



# **Sterling Bank PLC**

## **Investor/Creditor Presentation**

**August 04, 2010**

# Important Information

## Investor Relations

This presentation has been prepared by Sterling Bank PLC. It is intended for an audience of professional and institutional investors who are aware of the risks of investing in the shares of publicly traded companies.

The presentation is for information purposes only and should not be construed as an offer or solicitation to acquire, or dispose of any securities or issues mentioned in this presentation.

Certain sections of this presentation reference forward-looking statements which reflect Sterling Bank's current views with respect to, among other things, the Bank's operations and financial performance. These forward-looking statements may be identified by the use of words such as 'outlook', 'believes', 'expects', 'potential', 'continues', 'may', 'will', 'should', 'seeks', 'approximately', 'predicts', 'intends', 'plans', 'estimates', 'anticipates' or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties.

Accordingly, there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Sterling Bank believes these factors include but are not limited to those described in its Annual Report for the financial year ended December 31, 2009. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release.

Sterling Bank undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

# Agenda

**1 Corporate Information**

**2 Financial Highlights**

**3 Earnings Profile**

**4 Balance Sheet Analysis**

**5 Asset Quality**

**6 Liquidity**

**7 Efficiency**

**8 Strategic Outlook**

# Agenda

**1 Corporate Information**

**2 Financial Highlights**

**3 Earnings Profile**

**4 Balance Sheet Analysis**

**5 Asset Quality**

**6 Liquidity**

**7 Efficiency**

**8 Strategic Outlook**

# Sterling Bank at a Glance

## Key Metrics

Description	June 2010 (N'B)	Dec 2009 (N'B)
Total Assets	208.1	221.3
Customer Deposits	145.5	161.3
Net Loans	81.6	82.9
Capital Adequacy Ratio	14%	14%
	H1 2010 (N'B)	H1 2009 (N'B)
Profit before Tax	4.2	(6.9)
Earnings per Share	31k	(54)k
Cost/Income Ratio	75%	87%
Return on Average Equity (Annualized)	34.2%	(25)%
Shareholders' Fund	25.0	21.1
Common shares outstanding	12.5B	12.5B

## Our Identity

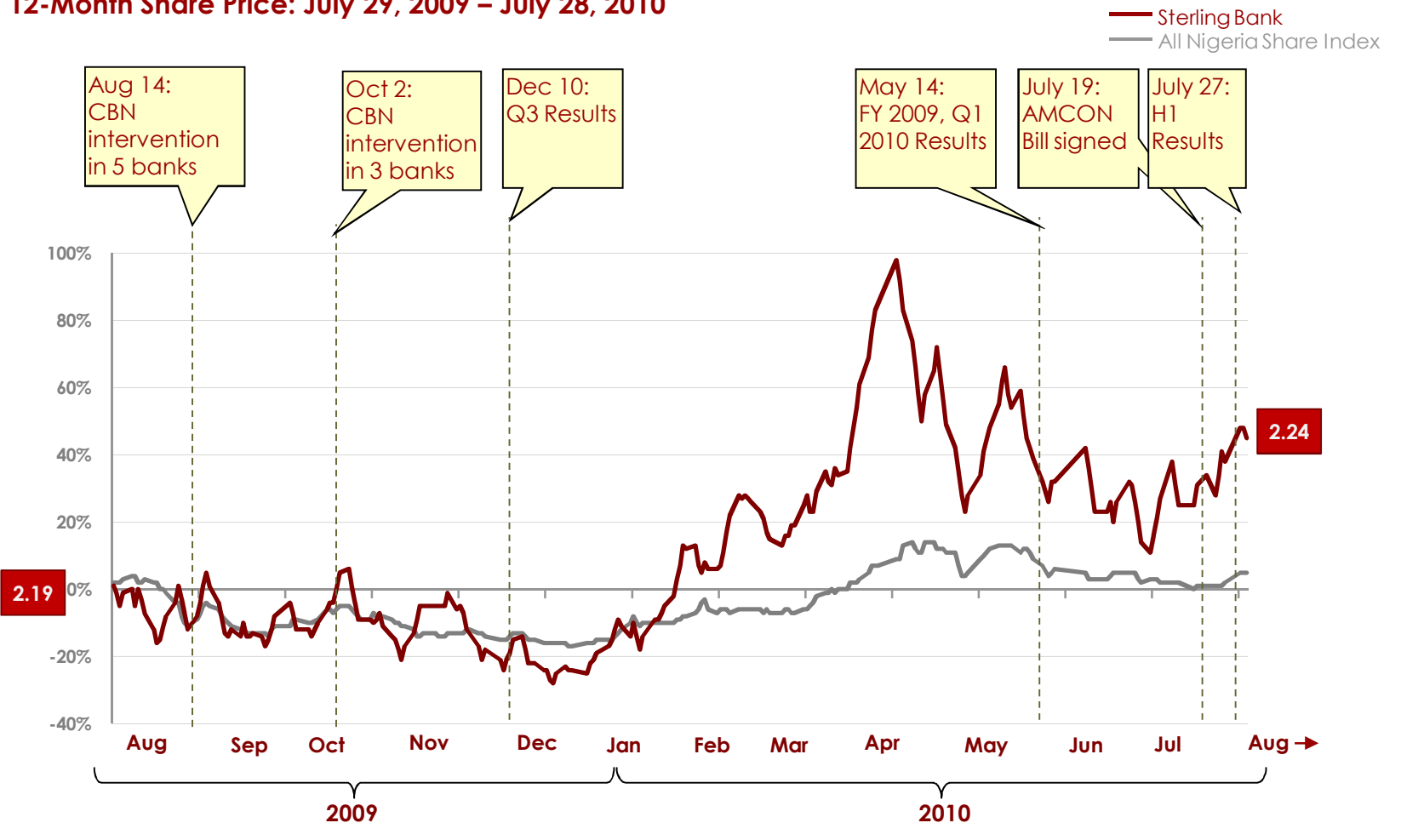
- Nigeria's pre-eminent investment banking franchise
- Growing presence in retail banking
- Strong leadership brands across all financial services segments
- Sound Corporate governance model
- Excellent technology infrastructure and innovative products
- People-oriented customer-focused institution – 'One Customer' Bank.
- Scale with clear intent. Managed diversification of the business model
- Long-term stable ownership base to support strategy

## Performance and Strategic Highlights

- Sterling Bank fully recovered and strengthened after 2009 strategic and operational review
- H1 2010 results affirm Group strategy and superior execution
- Robust risk management framework implemented and past lessons fully internalized
- In line to attain cost control targets for FY 2010
- Balance sheet trimming underpinned by focus on efficiency over scale
- Key ratios remained satisfactory

# Share Price

12-Month Share Price: July 29, 2009 – July 28, 2010



# Executive Management

## Yemi Adeola

Group Managing Director, CEO

- Previously DMD, Trust Bank of Africa Limited
- Prior to that, ED, Govt. and Public Infrastructure (Citi Nigeria)
- ED / Commercial Banking (Citi Nigeria)
- Over 25 years professional experience spanning banking, law, corporate consulting and academia
- Post graduate degree in Law – called to the Nigerian Bar in 1983

## Devendra Puri Executive Director

- Representative of the State Bank of India (SBI)
- Previously DGM in SBI with 27 years banking experience
- Management experience across various areas including Retail, Commercial Banking and Risk Management
- Responsible for Operations & Technology/E-Banking

## Garba Imam Executive Director

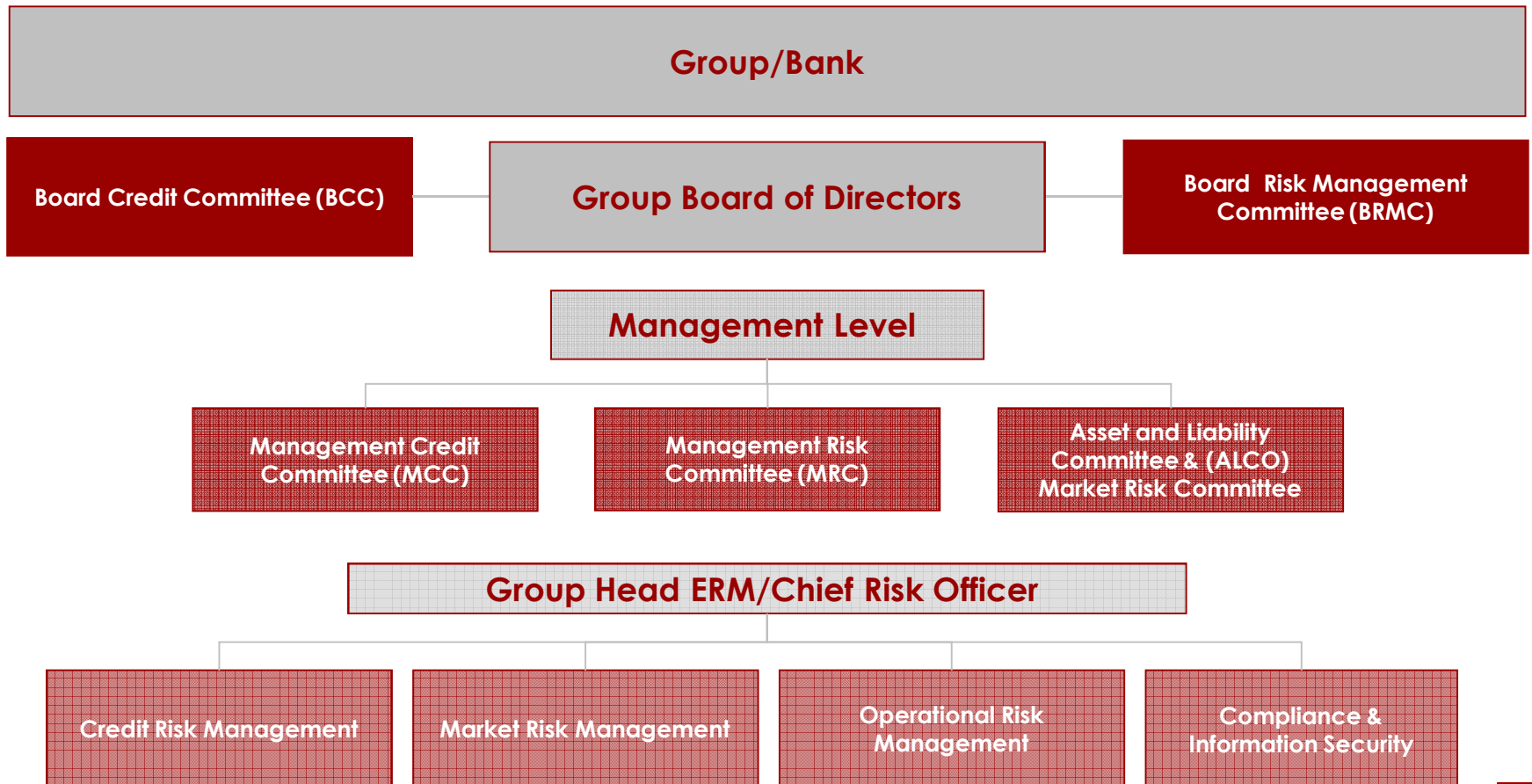
- Previously ED, NAL Bank Plc
- Over 24 years banking experience
- Masters Degree in Social Science from Birmingham University, UK
- Responsible for Lagos Mainland & Corporate Banking Directorate

