



Sterling Bank PLC
H1 2011
Investor/Creditor Presentation

July 2011

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Agenda

1

Macro-economic & Market Trends

2

Performance Review

3

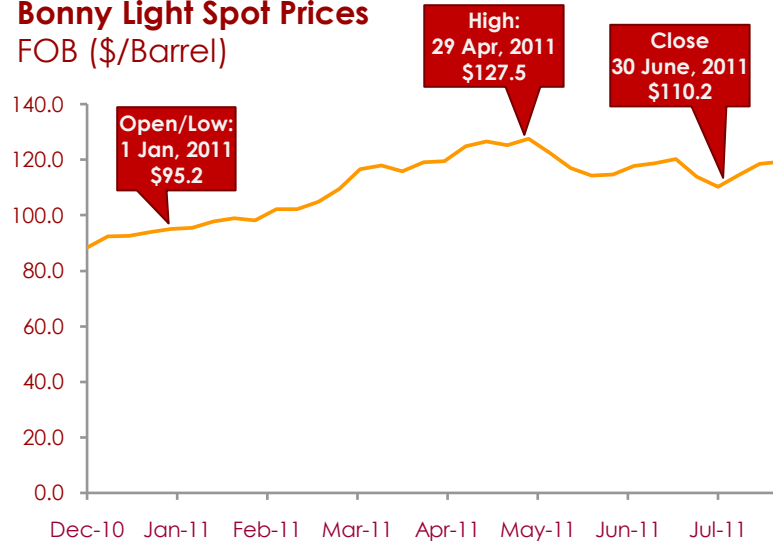
Outlook

1

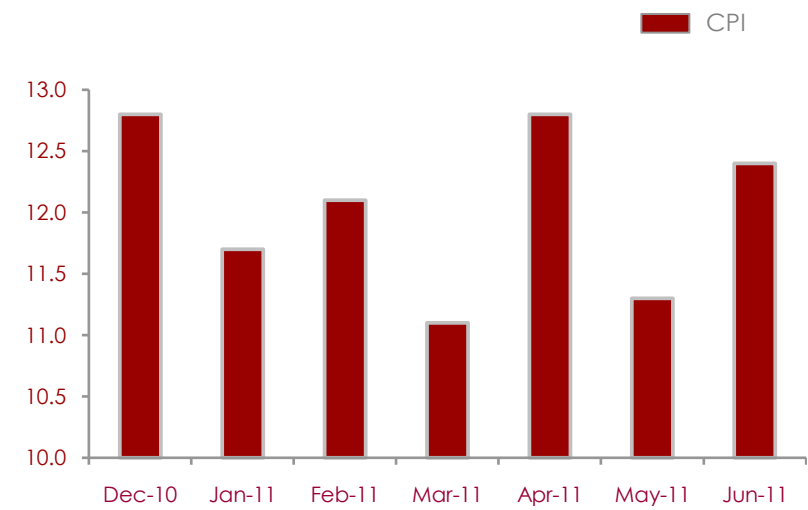
Macro-economic & Market Trends

Economic Indices

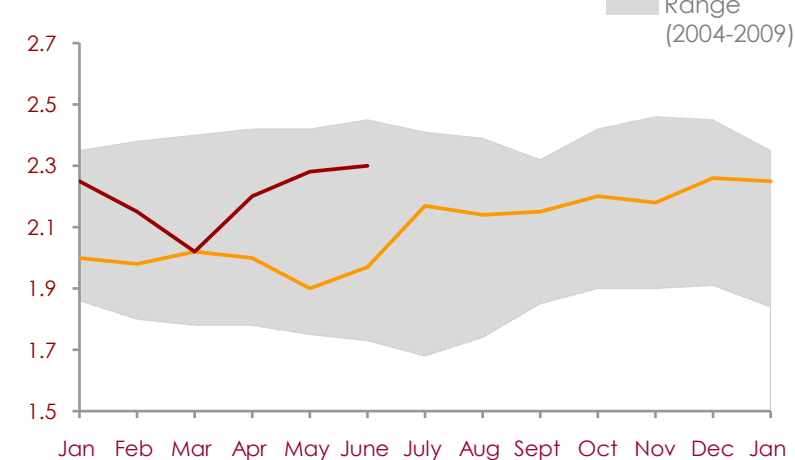
Bonny Light Spot Prices
FOB (\$/Barrel)



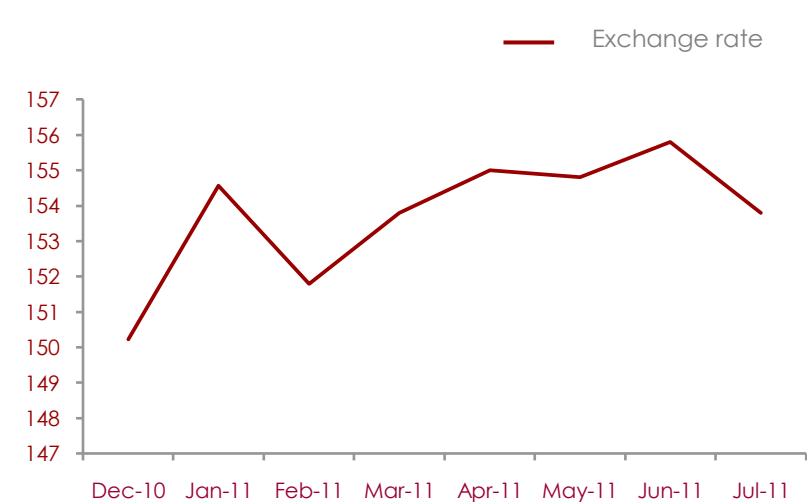
Nigeria Consumer Price Index / Inflation Rate



Nigeria Oil Supply: 5-year Range
mb/d

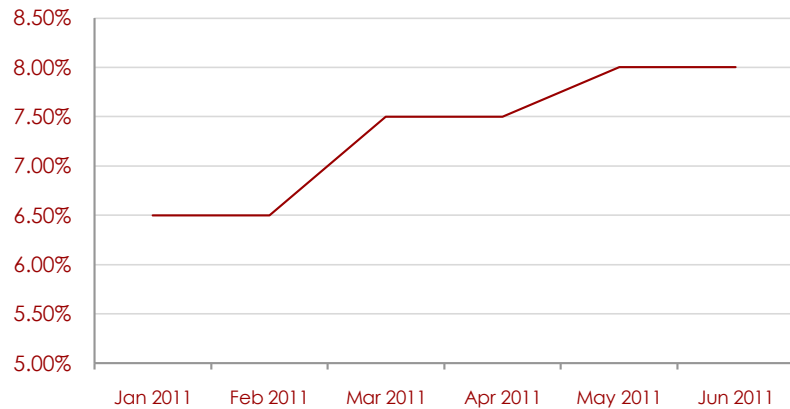


Nigerian Naira / US Dollar Average Exchange Rate

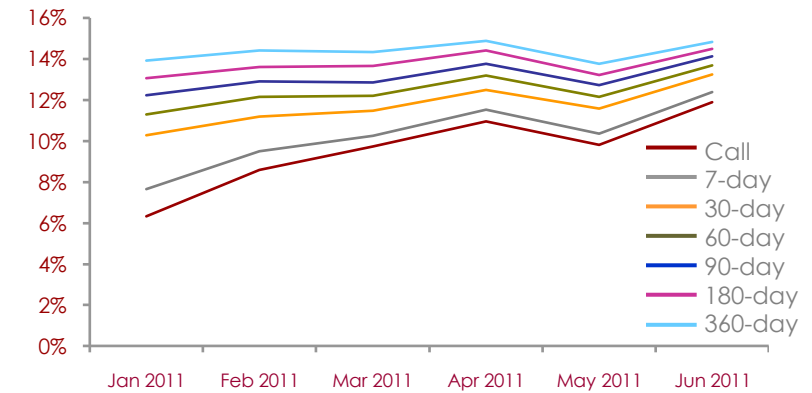


Funding Ecosystem (Industry)

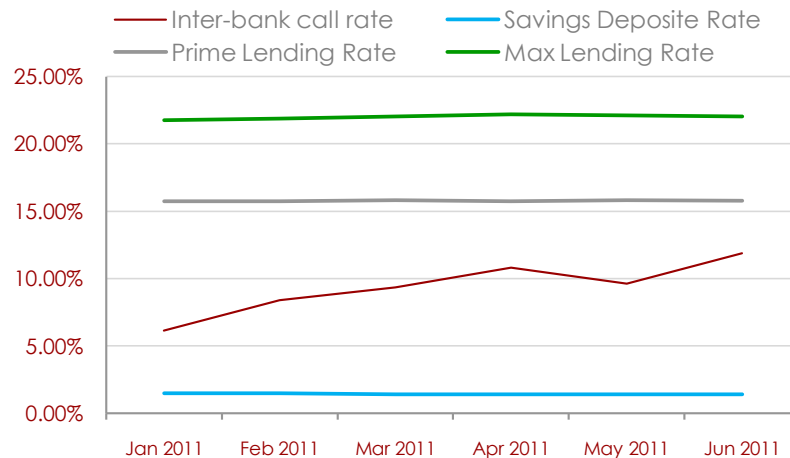
Central Bank of Nigeria Monetary Policy Rate (MPR)



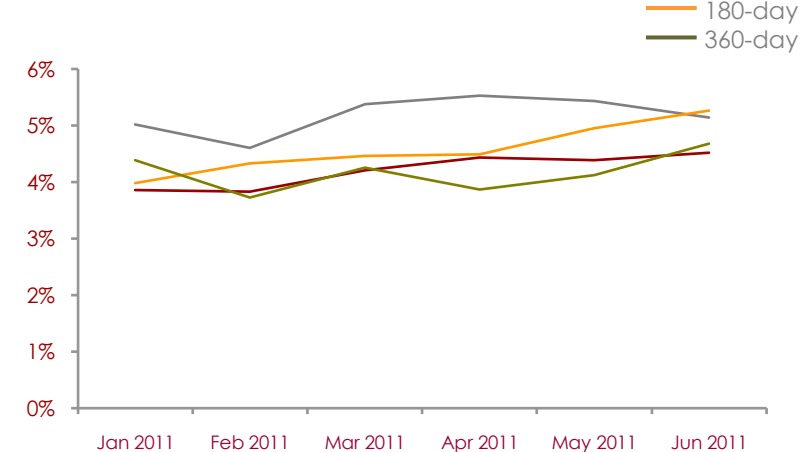
Nigerian Interbank Offer Rate (NIBOR)



