



**Business Case
for
Sterling Bank Plc (SBP) Acquisition of Equitorial Trust Bank (ETB)**

September 2011

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Summary

Deal Highlights

- AMCON will inject Financial Accommodation Amount (FAA) of N64.45 billion to bring the Net Asset Value (NAV) of ETB to zero as a precondition for the acquisition. In exchange AMCON will receive 785,193,222 units of ETB shares subsequent to ETB's capital re-organization
- Existing ETB shareholders will re-capitalize the institution up to N8.5 billion from zero
- Sterling Bank will issue 3,140,772,888 in exchange for the assumption of all assets and liabilities of ETB with impact as follows on its ownership:
 - AMCON: 1,570,386,444 units (10%) of total Sterling shares in issue
 - ETB legacy shareholders: 1,570,386,444 units (10%) of total Sterling shares in issue
- Legacy shareholders of Sterling Bank will retain existing holding, which total 80% of the enlarged Sterling Bank
- Total Sterling Bank shares in issue will increase by 25% to 15,703,864,432 ordinary shares of 50 kobo each.

Key Facts

Recapitalization funding to be provided by legacy ETB shareholders	N8,500,000,000
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Sterling Bank Plc shares to be issued to legacy ETB shareholders	3,140,772,888
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Per share value of ETB shareholder holding	N2.71
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Valuation

	Market Value 10 Oct, 2011	June 30 Pre deal Book value
Sterling Bank Valuation	1.43	2.29
Premium/ Discount Per share	90%	18%

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Overview of Sterling Bank

Parent Company

- Sterling Bank Plc is a full service commercial bank, which emerged from the successful merger of five banks in 2005

Banking License

- National Commercial Banking License

Accounting

- Local GAAP; IFRS with effect from 2011

Credit Rating

- Short Term A3; Long term BBB (Stable Outlook) - GCR

Focus Segment

- Mid-tier Corporates and Institutional focus

Employee

- 1,600 professional employees

Channels

- 96 business offices; 87 ATMs

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Transaction Dynamics

Pre-acquisition

- Execution of Transaction Implementation Agreement (TIA)
- Capital re-organization of ETB