## Lanre Adesanya Executive Director

- Previously MD/CEO, NBM Bank
- Over 21 years of broad banking experience
- Masters Degree in Economics from the University of Lagos
- Responsible for Lagos Island & North/Public Sector Directorate.

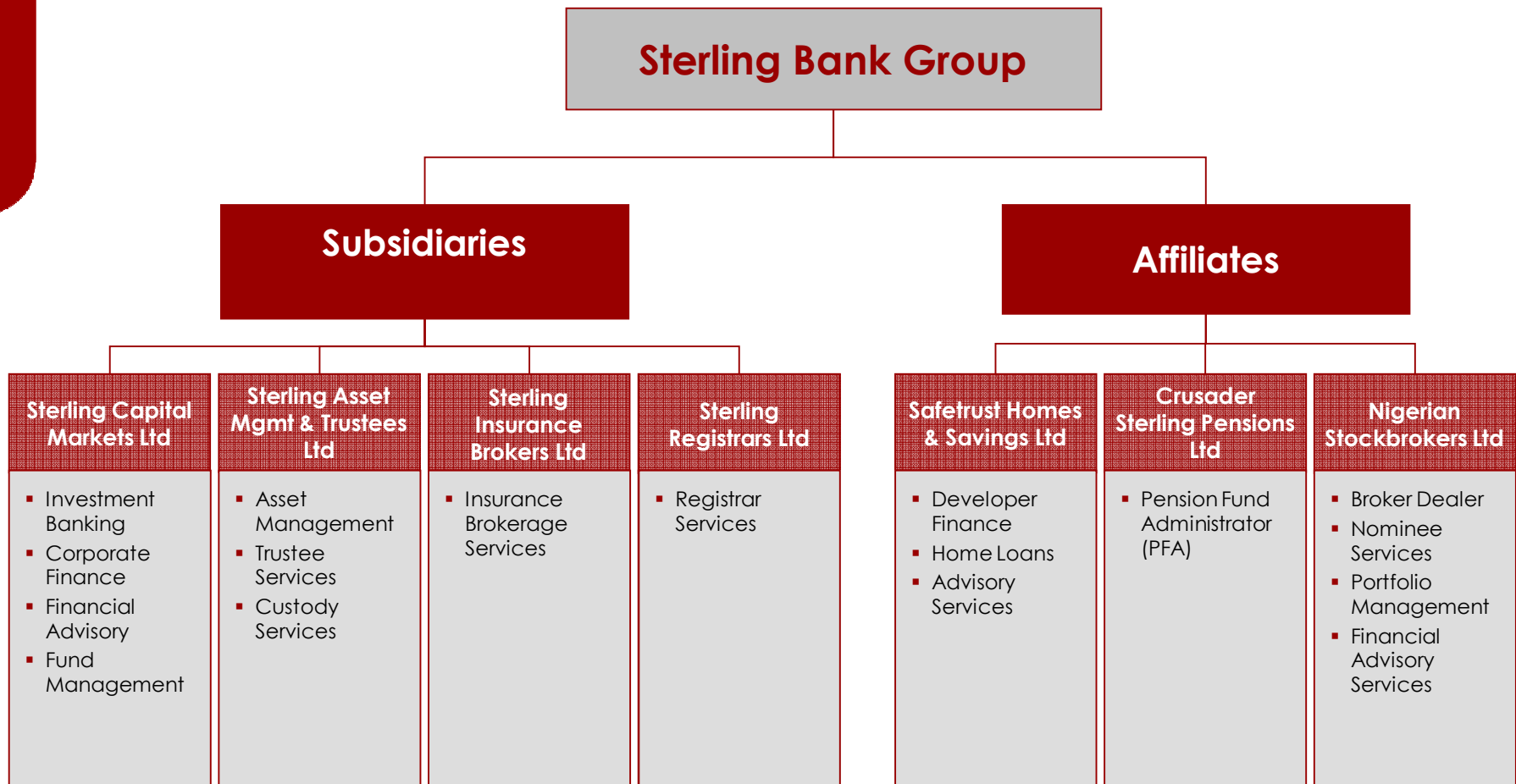
# Risks Management

Risks are tightly managed within our Enterprise Risk Management structure





# Subsidiaries & Affiliates



# Agenda

1

Corporate Information

2

Financial Highlights

3

Earnings Profile

4

Balance Sheet Analysis

5

Asset Quality

6

Liquidity

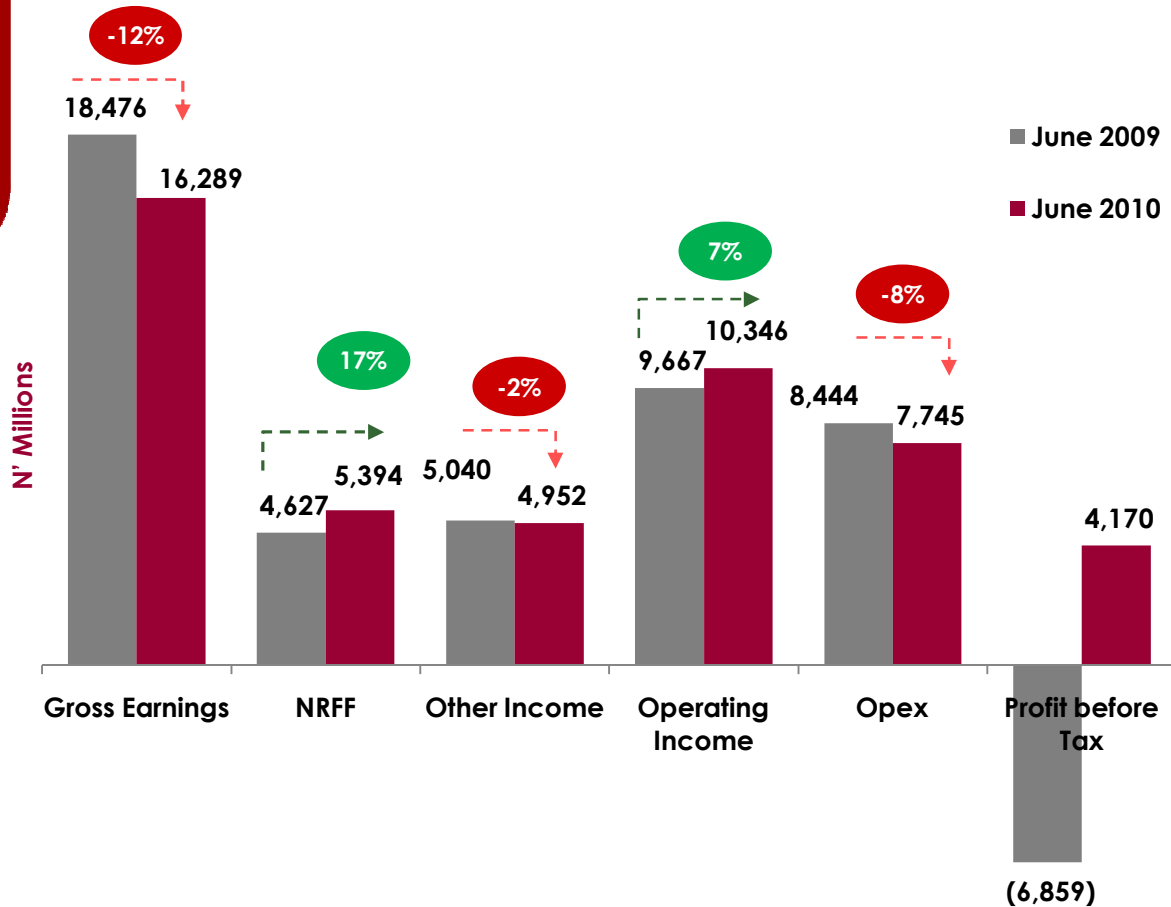
7

Efficiency

8

Strategic Outlook

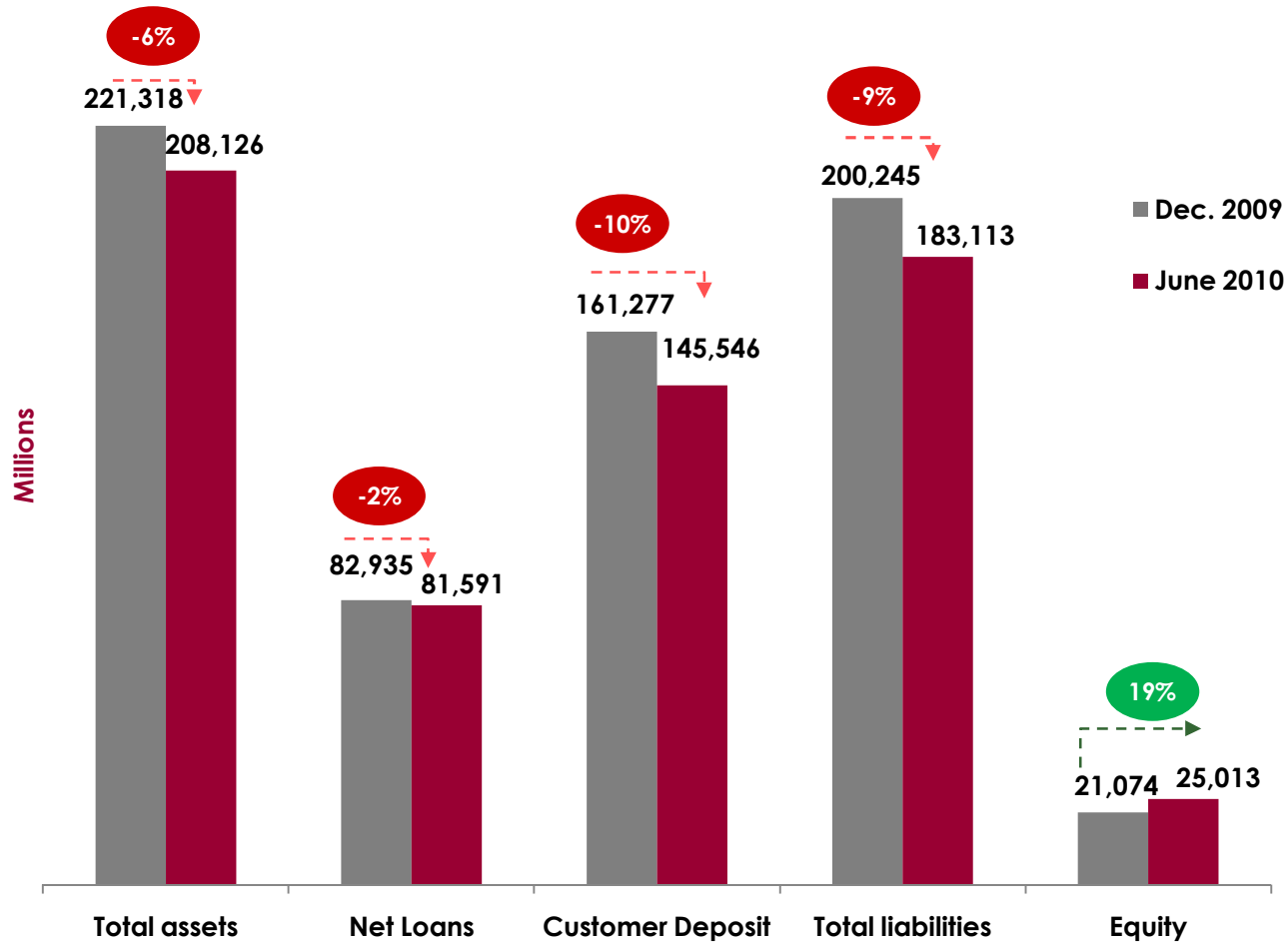
# Income Statement



## Comments

- Gross earnings declined on the back of low volumes.
- Reduction in funding cost led to improvement in Net Return from Funds.
