** | 37,689 |
| | **Short term investments:** | | | | |
| | Debt securities: | | | | |
| | - Listed | **9,354** | - | **9,354** | - |
| | - Unlisted (note 16(c)(i)) | **1,913** | 6,153 | **-** | - |
| | | **11,267** | 6,153 | **9,354** | - |
| | **Total investment securities** | **67,485** | 47,585 | **60,530** | 37,689 |
| **b.** | **Listed long term debt securities comprise:** | | | | |
| | Federal Government of Nigeria (FGN) bonds (market value: group - ₦40.52 billion; bank - ₦38.13 billion) | **44,117** | 27,457 | **40,504** | 26,009 |
| | Asset Management Corporation of Nigeria (AMCON) bonds | **4,756** | 13 | **4,756** | 13 |
| | Other bonds | **5,458** | 11,225 | **5,459** | 10,521 |
| | | **54,331** | 38,695 | **50,719** | 36,543 |
| **c.** | **Movement in long term investments** | | | | |
| | At start of year | **41,432** | 65,290 | **37,689** | 62,358 |
| | Additions | **27,297** | 17,330 | **25,998** | 15,679 |
| | Redemption of long term bonds | **(3,995)** | (19,145) | **(3,995)** | (19,145) |
| | Provision for diminution in value | **(270)** | 206 | **(270)** | 206 |
| | Disposals | **(8,246)** | (22,249) | **(8,246)** | (21,409) |
| | **At end of year** | **56,218** | 41,432 | **51,176** | 37,689 |

(i) The short term investments represents unlisted commercial papers held by the group.

(ii) Included in unlisted long term investments are the bank's investment under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). The bank made the investments under the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) per the policy guidelines for 2001 fiscal year (Monetary Policy Circular No. 35).

A total of ₦1.22 billion (2009: ₦1.64 billion) has so far been invested under the scheme. Due to the effective percentage holding of the bank in these companies, some of them qualify as associates. However, they are not consolidated as the bank, based on regulatory requirement, is not expected to exercise influence and control.

| d. Classification of investment securities | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| Available for sale instruments | 58,131 | 28,255 | 51,176 | 24,512 |
| Trading securities | 9,354 | 13,852 | 9,354 | 13,852 |
| | 67,485 | 42,107 | 60,530 | 38,364 |

Total mark-to-market loss on trading securities for the group amounting to ₦132.48 million was charged to the income statement during the year. (Note 14b)

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **Investment in unlisted equity securities** | | | | |
| **Small and medium scale industries** | | | | |
| *Direct investment:* | | | | |
| Freezone Plant Fabrications Int'l Limited | 120 | 120 | 120 | 120 |
| Tinapa Business Resort Limited | 500 | 500 | 500 | 500 |
| Credit Reference Company Limited | 50 | 50 | 50 | 50 |
| Onward Paper Mills Limited | - | 385 | - | 385 |
| CR Services Limited | 87 | 87 | 87 | 87 |
| | 757 | 1,142 | 757 | 1,142 |
| *Indirect investment:* | | | | |
| Through African Capital Alliance Limited (SME Partnership) | 437 | 437 | 437 | 437 |
| Through First SMI Investment Company Limited | 26 | 61 | 26 | 61 |
| | 463 | 498 | 463 | 498 |
| **Total investment in small and medium scale industries** | 1,220 | 1,640 | 1,220 | 1,640 |
| **Unquoted equity** | | | | |
| Smart Card Nigeria Plc | 23 | 23 | 23 | 23 |
| First Securities Discount House | 25 | 25 | 25 | 25 |
| Nigerian Interbank Settlement System (NIBSS) | 105 | 105 | 105 | 105 |
| MTN Communication Limited | 374 | - | - | - |
| | 527 | 153 | 153 | 153 |
| **Total investment in unlisted equity securities** | 1,747 | 1,793 | 1,373 | 1,793 |

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **17 Investment in subsidiaries** | % | | | | |
| Stanbic IBTC Ventures Limited ("SIVL") | 100 | - | - | 500 | 500 |
| Stanbic IBTC Asset Management Limited ("SIAML") | 100 | - | - | 710 | 710 |
| Stanbic IBTC Pension Managers Limited ("SIPML") | 70.59 | - | - | 565 | 565 |
| Stanbic IBTC Trustees Limited ("SITL") | 100 | - | - | 100 | 40 |
| Stanbic Nominees Nigeria Limited ("SNNL") | 100 | - | - | - | - |
| Stanbic IBTC Stockbrokers Limited ("SISL") | 100 | - | - | 109 | 109 |
| | | - | - | 1,984 | 1,924 |

(i) The financial statements of all subsidiaries have been consolidated in the group financial statements.

(ii) Stanbic Nominees Limited being the custody arm of the group, acts in a nominee capacity for clients' transactions in securities and other investments. The securities are not assets of the company, and as such are not reflected in its balance sheet. All operating and administrative expenses of the company are borne by the bank. The revenue accruing to the company is considered immaterial. Accordingly, an income statement and cashflow statement have not been presented.

All the group companies have the same reporting period, and are all incorporated in Nigeria.

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **18 Other assets** | | | | |
| (a) Analysis of other assets are as follows: | | | | |
| Interest and fee receivable | 156 | 6,570 | 141 | 5,390 |
| Prepayments | 3,699 | 4,246 | 3,347 | 3,718 |
| Derivative assets (note 32) | 2,902 | - | 2,902 | - |
| Accounts receivable | 2,862 | 2,003 | 1,131 | 1,231 |
| Open buy back instruments | 16,012 | - | 16,012 | - |
| Other receivables | 3,185 | 5,049 | 3,550 | 5,036 |
| | 28,816 | 17,868 | 27,083 | 15,375 |
| Provision for doubtful receivables (note 18(c)) | (1,168) | (1,692) | (1,168) | (1,692) |
| | 27,648 | 16,176 | 25,915 | 13,683 |

(b) Bond holdings sold under repurchase agreement are classified as other asset balances in accordance with Central Bank of Nigeria circular BSD/8/2003.

| | | | | |
|---|---|---|---|---|
| (c) Movement in provision for doubtful receivables: | | | | |
| At start of year | (1,692) | (1,601) | (1,692) | (1,601) |
| - Additional provision | (265) | (892) | (265) | (892) |
| - Write-back to income statement | 188 | 580 | 188 | 580 |
| - Amount written off | 601 | 221 | 601 | 221 |
| At end of year | (1,168) | (1,692) | (1,168) | (1,692) |

## 19. Condensed financial statement for the group

| For the year ended 31 December 2011 | Bank ₦million | Stanbic IBTC Asset Mgt Ltd ₦million | Stanbic IBTC Pension Mgt Ltd ₦million |
|---|---|---|---|
| **Profit and loss account** | | | |
| Operating income | 46,728 | 1,905 | 8,095 |
| Operating expenses | (36,029) | (919) | (3,367) |
| Risk and other asset provision | (4,705) | - | - |
| Profit before tax | 5,994 | 986 | 4,728 |
| Tax | (1,946) | (312) | (1,404) |
| **Profit after tax** | 4,048 | 674 | 3,324 |
| At 31 December 2010 | 7,811 | 675 | 2,223 |
| | | | |
| **Balance sheet** | | | |
| **Assets:** | | | |
| Cash and balances with central banks | 30,072 | - | 2 |
| Treasury bills | 60,558 | 2,635 | 517 |
| Due from other banks | 75,796 | 65 | 826 |
| Loans and advances to customers | 230,707 | - | - |
| Advances under finance lease | 24,878 | - | - |
| Investment securities | 60,530 | 429 | 6,687 |
| Investment in subsidiaries | 1,984 | - | - |
| Deferred tax assets | 1,566 | - | - |
| Other assets | 25,915 | 471 | 1,069 |
| Property and equipment | 25,233 | 107 | 450 |
| Intangible asset | 5,033 | - | 3 |
| **At 31 December 2011** | 542,272 | 3,707 | 9,554 |
| At 31 December 2010 | 372,612 | 3,599 | 7,170 |

* Included in the disclosure for Stanbic Nominees is share capital of ₦100,000. This balance does not reflect above as the financial statement is presented in ₦million thus shown as zero (-).

| Stanbic IBTC Ventures Ltd ₦million | Stanbic IBTC Trustees Ltd ₦million | Stanbic Nominees Ltd* ₦million | Stanbic IBTC Stockbroking Ltd ₦million | Consolidations/ eliminations ₦million | Group total ₦million |
|---|---|---|---|---|---|
| 130 | 28 | - | 1,422 | (1,803) | 56,505 |
| (43) | (55) | - | (638) | 494 | (40,557) |
| - | - | - | - | - | (4,705) |
| 87 | (27) | - | 784 | (1,309) | 11,243 |
| (14) | - | - | (257) | 130 | (3,803) |
| 73 | (27) | - | 527 | (1,179) | 7,440 |
| 10 | - | - | 597 | (1,861) | 9,455 |

| | | | | | |
|---|---|---|---|---|---|
| - | - | - | - | - | 30,074 |
| - | - | - | - | - | 63,710 |
| 105 | 28 | - | 818 | (356) | 77,282 |
| - | - | - | - | - | 230,707 |
| - | - | - | - | - | 24,878 |
| 1,498 | 86 | - | 1,432 | (3,177) | 67,485 |
| - | - | - | - | (1,984) | - |
| - | - | - | - | - | 1,566 |
| 4 | 3 | - | 157 | 29 | 27,648 |
| - | 6 | - | 43 | - | 25,839 |
| - | - | - | - | - | 5,036 |
| 1,607 | 123 | - | 2,450 | (5,488) | 554,225 |
| 1,906 | 40 | - | 2,247 | (3,033) | 384,541 |

### 19. Condensed financial statement for the group (continued)

| For the year ended 31 December 2011 | Bank ₦million | Stanbic IBTC Asset Mgt Ltd ₦million | Stanbic IBTC Pension Mgt Ltd ₦million |
|---|---|---|---|
| **Liabilities:** | | | |
| Customer deposits | 295,905 | - | - |
| Due to other banks | 68,542 | - | - |
| Other borrowings | 47,618 | - | - |
| Other liabilities | 53,388 | 417 | 1,566 |
| Current income tax | 2,524 | 661 | 1,412 |
| Deferred tax liability | - | 16 | 70 |
| Equity and reserves | 74,295 | 2,613 | 6,506 |
| **At 31 December 2011** | 542,272 | 3,707 | 9,554 |
| At 31 December 2010 | 372,612 | 3,599 | 7,170 |
| | | | |
| Net cash from operating activities | 36,850 | 685 | 4,008 |
| Net cash from financing activities | 22,033 | (250) | (1,678) |
| Net cash from investing activities | (15,409) | (42) | (1,500) |
| **Increase/(decrease) in cash and cash equivalents** | 43,474 | 393 | 830 |

* Included in the disclosure for Stanbic Nominees is share capital of ₦100,000. This balance does not reflect above as the financial statement is presented in ₦million thus shown as zero (-).

| Stanbic IBTC Ventures Ltd ₦million | Stanbic IBTC Trustees Ltd ₦million | Stanbic Nominees Ltd* ₦million | Stanbic IBTC Stockbroking Ltd ₦million | Consolidations/ eliminations ₦million | Group total ₦million |
|---|---|---|---|---|---|
| - | - | - | - | (3,532) | 292,373 |
| - | - | - | - | - | 68,542 |
| - | - | - | - | - | 47,618 |
| 19 | 49 | - | 867 | (372) | 55,934 |
| 90 | - | - | 260 | - | 4,947 |
| - | - | - | 6 | - | 92 |
| 1,498 | 74 | - | 1,317 | (1,584) | 84,719 |
| 1,607 | 123 | - | 2,450 | (5,488) | 554,225 |
| 1,906 | 40 | - | 2,247 | (3,033) | 384,541 |
| | | | | | |
| 53 | 21 | - | 467 | 1,437 | 43,521 |
| 282 | (56) | - | (42) | 1,303 | 21,592 |
| (255) | 60 | - | - | (1,073) | (18,219) |
| | | | | | |
| 80 | 25 | - | 425 | 1,667 | 46,894 |

## 20. Property and equipment - Group

| | At start of year ₦million | Additions ₦million | Disposals/ write-offs ₦million | Reclassifications ₦million | At end of year ₦million |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Leasehold land and buildings | 15,891 | 667 | (170) | 2,479 | 18,867 |
| Motor vehicles | 3,364 | 911 | (1,286) | 19 | 3,008 |
| Furniture, fittings and equipment | 6,484 | 1,271 | (288) | 616 | 8,083 |
| Computer hardware | 5,088 | 669 | (410) | 125 | 5,472 |
| Work in progress | 5,921 | 302 | (17) | (3,239) | 2,337 |
| | 36,118 | 3,820 | (2,171) | - | 37,767 |

| | At start of year ₦million | Charge for the year ₦million | Disposals/ write-offs ₦million | Reclassifications ₦million | At end of year ₦million |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Leasehold land and buildings | 2,394 | 921 | (18) | - | 3,297 |
| Motor vehicles | 1,902 | 703 | (1,063) | - | 1,542 |
| Furniture, fittings and equipment | 2,416 | 1,416 | (44) | - | 3,788 |
| Computer hardware | 2,713 | 861 | (216) | (57) | 3,301 |
| | 9,425 | 3,901 | (1,341) | (57) | 11,928 |

| | At start of year ₦million | At end of year ₦million |
|---|---|---|
| **Net book value** | | |
| Leasehold land and buildings | 13,497 | 15,570 |
| Motor vehicles | 1,462 | 1,466 |
| Furniture, fittings and equipment | 4,068 | 4,295 |
| Computer hardware | 2,375 | 2,171 |
| Work in progress | 5,291 | 2,337 |
| | 26,693 | 25,839 |

(a) Work in progress represents construction costs in respect of new branches and offices. On completion of construction, the related amounts are transferred to other categories of property and equipment.

(b) There are no leased assets other than leasehold land included in the schedule of property and equipment.

## 20. Property and equipment - Bank

| | At start of year ₦million | Additions ₦million | Disposals/ write-offs ₦million | Reclassifications ₦million | At end of year ₦million |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Leasehold land and buildings | 15,890 | 667 | (170) | 2,479 | 18,866 |
| Motor vehicles | 2,994 | 653 | (1,180) | 19 | 2,486 |
| Furniture, fittings and equipment | 6,170 | 1,155 | (282) | 616 | 7,659 |
| Computer hardware | 4,661 | 626 | (388) | 125 | 5,024 |
| Work in progress | 5,291 | 302 | (17) | (3,239) | 2,337 |
| | 35,006 | 3,403 | (2,037) | - | 36,372 |

| | At start of year ₦million | Charge for the year ₦million | Disposals/ write-offs ₦million | Reclassifications ₦million | At end of year ₦million |
|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | |
| Leasehold land and buildings | 2,394 | 921 | (18) | 7 | 3,304 |
| Motor vehicles | 1,737 | 597 | (981) | (6) | 1,347 |
| Furniture, fittings and equipment | 2,230 | 1,351 | (38) | - | 3,543 |
| Computer hardware | 2,365 | 776 | (195) | (1) | 2,945 |
| | 8,726 | 3,645 | (1,232) | - | 11,139 |

| | At start of year ₦million | At end of year ₦million |
|---|---|---|
| **Net book value** | | |
| Leasehold land and buildings | 13,496 | 15,562 |
| Motor vehicles | 1,257 | 1,139 |
| Furniture, fittings and equipment | 3,940 | 4,116 |
| Computer hardware | 2,296 | 2,079 |
| Work in progress | 5,291 | 2,337 |
| | 26,280 | 25,233 |

(a) Work in progress represents construction costs in respect of new branches and offices. On completion of construction, the related amounts are transferred to other categories of property and equipment.

(b) There are no leased assets other than leasehold land included in the schedule of property and equipment.

## 21. Intangible assets

The group adopted the new accounting standard - Statement of Accounting Standards 31: On Intangible Assets, which became operative for financial statements covering periods beginning on or after 1 January 2011. As a result, the carrying amount of the cost of its acquired software which does not form part of the related hardware and previously classified as property and equipment was reclassified to intangible assets.

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

| | Group 2011 ₦million | | | Bank 2011 ₦million | | |
|---|---|---|---|---|---|---|
| | Computer software | Work in progress | Total | Computer software | Work in progress | Total |
| **Cost:** | | | | | | |
| Balance - start of year 1 January (note 38) | 532 | 4,391 | 4,923 | 329 | 4,391 | 4,720 |
| Additions | - | 612 | 612 | - | 612 | 612 |
| Disposals | (172) | - | (172) | (172) | - | (172) |
| Balance - end of year 31 December | 360 | 5,003 | 5,363 | 157 | 5,003 | 5,160 |
| **Accumulated amortisation** | | | | | | |
| Balance - start of year (note 38) | (364) | - | (364) | (243) | - | (243) |
| Reclassification | (57) | - | (57) | - | - | - |
| Amortisation charge | (72) | - | (72) | (49) | - | (49) |
| Disposals | 166 | - | 166 | 165 | - | 165 |
| Balance - end of year | (327) | - | (327) | (127) | - | (127) |
| **Net book value - 31 December 2011** | 33 | 5,003 | 5,036 | 30 | 5,003 | 5,033 |
| Net book value - 31 December 2010 | 168 | 4,391 | 4,559 | 86 | 4,391 | 4,477 |

The carrying amount of intangible assets not available for use does not exceed its recoverable amount.

As at the balance sheet date, there were no capital commitments accruing to the group in respect of intangible assets not available for use.

| | | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|---|
| **22** | **Customer deposits** | | | | |
| | Current deposits | **67,408** | 77,211 | **67,765** | 78,103 |
| | Savings deposits | **12,315** | 9,485 | **12,315** | 9,485 |
| | Term deposits | **148,503** | 84,030 | **151,678** | 84,030 |
| | Domiciliary deposits | **64,051** | 15,740 | **64,051** | 15,977 |
| | Electronic purse | **96** | - | **96** | - |
| | | **292,373** | 186,466 | **295,905** | 187,595 |
| | **Analysis by maturity** | | | | |
| | 0 - 30 days | **211,240** | 172,702 | **214,772** | 173,831 |
| | 1 - 3 months | **18,628** | 8,496 | **18,628** | 8,496 |
| | 3 - 6 months | **17,080** | 2,290 | **17,080** | 2,290 |
| | 6 - 12 months | **43,817** | 2,900 | **43,817** | 2,900 |
| | Over 12 months | **1,608** | 78 | **1,608** | 78 |
| | | **292,373** | 186,466 | **295,905** | 187,595 |
| **23** | **Due to other banks** | | | | |
| | Current balances with banks | **-** | 293 | **-** | 293 |
| | Inter-bank taking | **68,542** | 55,859 | **68,542** | 55,859 |
| | | **68,542** | 56,152 | **68,542** | 56,152 |
| **24** | **Other borrowings** | | | | |
| | FMO - Netherland Development Finance Company | **8,233** | 10,117 | **8,233** | 10,117 |
| | International Finance Corporation (IFC) | **422** | 802 | **422** | 802 |
| | European Investment Bank | **3,212** | 3,443 | **3,212** | 3,443 |
| | Bank of Industry | **4,930** | 2,560 | **4,930** | 2,560 |
| | Standard Bank Isle of Man | **21,489** | - | **21,489** | - |
| | CBN Commercial Agricultural Credit Scheme (CACS) | **9,332** | 1,350 | **9,332** | 1,350 |
| | | **47,618** | 18,272 | **47,618** | 18,272 |

i. The bank's dollar denominated on-lending credit obtained from the IFC expires on or after 15 December 2012 and has a rate of 3% above 3 month's LIBOR.

ii. The dollar denominated facility from European Investment Bank expires on or after 15 March 2012 and has a rate of 2.5% above 3 month's LIBOR.

iii. The on-lending dollar denominated loan obtained from Netherland Development Finance Company (FMO) expires on or after 15 January 2015, and has a rate of 2.0% above 6 month's LIBOR.

iv. The bank obtained a Central Bank of Nigeria (CBN) initiated on-lending naira facility from the Bank of Industry in September 2010 at a fixed rate of 1% per annum on a tenor based on an agreement with individual customer and beneficiary.

v. The bank obtained a long term on lending loan from Standard Bank Isle of Man.

vi. The bank obtained an interest free bearing loan from the Central Bank of Nigeria (CBN) for the purpose of on-lending to customers under the Commercial Agricultural Credit Scheme (CACS). The tenor is also based on an agreement with an individual customer and beneficiary. Disbursement of these funds is represented in customers' loans and advances.