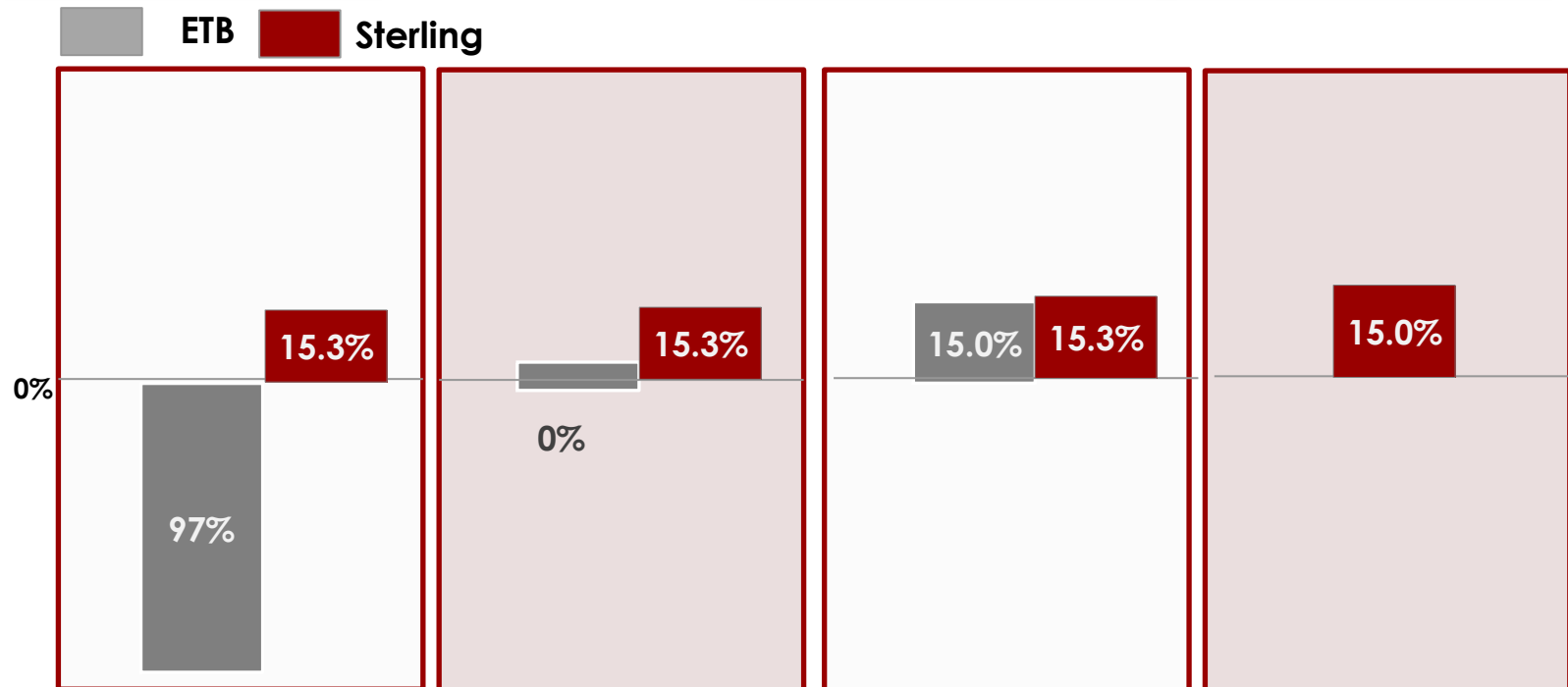
Acquisition & Capitalization

- Injection of the Financial Accommodation Amount by AMCON to facilitate the acquisition
- Recapitalization of ETB up to N8.5b by existing shareholders
- SBP absorbs the newly capitalized ETB and issues its shares in favour of AMCON and ETB existing shareholders

Restructuring & Integration

- Integration implementation planning
- Divestment from subsidiaries and associate business not within the scope of the new banking license
- Integration of ETB into SBP
- Repositioning of the merged SBP for effective market penetration

Pro Forma Capital Position



Current Capital Adequacy Ratio of the Combining Banks

AMCON FAA brings ETB's net asset value (NAV) to zero

ETB recapitalized by legacy shareholders

Steady state capital adequacy ratio of the resultant Combined Entity, Sterling Bank