- Progress in the implementation of cost saving strategies and improved efficiency resulting in lower operating cost.
- Efficiency programs and cost cutting strategy reducing operating expenses
- Return to profitability achieved in Q1 reinforced

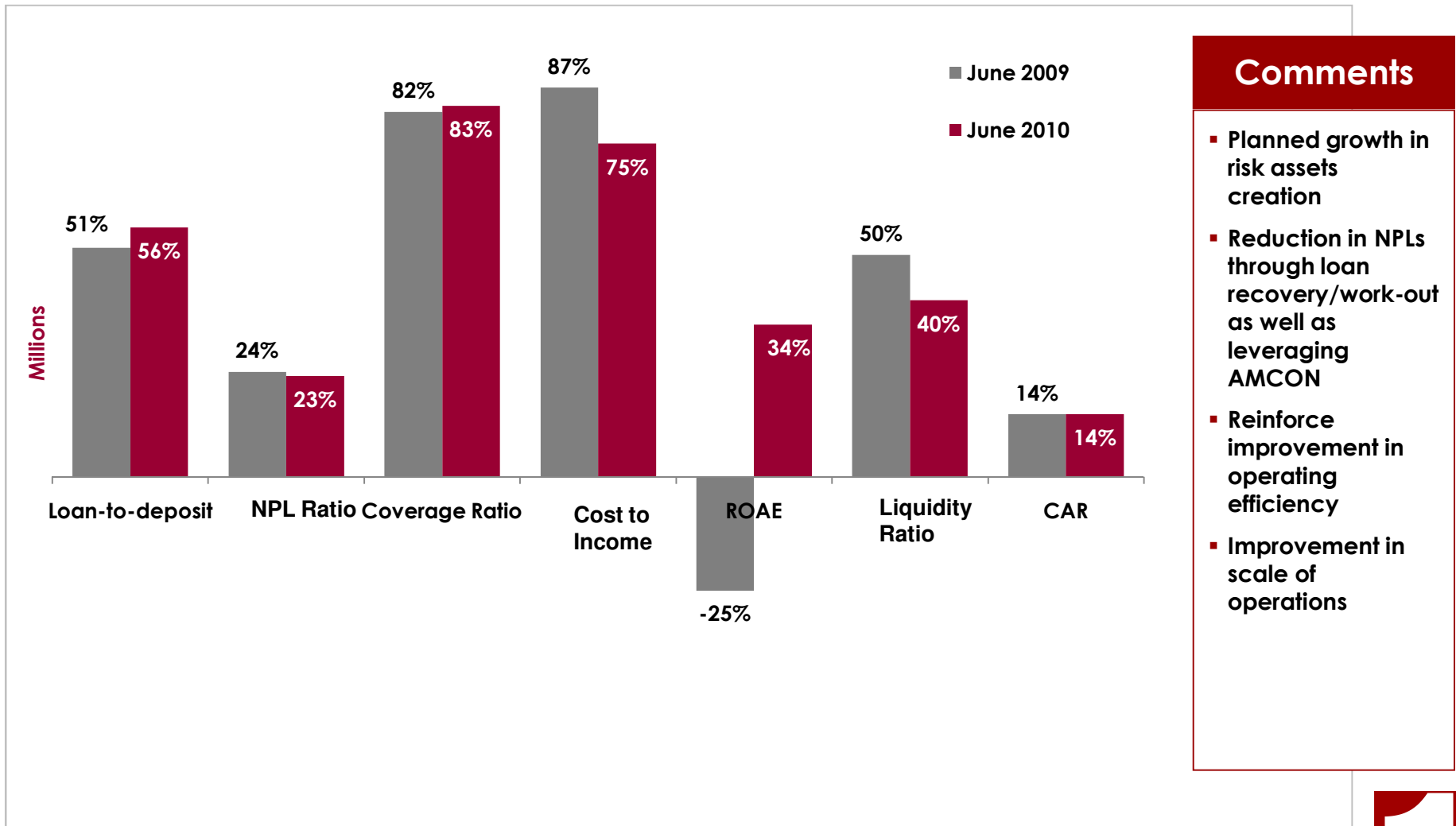
# Balance Sheet



## Comments

- Lower loan volumes due to risk consciousness impacted gross earnings
- Management prioritized the achievement of an optimal deposit mix and improved funding costs over nominal balance sheet size

# Ratios in the top bracket for Bank's category of financial institutions



## Comments

- Planned growth in risk assets creation
- Reduction in NPLs through loan recovery/work-out as well as leveraging AMCON
- Reinforce improvement in operating efficiency
- Improvement in scale of operations