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **Analysis by maturity** | | | | |
| 0 - 30 days | **1,240** | 1,126 | **1,240** | 1,126 |
| 1 - 3 months | **-** | 220 | **-** | 220 |
| 3 - 6 months | **226** | 590 | **226** | 590 |
| 6 - 12 months | **3,447** | 2,142 | **3,447** | 2,142 |
| Over 12 months | **42,705** | 14,194 | **42,705** | 14,194 |
| | **47,618** | 18,272 | **47,618** | 18,272 |
| **Movement in other borrowings** | | | | |
| **At start of year** | **18,272** | 12,647 | **18,272** | 12,647 |
| Additions | **31,841** | 7,332 | **31,841** | 7,332 |
| Payments made | **(2,495)** | (1,707) | **(2,495)** | (1,707) |
| **At end of year** | **47,618** | 18,272 | **47,618** | 18,272 |

| 25 | **Other liabilities** | | | | |
|---|---|---|---|---|---|
| | Customers' deposit for letters of credit | **10,063** | 5,528 | **10,063** | 5,528 |
| | Interest payable | **2,467** | 1,838 | **2,449** | 1,822 |
| | Unearned income | **96** | 291 | **63** | 257 |
| | Accrued expenses | **6,352** | 5,368 | **5,861** | 4,646 |
| | Account payables | **10,775** | 16,357 | **8,836** | 14,035 |
| | Provision for employee share–based benefits | **457** | 243 | **444** | 243 |
| | AMCON sinking fund provision | **1,118** | - | **1,118** | - |
| | Collections/remittances payable | **20,141** | 3,999 | **20,089** | 3,856 |
| | Proceeds from public offers | **3,879** | 10 | **3,879** | 10 |
| | Provision on losses (note (a) below) | **586** | 586 | **586** | 586 |
| | | **55,934** | 34,220 | **53,388** | 30,983 |

Provision on losses represents provisions recommended on some pending legal proceedings disclosed in note 31. The movement of these provisions is shown in note 25(a).

| a) | **Movement on provision for losses** | | | | |
|---|---|---|---|---|---|
| | **At start of year** | **586** | 142 | **586** | 142 |
| | Additional provision | **-** | 500 | **-** | 500 |
| | Amount written off | **-** | (56) | **-** | (56) |
| | **At end of year** | **586** | 586 | **586** | 586 |

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **26 Deferred taxes** | | | | |
| Deferred tax liabilities | **92** | 108 | **-** | - |
| Deferred tax assets | **(1,566)** | (939) | **(1,566)** | (939) |
| | **(1,474)** | (831) | **(1,566)** | (939) |
| **Movement in deferred liabilities:** | | | | |
| **At start of year - 1 January 2011** | **108** | 100 | **-** | - |
| (Write-back)/charge for the year | **(212)** | (15) | **-** | - |
| Reclassification from current income tax | **-** | (13) | **-** | - |
| Prior year adjustment on revaluation of securities | **-** | (4) | **-** | - |
| (Write-back)/charge on revaluation of securities | **(40)** | 40 | **-** | - |
| **At end of year - 31 December 2011** | **(144)** | 108 | **-** | - |
| **Movement in deferred tax assets:** | | | | |
| **At start of year - 1 January 2011** | **(939)** | (594) | **(939)** | (594) |
| (Write-back)/charge for the year | **(391)** | (345) | **(627)** | (345) |
| **At end of year - 31 December 2011** | **(1,330)** | (939) | **(1,566)** | (939) |
| **27 Non controlling interest** | | | | |
| **At start of year - 1 January 2011** | **1,376** | 1,017 | **-** | - |
| Transfer from profit and loss | **978** | 653 | **-** | - |
| Dividend paid | **(441)** | (294) | **-** | - |
| **At end of year - 31 December 2011** | **1,913** | 1,376 | **-** | - |
| **28 Share capital** | | | | |
| **Authorised** | | | | |
| 20 billion ordinary shares of 50 kobo each (2010: 20 billion ordinary shares of 50 kobo each) | **10,000** | 10,000 | **10,000** | 10,000 |

**Issued and fully paid**

| i. Ordinary shares | Number million | Group ₦million | Bank ₦million |
|---|---|---|---|
| **At start of year - 1 January 2011** | **18,750** | **9,375** | **9,375** |
| **At end of year - 31 December 2011** | **18,750** | **9,375** | **9,375** |

| ii. Share premium | Group ₦million | Bank ₦million |
|---|---|---|
| **At start of year - 1 January 2011** | **47,469** | **47,469** |
| **At end of year - 31 December 2011** | **47,469** | **47,469** |

## 29 Reserves

| | Statutory reserve ₦million | SMIEIS reserve ₦million | Revaluation reserve ₦million | Capital reserve ₦million | Retained earnings ₦million | Total ₦million |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| At prior period start - 1 January 2010 | 11,566 | 1,039 | - | 423 | 10,608 | 23,636 |
| On revaluation of securities | - | - | 93 | - | - | 93 |
| Dividend paid | - | - | - | - | (5,625) | (5,625) |
| Transfer from profit and loss account | 1,450 | - | - | - | 7,352 | 8,802 |
| **At 31 December 2010/1 January 2011** | **13,016** | **1,039** | **93** | **423** | **12,335** | **26,906** |
| On revaluation of securities | **-** | **-** | **(93)** | **-** | **-** | **(93)** |
| Dividend paid | **-** | **-** | **-** | **-** | **(7,313)** | **(7,313)** |
| Transfer from profit and loss account | **1,022** | **-** | **-** | **-** | **5,440** | **6,462** |
| **At period end 31 December 2011** | **14,038** | **1,039** | **-** | **423** | **10,462** | **25,962** |
| | | | | | | |
| **Bank** | | | | | | |
| At prior period start - 1 January 2010 | 11,074 | 1,039 | - | - | 6,416 | 18,529 |
| Dividend paid | - | - | - | - | (5,625) | (5,625) |
| Transfer from profit and loss account | 1,172 | - | - | - | 6,639 | 7,811 |
| **At 31 December 2010/1 January 2011** | **12,246** | **1,039** | **-** | **-** | **7,430** | **20,715** |
| Dividend paid | **-** | **-** | **-** | **-** | **(7,313)** | **(7,313)** |
| Transfer from profit and loss account | **607** | **-** | **-** | **-** | **3,441** | **4,048** |
| **At period end 31 December 2011** | **12,853** | **1,039** | **-** | **-** | **3,559** | **17,451** |

## 30 Employee benefit

### (a) Retirement benefit obligations

The group operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2004, with contributions based on the sum of an employee's basic salary, housing and transport allowance in the ratio 7.5% by the employee and 7.5% by the employer. The amount contributed by the group, and remitted to the Pension Fund Administrators, during the year was ₦607 million (2010: ₦631 million).

The group's contributions to this scheme are charged to the profit and loss account in the period to which they relate. Contributions to the scheme are managed by Stanbic IBTC Pension Managers, and other appointed pension managers on behalf of the beneficiary staff in line with the provisions of the Pension Reform Act. Consequently, the group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to meet the related obligations to employees.

### (b) Share-based scheme

The group operates a cash-settled share-based compensation plan for its management personnel. The group's liability under the scheme is re-measured at each reporting date and at settlement date. The amount so far provided by the group is contained in note 25 to the annual financial statements.

## 31 Contingent liabilities and commitments

### a) Legal proceedings

There were 77 legal proceedings outstanding at 31 December 2011 with claims amounting to ₦60.0 billion (2010: ₦30.3 billion). The claims are considered without merit, and the bank is defending them vigorously. It is not expected that the ultimate resolution of any of the proceedings will have a significantly adverse effect on the financial position of the bank.

On 6 December 2010 a judgement of ₦2.5billion was delivered in favour of one of the claimants noted above. The bank has lodged an appeal against the judgement, and intends to vigorously defend its position in the appeal court. Furthermore legal advice was obtained from independent Senior Advocates of Nigeria (SANs) to assess the merits of the appeal. Their respective advice indicates that it is unlikely that any significant loss will arise in the ultimate resolution of this matter.

Based on professional advice received and management's opinion, adequate provisions have been made on the various cases.

### b) Capital commitments

As at the balance sheet date, there were no capital commitments accruing to the group in respect of the construction work being undertaken on branch expansion and revamping projects (2010: ₦36.08 million) .

| | 2011 ₦million | 2010 ₦million |
|---|---|---|
| a) Aggregate or estimated amount of contracts for capital expenditure so far as not provided for; and | - | 36 |
| b) Aggregate or estimated amount of capital expenditure authorised by the directors which has not been contracted. | - | - |

### c) Off balance sheet engagements

In the normal course of business, the group 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 are:

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| Performance bonds and guarantees | 13,156 | 5,280 | 13,156 | 5,280 |
| Letters of credit | 24,596 | 9,327 | 24,596 | 9,327 |
| Forward and swap contracts | - | 254 | - | 254 |
| | 37,752 | 14,861 | 37,752 | 14,861 |

## 32 Derivative assets held for risk management

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **Instrument type:** | | | | |
| Forward exchange swap contract | 1,031 | - | 1,031 | - |
| Interest rate swaps | 1,871 | - | 1,871 | - |
| **Total derivative assets** | 2,902 | - | 2,902 | - |

**Maturity analysis of net fair value:**

| Derivatives assets - 2011 | Within 1 year | After 1 year but within 5 years | After 5 years | Net fair value | Fair value of assets |
|---|---|---|---|---|---|
| **Foreign exchange derivatives:** | | | | | |
| Forward exchange swap contract | 1,031 | - | - | 1,031 | 1,031 |
| **Interest rate derivatives:** | | | | | |
| Interest rate swaps | - | 1,871 | - | 1,871 | 1,871 |
| **Balance as at 31 December 2011** | 1,031 | 1,871 | - | 2,902 | 2,902 |
| Balance as at 31 December 2010 | - | - | - | - | - |

## 33 Consumer complaints helpdesk activity

In line with our customer experience strategy and the policy thrust of the Central Bank of Nigeria, the customer complaints management desk was set up to manage customer feedback.

Since inception in March 2009, this team has managed over 100,000 contacts from all customer segments across the 171 branches and other touch points of the bank. In the year under review, the team managed a total of 43,209 contacts with an average response time of 43.2 hours. 0.14% of the contacts were still active as at 31 December 2011.

A total of eight customer complaints were escalated to the Central Bank of Nigeria, seven of which were resolved as at 31 December 2011.

| Description | 2011 Number | 2010 Number |
|---|---|---|
| Complaints received | 43,209 | 38,351 |
| Complaints resolved | 43,141 | 38,315 |
| Complaints unresolved | 59 | 36 |
| Outstanding customer issues escalated through the Central Bank of Nigeria, and resolved | 8 | - |
| Outstanding customer issues escalated through the Central Bank of Nigeria unresolved as at year end | 1* | - |

* Resolved January 6, 2012

## 34 Dividend

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| Declared dividend 39 kobo (2010: 30 kobo) per share | 7,313 | 5,625 | 7,313 | 5,625 |

Dividends are not accounted for until they have been ratified at the annual general meeting (AGM). At the next AGM, a dividend in respect of 2011 of 10 kobo per share (2010: 39 kobo) amounting to a total of ₦1.85 billion (2010: ₦7.31 billion) will be proposed. These financial statements do not reflect this resolution, which will be accounted as an appropriation of retained earnings in the year ending 31 December 2012.

## 35 Earnings per share

Earnings per share (actual) is calculated by dividing the profit after tax by the weighted average number of shares in issue during the period.

| | **Group 2011** | Group 2010 | **Bank 2011** | Bank 2010 |
|---|---|---|---|---|
| Profit after tax (in ₦ millions) | **7,440** | 9,455 | **4,048** | 7,811 |
| Number of shares (in millions) | **18,750** | 18,750 | **18,750** | 18,750 |
| Weighted average number of shares (in millions) | **18,750** | 18,750 | **18,750** | 18,750 |
| Earnings per share (EPS) - basic | **40 k** | 50 k | **22 k** | 42 k |

There was no change in the number of shares in issue during the period. Consequently, the weighted average number of shares is the same as the number of shares in issue and outstanding as at 31 December 2011.

## 36 Compliance with banking regulation

The bank was penalised by the Central Bank of Nigeria (CBN) during the year for an infraction of KYC principles and Section 1.18.1.3 of the CBN Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) Regulation 2009 (Fine: ₦2 million)

## 37(a) Corresponding figures reclassified

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

## 37(b) Change in accounting estimate

During the year, the group revised its useful lives and residual values based on experience of usage and/or new information on certain property and equipment. The change led to revised depreciation rates as follows:

| Asset class | Old depreciation rate | New depreciation rate |
|---|---|---|
| Branch improvements | Minimum of 6 years or life of the lease | The shorter of the lease term or its useful life |
| Office equipment | 4 yrs | 6 yrs |
| Mid to long range computer hardware | 3 yrs | 5 yrs |
| Auto-teller machines (ATMs) | 3 yrs | 5 yrs |

*Financial impact of the change:*

The implementation of the above changes led to writeback of excess depreciation charges totaling ₦1.07 billion on affected property and equipment items.

## 38 Adoption of a policy on intangible assets

This is the first set of financial statements after the implementation of the Statement of Accounting Standards number 31: On Intangible Assets, which became effective for annual periods beginning on or after 1 January 2011. The implementation of the accounting policy resulted in a reclassification of computer software from property and equipment (Note 20). The impact of this is shown below.

| | Group<br>₦million | Bank<br>₦million |
|---|---|---|
| **Cost:** | | |
| Opening balance as previously stated | 41,041 | 39,726 |
| Reclassification to intangible assets | (4,923) | (4,720) |
| Balance as re-stated | 36,118 | 35,006 |
| | | |
| **Accumulated depreciation:** | | |
| Opening balance as previously stated | 9,789 | 8,969 |
| Reclassification to intangible assets | (364) | (243) |
| Balance as re-stated | 9,425 | 8,726 |
| | | |
| **Net book value:** | | |
| Balance as previously stated | 31,252 | 30,757 |
| Balance as re-stated | 26,693 | 26,280 |

Included in the reclassified intangible asset for the group is the amount of ₦4.4 billion representing intangible assets not available for use.

## 39 Employees and directors

### a) Employees

The average number of persons employed by the group during the year by category:

| | Group<br>2011<br>₦million | Group<br>2010<br>₦million | Bank<br>2011<br>₦million | Bank<br>2010<br>₦million |
|---|---|---|---|---|
| Executive directors | 3 | 5 | 3 | 5 |
| Management | 456 | 411 | 408 | 377 |
| Non-management | 1,852 | 1,832 | 1,563 | 1,566 |
| | 2,311 | 2,248 | 1,974 | 1,948 |

*Compensation for the above staff (excluding executive directors):*

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| Salaries and wages | 15,963 | 14,267 | 14,016 | 12,533 |
| Retirement benefit - pension (note 30) | 607 | 631 | 597 | 539 |
| | 16,570 | 14,898 | 14,613 | 13,072 |

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

| | Number | Number | Number | Number |
|---|---|---|---|---|
| Below ₦1,000,001 | 6 | - | 6 | - |
| ₦1,000,001 - ₦2,000,000 | 94 | 106 | 34 | 56 |
| ₦2,000,001 - ₦3,000,000 | 749 | 841 | 704 | 819 |
| ₦3,000,001 - ₦4,000,000 | 459 | 408 | 362 | 304 |
| ₦4,000,001 - ₦5,000,000 | 271 | 253 | 223 | 205 |
| ₦5,000,001 - ₦6,000,000 | 157 | 100 | 134 | 79 |
| ₦6,000,001 and above | 575 | 540 | 511 | 485 |
| | 2,311 | 2,248 | 1,974 | 1,948 |

## b) Directors

The remuneration paid to the directors was:

| | ₦million | ₦million | ₦million | ₦million |
|---|---|---|---|---|
| Fees and sitting allowances | 122 | 151 | 122 | 151 |
| Executive compensation (salary including all benefits) | 496 | 568 | 496 | 568 |
| | 618 | 719 | 618 | 719 |
| Directors' other expenses | 1 | 1 | 1 | 1 |
| | 619 | 720 | 619 | 720 |
| Fees and other emoluments disclosed above include amounts paid to: | | | | |
| (i) the chairman | 39 | 36 | 39 | 36 |
| (ii) the highest paid director | 102 | 177 | 102 | 177 |

## c) Disclosure on diversity in employment

The group is an equal opportunity employer that is committed to maintaining a positive work environment that facilitates a high level of professional efficiency at all times. The bank's policy prohibits discrimination of gender, disabled persons or persons with HIV in the recruitment, training and career development of its employees.

*i) Persons with disability:*

The bank continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. There were two people with disabilities in the employment of the group as at 31 December 2011.

*ii) Gender diversity within the group*

| | Group | | Bank | |
|---|---|---|---|---|
| | Workforce | % of gender composition | Workforce | % of gender composition |
| Total workforce: | | | | |
| Women | 937 | 41% | 787 | 40% |
| Men | 1,374 | 59% | 1,187 | 60% |
| | 2,311 | 100% | 1,974 | 100% |
| Recruitments made during the year: | | | | |
| Women | 71 | 36% | 56 | 34% |
| Men | 128 | 64% | 109 | 66% |
| | 199 | 100% | 165 | 100% |
| Diversity of board members - Number of board members | | | | |
| Women | 3 | 25% | 3 | 25% |
| Men | 9 | 75% | 9 | 75% |
| | 12 | 100% | 12 | 100% |
| Diversity of board executives - Number of executive directors | | | | |
| Women | 1 | 33% | 1 | 33% |
| Men | 2 | 67% | 2 | 67% |
| | 3 | 100% | 3 | 100% |
| Diversity of senior management team - Number of assistant general managers to general manager | | | | |
| Women | 15 | 22% | 12 | 20% |
| Men | 54 | 78% | 49 | 80% |
| | 69 | 100% | 61 | 100% |

# Notes to the financial statements

For the year ended 31 December 2011

## 40 Related party transactions

The bank is controlled by Stanbic Africa Holding Limited which is incorporated in the United Kingdom. The ultimate parent of the group is Standard Bank Group Limited incorporated in South Africa.

The bank manages the operations of SIAML, SISL and SIPML under the terms of a management and advisory services agreement for a fee. Included in loans and advances is an amount of ₦28.52 billion (31 December 2010 : ₦18.73 billion) representing credit facilities to staff, shareholders and companies in which some directors have interests. These facilities were granted at rates and terms comparable to other facilities in the bank's portfolio. There were no non-performing insider related credits as at balance sheet date.

