



**Sterling Bank PLC**  
**Q3 2011**  
**Investor/Creditor Presentation**

**November 2011**

# Important Information

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# Agenda

**1**

**Macro-economic & Market Trends**

**2**

**Performance Review**

**3**

**Business Case for ETB Acquisition**

**4**

**Strategic Outlook**

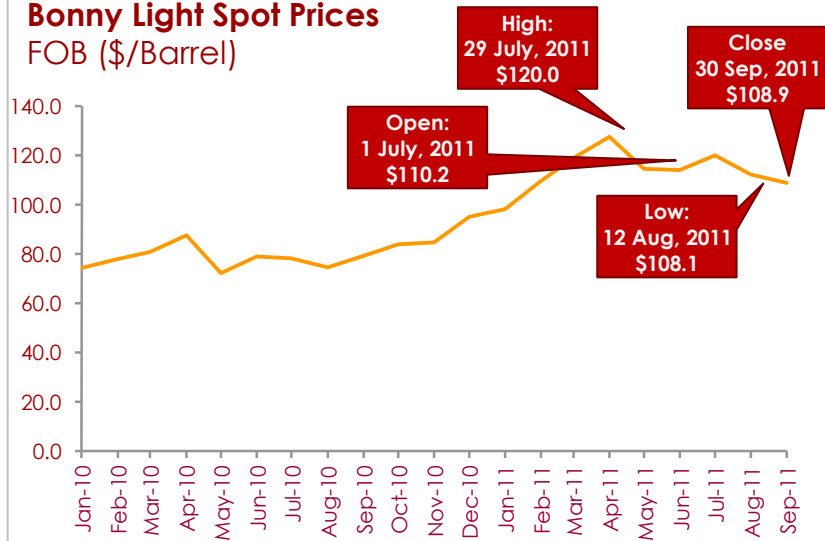


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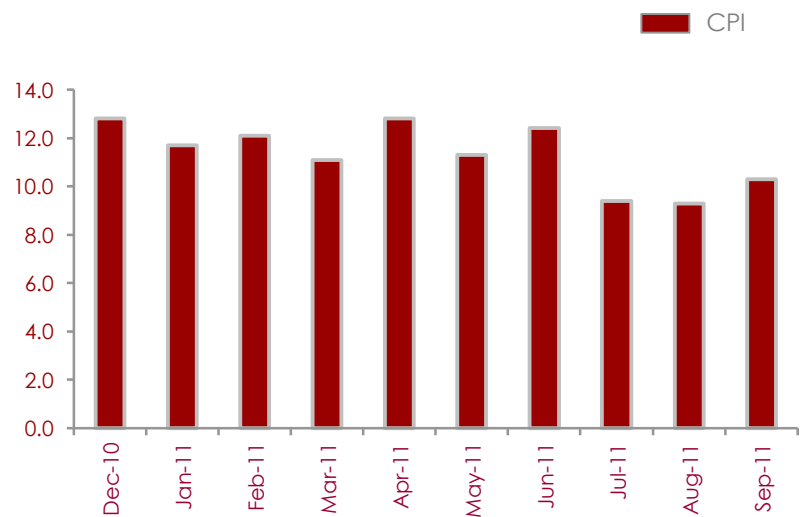
## Macro-economic & Market Trends

# Economic Indices

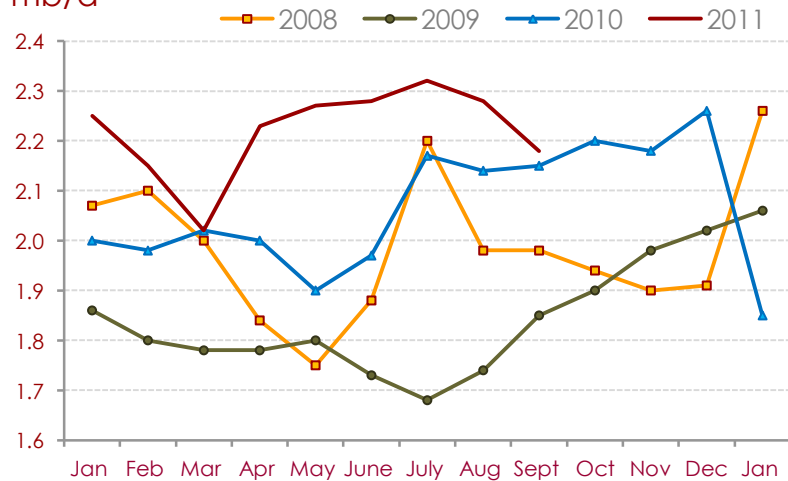
**Bonny Light Spot Prices**  
FOB (\$/Barrel)