Deposit Taking – Savings Accounts

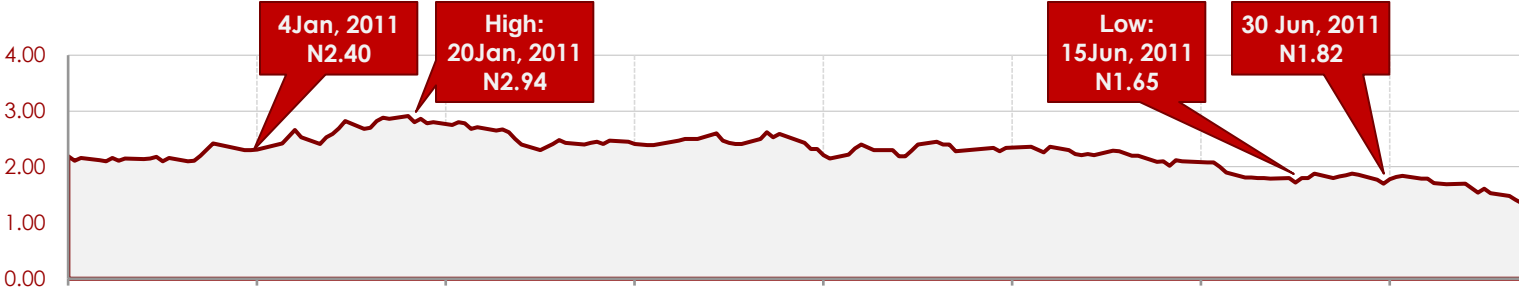


Deposit Taking – Fixed Deposit

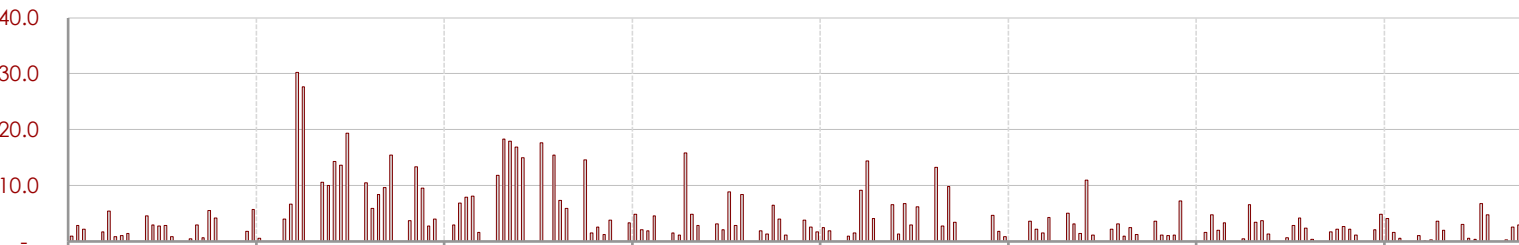


Share Price Chart

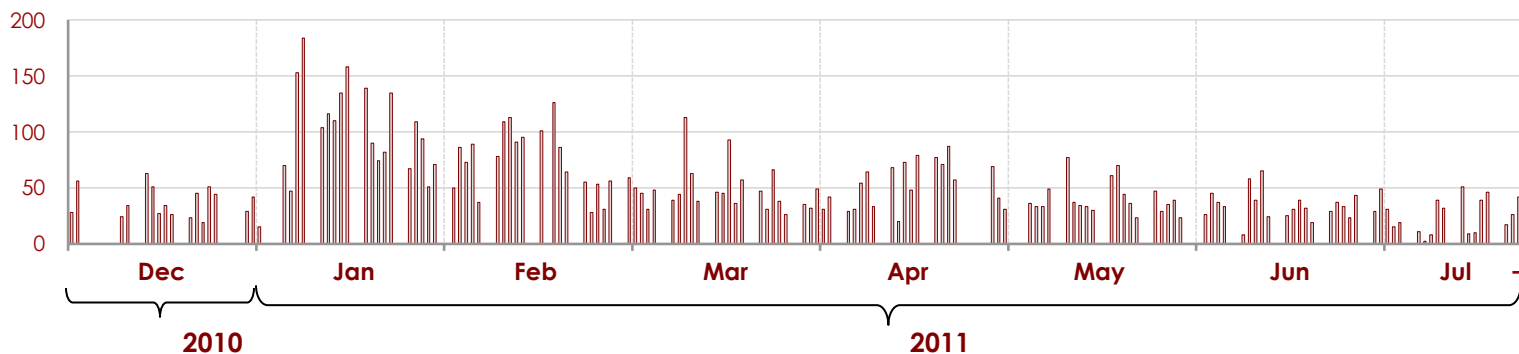
Share Price Movement: Dec 1, 2010 – April 30, 2011



Volumes Traded (# Millions)