The balances in the accounts as at 31 December 2011 are as stated below:

*(a) (i) Schedule of insider related credits and deposits*

| Name of company/individual | Relationship | Name of related interest | Facility type | Date granted | Expiry date |
|---|---|---|---|---|---|
| Flour Mills of Nigeria Plc | Chairman | Atedo Peterside | Overdraft | 2-Nov-11 | 1-Jan-12 |
| Golden Sugar Company Limited (A subsidiary of Flour Mills of Nigeria Plc) | Chairman | Atedo Peterside | Term loan | 31-May-11 | 23-May-16 |
| Apapa Bulk Terminal Limited (A subsidiary of Flour Mills of Nigeria Plc) | Chairman | Atedo Peterside | Overdraft | 22-Dec-11 | 6-Oct-12 |
| Presco Plc | Chairman | Atedo Peterside | Term loan | 1-Oct-08 | 31-Dec-11 |
| Nigerian Breweries | Chairman | Atedo Peterside | Term loan | 16-Nov-11 | 14-Feb-12 |
| Nigerian Breweries | Chairman | Atedo Peterside | Term loan | 10-Nov-11 | 8-Feb-12 |
| International Glass Industries Limited | Director | B.I. Mahtani | Finance lease | 6-Oct-08 | 20-Oct-12 |
| Chartered Institute of Stockbrokers | Director | Yinka Sanni | Finance lease | 6-Jan-11 | 31-Dec-14 |
| PPC Limited | Ex - Director | Sam U Unuigbe/ Ahmed I Dasuki | Finance lease | 23-Jul-09 | 31-Jul-13 |
| MTN Nigeria Communications Ltd | Ex - Director | Ahmed I Dasuki | Term loan | 29-Jun-10 | 30-Dec-15 |
| Acorn Petroleum Plc | Ex - Director | Christopher Kolade | Finance lease | 2-Nov-09 | 30-Oct-12 |
| Acorn Petroleum Plc | Ex - Director | Christopher Kolade | Term loan | 6-Jul-11 | 31-May-12 |
| Various staff | Staff | Various staff | Staff loan | Various | Various |
| | | Total - Insider related credits | | | |

*(ii) Off balance sheet engagements*

| Name of company | Relationship | Name of related interest | Facility type | Outstanding ₦000 | Status |
|---|---|---|---|---|---|
| Golden Sugar Company Limited (A subsidiary of Flour Mills of Nigeria Plc) | Chairman | Atedo Peterside | Unconfirmed letters of credit | 4,832,426 | Performing |
| Nigeria Breweries | Chairman | Atedo Peterside | Unconfirmed letters of credit | 503,862 | Performing |
| **Total** | | | | 5,336,288 | |

*(b) Other related party items*

Significant transaction balances involving the bank and related parties are as detailed below:

| Related party items | SBG | SIAML | SIVL | SIPML | SISL |
|---|---|---|---|---|---|
| Relationship to the bank | Parent | Subsidiary | Subsidiary | Subsidiary | Subsidiary |
| | ₦000 | ₦000 | ₦000 | ₦000 | ₦000 |
| Deposit balances | 57,316,500 | 64,853 | 394,299 | 1,515,342 | 1,528,953 |
| Account receivables | - | 176,766 | - | 172,010 | - |
| Long term loans | 21,489,164 | - | - | - | - |
| Placements | 11,032,556 | - | - | - | - |

| Approved credit limit ₦000 | Outstanding ₦000 | Status | Interest rate | Perfected security | | Deposit outstanding ₦000 | Type of deposit |
|---|---|---|---|---|---|---|---|
| | | | | Security nature | Security value ₦000 | | |
| 4,250,000 | 2,160,852 | Performing | 13.75% | Negative pledge | - | - | Current a/c |
| 1,594,300 | 1,594,300 | Performing | 5.55% | Debenture on fixed and floating assets | 2,150,000 | 195,384 | Current a/c |
| 450,000 | 2,334 | Performing | 13.75% | Negative pledge | - | | |
| 575,719 | 44,594 | Performing | 5.31% | Debenture on fixed and floating assets | 419,000 | 2,343 | Time/Current account |
| 3,000,000 | 3,000,000 | Performing | 11.90% | Negative pledge | - | 211,412 | Current a/c |
| 2,000,000 | 2,000,000 | Performing | 11.79% | Negative pledge | - | - | Current a/c |
| 16,296 | 2,739 | Performing | 23.50% | Asset financed | 2,739 | 40,592 | Current a/c |
| 24,996 | 12,319 | Performing | 23.00% | Asset financed | 12,319 | 417 | Current a/c |
| 58,928 | 16,767 | Performing | 24.00% | Asset financed | 16,767 | 13,453 | Time/Current account |
| 12,365,040 | 12,365,040 | Performing | 16.55% | Negative pledge | - | 12,754,037 | Time/Current account |
| 11,742 | 2,747 | Performing | 21.50% | Asset financed | 2,747 | 1,474 | Current a/c |
| 210,714 | 120,542 | Performing | 21.00% | Negative pledge | 2,412,432 | As above | As above |
| 8,677,089 | 7,202,186 | Performing | 15%, 18.25% & 18.50% | - | - | 895,759 | Time/Current account |
| 33,234,824 | 28,524,421 | | | | | 14,114,871 | |

### 41a 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, operating account balances with other banks, amounts due from other banks and short term government securities.

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| Cash and balances with central banks (less restricted balances) | 15,195 | 8,206 | 15,193 | 8,206 |
| Treasury bills and eligible bills | 63,710 | 12,428 | 60,558 | 12,428 |
| Due from other banks | 77,282 | 88,659 | 75,796 | 87,439 |
| | 156,187 | 109,293 | 151,547 | 108,073 |
| *b)* **Cash generated from operations** | | | | |
| Reconciliation of profit before tax to cash generated from operations: | | | | |
| Operating profit | 11,243 | 13,528 | 5,994 | 10,187 |
| Provision for loan loss | 6,684 | 3,533 | 6,684 | 3,533 |
| Amounts written back on previously provisioned accounts | (3,026) | (3,921) | (3,026) | (3,921) |
| Provision for leases | 958 | 904 | 958 | 904 |
| Provision for forward cover gain | 473 | 18 | 473 | 17 |
| Provision on losses | - | 444 | - | 444 |
| Interest in suspense (note 13b) | 1,585 | 1,329 | 1,585 | 1,329 |
| Interest in suspense written off (note 13b) | (1,074) | (1,368) | (1,074) | (1,368) |
| Loans written off (note 13a and 15c) | (3,818) | (4,004) | (3,818) | (4,004) |
| Withholding tax charge | (6) | (90) | (137) | (90) |
| Provision for other assets | 77 | 312 | 77 | 312 |
| Provision/(Write back of)/for diminution in value of investment | 270 | (311) | 270 | (206) |
| (Profit)/loss on disposal of property and equipment (note 7) | (144) | (8) | (137) | (2) |
| Gain on disposal of investment | (106) | - | (106) | - |
| Depreciation (note 7) | 3,901 | 3,931 | 3,645 | 3,654 |
| Amortisation of intangible assets (note 7) | 72 | 103 | 49 | 64 |
| Interest received (note 3) | (40,343) | (34,359) | (39,458) | (33,808) |
| Interest paid (note 4) | 10,579 | 7,989 | 10,603 | 8,012 |
| Dividend received (note 6b) | (183) | (103) | (1,368) | (1,886) |
| **Operating profit before changes in operating assets and liabilities** | (12,858) | (12,073) | (18,786) | (16,829) |

| | Group 2011 ₦million | Group 2010 ₦million | Bank 2011 ₦million | Bank 2010 ₦million |
|---|---|---|---|---|
| **(Increase)/decrease in operating assets:** | | | | |
| Cash reserve balances | **(13,037)** | (554) | **(13,037)** | (554) |
| Loans to customers | **(67,934)** | (49,153) | **(67,683)** | (48,945) |
| Advances under finance leases | **(11,506)** | (4,889) | **(11,506)** | (4,889) |
| Short term investments | **5,114** | 19 | **(9,354)** | - |
| Interest receivable and prepayment | **6,961** | (2,176) | **5,620** | (1,481) |
| Accounts receivable | **(3,761)** | (673) | **(2,802)** | (1,047) |
| Other receivables, net of sundry receivables in acquiree | **(15,353)** | 11,912 | **(15,600)** | 12,970 |
| | **(109,744)** | (45,514) | **(114,362)** | (43,946) |
| **Increase/(decrease) in operating liabilities** | | | | |
| Customer deposits | **105,907** | 17,266 | **108,310** | 17,184 |
| Due to other banks | **12,390** | 17,818 | **12,390** | 17,818 |
| Customer deposit for foreign currency denominated obligations | **4,535** | (3,276) | **4,535** | (3,276) |
| Interest payable and unearned income | **434** | (2,277) | **433** | (2,260) |
| Accounts payable | **12,879** | 7,291 | **13,569** | 6,762 |
| Public offer proceeds, and other payables | **3,869** | (2,006) | **3,869** | (2,006) |
| | **140,014** | 34,816 | **143,106** | 34,222 |
| **Cash used in operations** | **17,412** | (22,771) | **9,958** | (26,553) |

# Financial risk analysis

For the year ended 31 December 2011

## Enterprise risk review

Fundamental to the business activities and future growth prospects of Stanbic IBTC is a strong risk management practice. This is the bedrock of the group's avowed commitment to enhancing shareholders' value at all times by developing and growing the business in strict adherence to the risk appetite set by the board as well as balancing this objective with the wider interest of other stakeholders, including regulators and depositors. The group seeks to achieve an appropriate balance between risk and reward in its businesses, and continues to build and enhance the risk management capabilities that will assist in achieving its dynamic growth plans in a controlled environment.

The group seeks to limit adverse variations in earnings and equity by managing the balance sheet and capital within specified levels of risk appetite. Managing and controlling risks, and in particular avoiding undue concentrations of exposure and limiting potential losses from stress events, are essential elements of protecting the group's reputation and brand and shareholder value.

Risk management is at the core of the operating and management structures of the group. Within the group, responsibility and accountability for risk management resides at all levels, from the executive down through the organisation to each business manager and independent risk officer. Internal Audit provides an independent assessment of the adequacy and effectiveness of controls and procedures and reports independently to the statutory audit committee, whilst external auditors report independently on the group annual financial statements to shareholders and regulators.

Subsidiary entities within the group are guided by the group's enterprise risk management (ERM) framework in establishing their respective risk management frameworks.

The major subsidiaries of the bank; Stanbic IBTC Asset Management Limited, Stanbic IBTC Stockbroking Limited and Stanbic IBTC Pension Managers Limited are committed to aligning their respective risk management practices to that of the group and adopting acceptable risk tolerance parameters in line with the group.

Key aspects of risk management are the governance and the organisational structures established by the group to manage risk according to a set of governance standards, which are implemented across the group and are supported by appropriate policies and procedures.

Risks are controlled at the level of individual exposure, at a portfolio level, and in aggregate across all business and risk types. The bank and its subsidiaries have an independent control process which provides an objective view of risk taking activities where required.

## Key achievements in 2011

It has been a year of diversifying and deepening the group's experience in many dimensions as high impact events, hitherto considered highly improbable including new regulatory guidelines unfolded at random, creating a platform for the group to distinguish itself in the market place by the quality and robustness of its risk management practices and tools. Some of the challenges included raising staff knowledge of the risk governance standards, policies and procedures within the group, deploying and embedding risk management tools at lower management levels, creating the appropriate risk culture and sensitivity, strengthening the control functions, adopting proactive approaches to risk identification and fortifying the risk management team with strategic and tactical upskilling.

At the same time, the group expanded the branch network and points of representation into many new regions and states, launched new retail products and deployed new distribution channels. Simultaneously, the group maintained a low credit loss ratio in the face of growing risk assets, high level of volatility in the foreign exchange market, instability in the interbank money market coupled with almost a total collapse of the government yield curve, inconsistent access to repo facilities as well as high levels of regulatory intervention and rapid policy changes. The group's current control framework and procedures displayed the required resilience and dynamism in the face of rising uncertainty and vulnerability while oversight functions, including monitoring and reporting, were reinforced through the full implementation of risk assurance functions and escalation matrix.

The following were achieved in 2011:

- The group continued its comprehensive review of risk management standards and enhancement of policies and procedures in order to achieve better coverage of emerging risk issues and enhance the effectiveness and efficiency of its risk management practices and tools;

- The group implemented a more robust framework and methodology to support its planned implementation of the Advanced Measurement Approach to managing operational risk;

- The bank's risk management functions were rated acceptable by the Central Bank of Nigeria during the inaugural Risk Based Supervisory (RBS) examination;
- The group changed its incident management application from ORBIT to a more robust database management system, AVANON;
- The bank successfully deployed a new and highly scalable core banking application, Finacle (Version 10.1);
- In addition to securing the licence, the bank also rolled out the mobile payment service–MobileMoney in support of the CBN Cash-lite initiative;
- Conclusion and adoption of the Stanbic IBTC risk appetite framework;
- Roll out of standardized business bank credit processes and systems to improve efficiencies and ensure volatility;
- Value at Risk (VaR) calculation across trading books and instruments as well as the securities in the banking book;
- Enhanced limit breach monitoring system;
- Daily and comprehensive independent price verification (IPV) with agreed and enforceable thresholds and P&L impact limits; and
- Pre-monetary policy committee stress testing of trading and banking book positions.

## Focus areas for 2012

The reaction of governments and regulators to the recent turmoil in the world financial markets, which has led to the current wave of very intensive financial market regulations as well as the introduction of more rigorous regulations on banks both globally and locally, is expected to position risk management as a strategic focus for any financial institutions aiming to play a leading role in the global economic recovery. The replacement of the universal banking regime with a specialist banking regime, which is a significant change in Nigeria's banking landscape, has made it imperative for risk management practices to become more sophisticated, dynamic, and well resourced with fit-for-purpose systems capabilities. To this extent, we will focus on:

- Continued embedding of a risk management culture and enhancement of controls at all management levels through business unit ownership of risk management practices and tools, and dedicated risk officers within business units;
- The implementation of the Advanced Measurement Approach (AMA) to assess the group's operational risks, as well as the deployment of the system that supports data capture, management and measurement of risks, together with decision-making and business performance tools on a single, highly scalable platform;
- Continued enhancement of the group's business recovery capabilities through the building of an Operations Processing Centre recovery site;
- Reinforcing the group's ability to proactively identify and respond to financial crimes by strengthening the financial crimes control function to provide independent forensic investigations;
- Continued building of credit capabilities by setting-up specialist credit units coupled with an enhanced portfolio and transaction monitoring unit;
- Provision of adequate risk management support for the new banking model that would be operated by the group; and
- Continued up-skilling of the risk management team to ensure that they are up to speed with the latest risk management trends.

# Financial risk analysis

For the year ended 31 December 2011

## Risk management framework

### *Governance structure*

The group's activities are complex, diverse and expanding rapidly into market segments and regions with different challenges. Hence, it is imperative that there is strong and independent oversight at all levels across the group.

The risk governance structure (see diagram overleaf) provides executive management and the board, through the various committees, with the fora to evaluate, consider and debate key risks faced by the group and assess the effectiveness of the management of these risks through a number of reports received by the Head of risk across Stanbic IBTC. The board committees comprise the statutory audit, credit board and risk management board committees, while executive management oversight is achieved through management committees focusing on specific risks. Each of these committees has a mandate which describes the membership and responsibilities of such committees.

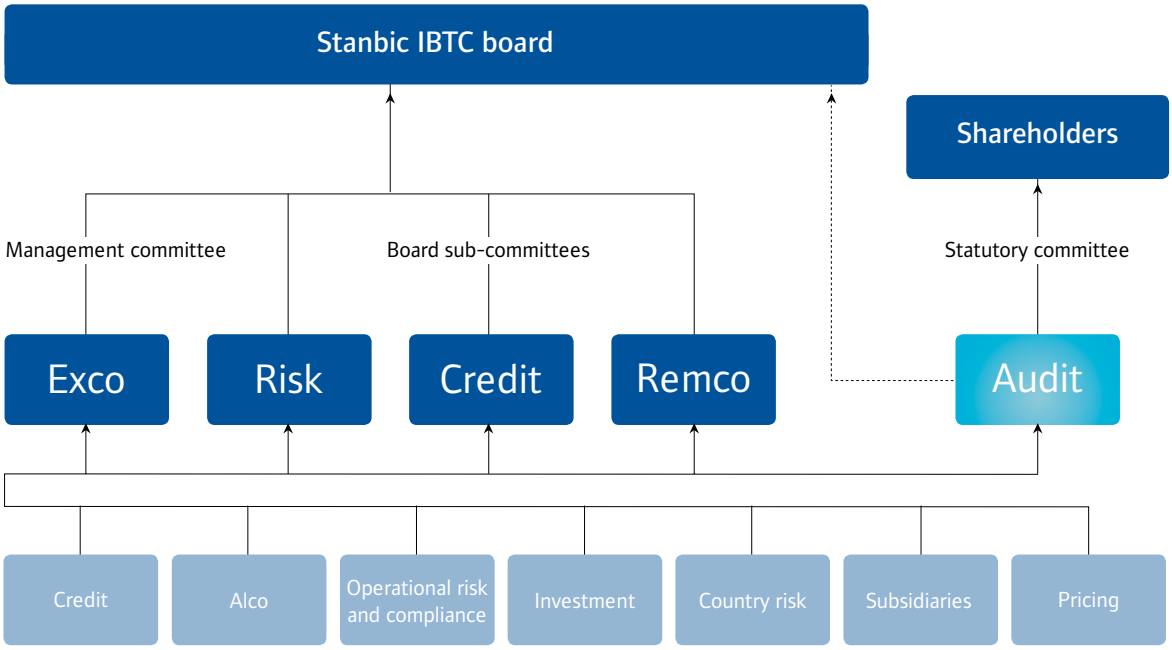
### Approach and structure

The group's approach to risk management is based on well established governance processes and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at senior management level with independent risk management structures in the business. Business unit heads are responsible for the management of risk within their business units. As such, they are responsible for ensuring that they have appropriate risk management frameworks that are adequate in design, effective in operation and meet minimum group standards.

This responsibility is achieved either through the establishment of dedicated business unit risk management functions in the subsidiary companies or through centralised risk functions servicing a number of business units. In the former case, adequate provision for the independence of the business unit risk management structures is essential in recognition of different regulatory requirements.

An important element that underpins the group's approach to the management of all risk is independence and appropriate segregation of responsibilities between business and risk. Risk officers report to the head of group risk, who reports to the chief executive officer of Stanbic IBTC, and also through a matrix reporting line to the Standard Bank Group (SBG). All key risks are supported by the risk department.

Governance structure




## Risk governance standards, policies and procedures

The group has developed a set of risk governance standards for each major risk type. The standards ensure alignment and consistency in the manner in which the major risk types are governed, identified, measured, managed, controlled and reported across the group.

All standards are applied consistently across the group and are approved by the board. It is the responsibility of business unit executive management to ensure that the requirements of the risk governance standards, policies and procedures are implemented within the business units.

Each standard is supported by group policies, and business unit policies and procedural documents as required. Business units and group risk functions are required to self assess, at least annually, their compliance with group risk standards and policies. Risk governance standards provide the framework for managing each major risk type and policies are developed where required on specific items as stated within the standards. Details regarding the implementation of these policies within each particular business unit are set out in the processes and procedures documentation.

## Risk appetite

Risk appetite is an expression of the maximum level of residual risk that the group is prepared to accept in order to deliver its business objectives. It is the balance of return and risk determined by the board through the board and executive risk committees in consultation with the business units.

The board establishes the group's parameters for risk appetite by:

- providing strategic leadership and guidance;
- reviewing and approving annual budgets and forecasts for the group and each business unit; and
- regularly reviewing and monitoring the group's performance in relation to risk through quarterly board reports.

Risk appetite is expressed by balancing:

- budgetary provisions for expected losses that are consistent with the risk appetite implied by the business plans;

- an agreed tolerance for profit and loss volatility – an acceptable scenario that is lower than budget by an amount that is consistent with the risk appetite implied by the business plans; and

- the risk adjusted returns generated from risk-taking being acceptable.

This is done in the context of stress tests, portfolio analyses and concentration limits, risk assessments, risk indicators and other measures which serve to identify and constrain threats to earnings and capital.

Risk appetite is determined with reference to measures such as:

- budgeted loss write-offs and provisions;
- limits on exposures to individual counterparties, sectors, industries or geographies;
- limits on trading exposures; and
- interest rate.

## Stress testing

Stress testing serves as a diagnostic and forward looking tool to improve the group's understanding of its market and liquidity risk profile under event based scenarios.

Management reviews the outcome of stress tests and selects appropriate mitigating actions to minimise and manage the risks. Residual risk is then evaluated against the risk appetite. Examples of potential action then taken are:

- reviewing and changing limits;
- limiting exposures in selected sectors or products; and
- re-balancing of the portfolio to reduce risk sensitivity.

## Risk categories

The bank's enterprise risk management framework is designed to govern, identify, measure, manage, control and report on the principal risks to which the group is exposed. These risks, with applicability as appropriate, are defined as follows:

### *Credit risk*

Credit risk arises primarily in the bank operations where an obligor fails to perform obligations, in accordance with agreed terms or the counterparty's ability to meet such contractual obligation is impaired.

Credit risk comprises counterparty risk, settlement risk, country risk and concentration risk.

#### *Counterparty risk*

Counterparty risk is the risk of loss to Stanbic IBTC as a result of the failure by a counterparty to meet its financial and/or contractual obligations to the bank. It has three components:

- primary credit risk – which is the exposure at default (EAD) arising from lending and related activities, including their underwriting;

- pre-settlement credit risk – which is the EAD arising from unsettled forward and derivative transactions, as a result of the default of the counterparty to the transaction, measured as the cost of replacing the transaction at current market rates; and

- issuer risk – which is the EAD arising from traded credit and equity products, including their underwriting.