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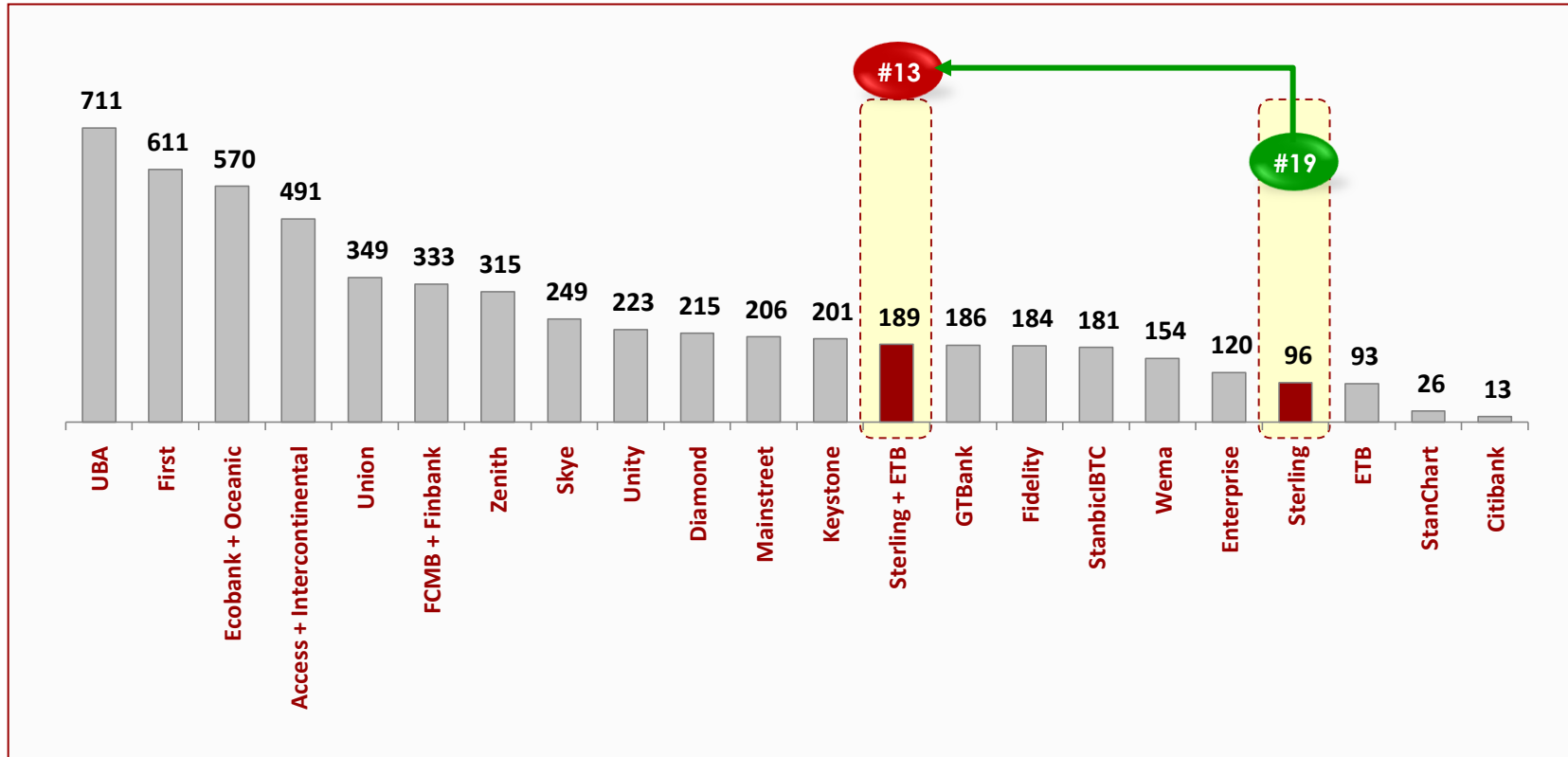
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