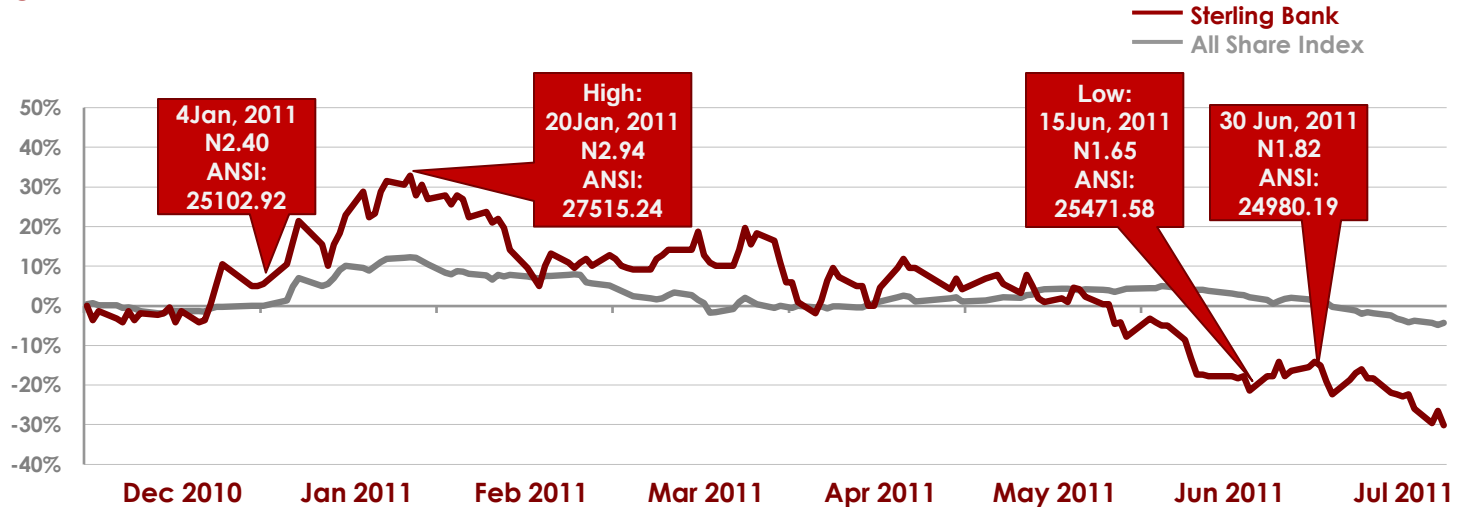


Number of Trades

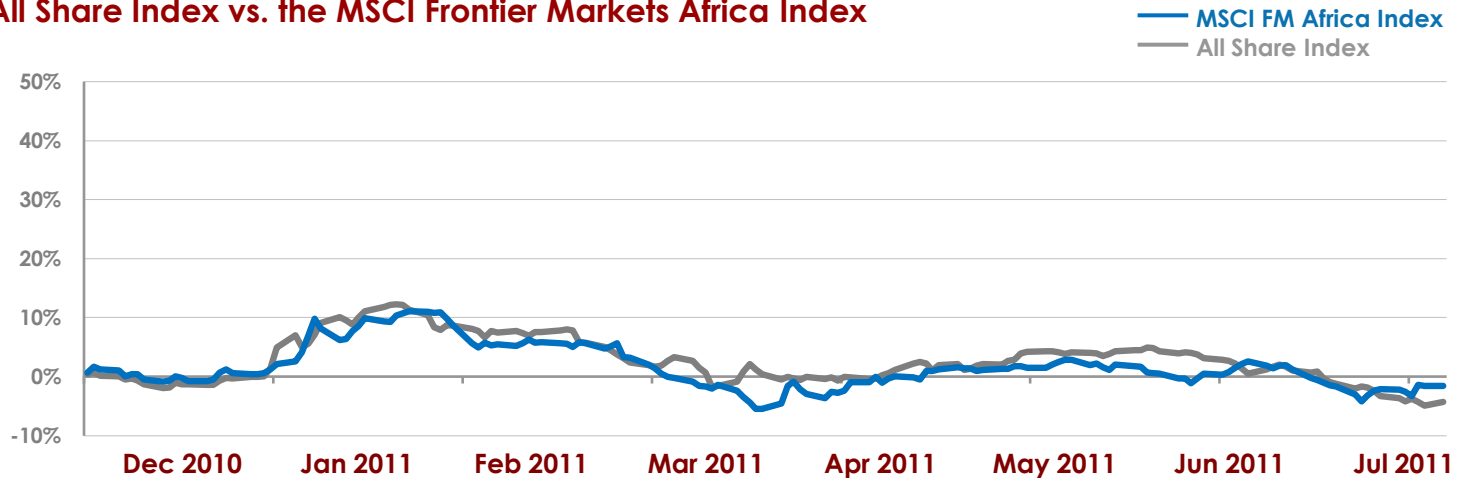


Market Movement: Dec 1, 2010 – July 20, 2011

Sterling Share Price Movement vs. NSE All Share Index



NSE All Share Index vs. the MSCI Frontier Markets Africa Index



Source: MSCI

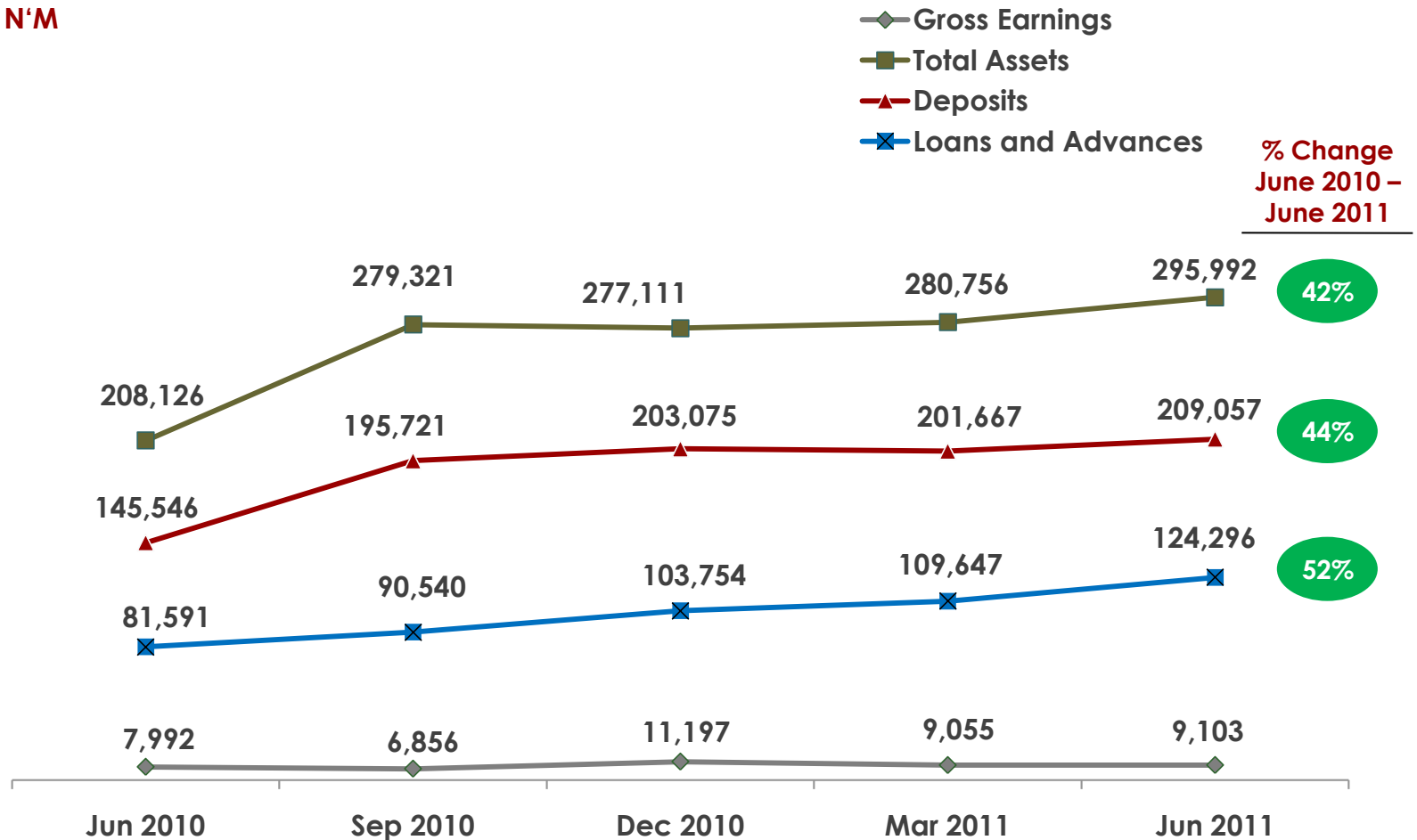


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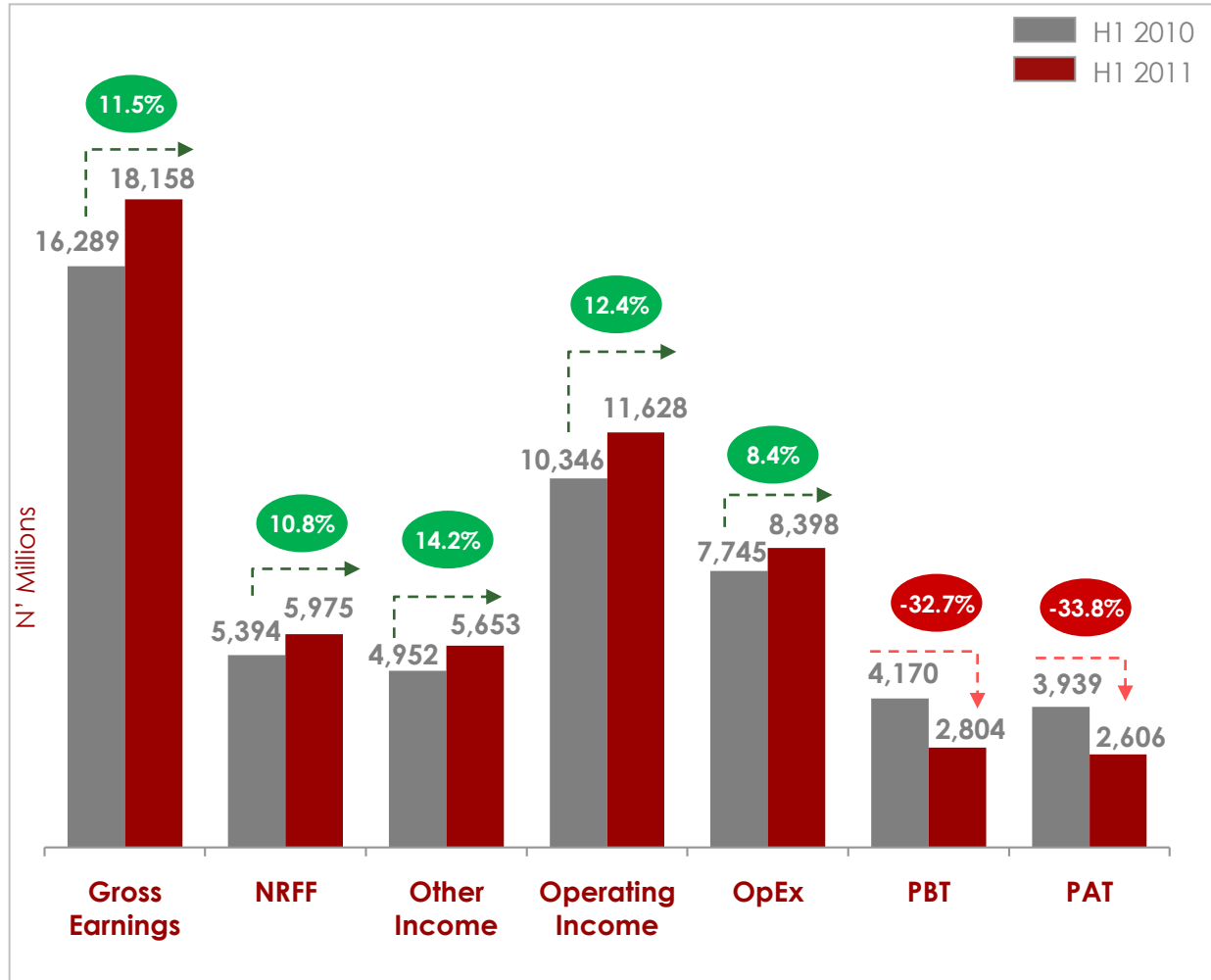
Performance Review

Key Trends

N'M



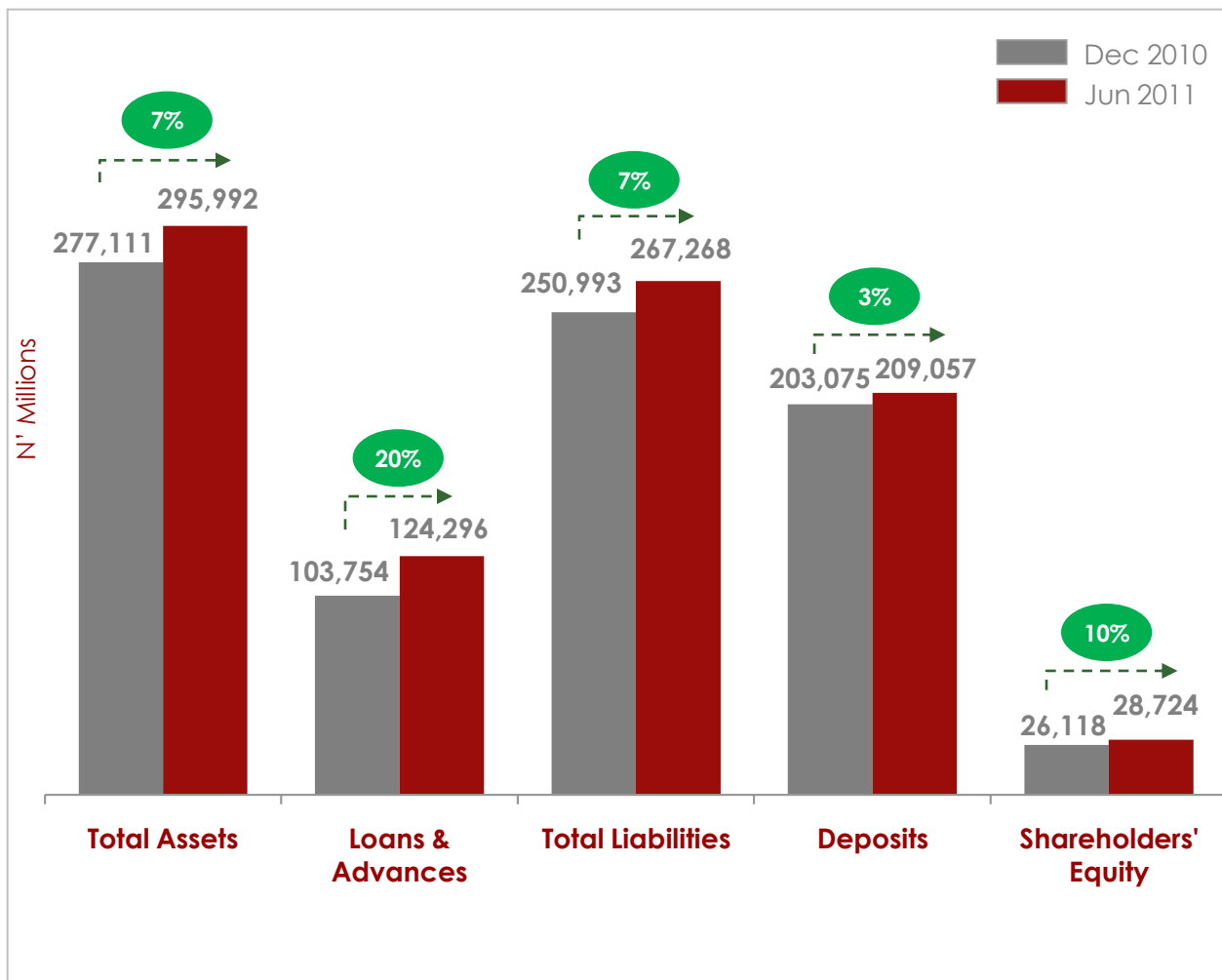
Income Statement highlights



Comments

- Growth in gross earnings was driven by improvement in non-interest income
- Increase in operating expenses was largely due to inflationary pressures
- Profit before tax and allowances for risk assets grew by 24% to N3.2 billion demonstrating the underlying strength of our core business.
- Decline in PBT resulted from N426m provisions for risk assets in June 2011 against net recoveries of N1.6b as at June 2010.

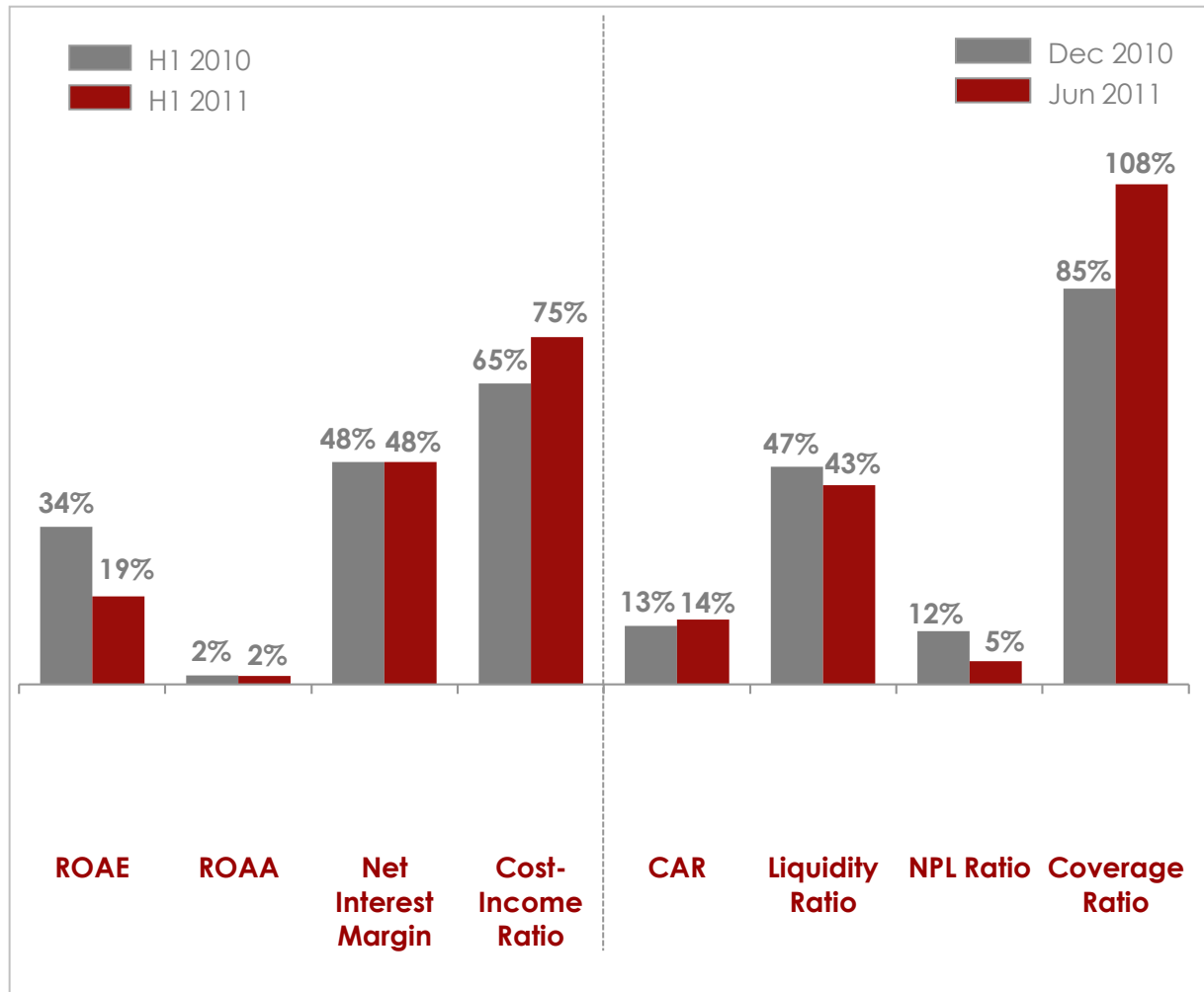
Balance Sheet highlights



Comments

- Growth on key balance sheet lines was spurred by improved economic conditions
- Total assets and contingencies rose 15% to N374.2b from N326.0b in Dec. 2010
- Loans and advances grew by 20% albeit sale of bad loans to AMCON
- Deposits rose marginally at 3% to N209.1b, while the mix was skewed in favour of stable low cost funds.
- Improvement in shareholders funds resulted from profit accretion.