#### *Settlement risk*

Settlement risk is the risk of loss to Stanbic IBTC from a transaction settlement, where value is exchanged, failing such that the counter value is not received in whole or part.

#### *Country and cross border risk*

Country and cross border risk is the risk of loss arising from political or economical conditions or events in a particular country which reduce the ability of counterparties (including the relevant sovereign and other members of the Standard Bank Group internationally) in that particular country to fulfil their obligations to Stanbic IBTC. Cross border risk is the risk of restriction on the transfer and convertibility of local currency funds, into foreign currency funds thereby limiting payment by offshore counterparties to the bank.

#### *Concentration risk*

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten Stanbic IBTC's capital adequacy or ability to maintain its core operations. It is the risk that a common factor within a risk type or across risk types causes credit losses, or an event occurs within a risk type which results in credit losses.

### *Market risk*

Market risk is defined as the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse moves in market variables such as equity, bond and

commodity prices, foreign exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of the above. Market risk covers both the impact of these risk factors on the market value of the traded instrument as well as the impact on the group's net interest margin as a consequence of interest rate risk on banking book assets and liabilities.

### *Liquidity risk*

Liquidity risk is defined as the risk that the bank, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (as a result of funding liquidity risk), or can only do so at materially disadvantageous terms (as a result of market liquidity risk). Funding liquidity risk refers to the risk that the counterparties, who provide the bank with funding, will withdraw or not roll-over that funding. Market liquidity risk refers to the risk of a generalised disruption in asset markets that makes normal liquid assets illiquid and the potential loss through the forced-sale of assets resulting in proceeds being below their fair market value.

### *Operational risk*

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems (including information technology and infrastructure) or from external events.

The definition of operational risk also includes:

- information risk – the risk of unauthorised use, modification of disclosure of information resources;
- fraud risk – the risk of losses resulting from fraudulent activities;
- environmental risk – the risk of inadvertently participating in the destruction of the environment;
- legal risk – the risk that the bank will be exposed to litigation;
- taxation risk – the risk that the bank will incur a financial loss due to incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing business; and
- compliance risk – the risk that the bank does not comply with applicable laws and regulations or supervisory requirements.

### *Business risk*

Business risk is the risk of loss due to adverse local and global operating conditions such as decrease in demand, increased competition, increased cost, or by entity specific causes such as inefficient cost structures, poor choice of strategy, reputation damage or the decision to absorb costs or losses to preserve reputation.

## Credit risk

### Principal credit policies

The Standard Bank group's credit risk governance standard, as reviewed regularly, sets out the broad overall principles to be applied in credit risk decisions and sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in Stanbic IBTC.

The Corporate and Investment Banking (CIB) and the Personal and Business Banking (PBB) global credit policies have been designed to expand the group credit risk governance standard requirements by embodying the core principles for identifying, measuring, approving, and managing credit risk. These policies provide a comprehensive framework within which all credit risk emanating from the operations of Stanbic IBTC are legally executed, properly monitored and controlled in order to minimize the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

In addition to the credit risk governance standard, CIB and PBB global credit policies, a number of related credit policies and documents have been developed, with contents that are relevant to the full implementation and understanding of the credit policies.

### Methodology for risk rating

Internal counterparty ratings and default estimates, that are updated and enhanced from time to time, play an essential role in the credit risk management and decision-making process, credit approvals, internal capital allocation, and corporate governance functions. Ratings are used for the following purposes:

- credit assessment and evaluation;
- credit monitoring;
- credit approval and delegated authority;
- economic capital calculation, portfolio and management reporting;
- regulatory capital calculation;
- risk-adjusted return on regulatory capital (RARORC); and
- pricing; probability of default (PD), exposure at default (EAD) and loss given default (LGD) may be used to assess and compare relative pricing of assets/facilities, in conjunction with strategic, relationship, market practice and competitive factors.

# Financial risk analysis

For the year ended 31 December 2011

The starting point of all credit risk assessment and evaluation lies in the counterparty risk grading, which is quantified and calculated in compliance with the group's credit rating policy using Basel II compliant models currently in use, which are updated or enhanced from time to time.

Credit risk quantification for any exposure or portfolio is summarised by the calculation of the expected loss (EL), which is arrived at in the following way:

- Based on the risk grading foundation which yields the counterparty's probability of default (PD), the nature and quantum of the credit facilities are considered.
- A forward-looking quantification of the exposure at default (EAD) is determined in accordance with group standard guidelines.
- Risk mitigants such as security and asset recovery propensities are then quantified to moderate exposure at default to yield the loss given default (LGD).
- Finally, the EL is a function of the PD, the LGD and the EAD.

These parameters are in turn used in quantifying the required regulatory capital reserves, using the regulatory capital calculator developed, maintained and updated in terms of Basel II, and the economic capital implications through the use of credit portfolio management's (CPM's) economic capital tools. Furthermore, it is mandatory that the quantum of the facility and the risk/reward thereof, an appropriate consideration of Basel II capital requirements (where applicable) and the revenue and return on equity implications of the credit proposal is considered in all credit applications and reviews.

### *Framework and governance*

Credit risk remains a key component of financial risks faced by any bank given the very nature of its business. The importance of credit risk management cannot be over emphasized as consequences can be severe when neglected. Stanbic IBTC has established sound governance principles to ensure that credit risk is managed effectively within a comprehensive risk management control framework.

The principles guiding the assumption of credit risk and the overall framework for its application, governance, and reporting is defined in the credit risk standard.

The standard covers all forms of credit risk, intentional or otherwise, and is supported by credit risk policies and procedures to the extent it is required to further define the credit risk framework and its implementation across the bank.

In reaching credit decisions and taking credit risk, both the credit and business functions must consistently and responsibly balance risk and return, as return is not the sole prerogative of business neither is credit risk the sole prerogative of credit. Credit (and the other risk functions, as applicable) and business must work in partnership to understand the risk and apply appropriate risk pricing, with the overall aim of optimising the bank's risk adjusted performance.

The standard, policies and procedures and compliance therewith are not substitutes for common sense and good business judgment.

The reporting lines, responsibilities and authority for managing credit risk in Stanbic IBTC are very clear and independent. However, ultimate responsibility for credit risk rests with the board, which it has delegated this to the following organs:

### Board credit committee

The purpose of the board credit committee is to ensure that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk including country risk. In addition to its pre-existing role, the committee has also been vested with the following responsibilities as may be set by the board:

- setting overall risk appetite;
- reviewing and approving credit facilities that are within monetary amounts as approved by the board;
- ensuring committees within the structure operate according to defined mandates and delegated authorities;
- maintaining overall accountability and authority for the adequacy and appropriateness of all aspects of the bank credit risk management process;
- utilising appropriate tools to measure, monitor and control credit risk in line with the SBG policies whilst taking into account local circumstances;
- recommending the bank's credit policies and guidelines for board approval; and
- any other matters relating to credit as may be delegated to the committee by the board.

### Credit risk management committee

The credit risk management committee (CRMC) is the senior management credit decision-making function and it operates within defined authority as determined by the board credit committee.

The CRMC effectively enhances credit discipline within the bank and is responsible for controlling, inter alia, delegated authorities, concentration risk, distressed debt and regulatory issues pertaining to credit, credit audits, policy and governance.

In addition to the above, the credit committee provides oversight of governance; recommends to the board credit committee the level of the bank's risk appetite; monitors the performance, development and validation of models; determines counterparty and portfolio risk limits and approval (country, industry, market, product, customer segment) and maturity concentration risk; risk mitigation; impairments and risk usage.

### Head of credit

The head of credit has functional responsibility for credit risk management across the bank and is positioned at a sufficiently senior level in order to ensure the necessary experience and independence of judgment.

The head of credit is responsible for providing an independent and objective check on credit risk taking activities to safeguard the integrity of the entire credit risk process. The head of credit is ably supported by the heads of CIB credit and PBB credit to ensure granularity and function-specific details at the business unit levels.

## Credit risk mitigation

Credit risk mitigation is defined as all methods of reducing expected credit loss whether by means of reduction of EAD (e.g. netting), risk transfer (e.g. guarantees) or risk transformation.

Guarantees, collateral and the transaction structures are used by the bank to mitigate credit risks both identified and inherent though the amount and type of credit risk is determined on a case by case basis. The bank's credit policy and guidelines are used in a consistent manner, while security is valued appropriately and reviewed regularly for enforceability and to meet changing business needs.

The main types of collateral taken comprise bonds over residential, commercial and industrial properties, bonds over plant and equipment, liquid and tradable financial instruments and, for leases, the underlying moveable assets financed. The group has a collateral policy which establishes and defines the principles of accepting, verifying, maintaining, and releasing collateral. Processes and procedures are well documented in order to ensure appropriate application of the collateral management techniques, which cover at least the following requirements:

- acceptable collateral management techniques and any conditions or restrictions applicable to them;
- acceptable methodologies for the initial and subsequent valuations, including how often collateral will be re-valued;
- timely processing and completion of the collateral documentation in a timely manner;
- the valuation, verification, and appraisal of all collateral;
- the maximum loan-to-value percentages, minimum haircuts or other volatility adjustments applicable to each type of collateral;
- the means by which legal enforceability and certainty is to be established, including required documentation and all necessary steps required to establish legal rights;
- lien and title perfection for the collateral;
- recognition and management of any correlation between the credit risk of the customer and the value of collateral;
- the rigorous monitoring and control of collateral to ensure its continued effectiveness;
- actions to be taken in the event the current value of collateral falls below required levels;
- management of concentration risks, e.g. setting maximum limits on the acceptability of the collateral from each customer;
- timely liquidation of the collateral;
- proper and timeous filling of collateral claims
- determining price at which the collateral may be sold; and
- receiving and releasing of collateral must be handled by individuals other than those who record the collateral.

# Financial risk analysis

For the year ended 31 December 2011

## Credit delegated authority

In terms of specific delegated authority (DA) levels approved (and updated from time to time) by the board, authority for approval of any credit facilities accorded to counterparties is vested only in individuals, and/or group's of individuals acting in concert, and/or credit committees. Such DA levels are quantified according to counterparty risk grade. Individuals may be accorded DA levels on the authority of the parties specifically mandated to do so in terms of the credit governance framework. In responding to credit applications, named parties or committees exercising their DA mandates will only do so against:

- a recommendation from the business and credit sponsor(s) of the credit proposal;
- a recommendation from the relevant balance sheet owner for all committed term lending exposures in excess of three months;
- a recommendation from the respective product houses materially represented in the credit proposal;
- where total facilities to be approved for any counterparty exceed the relevant credit evaluation manager's (CEM) own DA level, support is required from that CEM;
- a recommendation from a distribution committee/team; and
- sign off from a country risk committee for any cross border facilities.

Delegated authority mandates held by committees or individuals may not be further delegated.

Where a credit facility is originated by the holder of a DA, that proposal has to be submitted to another DA holder for approval, in keeping with the spirit of the four-eyes principle. The internal credit approval limits are shown in the table below.

| Group's rating | Global and Africa credit committee/Board credit committee | Management credit committee | Country credit head/ head of CIB Credit |
|---|---|---|---|
| | Maximum approval limit (₦'m) | | |
| **Corporate and Investment Banking** | | | |
| SB01 - SB10 | Up to legal lending limit | Up to legal lending limit | Up to legal lending limit |
| SB11 - SB12 | Up to legal lending limit | Up to legal lending limit | 11,200 |
| SB13 | Up to legal lending limit | Up to legal lending limit | 8,000 |
| SB14 - SB15 | Up to legal lending limit | Up to legal lending limit | 4,800 |
| SB16 - SB18 | Up to legal lending limit | 12,800 | 4,000 |
| SB19 - SB20 | Up to legal lending limit | 6,400 | 1,600 |
| SB21 | Up to legal lending limit | 4,800 | 1,600 |
| SB22 - SB23 | Up to legal lending limit | 4,800 | 800 |
| SB24 - SB25 | Up to legal lending limit | 4,800 | 600 |
| **Personal and Business Banking** | | | |
| SB01 - SB25 | Up to legal lending limit | 2,400 | 1,200 |

The global credit committee approvals are based on the mandate given to them by the board credit committee.
All approvals are sanctioned by the board credit committee.
The board credit committee approves all insider-related credit irrespective of the amount.

## Credit risk measurement

A key element in the measurement of credit risk is the assignment of credit ratings. All customers, including corporate, individuals, institutions and special purpose vehicles (SPVs) are awarded risk gradings to determine expected defaults across asset portfolios and risk bands. The risk ratings attributed to counterparties are based on a combination of factors which cover business and financial risks:

- all counterparties for which the bank has facility limits in place are assigned a credit rating. The rating is forward looking (i.e. predictive in nature) and discriminatory (i.e. ability to rank order). However, all local ratings are capped by the country rating;
- a foreign currency rating and associated probability of default (PD) must be used for all exposures to counterparties in a currency other than naira;
- facility risk arising from exposure and/or facility specific factors such as collateral and seniority must be measured and addressed as part of the credit risk mitigation analysis and should not affect or impact on the counterparty rating;
- external support, as distinct from mitigants, can be recognised in the rating process on a defined basis provided it is consistently applied;
- the process and methodology to assign a rating to each counterparty and a PD to each rating must be the responsibility of, and signed off by, the credit committee; and
- pricing must be based on the risk grades assigned to the counterparty.

The group has adopted the PD Master Scale rating concept with a single scale to measure the credit riskiness of all counterparty types. The grading system changed from a 21-point scale for performing assets, with three additional default grades, to a 25-point scale, with three additional default grades (unchanged).

Some advantages of a PD Master Scale include the ability to compare entities in terms of default risk across portfolios and the removal of all dependency on a specific model's calibration going forward, making future enhancements to models easier to implement.

The table below shows a view of an indicative external rating equivalent bearing in mind that these equivalent, may change from time to time.

| Group's rating | Grade description | External rating |
|---|---|---|
| SB01 - SB12/SB13 | Investment grades | AAA to BBB- |
| SB13 - SB25 | Speculative grades | BB- to CCC |

## Provisioning policies

The internal and external rating systems 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, caters for losses that have been incurred at the balance sheet date based on criteria set out in the Prudential Guidelines for licenced banks.

# Financial risk analysis

For the year ended 31 December 2011

### Provision against credit risk

Provision is made in accordance with the Statement of Accounting Standard for Banks and Non-Bank Financial Institutions (SAS 10) issued by the Nigerian Accounting Standard Board and Prudential Guidelines issues by the Central Bank of Nigeria.

### Non-performing loan analysis

The tables below show analyses of non-performing loans as at 31 December 2011.

Risk assets (loans and advances, advances under finance leases, off-balance sheet direct credit substitutes, etc).

Loans and advances and advances under finance leases are summarised as follows:

| | Group 2011 ₦million | Group 2010 ₦million |
|---|---|---|
| Performing | 248,047 | 172,905 |
| Non-performing: | | |
| - substandard | 3,953 | 1,499 |
| - doubtful | 13,280 | 9,990 |
| - lost | 1,302 | 2,748 |
| Total | 266,582 | 187,142 |

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 ₦million | Corporate ₦million | SME ₦million | Financial institutions ₦million | Total ₦million |
|---|---|---|---|---|---|
| Past due up to 30 days | 8,627 | 29,255 | 9,026 | - | 46,908 |
| Past due 30 - 60 days | 1,368 | 271 | 1,128 | - | 2,767 |
| Past due 60 - 90 days | 578 | 1,186 | 1,141 | - | 2,905 |
| | 10,573 | 30,712 | 11,295 | - | 52,580 |
| **At 31 December 2010** | | | | | |
| Past due up to 30 days | 9,843 | 8,664 | - | - | 18,507 |
| Past due 30 - 60 days | 826 | - | - | - | 826 |
| Past due 60 - 90 days | 179 | 636 | - | - | 815 |
| | 10,848 | 9,300 | - | - | 20,148 |

## Non-performing loans by industry

| | Group 2011 ₦million | Group 2010 ₦million |
|---|---|---|
| Agriculture | 17 | 2 |
| Oil and gas | 10,634 | 8,025 |
| General commerce | 1,667 | 2,592 |
| Manufacturing | 2,945 | 12 |
| Mortgage | 716 | 602 |
| Real estate and construction | 19 | 6 |
| Finance and insurance | 398 | 800 |
| Consumer credit | 568 | - |
| Transportation | 1,115 | 1,814 |
| Communication | 456 | 384 |
| Total | 18,535 | 14,237 |

## Non-performing loans by geography

| | Group 2011 ₦million | Group 2010 ₦million |
|---|---|---|
| South South | 80 | 1 |
| South West | 17,991 | 13,004 |
| South East | 74 | 63 |
| North West | 272 | 275 |
| North Central | 115 | 893 |
| North East | 3 | 1 |
| Total | 18,535 | 14,237 |

# Financial risk analysis

For the year ended 31 December 2011

### Concentration of risks of financial assets with credit risk exposure

*(a) Geographical sectors*

The following table breaks down the group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2011. For this table, the group has allocated exposures to regions based on the region of domicile of our counterparties.

| At 31 December 2011 | Due from banks ₦million | Loans and advances ₦million | Advances under finance lease ₦million | Debt instruments ₦million | Total ₦million |
|---|---|---|---|---|---|
| South South | - | 10,114 | 2,067 | 1,300 | 13,481 |
| South West | 24,485 | 208,597 | 22,233 | 50,344 | 305,659 |
| South East | - | 2,205 | 65 | 2,716 | 4,986 |
| North West | - | 10,930 | 592 | - | 11,522 |
| North Central | - | 8,134 | 424 | - | 8,558 |
| North East | - | 698 | 523 | - | 1,221 |
| Outside Nigeria | 52,797 | - | - | - | 52,797 |
| | 77,282 | 240,678 | 25,904 | 54,360 | 398,224 |

| At 31 December 2010 | Due from banks ₦million | Loans and advances ₦million | Advances under finance lease ₦million | Debt instruments ₦million | Total ₦million |
|---|---|---|---|---|---|
| South South | - | 3,758 | 97 | - | 3,855 |
| South West | 33,688 | 154,853 | 11,743 | 38,722 | 239,006 |
| South East | - | 1,632 | 1,437 | - | 3,069 |
| North West | - | 5,938 | 343 | - | 6,281 |
| North Central | - | 6,342 | 498 | - | 6,840 |
| North East | - | 221 | 280 | - | 501 |
| Outside Nigeria | 54,971 | - | - | - | 54,971 |
| | 88,659 | 172,744 | 14,398 | 38,722 | 314,523 |

*(b) Industry sectors*

| At 31 December 2011 | Due from banks ₦million | Loans and advances ₦million | Advances under finance lease ₦million | Debt instruments ₦million | Total ₦million |
|---|---|---|---|---|---|
| Agriculture | - | 5,212 | 456 | - | 5,668 |
| Oil and gas | - | 7,972 | 278 | - | 8,250 |
| Capital market | - | - | - | - | - |
| Consumer credit | - | 23,032 | 3,523 | - | 26,555 |
| Manufacturing | - | 53,987 | 8,135 | 1,500 | 63,622 |
| Mining and quarrying | - | 29,389 | 207 | - | 29,596 |
| Mortgage | - | 13,582 | - | - | 13,582 |
| Real estate and construction | - | 14,925 | 347 | 1,000 | 16,272 |
| Finance and insurance | 77,282 | 395 | 313 | 5,927 | 83,917 |
| Government | - | 3,445 | 896 | 45,933 | 50,274 |
| Power | - | 7,301 | - | - | 7,301 |
| General commerce | - | 39,231 | 3,930 | - | 43,161 |
| Public utilities | - | - | - | - | - |
| Transportation | - | 849 | 7,685 | - | 8,534 |
| Communication | - | 41,356 | 113 | - | 41,469 |
| Education | - | 2 | 21 | - | 23 |
| | 77,282 | 240,678 | 25,904 | 54,360 | 398,224 |

| At 31 December 2010 | Due from banks ₦million | Loans and advances ₦million | Advances under finance lease ₦million | Debt instruments ₦million | Total ₦million |
|---|---|---|---|---|---|
| Agriculture | - | 1,393 | 82 | - | 1,475 |
| Oil and gas | - | 10,325 | 329 | - | 10,654 |
| Capital market | - | 662 | - | - | 662 |
| Consumer credit | - | 19,746 | 3,045 | - | 22,791 |
| Manufacturing | - | 37,255 | 1,205 | - | 38,460 |
| Mining and quarrying | - | 10,581 | 63 | - | 10,644 |
| Mortgage | - | 10,643 | - | - | 10,643 |
| Real estate and construction | - | 7,595 | 35 | 1,000 | 8,630 |
| Finance and insurance | 88,659 | 376 | 114 | 2,502 | 91,651 |
| Government | - | 3,668 | 258 | 35,220 | 39,146 |
| Power | - | 11,512 | - | - | 11,512 |
| General commerce | - | 25,868 | 3,927 | - | 29,795 |
| Public utilities | - | 343 | - | - | 343 |
| Transportation | - | 775 | 5,179 | - | 5,954 |
| Communication | - | 31,978 | 115 | - | 32,093 |
| Education | - | 24 | 47 | - | 71 |
| | 88,659 | 172,744 | 14,399 | 38,722 | 314,524 |

# Financial risk analysis

For the year ended 31 December 2011

Analysis by portfolio distribution and risk rating

| At 31 December 2011 | A+ to A- | BBB+ to BB- | Below BB- | Unrated | Total |
|---|---|---|---|---|---|
| | - | 230,217 | 121,431 | 46,576 | 398,224 |
| | - | 230,217 | 121,431 | 46,576 | 398,224 |

| At 31 December 2010 | A+ to A- | BBB+ to BB- | Below BB- | Unrated | Total |
|---|---|---|---|---|---|
| | - | 197,762 | 93,441 | 23,321 | 314,524 |
| | - | 197,762 | 93,441 | 23,321 | 314,524 |

(c) Other concentration measures

1. Total bank exposure

| | |
|---|---|
| Total bank exposure (₦million) : | 266,582 |
| Shareholders' funds (₦million) : | 82,806 |
| % of shareholders' funds | 322% |

2. Largest single borrower

| Largest single borrower | Exposure ₦million |
|---|---|
| Glo Mobile Limited | 12,750 |
| % of shareholders' funds | 15% |

3. Largest single borrowers group

| Largest single borrowers group | Exposure ₦million |
|---|---|
| Oando group | 7,510 |
| % of shareholders' funds | 9% |

4. 10 single largest borrowers

| Single borrower | Exposure ₦million |
|---|---|
| Glo Mobile Limited | 12,750 |
| MTN Nigeria Communications Ltd | 12,365 |
| Dangote Industries Ltd | 11,289 |
| Lonestar Drilling Nigeria Ltd | 10,681 |
| IHS Nigeria Plc | 9,080 |
| FHN 26 Ltd | 8,609 |
| NGL Funding Ltd | 7,972 |
| Polo Park Development Coy Ltd | 6,808 |
| Guinness Nigeria Plc | 6,285 |
| Nigerian Breweries Plc | 5,000 |
| % of shareholders' funds | 110% |

## Foreign exchange risk

The group 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 overleaf summarises the group's exposure to foreign currency exchange risk at 31 December 2011.