# Agenda

1

Corporate Information

2

Financial Highlights

3

Earnings Profile

4

Balance Sheet Analysis

5

Asset Quality

6

Liquidity

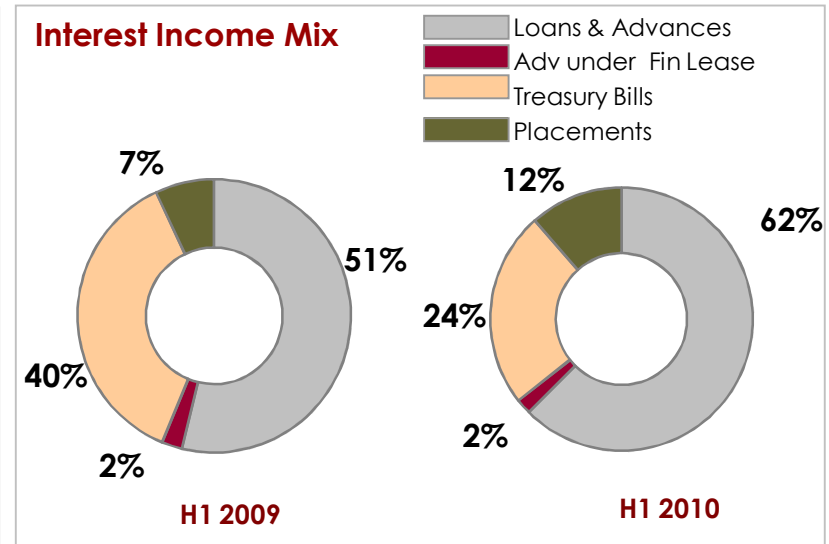
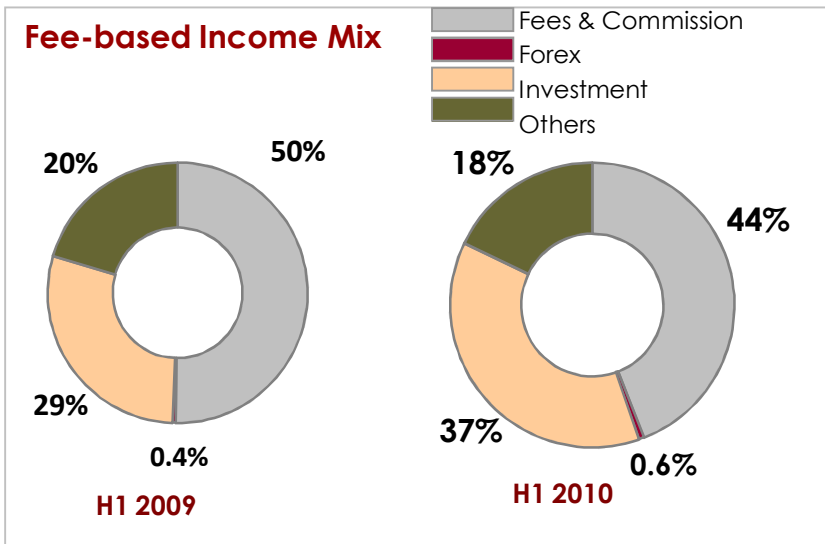
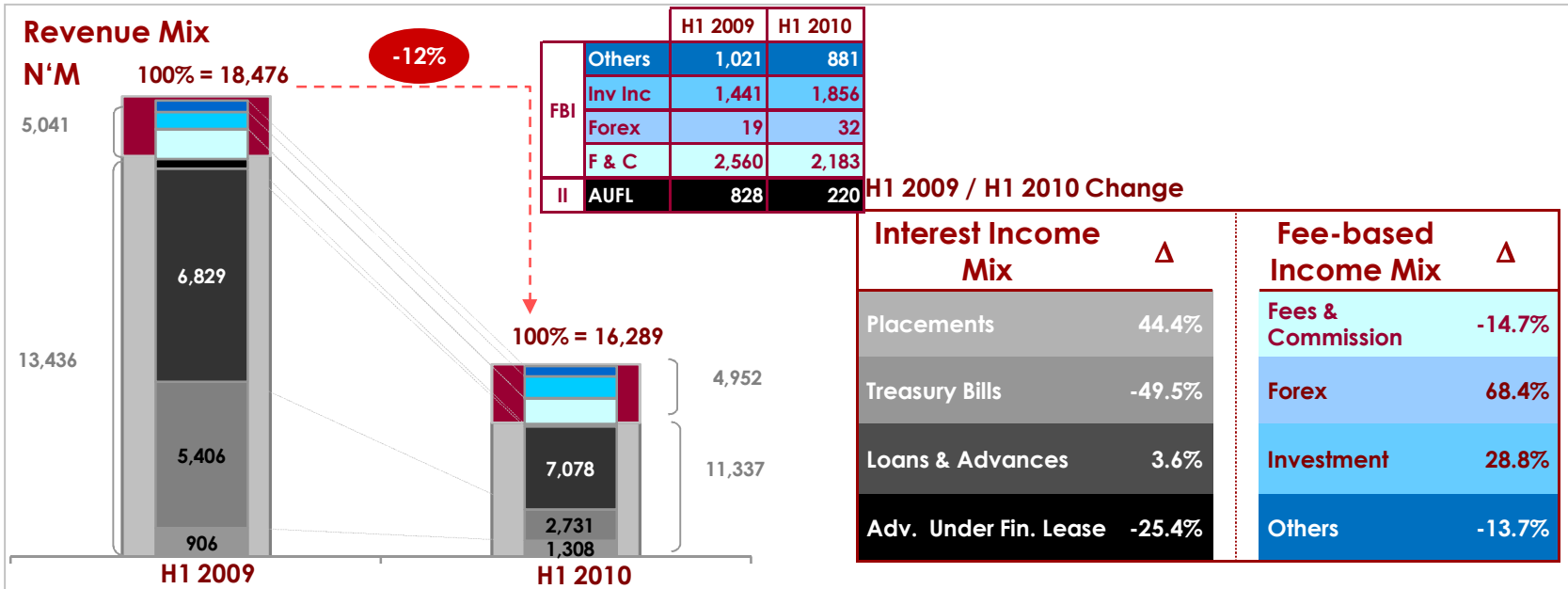
7