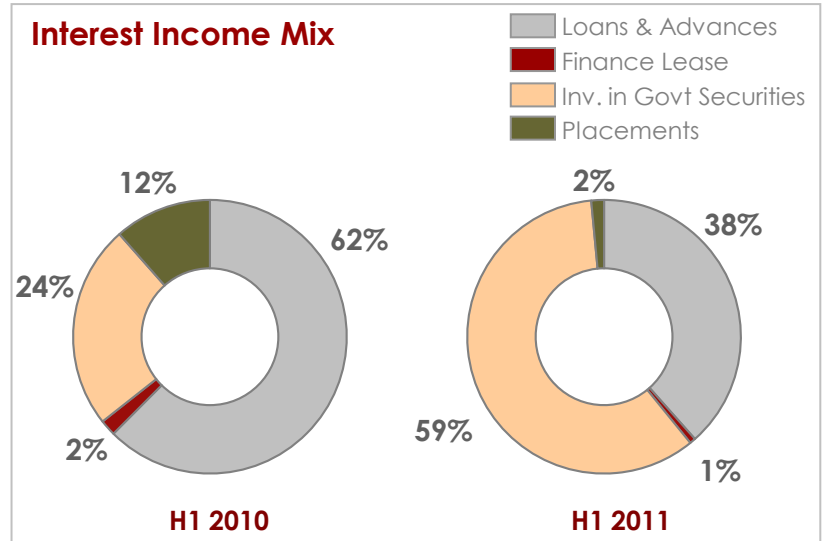
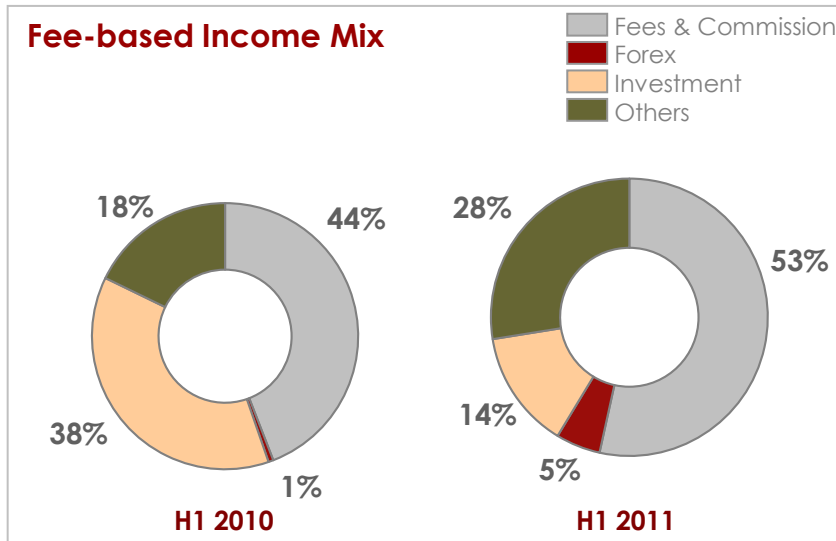
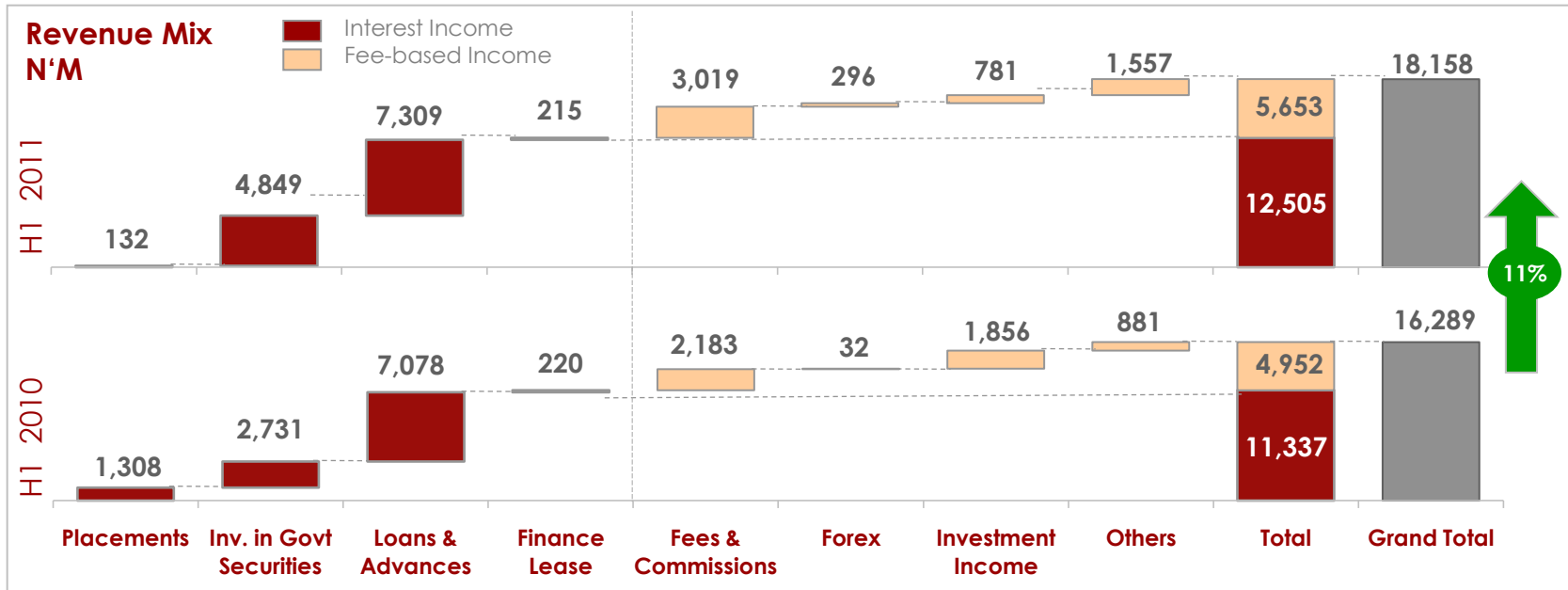
Key Financial Ratios



Comments

- Return on average equity declined but remained at competitive level
- Net interest margin remained stable during the period irrespective of high interest rates in the money market
- Strong liquidity and capital adequacy ratios above regulatory benchmark
- CAR was boosted by the introduction of 7-year non-convertible debenture stock for the sum of N7.5b
- NPL ratio was 4.95% in line with our medium term goals, while coverage ratio stood at 108%.