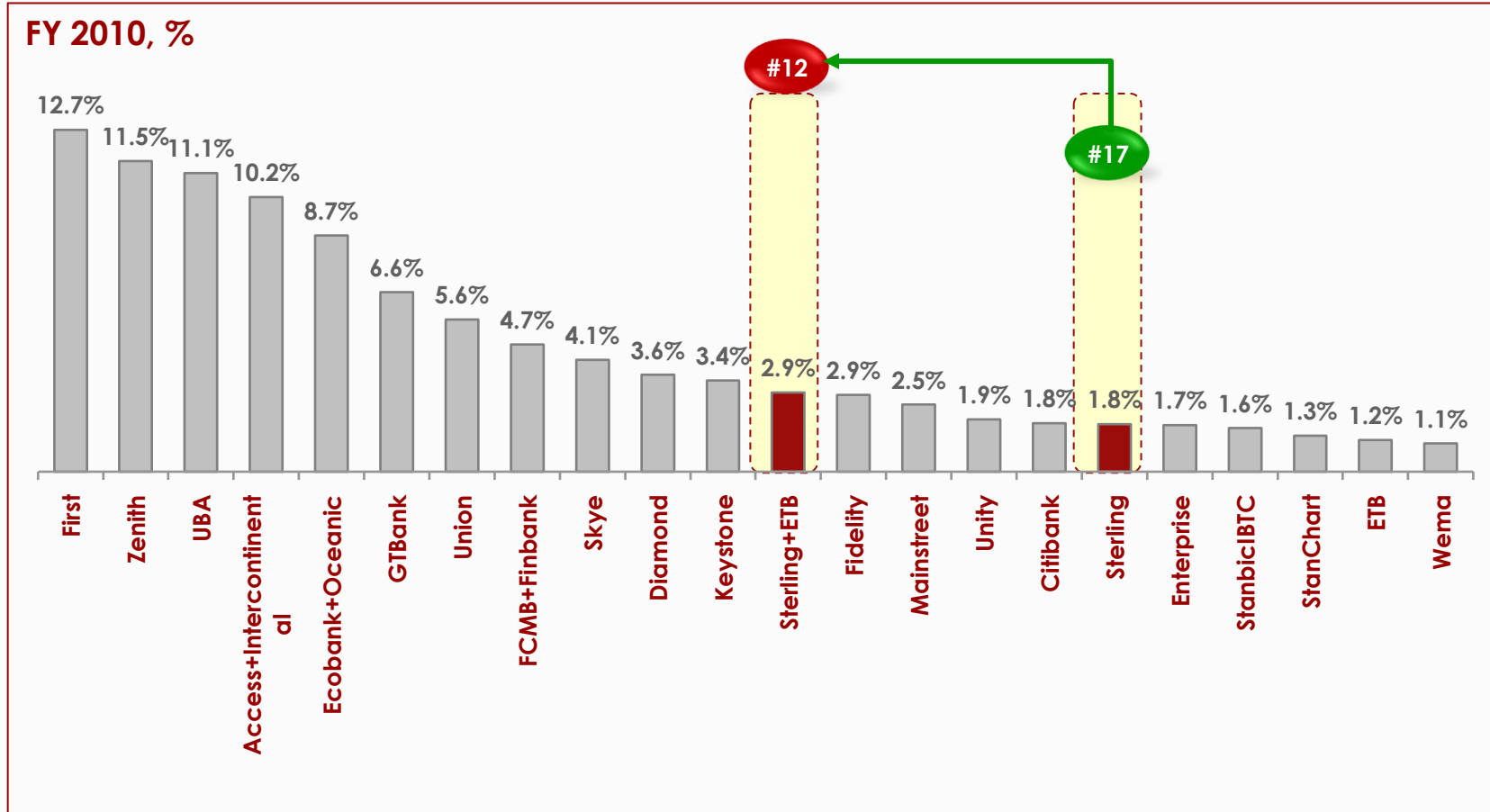
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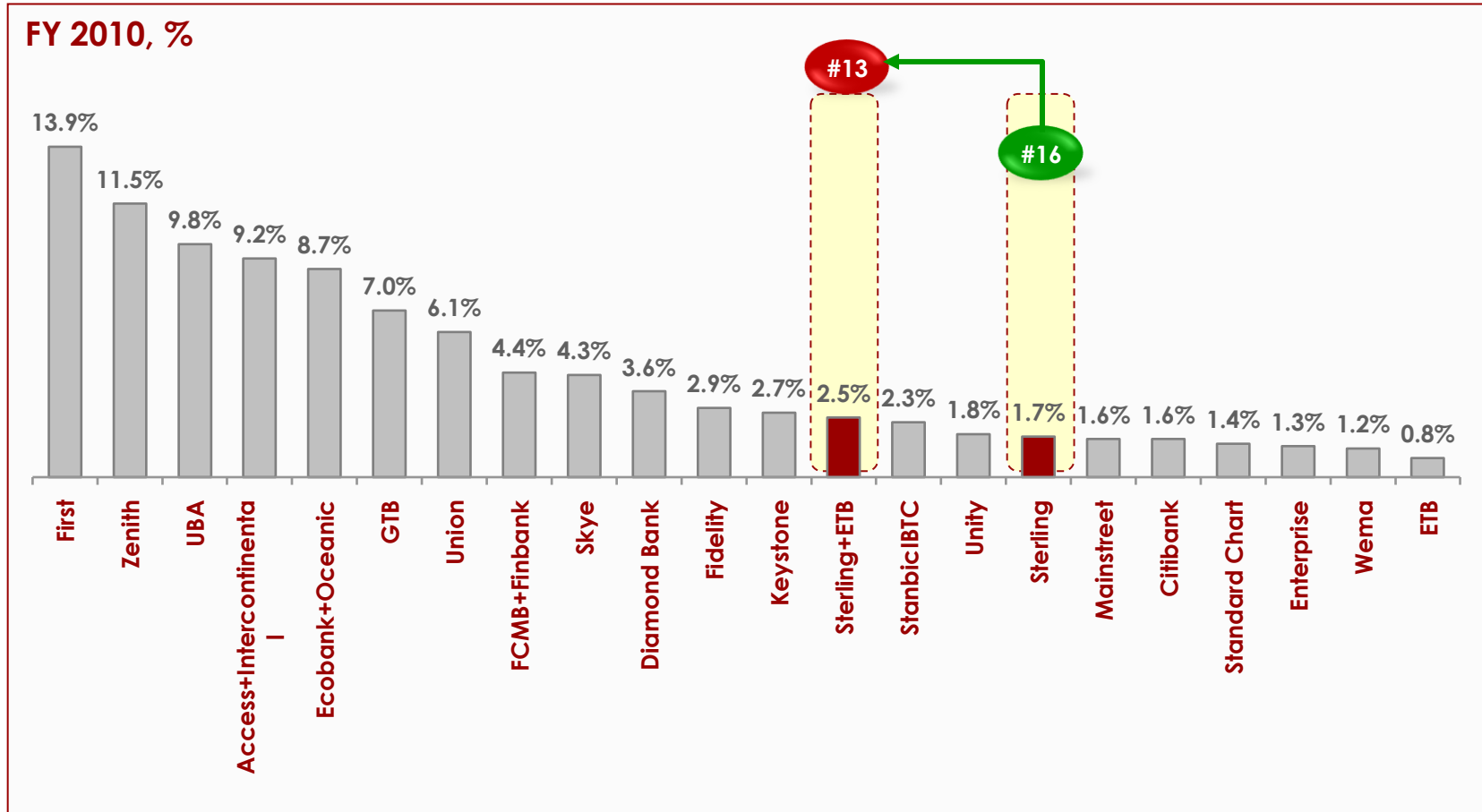
Market Share by Branches