Efficiency

8

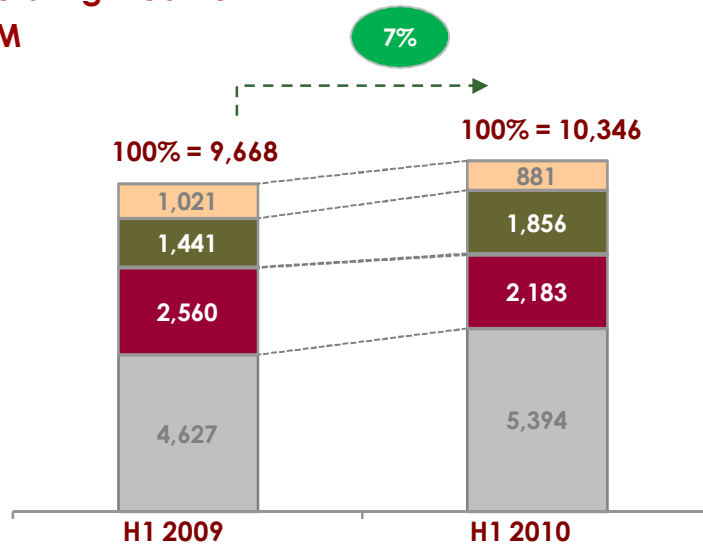
Strategic Outlook

# Revenues impacted by lower volumes



# Operating Income driven by improved Net Interest Margin

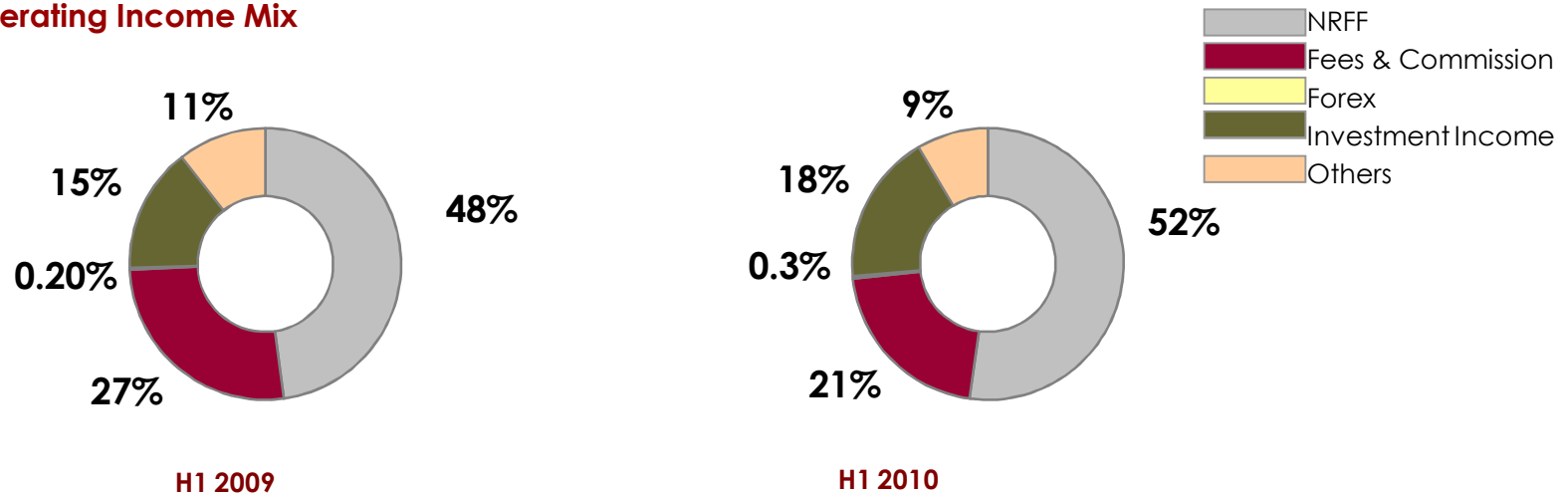
## Operating Income N'M



## H1 2009 / H1 2010 Change

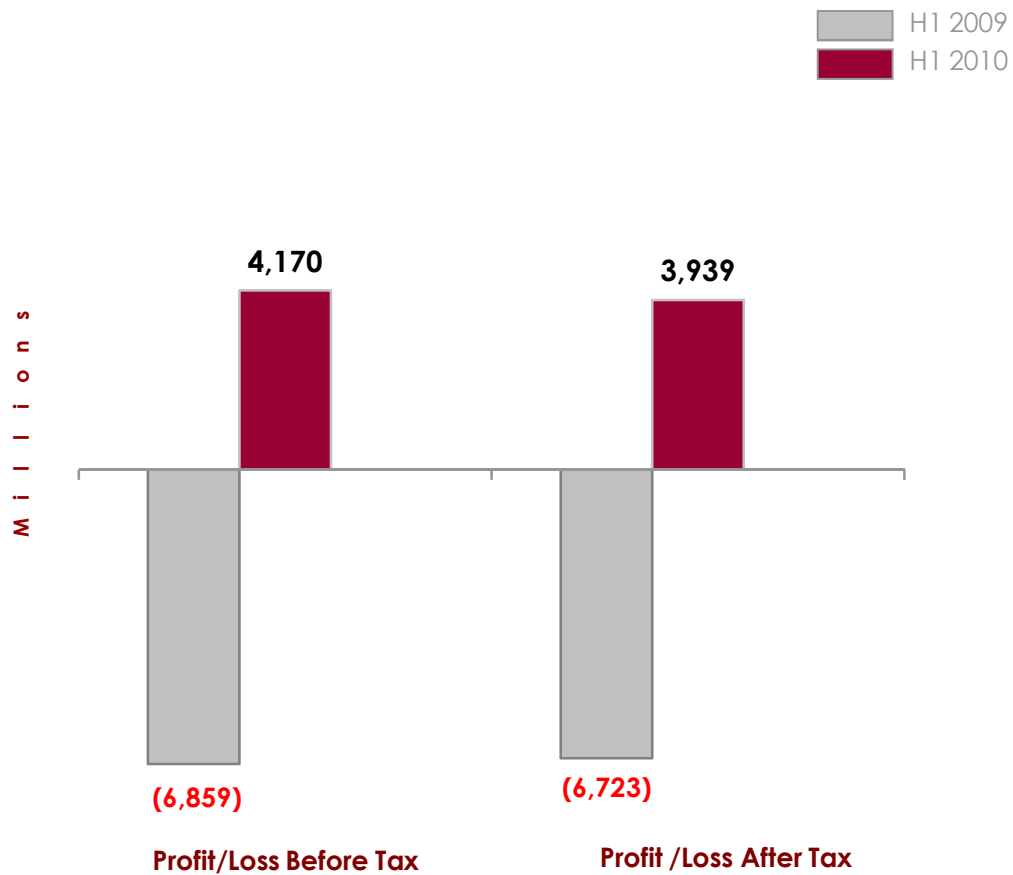
Item	Δ
Net Returns from Funds	17%
Fees & Commissions	-15%
Investment Income	29%
Others	-14%

## Operating Income Mix





# Net Earnings



## Comments

- Full recovery from the net loss reported in 2009.
- PBT rose to N4.2 billion, while PAT rose to N3.9 billion
- Profit boosted by Write-back of provisions for the sum of N1.6 billion
- PBT target for December 2010 of N8 billion

# Agenda

**1 Corporate Information**

**2 Financial Highlights**

**3 Earnings Profile**

**4 Balance Sheet Analysis**

**5 Asset Quality**

**6 Liquidity**

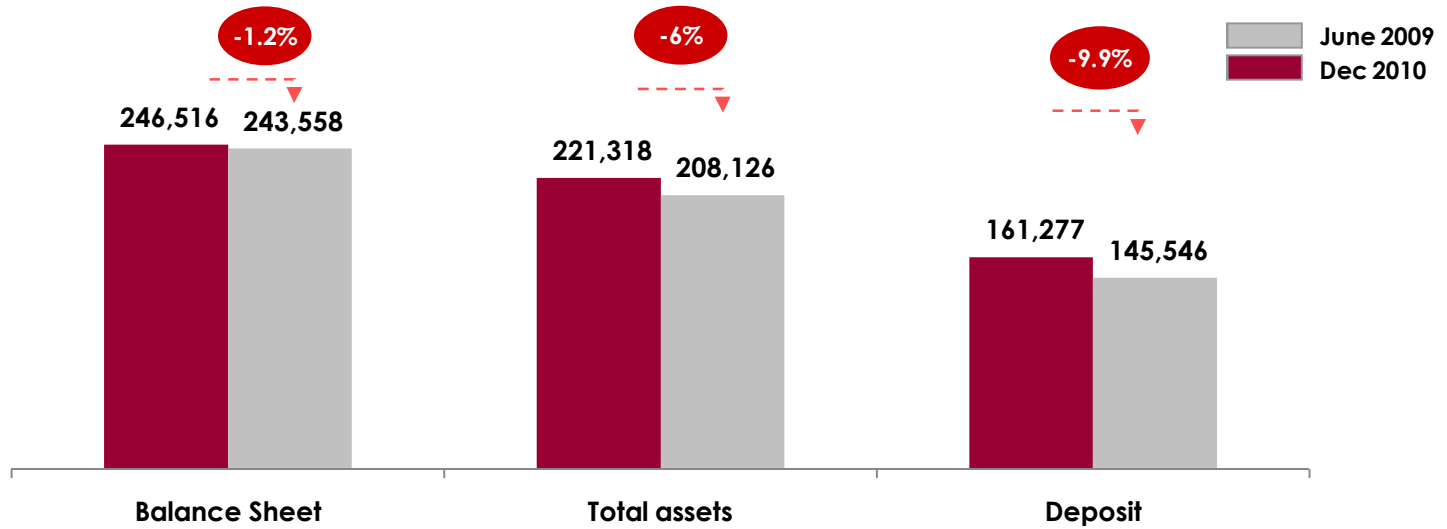
**7 Efficiency**

**8 Strategic Outlook**

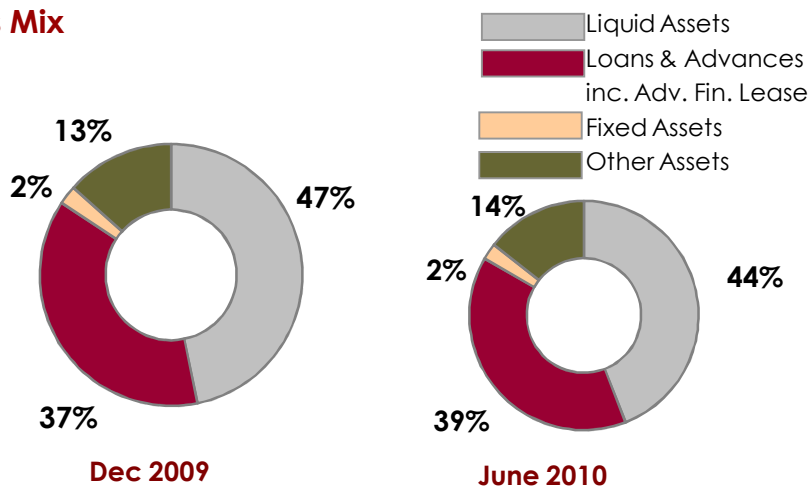
# Balance Sheet

Balance sheet focus shifts from size to efficiency. Deposits remain major funding source.