### Concentration of currency risk-on-and off-balance sheet assets and liabilities

| At 31 December 2011 | Naira | US Dollar | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| **Assets** | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million |
| Cash and balances with central banks | 27,214 | 1,895 | 725 | 188 | 52 | 30,074 |
| Treasury bills | 63,710 | - | - | - | - | 63,710 |
| Due from other banks | 37,545 | 36,517 | 1,420 | 1,360 | 440 | 77,282 |
| Loans and advances to customers | 176,437 | 54,161 | - | 107 | 2 | 230,707 |
| Advances under finance lease | 24,878 | - | - | - | - | 24,878 |
| Investment securities | 62,267 | 5,218 | - | - | - | 67,485 |
| Deferred tax assets | 1,566 | - | - | - | - | 1,566 |
| Other assets | (66,756) | 94,359 | (131) | 174 | 2 | 27,648 |
| Property and equipment | 25,839 | - | - | - | - | 25,839 |
| Intangible assets | 5,036 | - | - | - | - | 5,036 |
| **Total assets** | 357,736 | 192,150 | 2,014 | 1,829 | 496 | 554,225 |
| | | | | | | |
| **Liabilities** | | | | | | |
| Customer deposits | 228,232 | 61,555 | 1,902 | 668 | 16 | 292,373 |
| Due to other banks | 1,000 | 67,542 | - | - | - | 68,542 |
| Other borrowings | 14,262 | 33,356 | - | - | | 47,618 |
| Other liabilities | 24,803 | 29,371 | 112 | 1,170 | 478 | 55,934 |
| Current income tax | 4,947 | - | - | - | - | 4,947 |
| Deferred tax liabilities | 92 | - | - | - | - | 92 |
| **Total liabilities** | 273,336 | 191,824 | 2,014 | 1,838 | 494 | 469,506 |
| | | | | | | |
| **Net on-balance sheet financial position** | 84,400 | 326 | - | (9) | 2 | 84,719 |
| **Off balance sheet** | 37,895 | (4,659) | 11 | 3,897 | 608 | 37,752 |

| **At 31 December 2010** | Naira | US Dollar | GBP | Euro | Others | Total |
|---|---|---|---|---|---|---|
| | ₦million | ₦million | ₦million | ₦million | ₦million | ₦million |
| Total assets | 263,492 | 113,108 | 1,265 | 2,067 | 4,609 | 384,541 |
| Total liabilities | (223,684) | (66,561) | (2,469) | (2,082) | (4,619) | (299,415) |
| | | | | | | |
| Net on-balance sheet financial position | 39,808 | 46,547 | (1,204) | (15) | (10) | 85,126 |
| Off balance sheet | 56,237 | (44,186) | 1,255 | 1,014 | 541 | 14,861 |

# Financial risk analysis

For the year ended 31 December 2011

## Market risk

The identification, management, control, measurement and reporting of market risk is categorised as follows:

*Trading market risk*

These risks arise in trading activities where the bank acts as a principal with clients in the market. The group policy is that all trading activities are contained within the group's CIB trading operations.

*Banking book interest rate risk*

These risks arise from the structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

*Foreign currency risk*

These risks arise as a result of changes in the fair value or future cash flows of financial exposures as a result of changes in foreign exchange rates other than those included in the Value at Risk (VaR) analysis for CIB's trading positions.

*Equity investment risk*

These risks arise from equity price changes caused by listed and unlisted investments. This risk is managed through the equity investment committee, which is a sub-committee of the executive committee.

### Framework and governance

The board approves the market risk appetite and standards for all types of market risk. The board grants general authority to take on market risk exposure to the asset and liability committee (Alco). Alco sets market risk policies to ensure that the measurement, reporting, monitoring and management of market risk associated with operations of the bank follow a common governance framework. The bank's Alco reports to the executive committee and also to the board risk committee.

The in-country risk management is subject to SBG oversight for compliance with group standards and minimum requirements.

The market risk management unit, which is independent of trading operations and accountable to Alco, monitors market risk exposures due to trading and banking activities. This unit monitors exposures and respective excesses daily, report monthly to Alco and quarterly to the board risk committee.

### Market risk measurement

The techniques used to measure and control market risk include:

- daily net open position;
- daily VaR;
- back-testing;
- PV01;
- other market risk measures; and
- annual net interest income at risk.

*Daily net open position*

The board, on the input of Alco, sets limits on the level of exposure by currency and in aggregate for overnight positions. The latter is also aligned to the net open position limit as specified by the regulators, which is usually a proportion of the group's capital.

*Daily value-at-risk (VaR)*

VaR is a technique that estimates the potential losses that occur resulting from market movements over a specified time period and a predetermined probability.

VaR limits and exposure measurements are in place for foreign currency risks. The bank generally uses the historical VaR approach to derive quantitative measures, specifically for market risk under normal market conditions. Normal VaR is based on a holding period of one day and a confidence level of 95%. Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

The use of historic VaR has limitations as it is based on historical correlations and volatilities in market prices and assumes that future prices will follow the observed historical distribution. Hence, there is a need to back-test the VaR model regularly.

*VaR back-testing*

The bank back-tests its foreign currency exposure VaR model to verify the predictive ability of the VaR calculations thereby ensuring the appropriateness of the model. The back-testing exercise is an ex-post comparison of the daily hypothetical profit and loss under the one-day buy and hold assumption to the prior day VaR. Profit or loss for back-testing is based on the theoretical profits or losses derived purely from foreign currency spot moves and it is calculated over 250 cumulative trading-days at 95% confidence level.

*Stress tests*

Stress testing provides an indication of the potential losses that could occur in extreme market conditions.

The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

*PV01*

PV01 is a risk measure used to assess the effect of a change of rate of one basis point on the price of an asset. This limit is set for the fixed income and money market trading portfolios.

*Other market risk measures*

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or developed in-house, are independently validated by the market risk unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the market risk unit assesses the daily liquid closing price inputs used to value instruments and performs a review of less liquid prices from a reasonableness perspective at least fortnightly. Where differences are significant, mark-to-market adjustments are made.

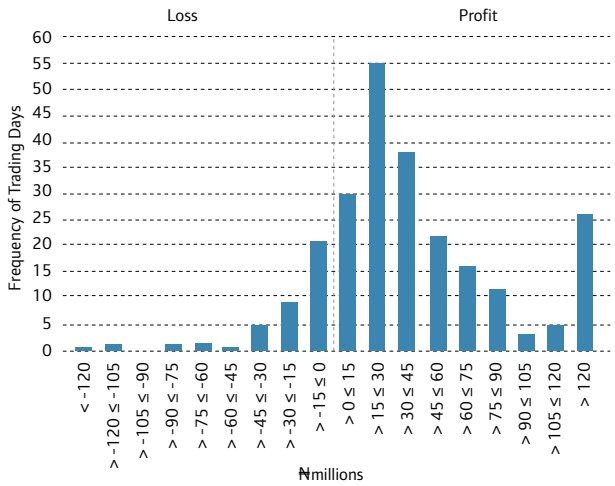
*Annual net interest income at risk*

A dynamic forward-looking annual net interest income forecast is used to quantify the bank's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

## Distribution of trading income in 2011

The histogram below shows the distribution of daily income and losses during 2011. It captures trading income volatility and shows the number of days in which the bank's trading related revenues fell within particular ranges. The distribution is skewed to the profit side. Overall, it shows that trading income was realised on 190 days out of a total of 246 days with 12 positive out-liers.

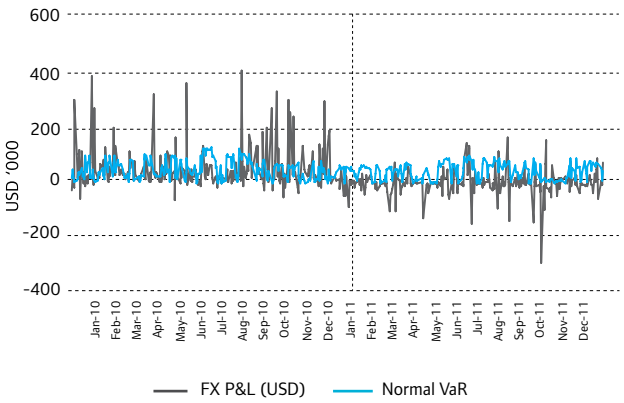
Trading income - 2011




## Analysis of foreign exchange value-at-risk (VaR) and actual income

The graph below shows the normal VaR analysis and the actual income of the foreign currency trading unit in 2011. It reflects a relative stability in VaR amount despite the fluctuation in trading income.

Foreign exchange trading income and normal VaR 2010/2011



# Financial risk analysis

## For the year ended 31 December 2011

The table below shows the historical VaR utilisation for the bank's foreign currency trading positions. The minimum and maximum VaR amounts stood at US$694 and US$120,870 respectively with an annual average of US$53,529, which translates to a very conservative percentage VaR base limit utilisation of 26% on average.

| FX VaR (USD) | Minimum | Average | Maximum | 31 Dec 2011 | 31 Dec 2010 | Limit |
|---|---|---|---|---|---|---|
| Normal VaR | 694 | 53,529 | 120,872 | 58,516 | 47,705 | 207,000 |
| Stress VaR | 3,579 | 1,619,905 | 3,592,493 | 163,687 | 1,993,395 | 2,160,000 |

### Analysis of average trading revenue by income stream

The table below shows the breakout of trading revenue by asset class between the year ending 2011 and 2010. Year-on-year, trading revenue in both placements and T bills and investment securities decreased by 59% and 17% respectively. This was compensated for by an increase in foreign exchange revenues of 113% to ₦5.7 billion from ₦2.7 billion the year before. This led to a reduction in total revenues by 6% to ₦15.8 billion.

| Trading revenue in streams | 2011 ₦million | 2010 ₦million | Change % |
|---|---|---|---|
| Placement | 1,510 | 3,686 | (59) |
| T bills and investment securities | 8,641 | 10,395 | (17) |
| Foreign exchange | 5,660 | 2,658 | 113 |
| Total | 15,811 | 16,739 | (6) |

### Analysis of PV01

The table below shows the PV01 of the money market banking and trading books as well as the fixed income trading book. The money market trading book PV01 exposure was ₦1.80 million, the money market banking book PV01 exposure stood at ₦7.09 million while the fixed income trading book PV01 exposure was ₦0.13 million, thus reflecting a very conservative exposure utilisation. Overall, limit discipline was good across the banking and trading books.

| PV01 | 2011 ₦000 | 2010 ₦000 | Limit |
|---|---|---|---|
| Money market trading book | 1,796 | 1,659 | 7,784 |
| Money market banking book | 7,085 | 5,625 | 13,233 |
| Fixed income trading book | 129 | 151 | 3,400 |

### Analysis of concentration risk in the bank's trading books

The table below shows the bank's holdings in traded securities versus the amount in issuance. There are no major concentrations per asset class as depicted below. The bank has tight limits around trading of securities to avoid the building up of concentration in particular bonds or asset classes.

| LCY | | Trading book | Banking book | Total |
|---|---|---|---|---|
| Instrument type | Issuance ₦million | Notional ₦million | Notional ₦million | Notional ₦million |
| T bills | 3,085,719 | 62,660 | 32,854 | 95,514 |
| Sovereign bonds | 3,588,400 | 2,700 | 38,297 | 40,997 |
| Corporate bonds | 157,990 | - | 2,500 | 2,500 |
| State bonds | 387,500 | 1,385 | 4,531 | 5,916 |
| Amcon | 4,743,680 | - | 6,231 | 6,231 |

The board, on the input of ALCO, sets limits on the level of exposure by currency and in aggregate for overnight positions. The latter is also aligned to the net open position limit as specified by the regulators, which is usually a proportion of the group's capital.

| FCY | | Trading book | Banking book | Total |
|---|---|---|---|---|
| Instrument type | Issuance USD million | Notional USD million | Notional USD million | Notional USD million |
| Corporate bonds | 1,675 | 30 | - | 30 |
| Sovereign bonds | 500 | - | - | - |

### Analysis of banking book market risk exposures

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movement on net interest income.

The risk is transferred to and managed within the bank's treasury operations under supervision of Alco. A dynamic, forward-looking net interest income forecast is used to quantify the bank's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. Balance sheet projections and the impact on net interest income due to rate changes normally cover a minimum of 12 months forecasting. The analysis allows for the dynamic interaction of payments, new business and interest rates, and also captures the effects of embedded or explicit options.

The analyses are done under normal market conditions i.e. under a bullish, expected and bearish interest rate scenario and, under stressed market conditions in which the banking book is subjected to an upward and downward 450 basis points parallel rate shock for local currency and 75 basis points for foreign currency.

The table below shows the sensitivity of the bank's net interest income in response to standardised parallel rate shocks. The impacts of the rate shocks on the bank's net interest income are within the 10% limit.

| | Stress condition | Utilisation (%) 31 Dec 2011 | Limit |
|---|---|---|---|
| Local currency parallel rate shock | +450 | (9.78) | <10.0% |
| | -450 | 9.59 | <10.0% |
| Foreign currency parallel rate shock | +75 | 7.58 | <10.0% |
| | -75 | (2.96) | <10.0% |

### Market risk on equity investment

The equity committee has governance and oversight of all investment decisions. The committee is tasked with the formulation of risk appetite and oversight of investment performance. In this regard, a loss trigger is in place for non-strategic investments.

## Liquidity risk

### *Framework and governance*

The nature of banking and trading activities result in a continuous exposure to liquidity risk. Liquidity problems can have an adverse impact on a bank's earnings and capital and, in extreme circumstances, may even lead to the collapse of a bank which is otherwise solvent. Hence, sound liquidity risk management is pivotal to the viability of every bank and the maintenance of overall banking stability.

The bank's liquidity risk management framework is designed to measure and manage the liquidity position at various levels of consolidation such that payment obligations can be met at all times, under both normal and considerably stressed conditions. Under the delegated authority of the board of directors, Alco sets liquidity risk policies in accordance with regulatory requirements and international best practice.

Limits and guidelines are prudently set and reflect the bank's conservative appetite for liquidity risk. Alco is charged with ensuring compliance with liquidity risk standards and policies.

### Liquidity and funding management

A sound and robust liquidity process is required to measure, monitor and manage liquidity exposures. The bank has incorporated the following liquidity principles as part of a cohesive liquidity management process:

- structural liquidity mismatch management;
- long-term funding ratio;
- back-testing;
- maintaining minimum levels of liquid and marketable securities;
- depositor concentration;
- local currency loan to deposit limit;
- foreign currency loan to deposit limit;
- intra-day liquidity management;
- daily cash flow management;
- liquidity stress and scenario testing; and

- liquidity contingency planning.

The cumulative impact of the above principles is monitored, at least monthly by Alco and the process is underpinned by a system of extensive controls. The latter includes the application of purpose-built technology, documented processes and procedures, independent oversight and regular independent reviews and evaluations of the effectiveness of the system.

### Structural liquidity mismatch management

The mismatch approach measures a bank's liquidity by assessing the mismatch between its inflow and outflow of funds within different time bands on a maturity ladder. The structural liquidity mismatch is based on behaviourally-adjusted cash flows which factors a probability of maturity into the various time bands. Detailed assumptions and reasoning applied in compiling the structural liquidity mismatch are well documented.

- In the main, readily available liquidity is profiled based on realistic liquidation periods (including appropriate forced-sale discounts), while other cash flows with a predetermined runoff are profiled according to their remaining contractual maturity.

- Ambiguous maturity loan and advance products are profiled using an attrition analysis.

- Ambiguous maturity deposit and borrowing products are profiled using a volatility analysis, except where such products do not exhibit term behaviour, in which case they are profiled in the sight-to-seven day maturity bucket.

- Material off-balance sheet facilities granted by the bank are profiled on the basis of probable drawdown.

- All other cash flow items or positions in respect of which no right or obligation in respect of maturity exists are profiled in the greater than 12 months maturity bucket.

A net mismatch figure is obtained by subtracting liabilities and net off-balance sheet positions from assets in each time band. The bank's liquidity position is assessed by means of the net cumulative mismatch position (aggregation of net position in each successive time band), expressed as a percentage of total funding related liabilities to the public.

The maturity analysis for financial liabilities represents the basis for effective management of exposure to structural liquidity risk. Behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or draw-down period, as well as to certain liquid assets. The monitoring of liquidity risk using the behavioural adjusted basis is facilitated by the adoption of maximum mismatch limits and guidelines to restrict the mismatch between the expected inflows and outflows of funds in different time buckets. The tables below show that the bank's net cumulative anticipated mismatches between assets and liabilities for both local currency and foreign currency were positive in the shortest time band.

*Anticipated liquidity gap (local currency) (lcy)*

| Lcy (₦million) | Overnight | 1 month | 2 months | 3 months | 4-6 months | 7-12 months | 13-24 months | > 24 months |
|---|---|---|---|---|---|---|---|---|
| Period gap | 90,158 | (25,035) | (8,200) | (43,944) | (4,798) | (18,236) | (9,148) | (13,049) |
| Cumulative gap | 90,158 | 65,123 | 56,923 | 12,979 | 8,181 | (10,055) | (19,203) | (32,252) |

*Anticipated liquidity gap (foreign currency) (fcy)*

| Fcy ($million) | Overnight | 1 month | 2 months | 3 months | 4-6 months | 7-12 months | 13-24 months | > 24 months |
|---|---|---|---|---|---|---|---|---|
| Period gap | 98 | (155) | (133) | 177 | (51) | (82) | 460 | (109) |
| Cumulative gap | 98 | (57) | (190) | (13) | (64) | (146) | 314 | 205 |

The bank's ability to withstand a huge outflow was very strong as shown in the tables below. The net cumulative mismatch positions as a percentage of total funding related liabilities are in excess of the limits in all the time bands.