Market Share by Deposits



Market Share by Assets



Global Stakeholder Benefits

Customers

- Enhanced institutional capacity to meet clients business requirements
- Array of financial products and services to a growing and discerning customer base
- The combined bank will initially have a network of 189 branches present in majority of the states. The footprint will bring the Bank within reach of its enlarged customer base, engendering banking convenience

Unmatched value, superlative service

Employees

- Greater and promising career opportunities within a fast growing and more diversified organization
- Improved training and career development capacity
- Greater ability to attract and retain valuable human capital and senior talent

Excellent personal and professional development opportunities

Shareholders

- Tap cost and revenue benefits from economies of scale and operational synergies to achieve optimization
- Instant leap into Tier 2 banks' category with greater stock market liquidity and lower risk perception
- Increased financial strength and capital position to support future growth
- Value creation through revenue and cost synergies,
- Leadership by established management team and knowledge sharing of best practices across both institutions

Sustainable value creation

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Key Transaction Timeline

Event	Date
Last date for lodging proxy forms for Court-Ordered Meetings	Sep 26, 2011
ETB Court-Ordered Meeting	Sep 28, 2011
SBP Court-Ordered Meeting	Sep 28, 2011
File resolutions obtained at the Court-Ordered Meeting and obtain CAC certified documents	Sep 29, 2011
Apply for CBN/SEC final approval of the Scheme	Sep 29, 2011
Receive CBN/SEC final approval of the Scheme	Sep 29, 2011
Obtain Court sanction of the Scheme (Effective Date)	Sep 30, 2011
Obtain CTC of Court sanction of the Scheme	Sep 30, 2011
Obtain CTC of Court sanction with CAC	Sep 30, 2011
File CTC of Court sanction with CBN/SEC and NSE and apply for registration of the Scheme shares	Sep 30, 2011
File post merger documentation with CBN/SEC	Sep 30, 2011
Publish copy of Court sanction in at least two national newspapers	Oct 3, 2011
Submit copy of Court sanction for publication in the Gazette	Oct 3, 2011
Obtain SEC approval for the registration of the Scheme Shares	Oct 5, 2011
File Court-sanction / newspaper advert with the NSE	Oct 5, 2011
Dispatch Sterling Bank share certificates to ETB existing shareholders/ credit CSCS accounts of ETB existing shareholders	Oct 7, 2011
Listing of Scheme shares on the NSE	Oct 7, 2011

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Consolidated Balance Sheet – 1H 2011