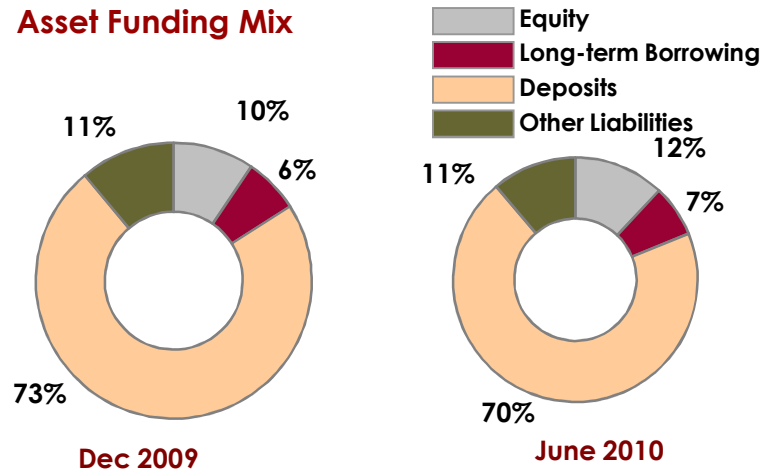
Key items  
N'M



## Assets Mix

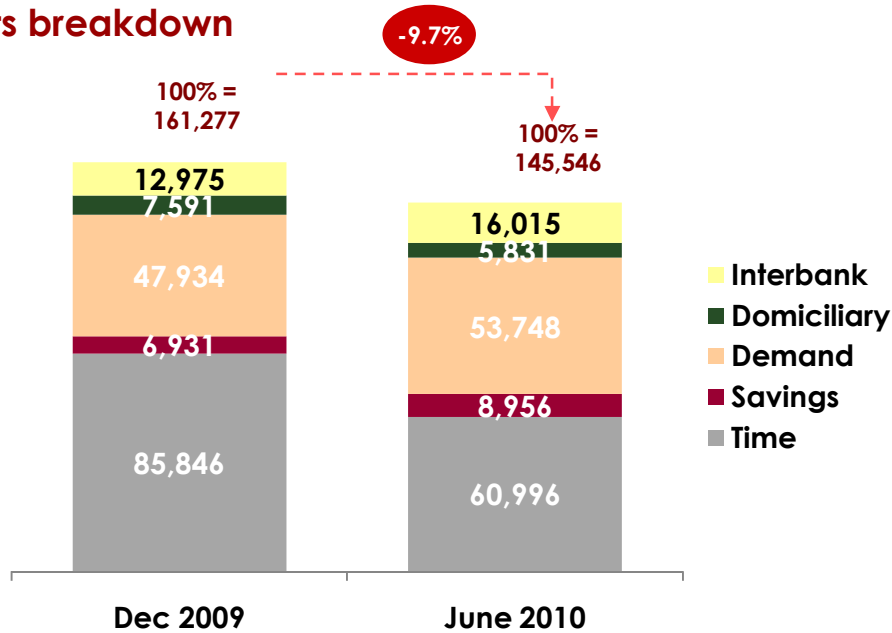


## Asset Funding Mix



# Deposit Growth

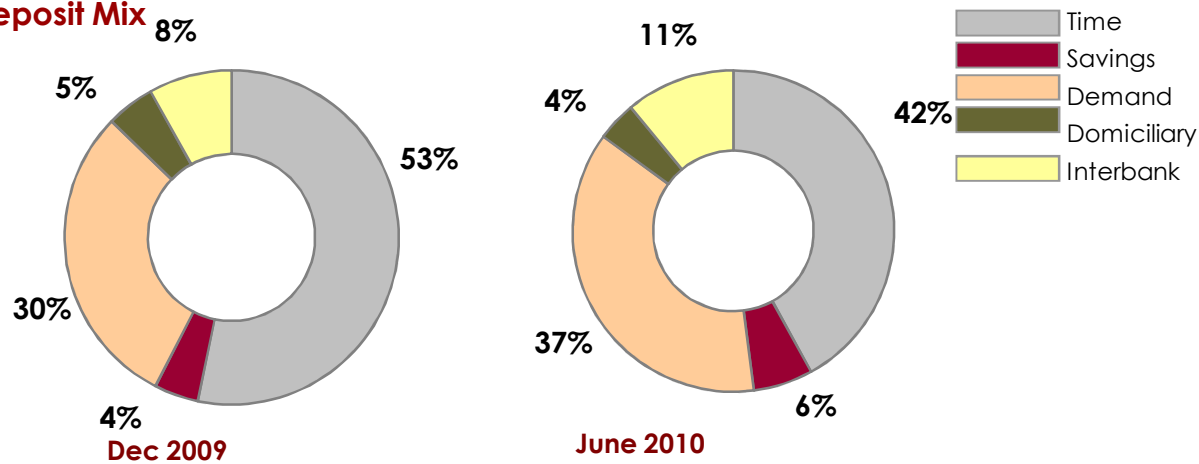
## Deposits breakdown N'M



## Comments

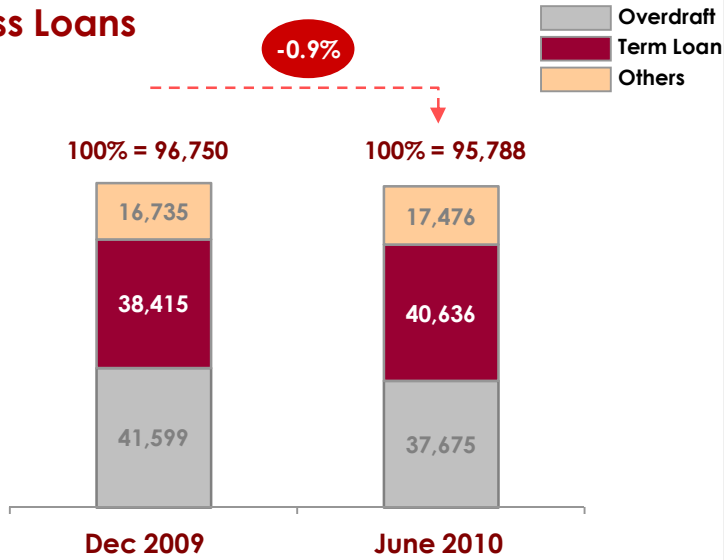
- Improvement in deposit mix resulting in lower funding costs.
- Savings grew by 29% while Demand deposits rose by 12%