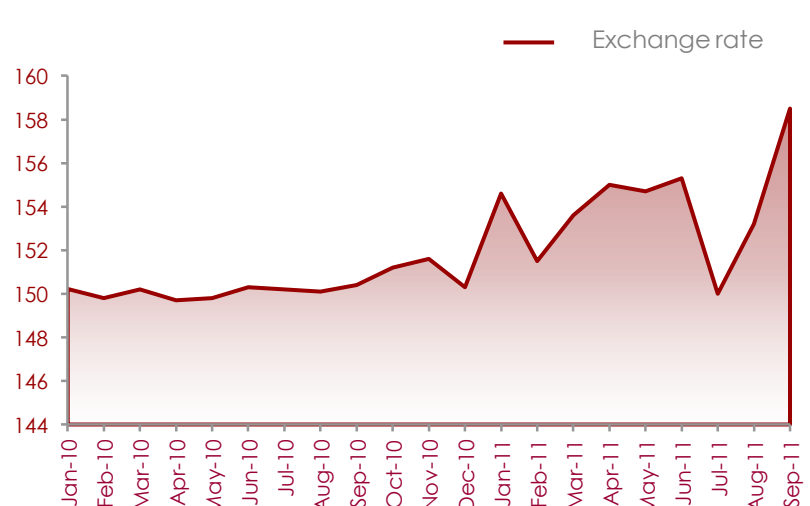
**Nigeria Consumer Price Index / Inflation Rate**