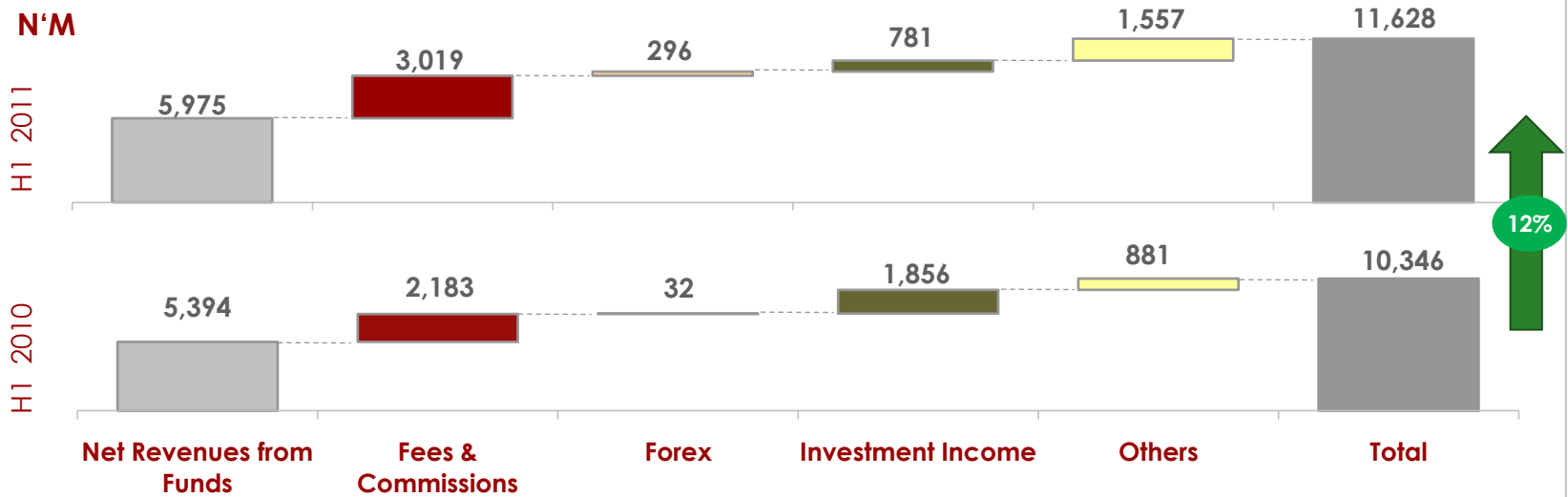
Revenues



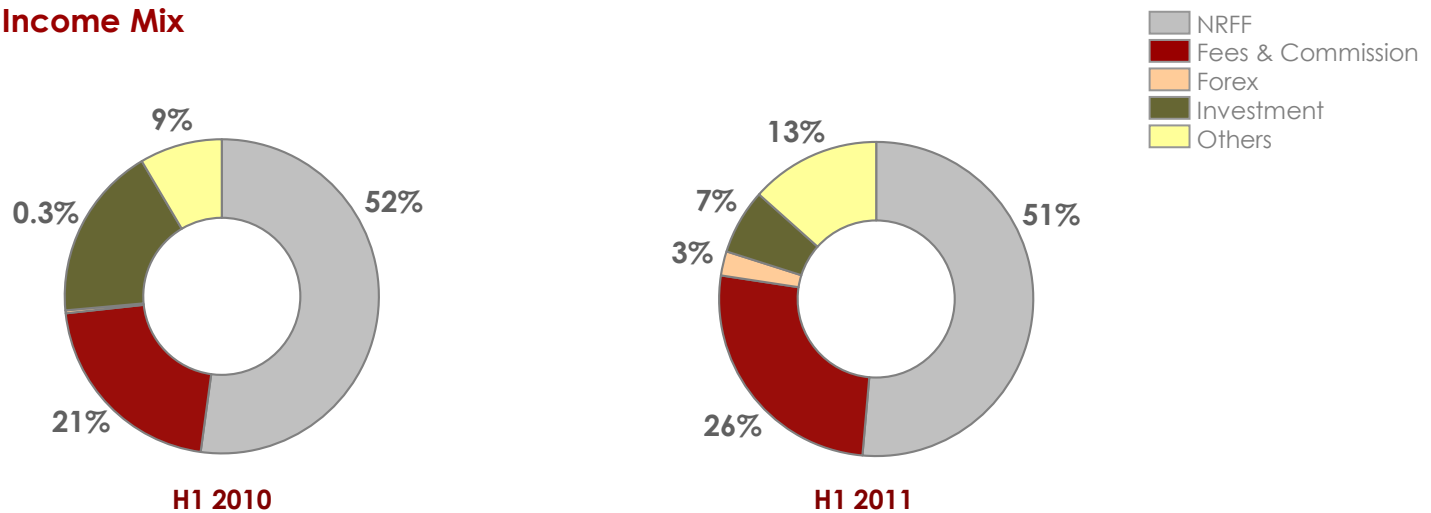
Operating income

Operating Income

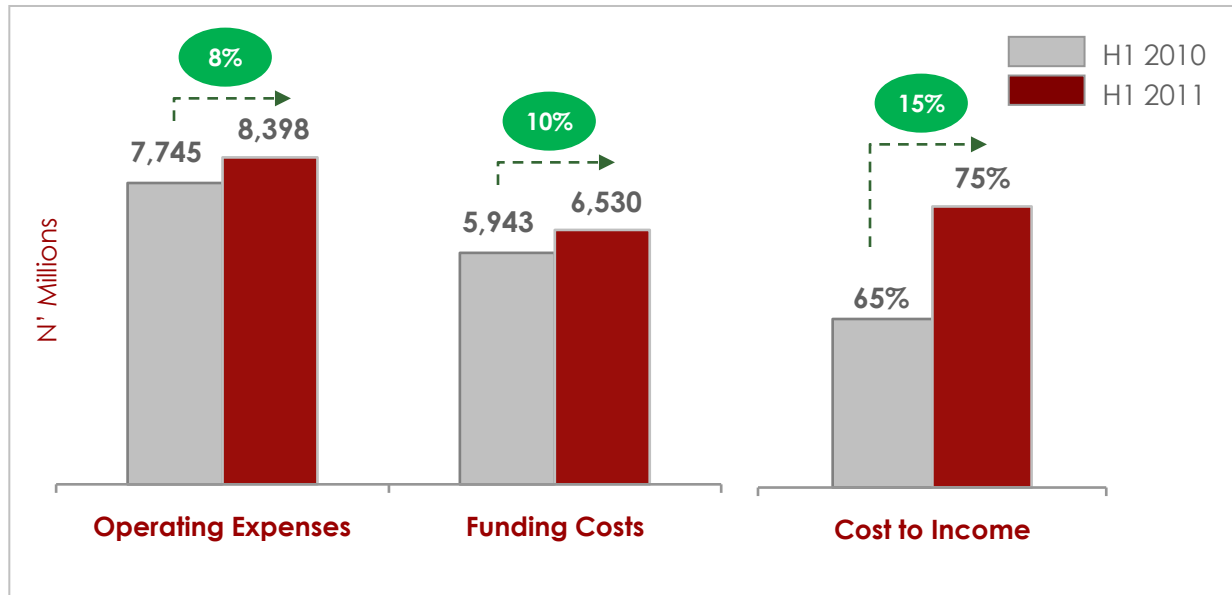
N'M



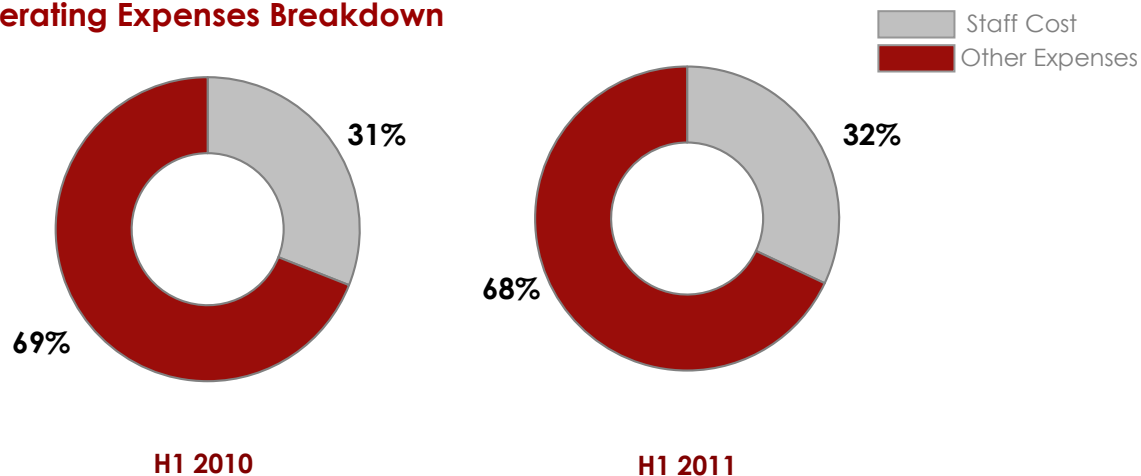
Operating Income Mix



Operating Efficiency



Operating Expenses Breakdown

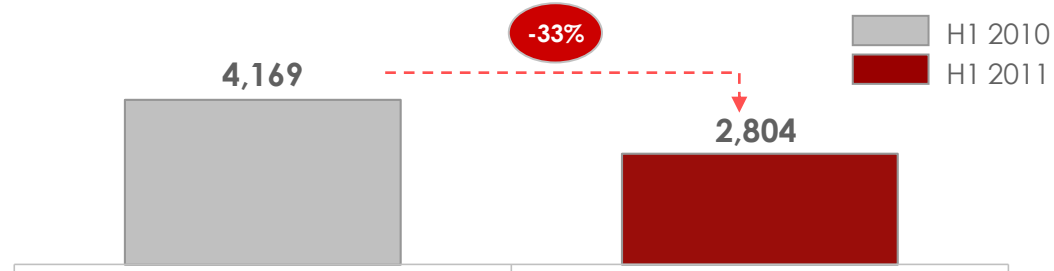


Comments

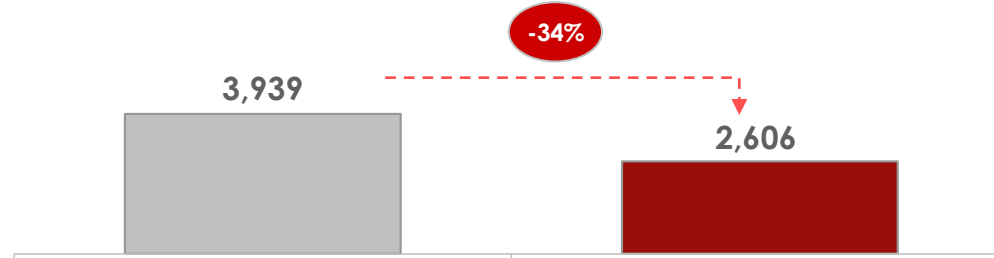
- Funding costs were impacted by high interest rate regime that obtained during the first half of the year. However, weighted average cost of funds declined by 150 basis point from 7% to 5.5%
- The rise in cost to income ratio was a reflection of increase in operating expenses and allowances for risk assets.
- Steps are being taken to keep costs within limit without compromise for efficiency and business growth.

Net Earnings

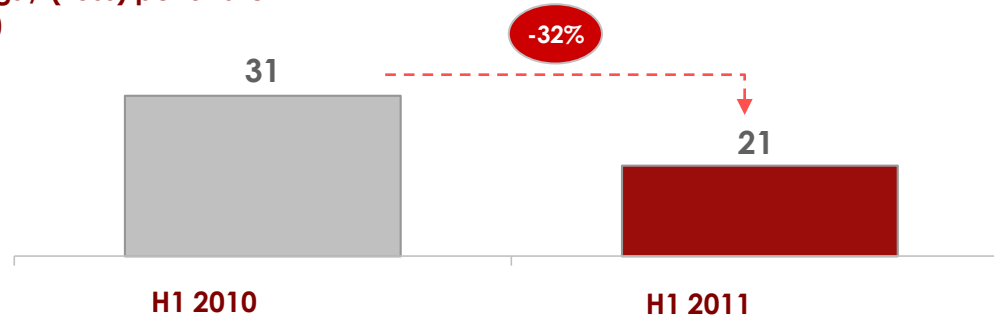
Profit /(Loss) Before Tax
N'M



Profit /Loss After Tax
N'M



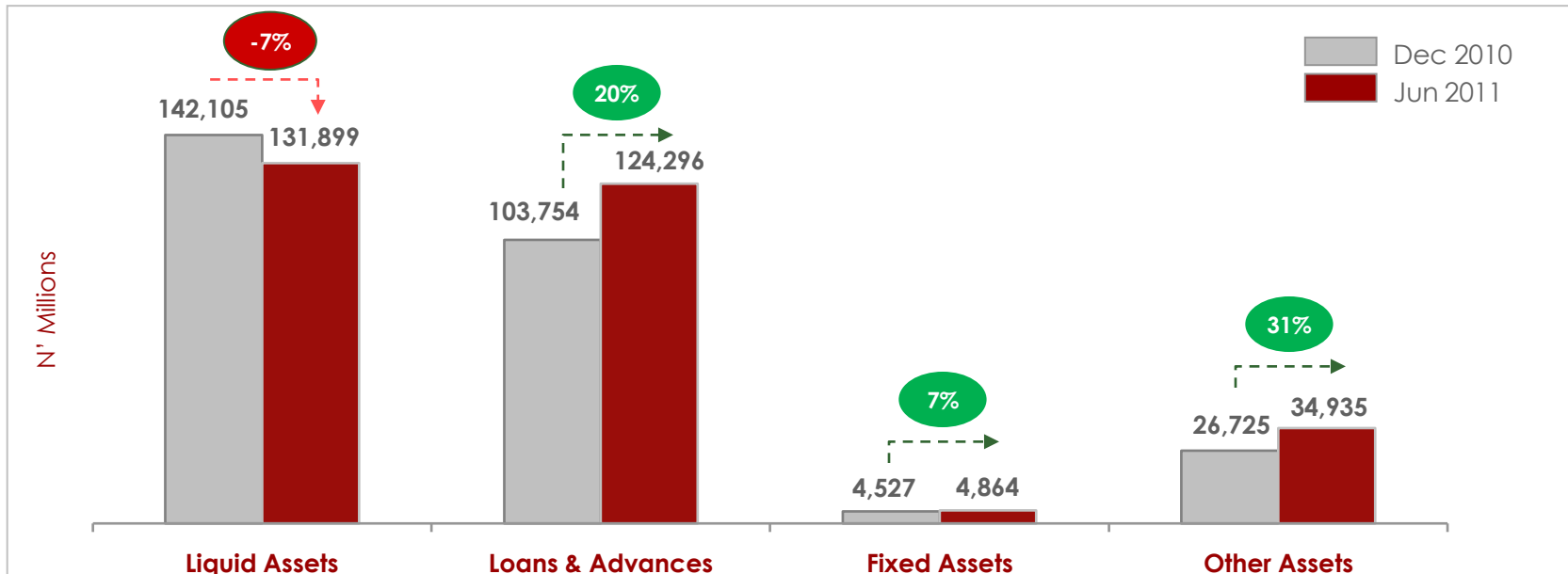
Earnings / (Loss) per Share
(kobo)