Indicators (N in Millions)	Sterling Bank	ETB	Consolidated
ASSETS			
Cash & Short Term Investments	14,800	27,209	42,009
Due from other Banks	16,096	19,700	35,796
Loans & Advances	124,296	36,690	160,986
Investment Securities	108,459	36,109	144,568
Other Assets	27,476	4,093	31,569
Fixed Assets	4,864	4,940	9,804
TOTAL ASSETS	295,992	128,751	424,732
LIABILITIES			
Customers' deposits	209,056	140,346	349,402
Borrowings	26,915		26,915
Other Liabilities	23,797	53,656	77,453
TOTAL LIABILITIES	259,768	194,002	453,770
EQUITY			
Tier II Capital	7,500		7,500
Share Capital	6,282	6,500	12,782
Reserves	22,442	(70,950)	15,942
Capital & Reserves	36,224	(64,450)	44,724
Contingencies	78,232	3,701	81,933
Balance sheet size	374,224	132,442	506,665

Notes

- The Consolidated Capital & Reserves position of N44.72bn includes:
- N64.45 Financial Accommodation Amount (FAA) to bring ETB's net asset value (NAV) to zero
- Further injection of N8.5bn by legacy shareholders of ETB.

Financial Forecasts: Balance Sheet

(N in Millions)

2011E

2012E

2013E

ASSETS

Cash in hand and balances with CBN	41,113	37,617	40,023
Treasury bills	17,000	15,554	16,549
Due from other banks	53,778	49,204	52,352
Loans and advances to customers	157,327	228,117	295,878
Advances under finance lease	3,812	16,981	22,067
Investment securities	233,903	285,375	341,456
Investment in associates	106	-	-
Investment properties	9,115	4,557	-
Other assets	31,100	34,788	39,030
Deferred tax assets	4,257	1,757	7
Property and equipment	10,146	10,526	10,932
TOTAL ASSETS	561,657	684,478	818,294

LIABILITIES

Customers' deposits	419,283	503,140	603,768
Due to other banks	2,868	2,624	2,792
Current income tax payable	(111)	415	2,853
Other liabilities	61,733	73,207	87,284
Defined contribution obligations	3,743	3,743	3,743
Deferred tax liabilities	12	12	12
Long-term borrowing	26,915	26,915	26,915
TOTAL LIABILITIES	514,443	610,055	727,367
NET ASSETS	47,214	74,422	90,928

Financial Forecasts: Capital & Reserves

(N in Millions)	2011E	2012E	2013E
DEBT CAPITAL			
13% subordinated unsecured Non-convertible stock	7,500	7,500	7,500
CAPITAL AND RESERVES			
Share capital	7,852	10,346	10,346
Share premium	19,244	31,749	31,749
Share reserve	5,276	5,276	5,276
Retained earnings	1,836	9,466	19,782
Other reserves	5,506	10,086	16,274
Capital and Reserves	47,214	74,423	90,927

Financial Forecasts: Profit & Loss

(N in Millions)	2011E	2012E	2013E
GROSS EARNINGS	45,703	89,682	115,209
Interest and similar income	30,849	60,146	75,860
Interest and similar expenses	(14,029)	(22,978)	(26,129)
Net interest margin	16,820	37,168	49,731
Fee and commission income	8,501	18,784	25,134
Fee and commission expenses	-	-	-
Net fee and commission income	8,501	18,784	25,134
Income from investments	1,674	1,065	1,254
Other income	4,680	9,687	12,961
Operating income	31,674	66,704	89,080
Operating expenses	(25,123)	(46,972)	(61,694)
Loan loss expenses	(138)	(2,649)	(2,553)
Diminution in value of other risk assets	(804)	(1,353)	(1,556)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES	5,610	15,731	23,277
PROFIT/(LOSS) BEFORE TAXATION	5,610	15,731	23,277
Taxation	272	(471)	(2,646)
PROFIT/(LOSS) AFTER TAXATION	5,881	15,260	20,632

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The acquisition of ETB by Sterling Bank is supported by a compelling business case

- **Increased critical mass in the retail banking space**
- **Business model scalability at an appealing price**
- **Strong corporate banking proposition**
- **Attractive opportunity for growth and enhanced profitability**

... to deliver our long term strategic goals

- **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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