## Deposit Mix

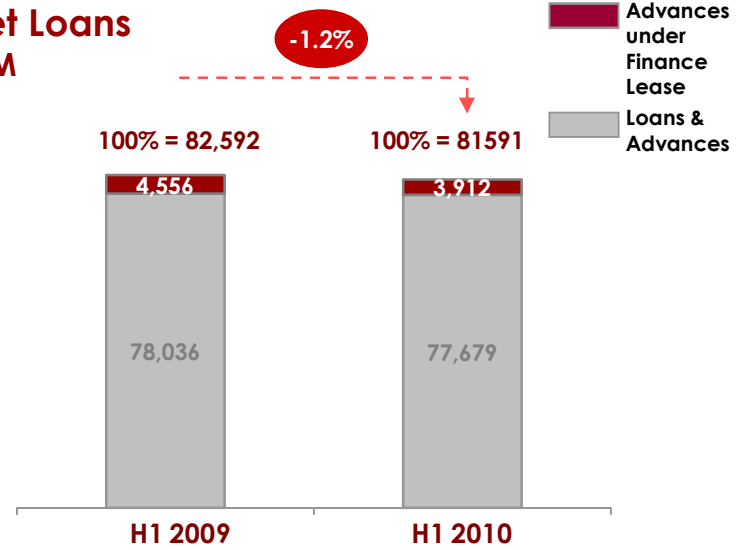


# Gross Loans

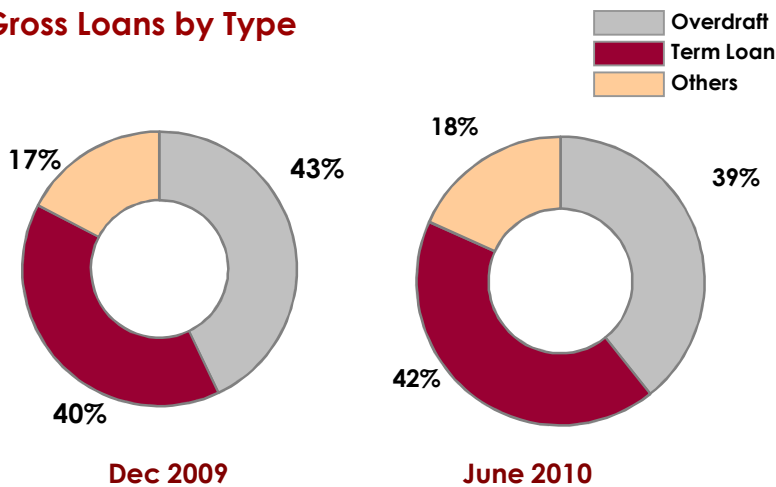
## Gross Loans N'M



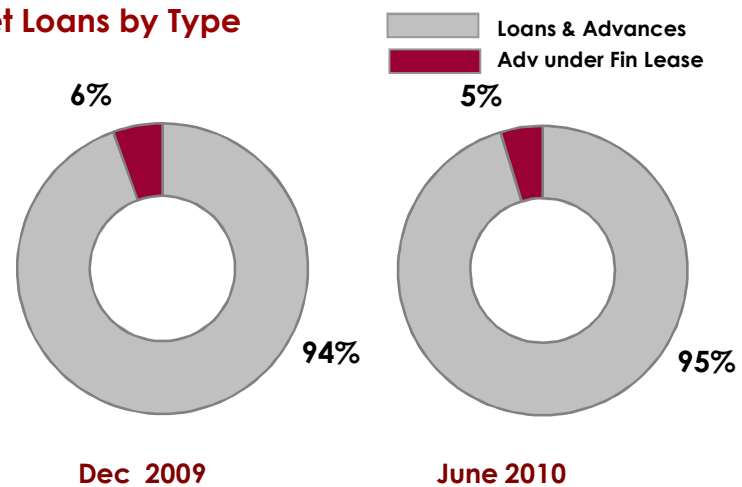
## Net Loans N'M



## Gross Loans by Type



## Net Loans by Type



# Agenda

**1 Corporate Information**

**2 Financial Highlights**

**3 Earnings Profile**

**4 Balance Sheet Analysis**

**5 Asset Quality**

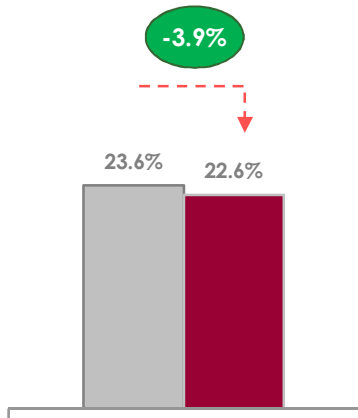
**6 Liquidity**

**7 Efficiency**

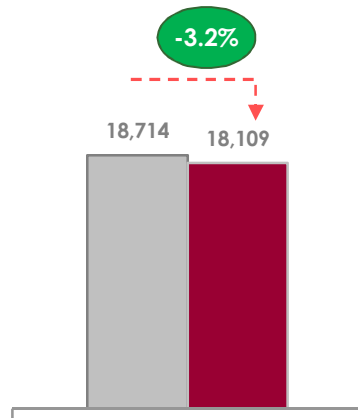
**8 Strategic Outlook**

# Loan Book Decomposition

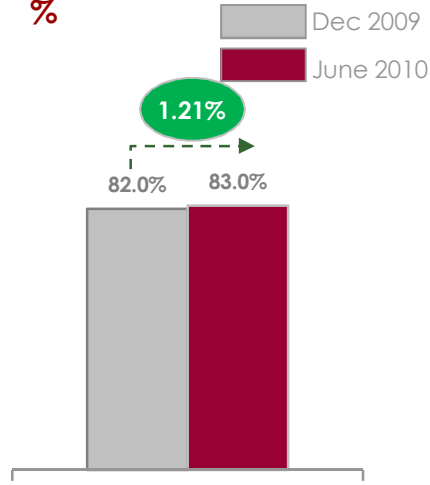
**Non-Performing Loans %**



**Provisions for Risk Assets N'M**



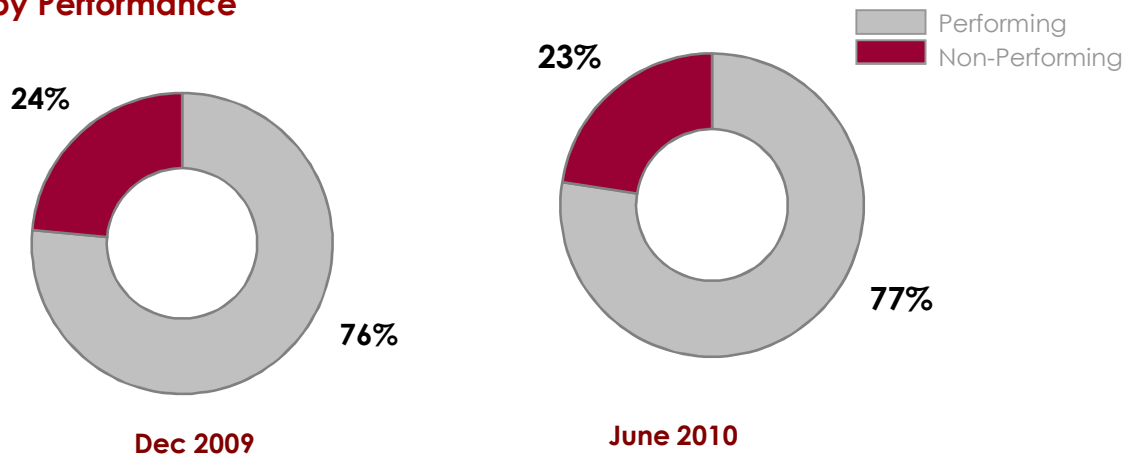
**Coverage Ratio %**



## Comments

- Purchase of bad loans by the Asset Management Company (AMCON) expected to further reduce Non-performing Loans.

**Loans by Performance**



# Agenda

1

Corporate Information

2

Financial Highlights

3

Earnings Profile

4

Balance Sheet Analysis

5

Asset Quality

6

Liquidity

7

Efficiency

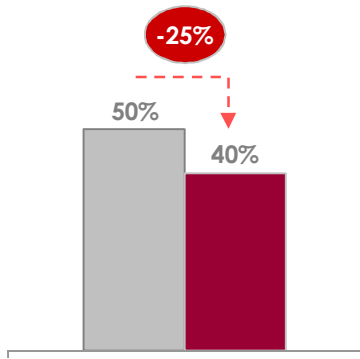
8

Strategic Outlook

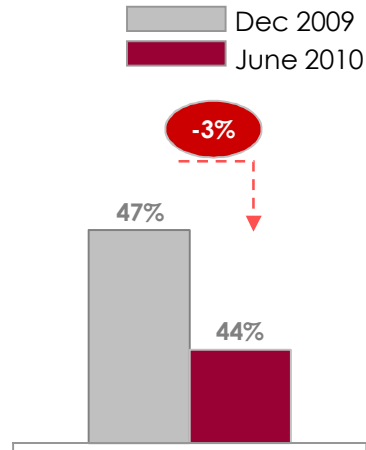


# Liquidity Profile

**Liquidity Ratio**  
%



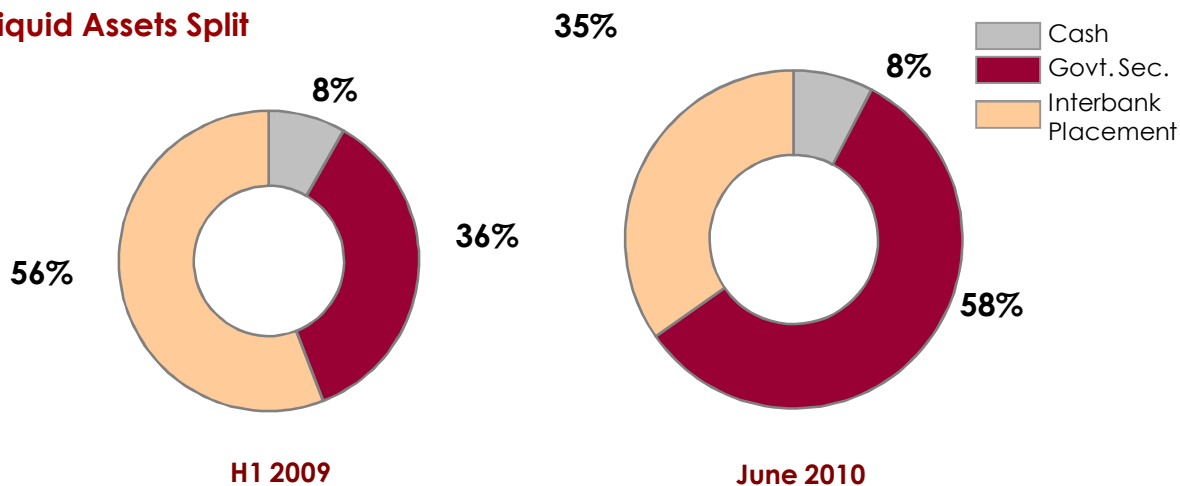
**Liquid Assets Ratio**  
%



## Comments

- Liquidity ratio of 40% above regulatory benchmark of 25%.
- Total liquid assets down (3)% to N91.7 billion from N103.5 billion in December 2009
- Loans to deposits ratio expected to rise given Management's renewed focus on assets creation.

**Liquid Assets Split**



# Agenda

**1 Corporate Information**

**2 Financial Highlights**

**3 Earnings Profile**

**4 Balance Sheet Analysis**

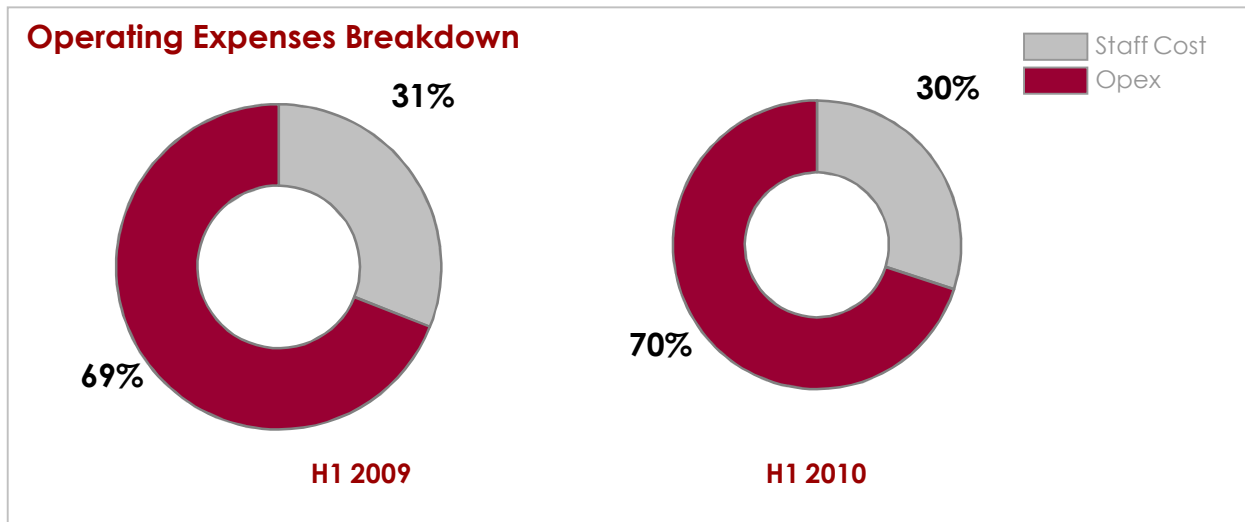
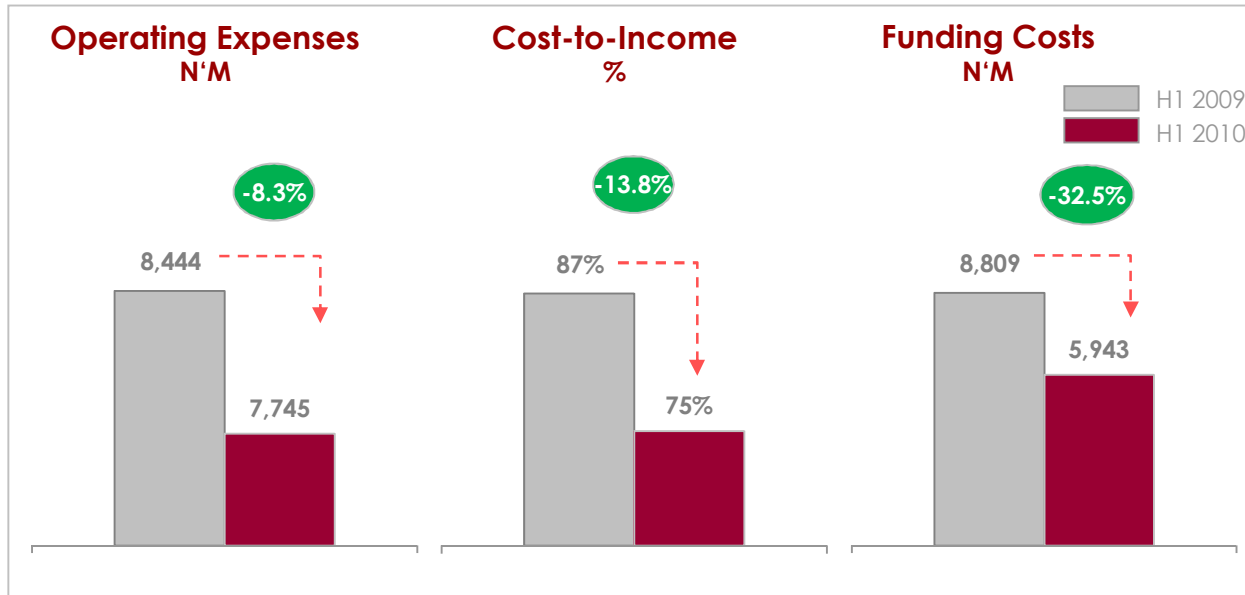
**5 Asset Quality**