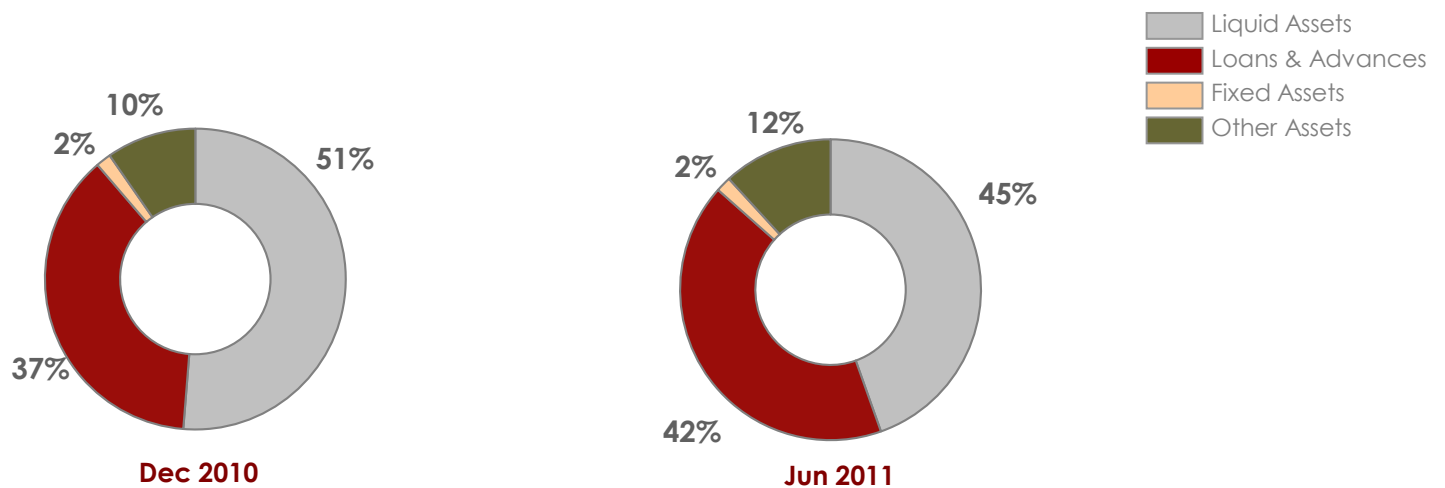
Comments

- Net earnings were impacted by the sale of assets to AMCON as well as provisions for risk assets. However, we are optimistic that the negative growth in earnings will be reversed in the remaining half of the year
- Key steps towards achieving this include:
 - Acceleration of risk assets creation - 20% growth achieved as at 1H 2011
 - Revenue diversification via trade finance products
 - Deepening retail penetration for low cost deposit mobilization

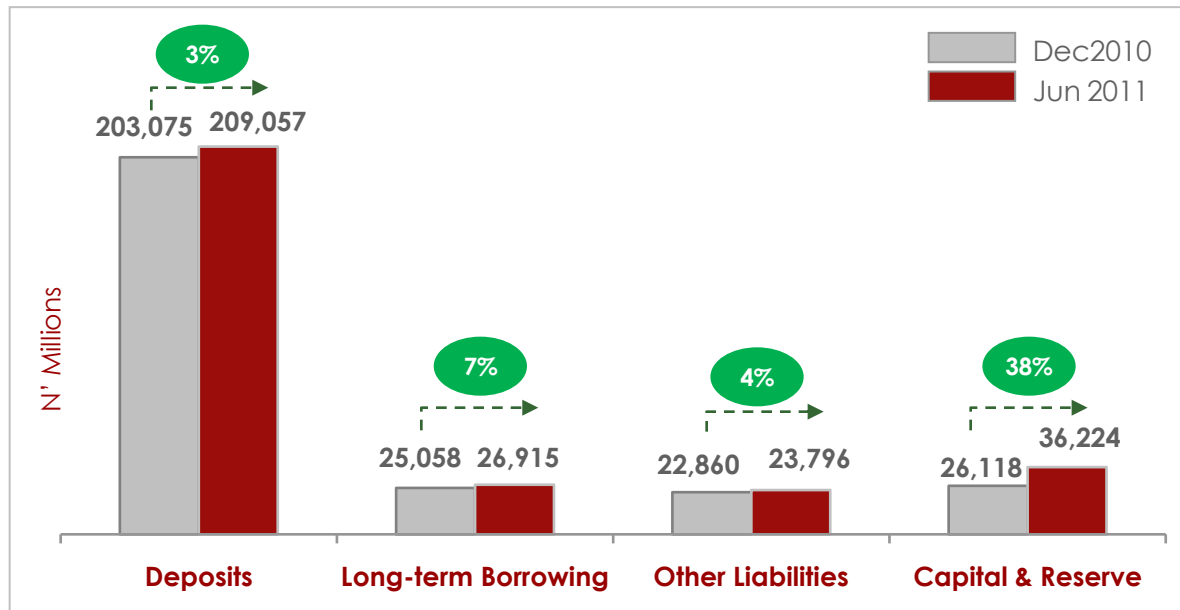
Asset Decomposition



Asset Mix



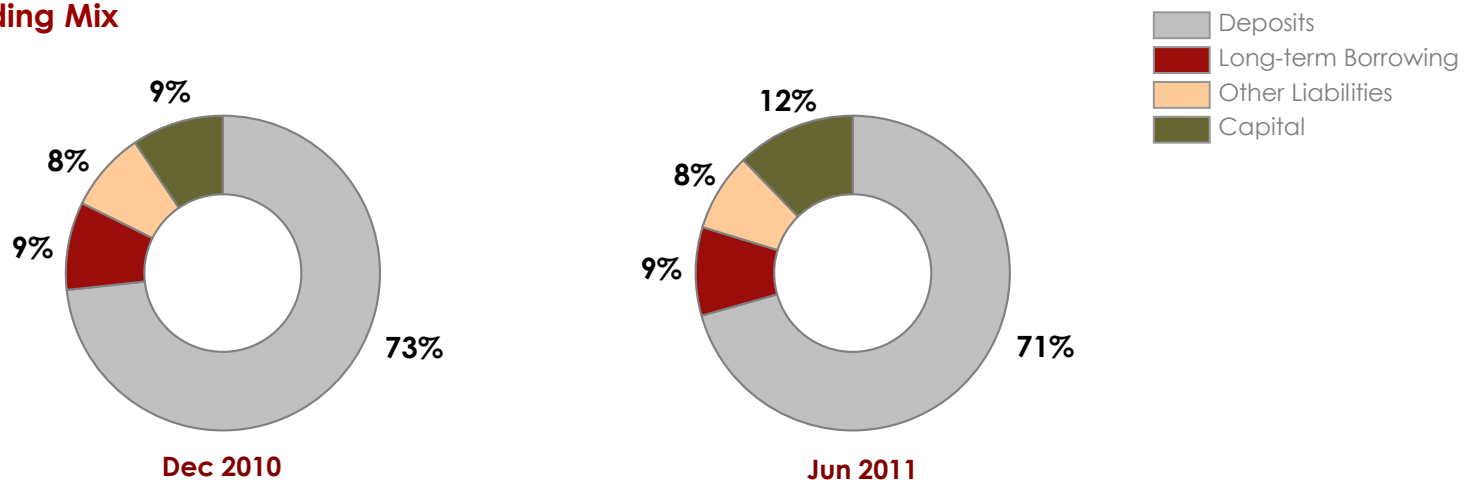
Assets Funding Mix



Comments

- Diversified funding base with deposits as the major funding source
- Deposits funded 71% of total assets, while capital funded 12%
- Long-term borrowing consists of facilities from Citibank and Bank of Industry (under the CBN intervention fund).