*Cumulative gap as a % of TFLRP* (local currency)*

| Cumulative gap as a % of TFLRP* | Overnight | 1 month | 2 months | 3 months | 4 - 6 months | 7 - 12 months |
|---|---|---|---|---|---|---|
| **Dec 11** | **36.90%** | **26.70%** | **23.30%** | **5.30%** | **3.30%** | **(4.10%)** |
| Dec 10 | 11.60% | (2.00%) | (8.30%) | (2.90%) | (5.20%) | (6.90%) |
| Limit | 0% | (5%) | | (10%) | (15%) | (20%) |

*Cumulative gap as a % of TFLRP* (foreign currency)*

| Cumulative gap as a % of TFLRP* | Overnight | 1 month | 2 months | 3 months | 4 - 6 months | 7 - 12 months |
|---|---|---|---|---|---|---|
| **Dec 11** | **9.38%** | **(5.41%)** | **(18.07%)** | **(1.13%)** | **(6.00%)** | **(13.86%)** |
| Dec 10 | 10.80% | (4.20%) | (2.90%) | (1.40%) | (3.80%) | (6.90%) |
| Limit | 0% | (5%) | | (10%) | (15%) | (20%) |

* TFLRP - Total funding liability related to public.

Based on forecasted business growth and the structural dynamics of the balance sheet, Alco projects long-term funding requirements, thereby setting targets for long-term funding ratios. The projected long-term ratio is a transparent and practical measure for the funding desk to target and monitor the pace of raising long-term deposits. There are no limits for mismatches due to contractually based inflows and outflows.

*Maintaining minimum levels of liquid and marketable assets*

Minimum levels of prudential liquid assets are held in accordance with all prudential requirements as specified by the regulatory authorities. The bank needs to hold additional unencumbered marketable assets, in excess of any minimum prudential liquid asset requirement, to cater for volatile depositor withdrawals, draw-downs under committed facilities, collateral calls, etc.

The following criteria apply to readily marketable securities:

- prices must be quoted by a range of counterparties;
- the asset class must be regularly traded;
- the asset may be sold or repurchased in a liquid market, for payment in cash; and
- settlement must be according to a prescribed, rather than a negotiated time table.

*Depositor concentration*

To ensure that the bank does not place undue reliance on any single entity as a funding source, restrictions are imposed on the short dated (0 – 3 months term) deposits accepted from any entity. These include:

- the sum of 0 – 3 month deposits and standby facilities provided by any single deposit counterparty must not, at any time, exceed 10% of total funding related liabilities to the public; and
- the aggregate of 0 – 3 month deposits and standby facilities from the ten largest single deposit counterparties must not, at any time, exceed 20% of total funding related liabilities to the public.

Concentration risk limits are used to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary sources of funding are in the form of deposits across a spectrum of retail and wholesale clients. As mitigants, the bank maintains marketable securities in the excess of the regulatory requirement in order to condone occasional breaches of concentration limits.

*Loan to deposit limit*

A limit is put in place, restricting the local currency loan to deposit ratio to a maximum specified level, which is reviewed periodically. Similarly, in order to restrict the extent of foreign currency lending from the foreign currency deposit base, a foreign currency loan to deposit limit, which is also referred to as own resource lending, is observed. As mitigants, the bank maintains high levels of unencumbered marketable and liquid assets in excess of the regulatory benchmark.

*Intra-day liquidity management*

The bank manages its exposures in respect of payment and settlement systems. Counterparties may view the failure to settle payments when expected as a sign of financial weakness and in turn delay payments to the bank. This can also disrupt the functioning of payment and settlement systems. At a minimum, the following operational elements are included in the bank's intra-day liquidity management:

- capacity to measure expected daily gross liquidity inflows and outflows, including anticipated timing where possible;
- capacity to monitor its intraday liquidity positions, including available credit and collateral;
- sufficient intra-day funding to meet its objectives;
- ability to manage and mobilise collateral as required;
- robust capacity to manage the timing of its intra-day outflows; and
- readiness to deal with unexpected disruptions to its intra-day liquidity flows.

*Daily cash flow management*

The bank generates a daily report to monitor significant cash flows. Maturities and withdrawals are forecast at least three months in advance and management is alerted to large outflows. The report, which is made available to the funding team, ALM and market risk units also summarises material daily new deposits as well as the interbank and top depositor reliance (by value and product).

The daily cash flow management report forms an integral part of the ongoing liquidity management process and is a crucial tool to proactively anticipate and plan for large cash outflows.

*Liquidity stress and scenario testing*

Anticipated on- and off-balance sheet cash flows are subjected to a variety of bank specific and systemic stress scenarios in order to evaluate the impact of unlikely but plausible events on liquidity positions. Scenarios are based on both historical events, such as past emerging markets crises, past local financial markets crises and hypothetical events, such as a bank specific crisis. The results obtained from stress testing provide meaningful input when defining target liquidity risk positions.

# Financial risk analysis

For the year ended 31 December 2011

Maturities of assets and liabilities - group

| 31 December 2011 | 0 - 30 days ₦million | 1 - 3 months ₦million | 3 - 6 months ₦million | 6 - 12 months Nmillion | 1 - 5 years ₦million | Over 5 years ₦million | Total ₦million |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances with central banks | 30,074 | - | - | - | - | - | 30,074 |
| Treasury bills | 447 | 8,952 | 46,021 | 8,290 | - | - | 63,710 |
| Due from other banks | 75,895 | 1,387 | - | - | - | - | 77,282 |
| Loans and advances to customers | 12,547 | 65,360 | 18,881 | 12,210 | 83,543 | 38,166 | 230,707 |
| Advances under finance lease | 203 | 7,340 | 116 | 383 | 16,342 | 494 | 24,878 |
| Investment securities | 7,812 | 910 | 6,515 | 1,808 | 48,112 | 2,328 | 67,485 |
| Deferred tax asset | - | - | - | 1,566 | - | - | 1,566 |
| Other assets | 16,166 | 6,942 | 72 | 1,522 | 1,761 | 1,185 | 27,648 |
| Property and equipment | - | - | 2,172 | 4,295 | 3,803 | 15,569 | 25,839 |
| Intangible asset | - | - | 33 | - | 5,003 | - | 5,036 |
| **Total assets** | 143,144 | 90,891 | 73,810 | 30,074 | 158,564 | 57,742 | 554,225 |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Customer deposits | 211,240 | 18,628 | 17,080 | 43,817 | 1,598 | 10 | 292,373 |
| Due to other banks | 32,253 | 12,050 | 24,239 | - | - | - | 68,542 |
| Other borrowings | 1,240 | | 226 | 3,447 | 37,137 | 5,568 | 47,618 |
| Other liabilities | 1,953 | 36,980 | 13,474 | 2,931 | 596 | - | 55,934 |
| Current income tax | - | - | - | 4,947 | - | - | 4,947 |
| Deferred income tax | - | - | - | 92 | - | - | 92 |
| **Total liabilities** | 246,686 | 67,658 | 55,019 | 55,234 | 39,331 | 5,578 | 469,506 |
| | | | | | | | |
| **Net liquidity gap** | (103,542) | 23,233 | 18,791 | (25,160) | 119,233 | 52,164 | 84,719 |

| 31 December 2010 | 0 - 30 days ₦million | 1 - 3 months ₦million | 3 - 6 months ₦million | 6 - 12 months ₦million | 1 - 5 years ₦million | Over 5 years ₦million | Total ₦million |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances with central banks | 8,046 | 2,002 | - | - | - | - | 10,048 |
| Treasury bills | 1,551 | 4,044 | 289 | 2,820 | 3,724 | - | 12,428 |
| Due from other banks | 72,042 | 16,617 | - | - | - | - | 88,659 |
| Loans and advances to customers | 37,591 | 42,180 | 11,888 | 7,534 | 48,877 | 15,882 | 163,952 |
| Advances under finance lease | 624 | 966 | 436 | 403 | 11,057 | 16 | 13,502 |
| Investment securities | 12,326 | 74 | 1,150 | 1,156 | 15,044 | 17,835 | 47,585 |
| Deferred tax asset | - | - | - | 939 | - | - | 939 |
| Other assets | 3,632 | 9,014 | 3,296 | 234 | - | - | 16,176 |
| Property and equipment | - | - | - | 9,681 | 7,906 | 13,497 | 31,084 |
| Intangible asset | - | - | - | - | 168 | - | 168 |
| **Total assets** | 135,812 | 74,897 | 17,059 | 22,767 | 86,776 | 47,230 | 384,541 |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Customer deposits | 172,702 | 8,496 | 2,290 | 2,900 | 77 | 1 | 186,466 |
| Due to other banks | 45,409 | 3,796 | 6,947 | - | - | - | 56,152 |
| Other borrowings | 1,126 | 220 | 590 | 2,142 | 10,660 | 3,534 | 18,272 |
| Other liabilities | 2,065 | 9,536 | 10,135 | 12,484 | - | - | 34,220 |
| Current income tax | - | - | - | 4,197 | - | - | 4,197 |
| Deferred tax liabilities | - | - | - | 108 | - | - | 108 |
| **Total liabilities** | 221,302 | 22,048 | 19,962 | 21,831 | 10,737 | 3,535 | 299,415 |
| | | | | | | | |
| **Net liquidity gap** | (85,490) | 52,849 | (2,903) | 936 | 76,039 | 43,695 | 85,126 |

# Financial risk analysis

For the year ended 31 December 2011

## Maturity profile - Off balance sheet - Group

| 31 December 2011 | 0 - 30 days ₦million | 1 - 3 months ₦million | 3 - 6 months ₦million | 6 - 12 months ₦million | 1 - 5 years ₦million | Over 5 years ₦million | Total ₦million |
|---|---|---|---|---|---|---|---|
| Performance bonds and financial guarantees | 101 | 589 | 7,957 | 1,270 | 1,918 | 1,320 | 13,155 |
| Contingent letters of credits | 1,491 | 8,004 | 10,184 | 4,918 | - | - | 24,597 |
| **Total** | 1,592 | 8,593 | 18,141 | 6,188 | 1,918 | 1,320 | 37,752 |
| 31 December 2010 | | | | | | | |
| Performance bonds and financial guarantees | 1,458 | 404 | 113 | 633 | 1,500 | 1,172 | 5,280 |
| Contingent letters of credits | 9,327 | - | - | - | - | - | 9,327 |
| Forward contracts | 254 | - | - | - | - | - | 254 |
| **Total** | 11,039 | 404 | 113 | 633 | 1,500 | 1,172 | 14,861 |

## Liquidity contingency plans

The bank recognises that it is not possible to hold a sufficiently large enough quantity of readily available liquidity to cover the least likely liquidity events. However, as such an event can have devastating consequences, it is imperative to bridge the gap between the liquidity the bank chooses to hold and the maximum liquidity the bank might need.

The bank's liquidity contingency plan is designed to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The plan incorporates an extensive early warning indicator methodology supported by a clear and decisive crisis response strategy.

Early warning indicators span bank specific crises, systemic crises, contingency planning and liquidity risk management governance, and are monitored based on assigned frequencies and tolerance levels. The crisis response strategy is formulated around the relevant crisis management structures and addresses internal and external communications, liquidity generation, operations, as well as heightened and supplementary information requirements.

## Operational risk

### *Approach to managing operational risk*

The Stanbic IBTC approach to managing operational risk is to adopt practices that are fit for purpose, to increase the efficiency and effectiveness of the group's resources, minimise losses and utilise opportunities. This approach is aligned to the group's and SBG's enterprise risk management framework, policies, procedures and tools to identify, assess, monitor, control and report such risks as well as adopt sound practices recommended by various sources, including the Basel II Accord's Sound Practices for the Management and Supervision of Operational Risk and the regulators. The group continues to embed operational risk management practices into its day-to-day business activities.

### *Governance*

The board risk management committee (BRMC), as the delegated risk oversight body on behalf of the board, has the ultimate responsibility for operational risk management. It ensures quality, integrity and reliability of operational risk management across the group.

The operational risk and compliance committee (ORCC) serves as the oversight body in the application of the group's risk management framework. This is achieved through enforcing standards for identification, assessing, controlling, monitoring and reporting. The ORCC reviews and recommends the operational risk appetite and tolerance to the executive committee and BRMC.

### Management and measurement of operational risk

The operational risk management framework serves to ensure that risk owners are clearly accountable for the risk inherent within the business activities of the group. The key element in the framework includes methodologies and tools to identify, measure, and manage operational risks, a governance model, and processes to ensure internal training and awareness, communication, and change management.

Risk and control self assessments are designed to be forward-looking. Management is required to identify risks that could threaten the achievement of business objectives and together with the required set of controls and actions, mitigate the risks.

The loss data collection process ensures that all operational risk loss events and near misses are captured into a centralised database. The flow of information into the loss event database is a bottom-up approach. The capture process identifies and classifies all incidents in terms of an incident classification list. This information is used to monitor the state of operational efficiency, address trends, implement corrective action and manage recovery, where possible.

The group uses key risk indicators (KRIs) to monitor the risks highlighted in the risk and control self-assessment process. The implementation of the KRIs is a key element of the framework and is therefore compulsory throughout the group. Business units are required to report on a regular and event-driven basis. The reports include a profile of the key risks to the achievement of their business objectives, control issues of group-level significance, and operational risk events.

The group maintains adequate insurance to cover key operational and other risks. Insurance is considered an effective tool for mitigating operational risks by reducing the economic impact operational losses, and therefore should have explicit recognition within the capital framework of the new Basel Capital Accord to appropriately reflect the risk profile of financial institutions and encourage prudent and sound risk management.

### Business continuity management (BCM)

The group applies the SBG definition for BCM as a guide for developing its BCM programme. In line with this definition, the core focus in 2011 was to conduct a disaster recovery simulation and test the ability of the information technology team to recover and restore the bank's applications in the event of unexpected disruptions or disasters as well as testing the recovery site infrastructure to determine its suitability for meeting its recovery objectives. A disaster recovery plan is a comprehensive statement of consistent actions to be taken before, during and after a disaster. The plan is documented and tested to ensure the continuity of operations and availability of critical resources in the event of a disaster.

The main objectives of the IT disaster recovery plan are:

- To protect the organization in the event that all or part of its operations and/or computer services are rendered unusable.
- To evaluate and improve the duration of time and service level agreement within which a business process must be restored after a disaster (or disruption) in order to avoid unacceptable consequences associated with a break in business continuity.

- To test the respective recovery priorities and responsibilities and ensure that pertinent contact details enabling liaison between personnel and the recovery co-ordination team representatives.

### Information risk management

Information risk is defined as the risk of accidental or intentional unauthorised use, modification, disclosure or destruction of information resources, which compromises their confidentiality, integrity or availability.

From a strategic perspective, information risk management is treated as a particular discipline within the operational risk framework. In essence, information risk management not only protects the group's information resources from a wide range of threats, but also enhances business operations, ensures business continuity, maximises return on investments and supports the implementation of various services. The approach to the management of information risk in the group is in accordance with global best practice, applicable laws and regulations.

The group has embarked on an enterprise-wide comprehensive education campaign to ensure that the culture of information protection is entrenched and the risks associated with handling information are mitigated.

### Fraud risk management

The group has a set of values that embraces honesty, integrity and ethics and, in this regard, has a "zero tolerance" approach to fraud and corruption. Where necessary, disciplinary, civil and criminal actions are taken against staff and third parties who perpetrate fraud. Staff found guilty of dishonesty through the group's disciplinary processes are listed on appropriate industry and regulatory databases of dismissed staff.

The group's financial crime control unit (FCC), which is responsible for fraud risk management practices, in conjunction with law enforcement agencies, investigates all losses incurred as a result of misconduct of staff and criminal intent of third parties, proceeds with criminal prosecutions and recovery of the crime proceeds.

There are anti-fraud mechanisms and regular campaigns in place to mitigate fraud risk. These measures include:

- fraud awareness, prevention, detection and reporting workshops organized for all members of staff spread throughout the year;
- the dissemination of fraud circulars highlighting new fraud trends;
- an anti-bribery and corruption policy as well as whistle blowing policy;
- the distribution of "Stop fraud campaign letter" to all the registered vendors of the bank introducing the bank's whistle blowing hotline and soliciting for their collaborative efforts in reporting any corrupt staff;
- the constant review and re-engineering of the group's internal processes;
- the engagement of law enforcement agencies, industry fora and collaborative workshops to discuss best practices to combat fraud; and
- a group-wide fraud prevention incentive programme.

### Whistle blowing

The group actively encourages its employees to embrace its values, especially in respect of upholding the highest level of integrity. Consequently, the obligation exists for employees to report any unlawful, irregular or unethical conduct that they observe through the requisite whistle blowing channels.

The group's whistle blowing policy provides as follows:

- Where an employee discovers information which is believed in good faith to show wrong doing within the bank, it should be disclosed without fear of reprisal.
- No employee shall be disadvantaged when reporting legitimate concerns.
- An employee who in good faith makes a report shall be adequately protected.

A whistle-blower may choose to reveal his or her identity when a report or disclosure is made. Should this be the case, the group will respect and protect the confidentiality of the whistle-blower, and gives assurance that it will not reveal the identity of the whistle-blower.

The only exception to this assurance relates to an overriding legal obligation to breach confidentiality. Thus, the group would be obligated to reveal confidential information relating to a whistle-blowing report if ordered to do so by a court of law.

Alternative to confidential reporting, a whistle-blower may also choose not to reveal his or her identity when reporting or disclosing any unlawful irregular or unethical conduct and such report could be made through the group's whistle-blowing hotline; +234 1 2717734 or email fraud@stanbicibtc.com; which is managed by an independent third party firm. This hotline and email address is also available to our customers and stakeholders for use whenever fraudulent activities are observed. The systems of the firm managing the whistle-blowing line is set up in such a way that electronic reporting is non-traceable through devices such as caller ID and contractually the firm is not permitted to divulge the identity of the caller to the group (in the event that it becomes aware of the caller's identity).

### Environmental risk management

Stanbic IBTC acknowledges that the development of a corporate culture whereby environmental protection and the sound management of natural resources in both its own operating environment and with all the parties with which it has a business association is crucial to sustainable development. The bank adopts a precautionary approach to environmental management, striving to anticipate and prevent environmental risk degradation. The group's approach is in line with the guidelines set out in the Equator Principles and the provisions of the environmental laws of the country.

### Legal risk management

As a financial institution, the group remains vigilant of the potential loss that may be suffered as a result of the imposition of a court judgment, loss from a contract that cannot be legally enforced or liability suffered for damages to third parties. To mitigate the occurrence of these incidents, the group has a legal risk unit that works in conjunction with the legal department and which manages legal risk issues.

The legal risk unit carries out, amongst others, the following functions as part of its legal risk management process:

- ensuring that service level agreements (SLAs) are executed between the group and service providers;
- reviewing and monitoring legal claims made against the group; and
- obtaining legal opinion in respect of all the litigations that the group is involved in, to ascertain if there is a need for provision to be made in cases where the likelihood of success against the bank is high.

Provision is made in all instances where the group is of the opinion that there is a likelihood that the legal claims instituted against it may succeed.

As a mitigant, the group encourages alternative dispute resolution mechanisms to avoid lengthy and time-consuming judicial process in order to speedily and amicably resolve otherwise difficult litigation.

### Compliance risk management

Compliance risk management is an independent core risk management activity overseen by the group's compliance unit, which is overseen by the chief compliance officer. The unit provides independent reports to the ORCC, executive committee and BRMC. The group chief compliance officer has unrestricted access to the chief executive officer and the chairperson of the board risk management committee. The group's approach to managing legislative risk exposures is proactive and premised on internationally accepted principles of risk management. The group fosters a culture of compliance which is seen not only as a requirement of law but also a good business practice.

The compliance unit is well positioned to guard against the risk of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice, which may result in regulatory sanctions, financial or reputation loss. It focuses on ensuring that the group complies with laid down regulations that are applicable to its business and operations.

The compliance risk function of the group carries out, amongst others, the following functions as part of its compliance risk management process:

- maintaining of compliance risk management plans for at least five regulatory requirements that are rated highest in terms of their impact of the group's business;
- maintaining of an appropriate and relevant schedule of all the laws that are applicable to the group and circulate this to all the business units within the group;
- liaising with regulators to co-ordinate inspections and examinations and ensure that findings contained in the inspection or examination reports are satisfactorily closed out;
- responding to regulatory requests for information and documents.
- monitoring and testing employees' compliance with applicable legislations, regulations and standards;
- providing advice and support on group level product, service and change projects including, new and amended business, product or service review processes; and
- providing guidance and education on compliance issues.