**6 Liquidity**

**7 Efficiency**

**8 Strategic Outlook**

# Efficiency

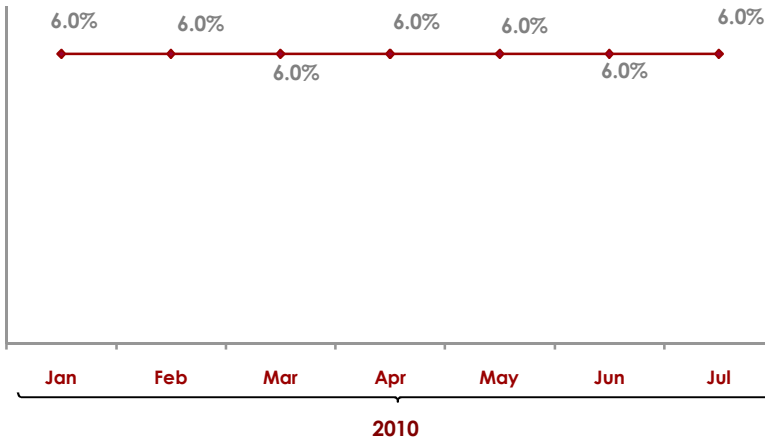


## Comments

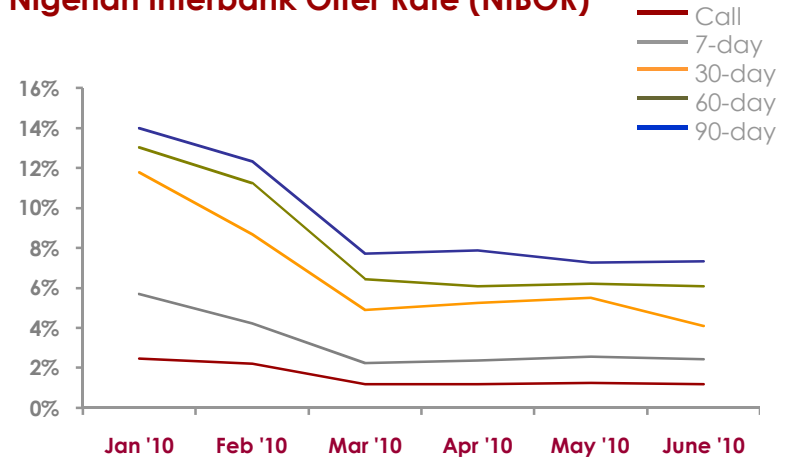
- Funding costs dropped by 32.5% to N5.9 billion reflecting deposit mix optimization initiatives and lower interest rate environment.
- Weighted Average Cost of Funds stood at (WACF) stood at 4%
- Operating expenses recorded a significant drop reflecting progress in the implementation of cost saving strategies
- Cost to Income ratio declined as a result of improvements in operating efficiency
- Costs expected to remain stable in the short- to mid-term as income rises

# Funding Ecosystem (Industry)

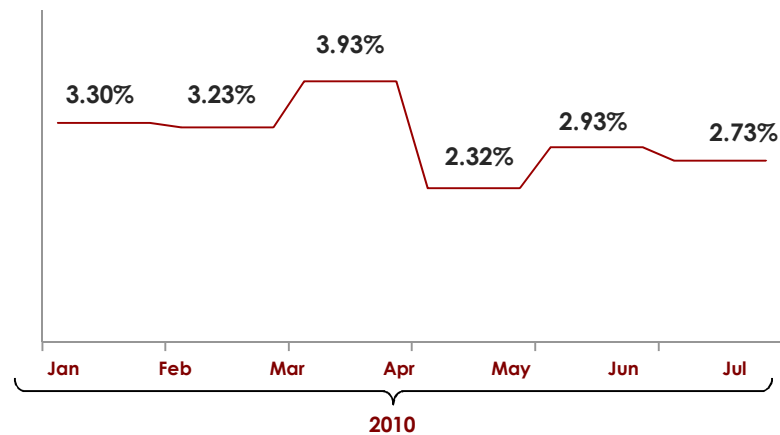
Central Bank of Nigeria Monetary Policy Rate (MPR)



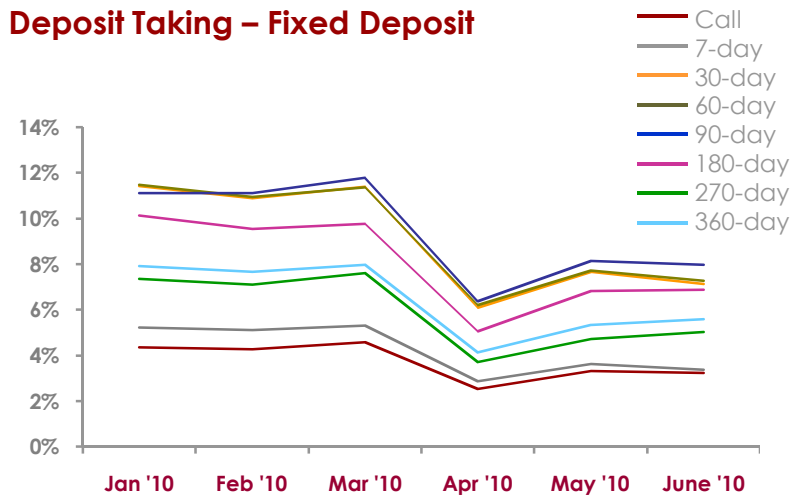
Nigerian Interbank Offer Rate (NIBOR)



Deposit Taking – Savings Accounts



Deposit Taking – Fixed Deposit



# Strategic Priorities

## Short-term (2010-2012)

- Equity Injection - Minimum US\$100mn excl. organic accretion
- Tap wholesale markets for debt to improve efficiency of capital structure
- Double asset market share primarily through organic growth in local corporate loan book
- Work to bring NPL levels to <10%
- Improve liability generation through the expansion of retail distribution footprint
- > 20% Return on Equity

## 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

2010

2011

2012

2013

2014

2015

## Mid-term (2013-2015)

- 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
- Investment grade credit rating
- Double digit revenue growth Y-o-Y

# Contacts

## Office

20 Marina, Lagos, Nigeria  
Tel: 234-(01) 2600420-9; Fax No: 234-(01) 2702310  
Website: [www.sterlingbankng.com](http://www.sterlingbankng.com)

## Investor Contacts

### **Yemi Odubiyi**

Chief Strategy Officer

+234 803 535 0991

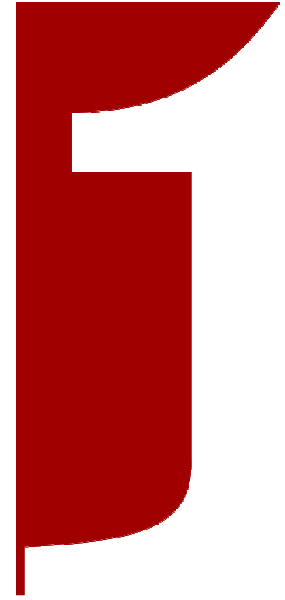
[yemi.odubiyi@sterlingbankng.com](mailto:yemi.odubiyi@sterlingbankng.com)

### **Abubakar Suleiman**

Group Treasurer / Financial Markets Head

+234 803 535 1172

[abubakar.suleiman@sterlingbankng.com](mailto:abubakar.suleiman@sterlingbankng.com)



**Thank You**