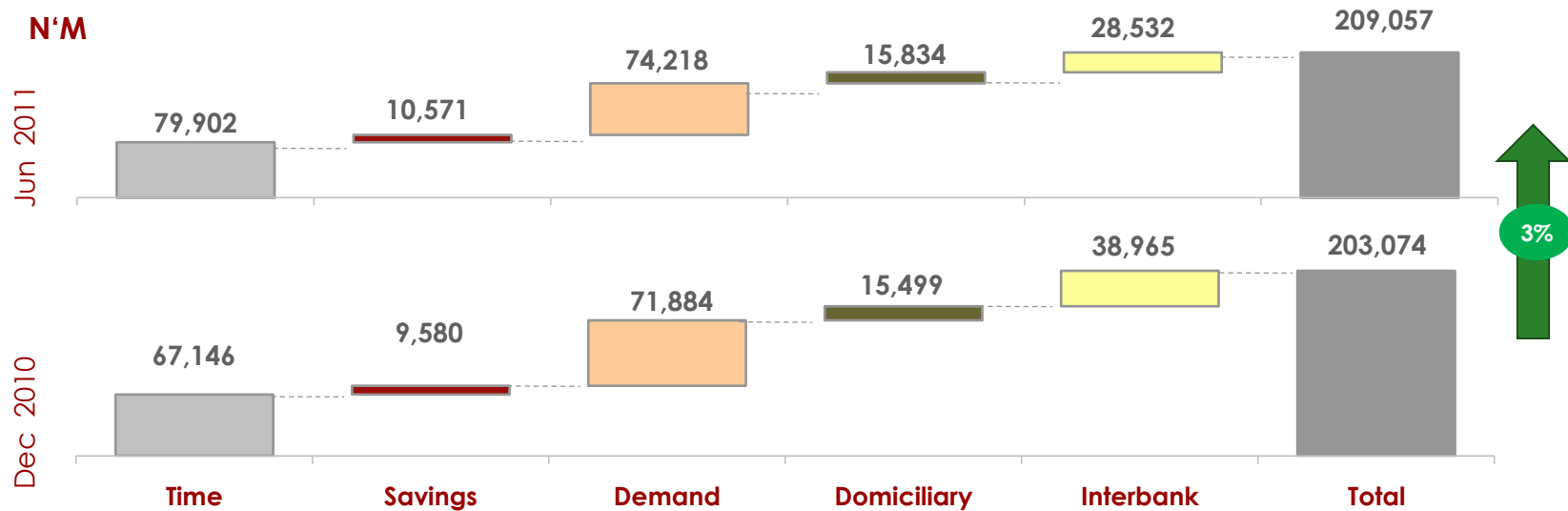
Asset Funding Mix



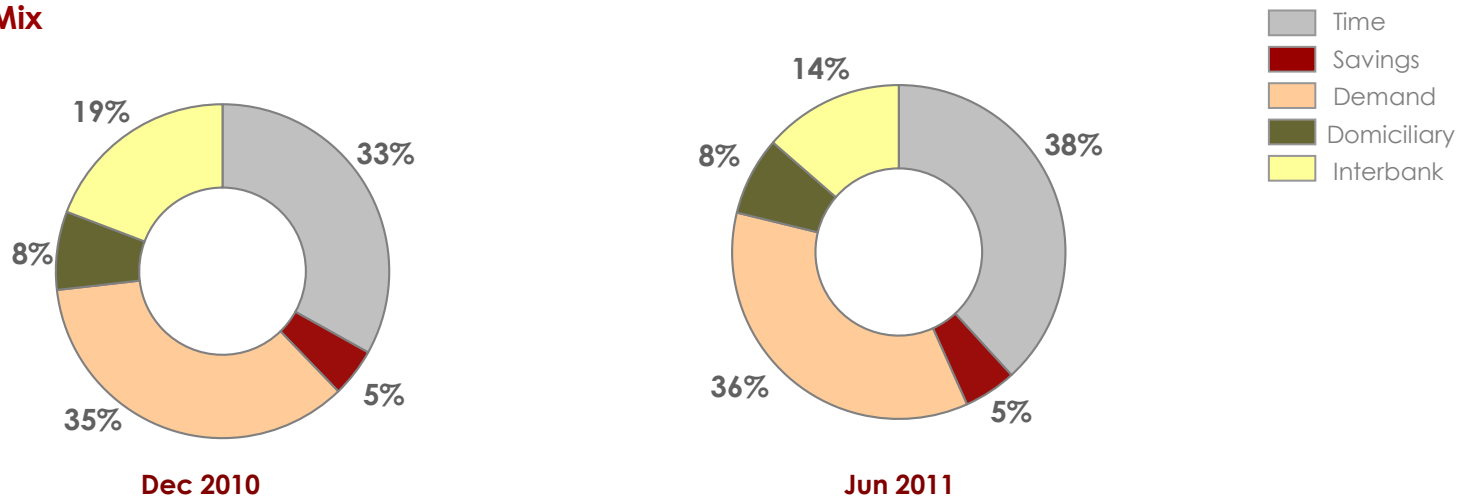
Deposits

Deposit breakdown

N'M

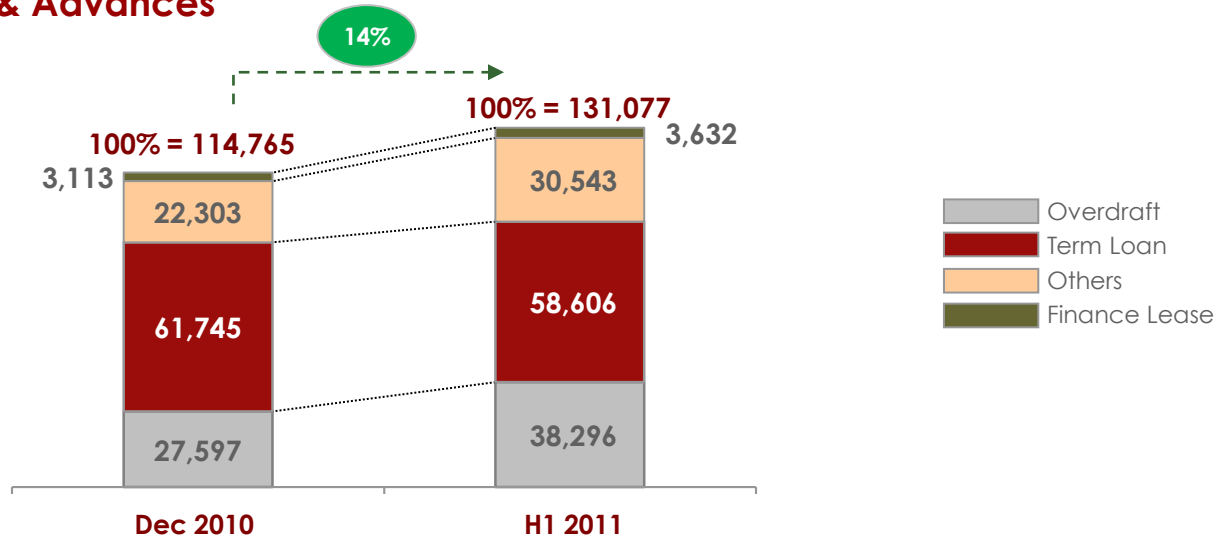


Deposit Mix

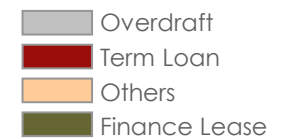
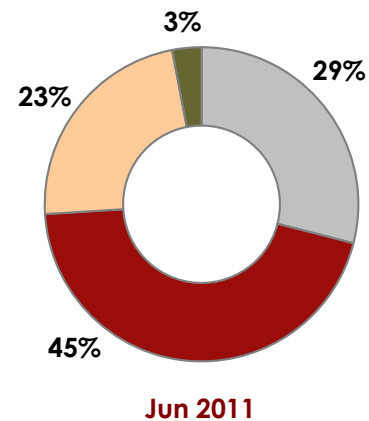
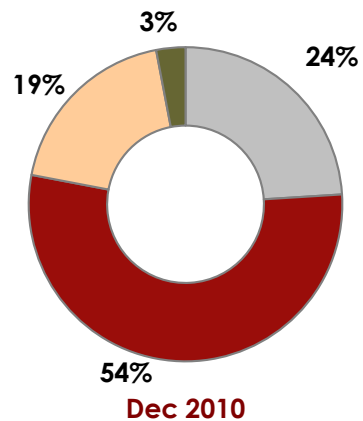


Gross Loans by Type

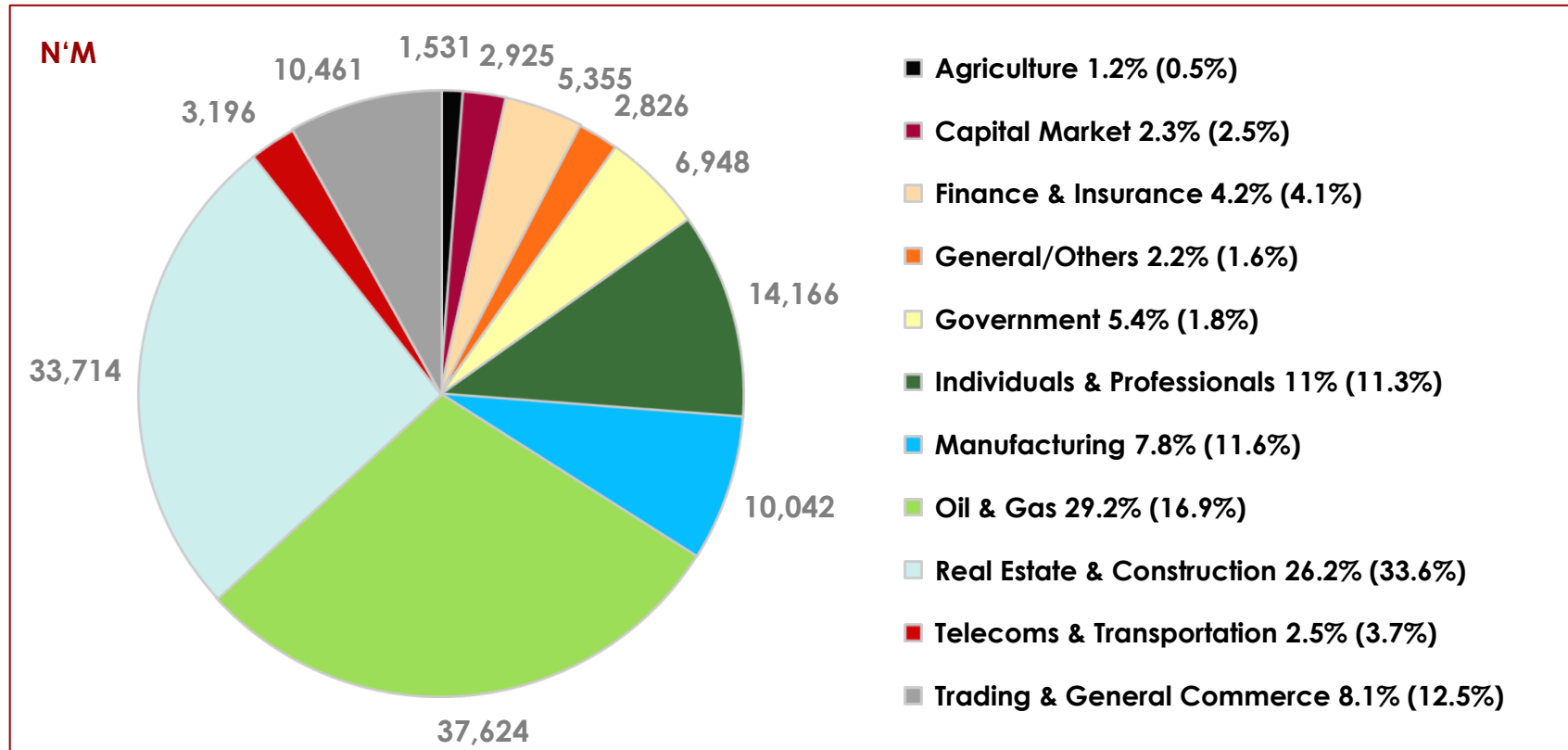
Loans & Advances N'M



Loans & Advances by Type



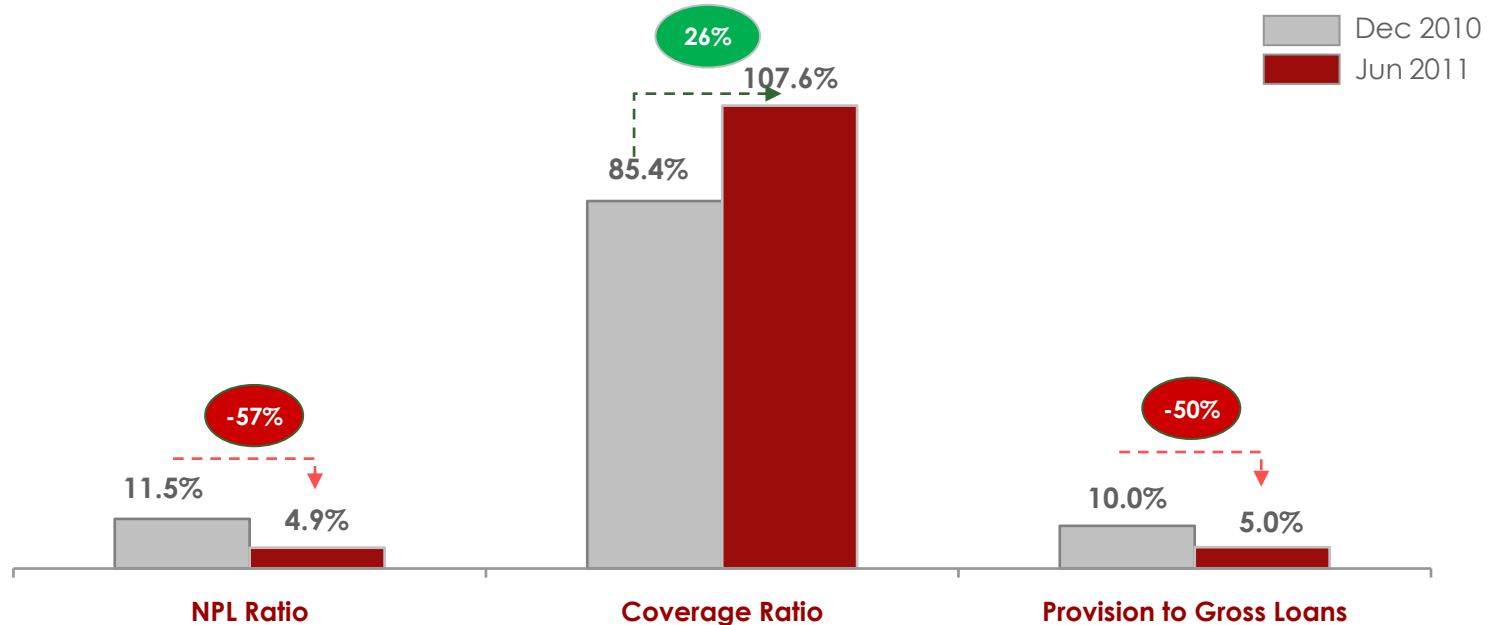
Gross Loans by Sector – June 2011 (Dec. 2010)



Comments

- Well diversified loan book with significant growth in loans to the oil & gas sector
- Reduction in exposure in the following sectors given inherent risks: Trade & General Commerce (26%), Manufacturing (23%), Real Estate (11%).