Two significant laws that were obtained and circulated to the relevant departments in 2011 were the Money Laundering (Prohibition) Act 2011 and the Prevention of Terrorism Act 2011.

Furthermore, newly enacted laws are reviewed and included in the group's regulatory schedule which contains the provisions of all the laws that are applicable to the group in its day-to-day activities. The regulatory schedule is circulated amongst business units accordingly for their guidance. Gap analysis is also done on amended laws, legislations, codes, etc.

The compliance unit serves as the interface between the bank and primary regulators during spot checks and routine examinations carried out by the regulators with the aim of ensuring that all issues raised by the regulators during the spot checks and routine examinations are properly addressed.

In this regard, the compliance unit regularly interacts with different regulators and law enforcement agencies, such as the Nigerian Police; Nigerian Financial Intelligence Unit (NFIU); Economic and Financial Crimes Commission (EFCC); National Drug Law Enforcement Agency (NDLEA); Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) and Security and Exchange Commission (SEC).

### Conflict of interest and personal account trading

The group is highly committed to conducting business professionally, ethically, with integrity and in accordance with international best practice at all times. In line with its established framework and policy, conflict of interest situations are constantly identified and managed. In the course of the year, over 60 investment banking pipeline deals were cleared through the SBG's global conflict control room (GCCR). In line with its personal account trading policy, personal trades carried out by members of staff on their individual stock holding through the group's stockbroking subsidiary are reviewed regularly to ensure that staff have not traded on the shares of companies that they have material non-public price-sensitive information on by virtue of their jobs. In the course of the year, members of staff were required to notify Compliance when trading in securities through external brokers. The disclosure is also applicable to trades executed by connected persons.

Furthermore, all the senior management staff members including 194 embargoed and nominated employees were prohibited from trading on the group's shares with effect from 1st December 2011 until the group's annual financial results are formally announced to the public.

### Money laundering control

The group attaches utmost importance to ensuring that the Know Your Customer (KYC), anti-money laundering (AML) and terrorist financing control legislations (CFT) are strictly adhered to. These legislations impose certain obligations on the group such as ensuring that all customers of the group have passed through a KYC scrutiny; that necessary awareness is created amongst members of staff on KYC, AML, and CFT issues; that records of customers and their transactions are kept for a minimum of five years as prescribed by law; and that certain threshold transactions are reported on a weekly basis including suspicious transactions.

Key legislations and regulations that govern anti-money laundering are: the Money Laundering (Prohibition) Act; Combating Finance of Terrorism (CFT) Regulation 2009; Terrorism (Prevention) Act 2011; various CBN circulars, and the Economic and Financial Crimes Commission (EFCC) Act 2004.

In accordance with the relevant provisions of the Money Laundering (Prohibition) Act 2011, up to date programmes are regularly organised for the group's employees and over 85% of employees of the group (including all customer facing employees) were trained

in the course of the year. The training is carried out in an easy to understand manner that allows members of staff to have a good grasp of key issues such as KYC, money laundering, suspicious transactions, preservation of records, and terrorist financing. Members of staff who are trained are required to write an on-line test to determine their level of understanding of the issues discussed during the training.

All active accounts are categorised into categories A, B and C for high, medium and low risk accounts respectively to allow for a risk based monitoring of customer accounts.

As part of the commitment and resolve to combat the scourge of money laundering and terrorist financing, an automated anti-money laundering solution was upgraded in accordance with regulatory requirements in order to ensure that the process of identifying and capturing suspicious transactions is made more effective. This process enables the group to monitor transactions of customers that are viewed to be unusual on a continuous basis.

## Capital management

*Capital adequacy*

The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders. The capital management process ensures that each group entity maintains sufficient capital levels for legal and regulatory compliance purposes. The group ensures that its actions do not compromise sound governance and appropriate business practices and it eliminates any negative effect on payment capacity, liquidity and profitability.

The capital adequacy ratio, which reflects the capital strength of an entity compared to the minimum regulatory requirements, is monitored daily by management, essentially employing approaches based on the guidelines developed by the regulators for supervisory purposes. It is calculated by dividing the capital held by the bank by its risk-weighted assets. Risk-weighted assets are determined by applying prescribed risk weighting to on-and-off-balance sheet exposures according to the relative credit risk of the counterparty.

The regulators require each bank to hold a minimum regulatory capital of ₦25 billion and maintain a minimum of 10% capital adequacy ratio. The required information is filed monthly with the Central Bank of Nigeria while the group's auditors are also required to render an annual certificate to the Nigerian Deposit Insurance Corporation (NDIC).

In line with regulatory specification, the group's regulatory capital is divided into two tiers:

*Tier 1 capital:*

Share capital, retained earnings and reserves created by appropriations of retained earnings.

*Tier 2 capital:*

Minority interest arising from consolidation, fixed asset revaluation reserves, foreign currency revaluation reserves and general provision subject to a maximum of 1.25% of risk assets.

Investment in unconsolidated subsidiaries and associations are deducted from Tier 1 and 2 capital to arrive at the regulatory capital.

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 exposures, with some adjustments to reflect the more contingent nature of the potential losses.

## Capital management

The table below summarises the composition of regulatory capital and the ratios of the group for the years ended 31 December 2011 and 2010. During those two years, the individual entities within the group complied with all of the externally imposed capital requirements to which they are subject.

| | **Group 2011 ₦million** | Group 2010 ₦million |
|---|---|---|
| **Tier 1 capital:** | | |
| Share capital | **9,375** | 9,375 |
| Share premium | **47,469** | 47,469 |
| Statutory reserves | **14,038** | 13,016 |
| SMIEIS reserve | **1,039** | 1,039 |
| Capital reserve | **423** | 423 |
| Retained earnings | **10,462** | 12,335 |
| **Total qualifying tier 1 capital** | **82,806** | 83,657 |
| | | |
| **Tier 2 capital:** | | |
| Non-controlling interest | **1,913** | 1,376 |
| Revaluation reserve - investment securities | **-** | 93 |
| Deferred tax asset | **(1,566)** | (939) |
| General provision | **2,481** | 1,783 |
| **Total qualifying tier 2 capital** | **2,828** | 2,313 |
| | | |
| **Total regulatory capital** | **85,634** | 85,970 |
| | | |
| **Risk-weighted assets:** | | |
| On-balance sheet | **342,353** | 256,769 |
| Off-balance sheet | **31,174** | 9,995 |
| **Total risk-weighted assets** | **373,527** | 266,764 |
| | | |
| **Capital adequacy ratio** | **22.93%** | 32.23% |

The group maintained a favourable level of capitalisation with capital adequacy at 23%. The drop from the prior year resulted from the group's ability to maintain consistent growth in risk assets, which reflects successes achieved from its expansion strategy over the past years.

### *Regulatory capital compliance*

The bank complied with the minimum capital requirement imposed by the regulators during the period under review. Apart from the local requirement, the group is also required to comply with the capital adequacy requirement in terms of South African banking regulations measured on Basel II principles. This act of compliance coupled with the risk governance structure and implementation of ERM framework as well as collation of loss data, amongst others, have continued to reinforce the group's readiness for a regulatory regime that is anchored on Basel II principles in the near future.

# Statement of value added

For the year ended 31 December 2011

| | 2011 Group ₦million | % | 2010 Group ₦million | % | 2011 Bank ₦million | % | 2010 Bank ₦million | % |
|---|---|---|---|---|---|---|---|---|
| Gross earnings | 67,428 | | 56,745 | | 57,581 | | 48,934 | |
| Interest paid: | | | | | | | | |
| - local | (10,078) | | (7,435) | | (10,102) | | (7,458) | |
| - foreign | (501) | | (554) | | (501) | | (554) | |
| | (10,579) | | (7,989) | | (10,603) | | (8,012) | |
| Administrative overhead: | | | | | | | | |
| - local | (16,280) | | (12,856) | | (13,894) | | (10,505) | |
| - foreign | (3,459) | | (2,100) | | (3,459) | | (2,100) | |
| | (19,739) | | (14,956) | | (17,353) | | (12,605) | |
| Provision for losses | (4,705) | | (620) | | (4,705) | | (620) | |
| Value added | 32,405 | 100 | 33,180 | 100 | 24,920 | 100 | 27,697 | 100 |
| **Distribution** | | | | | | | | |
| **Employees and directors** | | | | | | | | |
| Salaries and benefits | 17,189 | 53 | 15,618 | 47 | 15,232 | 61 | 13,792 | 50 |
| **Government** | | | | | | | | |
| Taxation | 3,803 | 12 | 4,073 | 12 | 1,946 | 8 | 2,376 | 9 |
| **The future** | | | | | | | | |
| Asset replacement (depreciation) | 3,973 | | 4,034 | | 3,694 | | 3,718 | |
| Expansion (retained in the business) | 7,440 | | 9,455 | | 4,048 | | 7,811 | |
| Total | 11,413 | 35 | 13,489 | 41 | 7,742 | 31 | 11,529 | 41 |
| | 32,405 | 100 | 33,180 | 100 | 24,920 | 100 | 27,697 | 100 |

# Five year financial summary

For the year ended 31 December 2011

| | Group 2011 ₦million | Group 2010 ₦million | Group 2009 ₦million | Group 2008 ₦million | Group 2007 ₦million |
|---|---|---|---|---|---|
| **Assets employed** | | | | | |
| Cash and balances with central bank | **30,074** | 10,048 | 7,772 | 11,587 | 13,038 |
| Treasury bills | **63,710** | 12,428 | 11,378 | 13,101 | 47,563 |
| Due from other banks | **77,282** | 88,659 | 76,954 | 111,593 | 79,579 |
| Loans and advances to customers | **230,707** | 163,952 | 110,508 | 98,398 | 79,465 |
| Advances under finance lease | **24,878** | 13,502 | 9,377 | 4,261 | 1,989 |
| Investment securities | **67,485** | 47,585 | 71,462 | 79,022 | 73,708 |
| Investment in subsidiaries | **-** | - | 1 | 1 | 1 |
| Deferred tax assets | **1,566** | 939 | 594 | - | - |
| Other assets | **27,648** | 16,176 | 25,566 | 17,331 | 10,978 |
| Property and equipment | **25,839** | 26,693 | 26,607 | 15,261 | 8,614 |
| Intangible asset | **5,036** | 4,559 | 271 | 171 | 48 |
| **Total assets employed** | **554,225** | 384,541 | 340,490 | 350,726 | 314,983 |
| **Financed by** | | | | | |
| Share capital | **9,375** | 9,375 | 9,375 | 9,375 | 9,375 |
| Reserves | **73,431** | 74,375 | 71,105 | 71,289 | 66,188 |
| Non-controlling interest | **1,913** | 1,376 | 1,017 | 711 | 455 |
| Customer deposits | **292,373** | 186,466 | 169,200 | 95,262 | 71,391 |
| Due to other banks | **68,542** | 56,152 | 38,334 | 82,202 | 67,298 |
| Other borrowings | **47,618** | 18,272 | 12,647 | 12,201 | 27,533 |
| Other liabilities | **55,934** | 34,220 | 34,052 | 73,487 | 66,660 |
| Current income tax | **4,947** | 4,197 | 4,660 | 5,821 | 5,641 |
| Deferred tax liabilities | **92** | 108 | 100 | 378 | 442 |
| | **554,225** | 384,541 | 340,490 | 350,726 | 314,983 |
| **Acceptances and guarantees** | **37,752** | 14,861 | 16,198 | 50,861 | 56,259 |

| | Bank 2011 ₦million | Bank 2010 ₦million | Bank 2009 ₦million | Bank 2008 ₦million | Bank 2007 ₦million |
|---|---|---|---|---|---|
| **Assets employed** | | | | | |
| Cash and balances with central bank | 30,072 | 10,048 | 7,768 | 11,441 | 13,036 |
| Treasury bills | 60,558 | 12,428 | 11,378 | 13,101 | 47,563 |
| Due from other banks | 75,796 | 87,439 | 75,913 | 110,159 | 71,800 |
| Loans and advances to customers | 230,707 | 164,203 | 110,967 | 99,010 | 79,636 |
| Advances under finance lease | 24,878 | 13,502 | 9,377 | 4,261 | 1,989 |
| Investment securities | 60,530 | 37,689 | 62,358 | 73,443 | 68,831 |
| Investment in subsidiaries | 1,984 | 1,924 | 1,925 | 1,819 | 554 |
| Deferred tax assets | 1,566 | 939 | 594 | - | - |
| Other assets | 25,915 | 13,683 | 24,453 | 17,067 | 12,640 |
| Property and equipment | 25,233 | 26,280 | 26,117 | 14,848 | 8,307 |
| Intangible asset | 5,033 | 4,477 | 150 | 57 | 38 |
| **Total assets employed** | 542,272 | 372,612 | 331,000 | 345,206 | 304,394 |
| **Financed by** | | | | | |
| Ordinary share capital | 9,375 | 9,375 | 9,375 | 9,375 | 9,375 |
| Reserves | 64,920 | 68,184 | 65,998 | 67,240 | 63,047 |
| Non-controlling interest | - | - | - | - | - |
| Customer deposits | 295,905 | 187,595 | 170,411 | 98,914 | 72,455 |
| Due to other banks | 68,542 | 56,152 | 38,334 | 82,202 | 66,852 |
| Other borrowings | 47,618 | 18,272 | 12,647 | 12,201 | 27,533 |
| Other liabilities | 53,388 | 30,983 | 31,319 | 71,797 | 61,468 |
| Current income tax | 2,524 | 2,051 | 2,916 | 3,240 | 3,613 |
| Deferred tax liabilities | - | - | - | 237 | 51 |
| | 542,272 | 372,612 | 331,000 | 345,206 | 304,394 |
| **Acceptances and guarantees** | 37,752 | 14,861 | 27,834 | 50,861 | 56,259 |

# Five year financial summary

For the year ended 31 December 2011

| | Group 2011 ₦million | Group 2010 ₦million | Group 2009 ₦million | Group 2008 ₦million | Group 2007 ₦million |
|---|---|---|---|---|---|
| **Profit and loss account** | | | | | |
| Net operating income | **56,505** | 48,394 | 43,823 | 42,495 | 22,480 |
| Operating expenses and provisions | **(45,262)** | (34,866) | (33,481) | (27,870) | (11,488) |
| Profit/(Loss) before tax | **11,243** | 13,528 | 10,342 | 14,625 | 10,992 |
| Taxation | **(3,803)** | (4,073) | (2,204) | (2,632) | (3,142) |
| Profit after taxation | **7,440** | 9,455 | 8,138 | 11,993 | 7,850 |
| Non-controlling interest | **(978)** | (653) | (490) | (430) | (265) |
| Profit attributable to the group | **6,462** | 8,802 | 7,648 | 11,563 | 7,585 |
| Transfer to reserves | **6,462** | 8,802 | 7,648 | 11,563 | 7,585 |
| **Statistical information** | | | | | |
| Gross interest margin % | **74** | 77 | 61 | 55 | 61 |
| % Shareholders' funds/total assets | **15** | 22 | 24 | 23 | 24 |
| % Loans and overdrafts/total assets | **42** | 43 | 32 | 28 | 25 |
| % Loans and overdrafts/deposits | **79** | 88 | 65 | 103 | 111 |
| % Provision/Loans and overdrafts | **4** | 5 | 10 | 10 | 13 |
| Earnings per share - actual | **40 k** | 50 k | 43 k | 64 k | 42 k |
| Earnings per share - basic | **40 k** | 50 k | 43 k | 64 k | 71 k |
| Earnings per share - adjusted | **40 k** | 50 k | 43 k | 64 k | 42 k |
| Earnings per share - diluted | **40 k** | 50 k | 43 k | 64 k | 42 k |
| Average number of employees | **2,311** | 2,248 | 2,009 | 1,659 | 1,202 |

| | Bank 2011 ₦million | Bank 2010 ₦million | Bank 2009 ₦million | Bank 2008 ₦million | Bank 2007 ₦million |
|---|---|---|---|---|---|
| **Profit and loss account** | | | | | |
| Net operating income | **46,728** | 40,627 | 36,835 | 35,087 | 18,734 |
| Operating expenses and provisions | **(40,734)** | (30,440) | (29,694) | (24,545) | (9,937) |
| Profit/(Loss) before tax | **5,994** | 10,187 | 7,141 | 10,542 | 8,797 |
| Taxation | **(1,946)** | (2,376) | (883) | (1,328) | (1,855) |
| Profit after taxation | **4,048** | 7,811 | 6,258 | 9,214 | 6,942 |
| Non-controlling interest | **-** | - | - | - | - |
| Profit attributable to the group | **4,048** | 7,811 | 6,258 | 9,214 | 6,942 |
| Transfer to reserves | **4,048** | 7,811 | 6,258 | 9,214 | 6,942 |
| **Statistical information** | | | | | |
| Gross interest margin % | **73** | 76 | 60 | 54 | 61 |
| % Shareholders' funds/total assets | **14** | 21 | 23 | 22 | 24 |
| % Loans and overdrafts/total assets | **43** | 44 | 33 | 29 | 26 |
| % Loans and overdrafts/deposits | **78** | 88 | 65 | 100 | 110 |
| % Provision/Loans and overdrafts | **4** | 5 | 10 | 9 | 13 |
| Earnings per share - actual | **22 k** | 42 k | 33 k | 49 k | 37 k |
| Earnings per share - basic | **22 k** | 42 k | 33 k | 49 k | 63 k |
| Earnings per share - adjusted | **22 k** | 42 k | 33 k | 49 k | 37 k |
| Earnings per share - diluted | **22 k** | 42 k | 33 k | 49 k | 37 k |
| Average number of employees | **1,974** | 1,948 | 1,722 | 1,343 | 1,071 |

# Other information

# Management team

**Kunle Adedeji**
*Finance*

**Adesola Adegbesan**
*Global Markets*

**Jumoke Adejumobi**
*Financial Institutions*

**Jadesola Ademuliyi**
*Project Governance*

**Adenrele Adesina**
*Research*

**Bayo Adesina**
*Public Sector*

**Ayo Adio**
*PBB, Distribution*

**Aisha Ahmad**
*Private Clients and HNIs*

**Folasope Aiyesimoju**
*Financial Advisory*

**Oyinda Akinyemi**
*Equity Capital Markets*

**Shuiabu Audu**
*Stanbic IBTC Asset Management*

**Leye Babatunde**
*Information Technology*

**Fatai Baruwa**
*Payment strategy*

**Kobby Bentsi-Enchil**
*Debt Capital Market*

**Mathys Buitendag**
*Business Banking*

**Olu Delano**
*Leverage and Acquisition Finance*

**Steve Elusope**
*Stanbic IBTC Pension Managers*

**Eric Fajemisin**
*Stanbic IBTC Pension Managers*

# Management team

**Samir Gadio**
*Research*

**Olufunke Isichei**
*Customer Experience*

**Busola Jejelowo**
*Stanbic IBTC Stockbrokers*

**Dele Kuti**
*Energy*

**Thabo Makoko**
*Transaction Products and Services*

**Binta Max-Gbinije**
*Stanbic IBTC Trustees*

**Samuel Ochecho**
*Global Markets*

**Olumide Oyetan**
*Stanbic IBTC Asset Management*

**Akeem Oyewale**
*Global Markets*

**Anne Rinu**
*Premises and Projects*

**Yewande Sadiku**
*Investment Banking*

**Babayo Saidu**
*Non-interest Banking*

**Segun Sanni**
*Investor Services*

**Alubani Sibanda**
*Corporate Banking*

**John Smit**
*Products and Strategy*

**Dele Sotubo**
*Stanbic IBTC Stockbrokers*

**Delein Van Schallkwyk**
*Operations*

**Jaco Viljoen**
*Personal Markets*

# Branch network

## FCT Abuja region

1. Ahmadu Bello Way branch,
   Plot 1049, Ahmadu Bello Way,
   Area 11, Garki, Abuja

2. Deidei branch
   Deidei-Gwaga road,
   Deidei Abuja

3. Edo House branch
   No. 75, Ralph Sodeinde street,
   Central Business District
   Garki, Abuja

4. Garki Area 3 branch
   11 Kaura Namoda street off,
   Faskari crescent,
   Garki Area 3, Abuja

5. Garki Model Market branch,
   Plot CBN 2 Ladoke Akintola bvld,
   Garki 11, Abuja

6. Kubwa branch
   Plot No. CM71/72 Gado Nasko road
   Kubwa, Abuja

7. Maitama branch
   Plot 2777, Cadastral Zone A6
   Maitama District, Abuja

8. Mararaba branch
   Shop 1A Kwad Shopping Complex
   Mararaba Gurku, Abuja

9. NNPC Complex branch
   Herbert Macaulay way
   Abuja

10. Gwagwalada branch
    Plot 415, Specialist Hospital road
    Gwagwalada, Abuja

11. Utako branch
    Plot 37, Ekunkinam street
    (Opposite ABC Transport)
    Utako, Abuja

12. Wuse 11 branch
    Plot 1387, Aminu Kano crescent
    Wuse 11, Abuja

## Lagos Island region

1. Adetokunbo Ademola branch
   No. 76, Adetokunbo Ademola street,
   Victoria Island, Lagos

2. Afribank Street branch
   Churchgate Towers,
   Plot 30, Afribank street
   Victoria Island, Lagos

3. Ajah branch
   Mega Wave Plaza,
   4A Addo roundabout,
   Off Badore road, Ajah,
   Lagos

4. Ajose Adeogun branch
   Plot 290E Ajose Adeogun street
   Victoria Island, Lagos

5. Awolowo Road branch
   No. 85, Awolowo road, Ikoyi
   Lagos

6. Broad Street branch
   143/145 Broad street
   Lagos

7. Federal Palace Hotel branch
   Ahmadu Bello way
   Victoria Island, Lagos

8. Idejo branch
   Plot 1712, Idejo street
   Victoria Island,
   Lagos

9. Idumagbo branch
   No. 16, Idumagbo Avenue
   Lagos

10. Ikota branch
    Shop 167-194, Block 1,
    Ikota Shopping Complex
    Ajah, Lagos

11. Karimu Kotun branch
    Plot 1321B, Karimu Kotun street,
    Victoria Island, Lagos

12. Lekki Admiralty branch
    Plot A Block 12E, Admiralty way
    Lekki Phase 1
    Lekki ,Lagos

13. Lekki-Ajah Expressway branch
    Km 18, Lekki-Epe Expressway,
    Agungi, Lekki,
    Lagos

14. Lekki Phase 1 branch
    The Palms Shopping Complex,
    Lekki, Lagos

15. Martins Street branch
    No. 19, Martins Street
    Lagos

16. Oke Arin branch
    120, Alakoro Street, Oke Arin,
    Lagos Island, Lagos

17. Walter Carrington branch
    IBTC Place,
    Walter Carrington Crescent,
    Victoria Island, Lagos

## Lagos Mainland region

1. Agege branch
   173, Old Abeokuta motor road,
   Agege, Lagos

2. Ajegunle branch
   No. 11, Orodu street
   Ajegunle, Lagos

3. Akoka branch
   No. 100, St. Finbarr's road
   Akoka, Lagos state

4. Alaba branch
   H48/H49,
   Alaba international market
   Ojo, Lagos

5. Alausa branch
   WAPCO Building, Alausa
   Ikeja, Lagos

6. Allen Avenue branch
   No. 80, Allen Avenue
   Ikeja, Lagos

7. Awolowo Model Market branch
   Shop M1/M48 Awolowo Ultra
   Modern market,
   Mushin, Lagos

8. Balogun Business Association branch
   Executive plaza, No.12, BBA market,
   Trade fair complex
   Badagry, Lagos

9. Daleko branch
   Bank road, Daleko market,
   off Isolo road
   Mushin, Lagos

10. Egbeda branch
    38, Shasha road
    Egbeda, Lagos

11. Ejigbo branch
    Isolo ikotun road
    Ejigbo, Lagos

12. Festac branch
    Gacoun shopping plaza,
    23 road, off 2nd avenue
    Festac town, Lagos

13. Gbaja market branch
    No. 12, Gbaja market
    Surulere, Lagos

14. Herbert Macaulay branch
    No. 220, Herbert Macaulay way
    Yaba, Lagos

15. Igando branch
    No. 51, Lasu-Iba road
    Igando, Lagos

16. Ikeja City Mall branch
    Shop L55, Ikeja City Mall
    (Opposite Elephant House)
    Alausa, Ikeja, Lagos

17. Ikorodu branch
    No. 108, Lagos road
    Ikorodu, Lagos

18. Ikotun branch
45 Idimu road
Ikotun, Lagos

19. Ipaja branch
142, Ipaja road
Baruwa-Ipaja
Lagos

20. Ketu branch
463, Ikorodu road
Ketu, Lagos

21. Lawanson branch
35, Lawanson road
Lawanson, Lagos

22. Maryland branch
10, Mobolaji Bank Anthony way
Maryland, Lagos

23. Murtala Mohammed International Airport branch
Arrival hall, MMIA
Ikeja, Lagos

24. Nigeria Ports Authority branch
Account block, NPA
Wharf road, Apapa, Lagos

25. Oba Akran branch
No. 20, Oba Akran Avenue
Ikeja, Lagos

26. Ogba branch
No. 32, Ijaiye road
Ogba, Lagos

27. Ogudu branch
54 Ogudu-Ojota road
Ogudu, Lagos

28. Ojodu branch
102 Isheri road
Ojodu Berger, Lagos

29. Ojuwoye branch
No. 214, Agege motor road,
Ojuwoye, Mushin, Lagos

30. Oko-Oba branch
Abattoire Market, New Oko Oba
Agege, Lagos

31. Okota branch
Adenekan Mega Plaza
Okota, Isolo
Lagos

32. Opebi branch
No. 43, Opebi road
Ikeja, Lagos

33. Oshodi branch
6/8 Brown street, Oshodi market
Lagos

34. Osolo Way branch
Ajao Estate
(Beside ASCON Filling station)
Isolo, Lagos

35. Oyingbo branch
7, Coates street, Ebute metta,
Oyingbo, Lagos

36. Palms Avenue branch
103, Ladipo street
Mushin, Lagos

37. Shomolu branch
22 Market street
Shomolu, Lagos

38. Surulere branch
39, Adeniran Ogunsanya street
Surulere, Lagos

49. Tejuosho branch
77, Ojuelegba road
Yaba, Lagos

40. Tin can branch
Suite 7 & 27, container complex
Lagos

41. Toyin street branch
No. 36A, Toyin street
Ikeja, Lagos

42. Trade fair branch
International trade fair complex,
ASPAMDA plaza
Alaba, Lagos

43. Warehouse road branch
No. 10/12, Warehouse road
Apapa, Lagos

44. Yinka folawiyo branch
No. 38, warehouse road,
Folawiyo plaza
Apapa, Lagos

## North Central region

1. Gboko branch
Along Captain Downs street
Gboko, Benue State

2. Illorin branch
11, Unity road (Amosun House),
Illorin, Kwara state

3. Jos branch
No.34, Ahmadu Bello way
Jos, Plateau state

4. Kontagora branch
Lagos-Kaduna road
Kontagora
Niger State

5. Lafia branch
Plot 1, Jos road, Lafia.
Nassarawa State

6. Lokoja branch
IBB Way, Opposite new Specialist Hospital
Lokoja, Kogi State

7. Makurdi branch
No.12, Ali Akilu road
Makurdi, Benue state

8. Minna branch
Paiko road, Minna
Niger State

9. Nyanyan branch
Bomma Plaza
Abuja-Keffi expressway, Nyanyan
Nassarawa State

10. Otukpo branch
Enugu-Markudi road,Otukpo
Benue State

11. Suleja branch
Minna road,
Opposite Forec A Division, Suleja
Niger State

# Branch network

## North East region

1. Bauchi branch
   No. 16, Yandoka road
   Bauchi state

2. Damaturu branch
   Plot 591A, Njiwaji layout
   Damaturu, Yobe state

3. Gombe branch
   No. 1, Biu road
   Gombe state

4. Jalingo branch
   22 Hammaruwa way, Jalingo
   Taraba State

5. Maiduguri branch
   No. 38, Baga road
   Maiduguri, Borno State

6. Yola branch
   No. 1, Muhammad Mustapha way,
   Jimeta, Yola, Adamawa State

## North West region

1. Bello road branch
   No. 13, Bello road, Kano
   Kano state

2. Birnin-Kebbi branch
   No. 68, Ahmadu Bello Way
   Birnin-Kebbi, Kebbi state

3. Dutse branch
   Plot 14/15, Sanni Abacha Way
   Dutse, Jigawa state

4. Gusua branch
   No. 10 Sanni Abacha road
   Gusua, Zamfara state

5. Hotoro market branch
   No. 4 Maiduguri road, Kano
   Kano state

7. Kachia road branch
   No. 7A, Kachia road, Kaduna south
   Kaduna state

8. Kaduna branch
   No. 14, Ahmadu Bello Way,
   Kaduna, Kaduna state

9. Kaduna Central Market branch
   No. 001 Bayajida road,
   Central Market, Kaduna North,
   Kaduna state

10. Kasuwa Barci branch
    AH6 Kasuwa Barci, Tundun Wada
    Kaduna, Kaduna state

11. Katin Kwari branch
    71A, Fagge ta Kudu (Opposite Kanti
    Kwari Market)
    Kano, Kano State

13. Katsina branch
    No. 175, Kurfi House, IBB Way
    Katsina, Katsina state

12. Kawo Mando branch
    Kawo-Zaria road
    Kawo Market, Kaduna
    Kaduna State

14. KSC Bank road branch
    No. 4 Bank Road,
    Kano, Kano state

15. PPMC/NNPC branch
    Kaduna Refining and
    Petrochemical complex
    Sabon Tasha road, Kaduna South
    Kaduna state

16. Sabon Gari branch
    7A, Amino road
    Sabongari, Zaria
    Kaduna State

17. Sabon Tasha branch
    No. 32, Kachia road, Sabon Tasha
    Kaduna, Kaduna state

18. Samaru branch
    2 Sokoto road, Samaru
    Zaria, Kaduna state

19. Shauchi branch
    1, Rimi Quarters, Umma Bayero road
    Kano, Kano state

20. Sokoto branch
    No. 8, Maiduguri road
    Sokoto, Sokoto state

21. Zaria branch
    No. 9, Kaduna road
    Zaria, Kaduna state

22. Zaria City branch
    No. 90 Anguwan,
    Mallam Sule Kasuwa
    Zaria, Kaduns State

## South East region

1. Aba Main branch
   No. 7, Aba-Owerri road
   Abia state

2. Aba Market branch
   No. 7, Duru Street, off Cemetry road
   Aba, Abia state

3. Abakaliki branch
   10 Ogoja road,Abakaliki
   Ebonyi State

4. Ariaria Market branch
   189 Faulks road, Ariaria market,
   Aba, Abia state

5. Awka branch
   No. 49, Zik avenue
   Awka, Anambra state

6. Enugu branch
   No. 252, Ogui Road
   Enugu, Enugu state

7. Enugu Polo Mall branch
   Shop 54, Polo Park Mall
   Abakaliki road, Enugu
   Enugu State

8. Head-bridge branch
   No. 56, Port Harcourt road,
   Onitsha, Anambra state

9. Onitsha branch
   No. 13, Bright street
   Onitsha, Anambra state

10. Owerri branch
    No. 8, Wetheral road
    Owerri, Imo state

11. Umuahia branch
    2 Market road, Umuahia
    Abia State

## South South region

1. Airport road branch
   23 Ogunu-Airport road, Warri
   Delta State

2. Artillery branch
   234, Aba road
   Artillery, Port Harcourt
   Rivers State

3. Asaba branch
   No. 206, Nnebisi street
   Asaba, Delta state

4. Benin branch
   No. 71, Akpakpava street
   Benin, Edo state

5. Calabar branch
   No. 71, Ndidem Isong road
   Calabar, Cross River state

6. Eleme Petrochemical branch
   EPCL Complex
   Port Harcourt, Rivers state

7. Ikom branch
   28, Calabar road
   Ikom, Cross River state

8. New Benin branch
   136, Upper Mission road,
   New Benin market
   Benin, Edo state

9. Olu Obasanjo branch
   No. 133A, Olu Obasanjo road
   Port Harcourt, Rivers state

10. Olu Obasanjo road branch
    No. 58, Olu Obasanjo Road
    Port Harcourt, Rivers state

11. Onne branch
    Oil & Gas Free Zone Authority
    Federal Ocean Terminal road,Onne
    Rivers State

12. Oyigbo branch
    Aba – Port Harcourt road, Oyigbo
    Rivers State

13. Port Harcourt Airport branch
    International Airport, Port Harcourt
    Rivers state

14. Sapele road branch
    No. 131A Sapele road
    Benin, Edo state

15. Trans Amadi branch
    No. 7, Trans Amadi road,
    Port Harcourt, Rivers state

16. Trans Amadi 2 branch
    87 Trans Amadi road
    Port Harcourt
    Rivers State

17. Uyo Branch
    No. 5B, Nwaniba road
    Uyo, Akwa Ibom state

18. Warri branch
    84, Warri-Sapele road
    Warri, Delta state

19. WATT Market branch
    CITA House Complex,
    54 Bedwell street
    Calabar, Cross River state

20. Yenagoa branch
    No. 623, Mbiama-Yenagoa road
    Yenagoa, Bayelsa state

# Branch network

## South West region

1. Abeokuta branch
   No. 2A , Lantoro road, Isale-Ake,
   Abeokuta, Ogun state

2. Ado –Ekiti branch
   Ado/Iyin express (old secretariat) rd
   Ado- Ekiti, Ekiti state

3. Agbara branch
   Agbara Estate Shopping Mall
   Agbara, Ogun state

4. Agodi Gate branch
   Inaolaji Business Complex
   Agodi Gate, Ibadan
   Oyo state

5. Akure branch
   Great Nigerian Insurance House
   Owo/Ado Ekiti road
   Akure, Ondo State

6. Aleshinloye branch
   Shop 37-39, Nigerian Army Post
   Service Housing Scheme, Phase 2
   Eleyele road, Ibadan
   Oyo state

7. Apata branch
   Abeokuta-Ibadan road
   Apata, Ibadan
   Oyo state

8. Bodija market branch
   Trans Wonderland,
   Opposite Bodija market
   Secretariat road, Bodija
   Ibadan, Oyo state

9. Gbagi branch
   No. 15, Jimoh Odutola street
   Ogunpa/Dugbe
   Ibadan, Oyo state

10. Ibadan Main branch
    UCH/Secretariat road
    Total Garden, Ibadan
    Oyo state

11. Ife branch
    No. 5 Obalofun Lagere road
    Lagere junction, Ile–Ife
    Osun state

12. Ijebu-Ode branch
    58 Ibadan road,
    Ijebu-Ode, Ogun state

13. Ilesha branch
    A198 Oshogbo road,
    Ishokun, Ilesha
    Osun state

14. Iwo road branch
    32 Iwo road, (beside Tantalizers)
    Ibadan, Oyo state

15. Iyana Church branch
    Ibitola Plaza, Iyana Church
    Ibadan, Oyo state

16. Mokola branch
    No. 18B, Oyo road,
    Mokola, Ibadan
    Oyo state

17. New Gbagi Market branch
    Bashmur & Ayimur Plaza
    Old Ife road, Gbagi,
    Ibadan, Oyo state

18. Ogbomosho branch
    Ogbomosho Ilorin road, Ogbomosho
    Oyo State

19. Ondo branch
    62, Yaba road, Ondo
    Ondo State

20. Orita Challenge branch
    No 127 Orita challenge
    Ibadan, Oyo state

21. Oshogbo branch
    No. 201, Gbogan/Ibadan road
    Oshogbo, Osun state

22. Oyo Town branch
    Oyo- Ogbomosho road, beside Oyo
    East Local Government Secretariat
    Oyo Town, Oyo state

23. Ring road branch
    18, Moshood Abiola Way,
    Ring road, Ibadan
    Oyo state

24. Sagamu branch
    167, Akarigbo street
    Sagamu, Ogun state

25. Saki branch
    Sango-Ajegunle road (beside Saki
    West Local Government secretariat)
    Saki, Oyo state

26. Sango-Otta branch
    No. 101, Idi-iroko/Otta road
    Sango –Otta, Ogun state

27. Sapon branch
    House 42a, Isale Igbehin
    Sapon Abeokuta
    Ogun state

28. University of Ibadan road branch
    Sayora Building
    University of Ibadan road
    Ibadan, Oyo State

# Contact information

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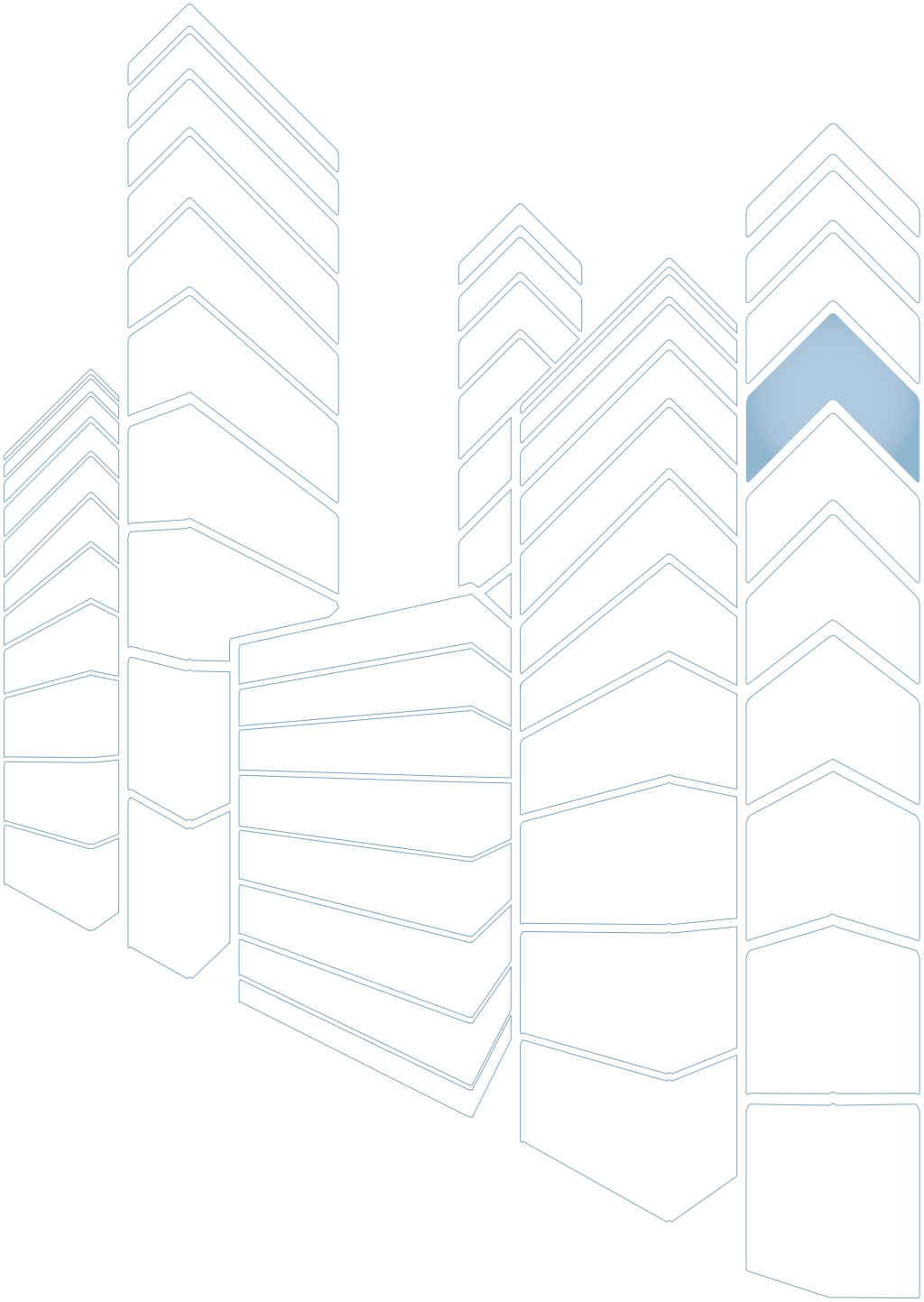
# NOTES



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