Asset Quality

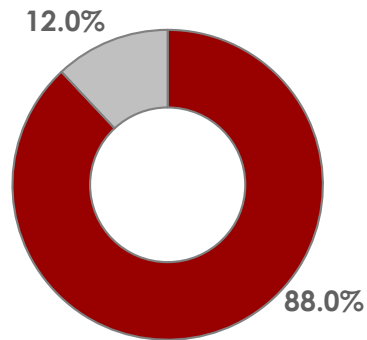


Comments

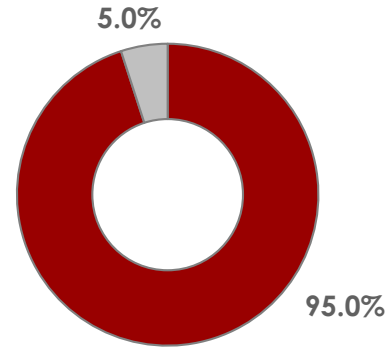
- NPL ratio was reduced to less than 5% of total loans driven by AMCON purchases. As at June 2011, total NPLs sold to AMCON stood at N10.35b representing non-margin facilities
- We have made adequate cover for non performing loans with coverage ratio of 108%.
- Cost of risk was halved to 5% from 10% in December 2010.

Loan book classification

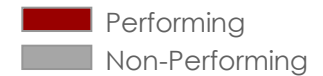
Loans by Performance



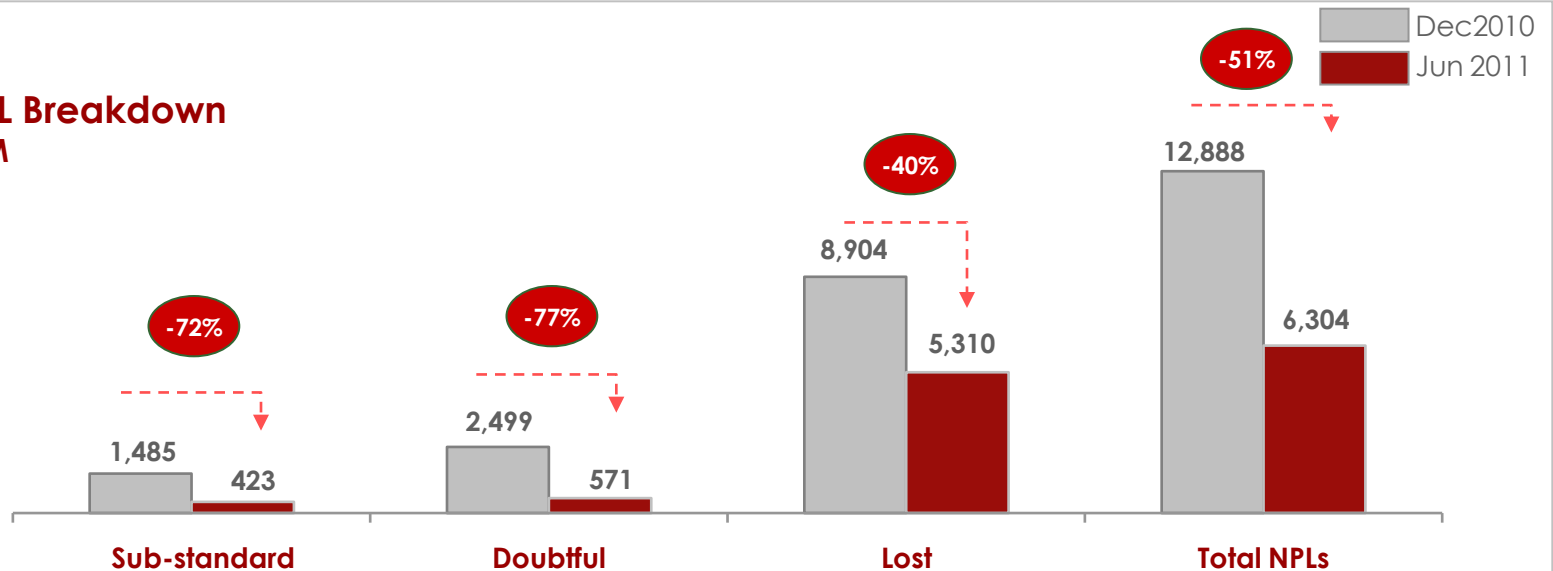
Dec 2010



Jun 2011



NPL Breakdown N'M



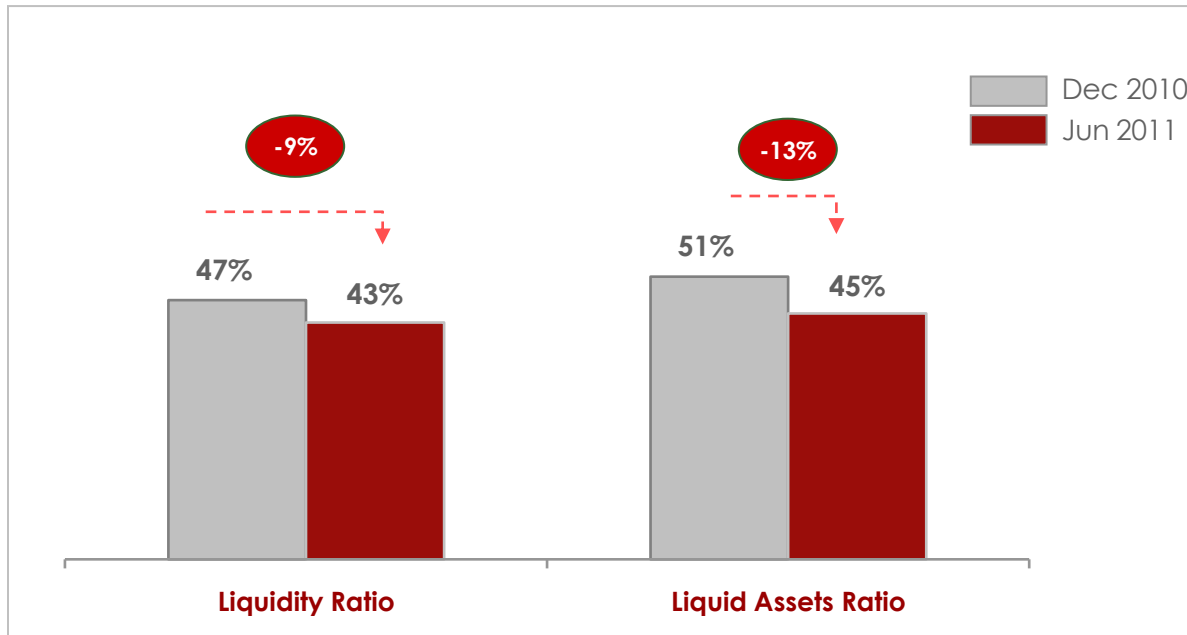
Liquidity Profile

Liquid Assets breakdown

N'M



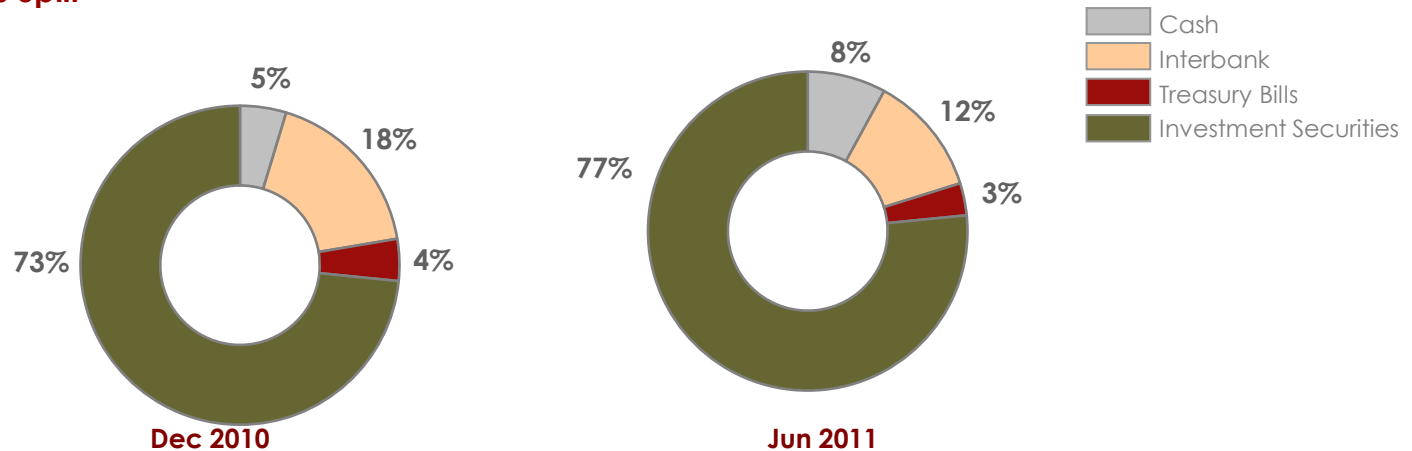
Strong Liquidity position



Comment

- Decline in liquid assets ratio is a reflection of marked growth in risk assets creation
- Albeit the upwards review of cash reserve ratio from 2% to 4% and growth in risk asset creation, liquidity ratio remained strong ahead of the 30% regulatory benchmark

Liquid Assets Split



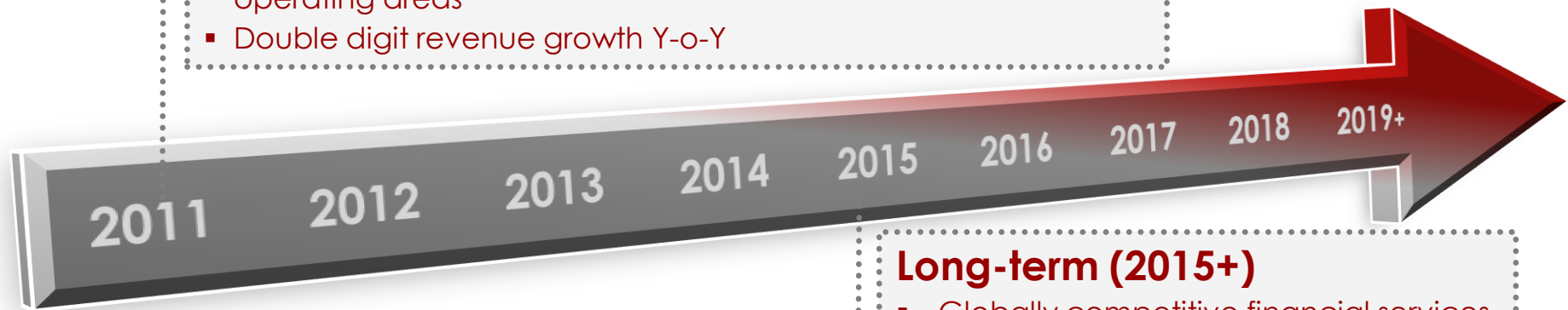
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Outlook

Strategic Vision

Mid-term (2011+3)

- 3-5% market share measured by assets
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- Low single digit cost of funds
- Diverse retail funding base
- <5% in non-performing loans
- Diversified income streams with top quartile position in all our operating areas
- Double digit revenue growth Y-o-Y



Long-term (2015+)

- Globally competitive financial services franchise
- Fully scaled business model with institutionalized processes beyond the stewardship of current owners and managers
- Systemically important operator materially impacting all our sectors of business participation

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