**Nigeria Oil Supply: 5-year Range**  
mb/d

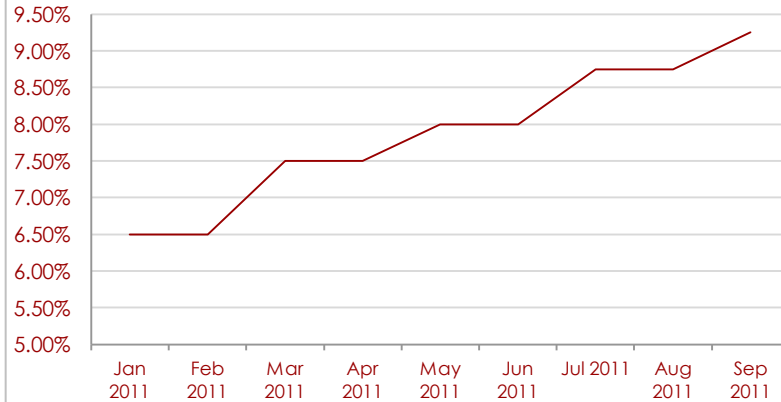


**Nigerian Naira / US Dollar Average Exchange Rate**

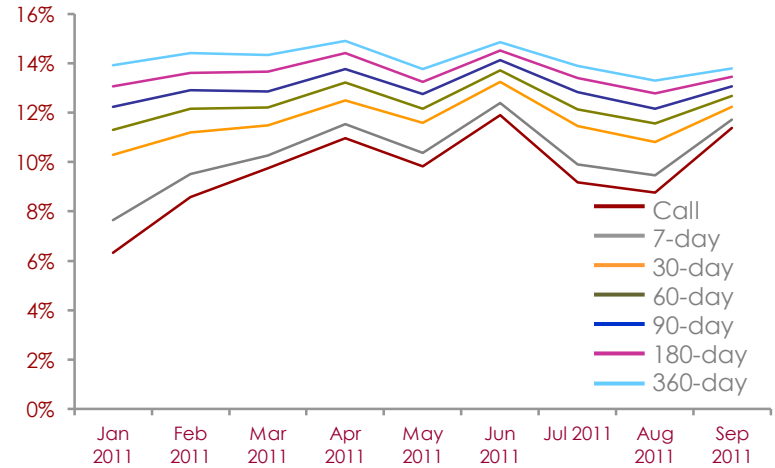


# Funding Ecosystem (Industry)

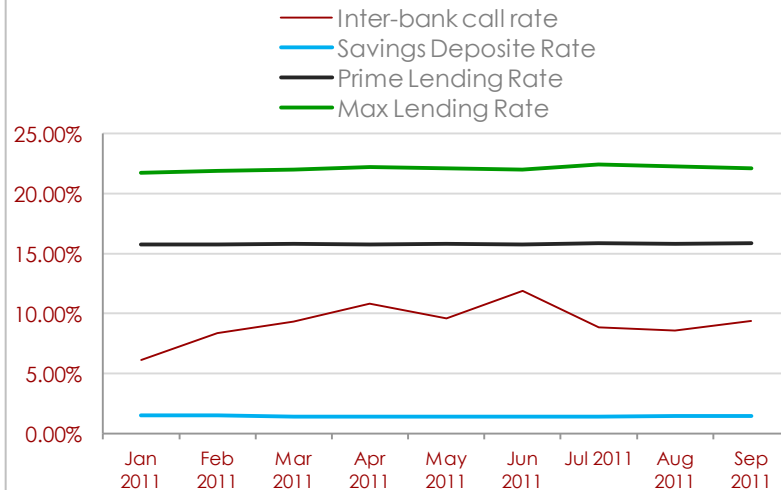
## Central Bank of Nigeria Monetary Policy Rate (MPR)



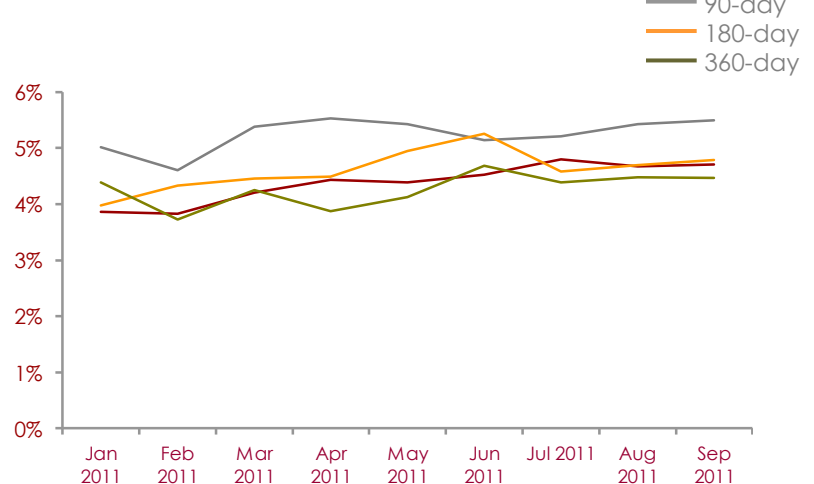
## Nigerian Interbank Offer Rate (NIBOR)



## Deposit Taking & Lending



## Deposit Taking – Fixed Deposit

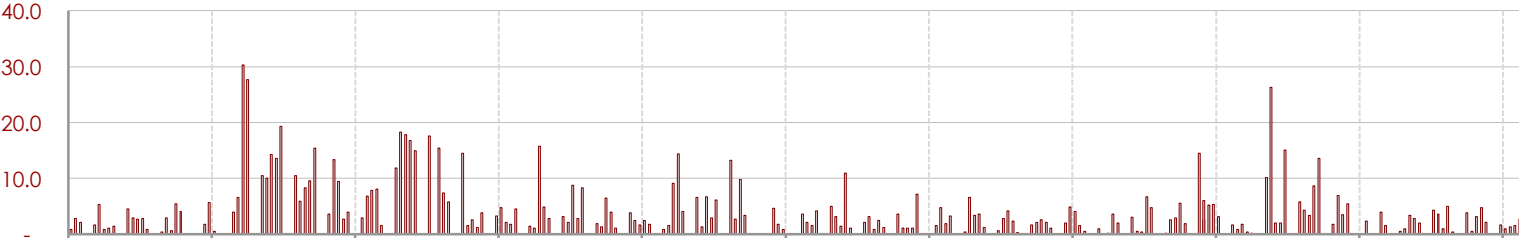


# Share Price Chart

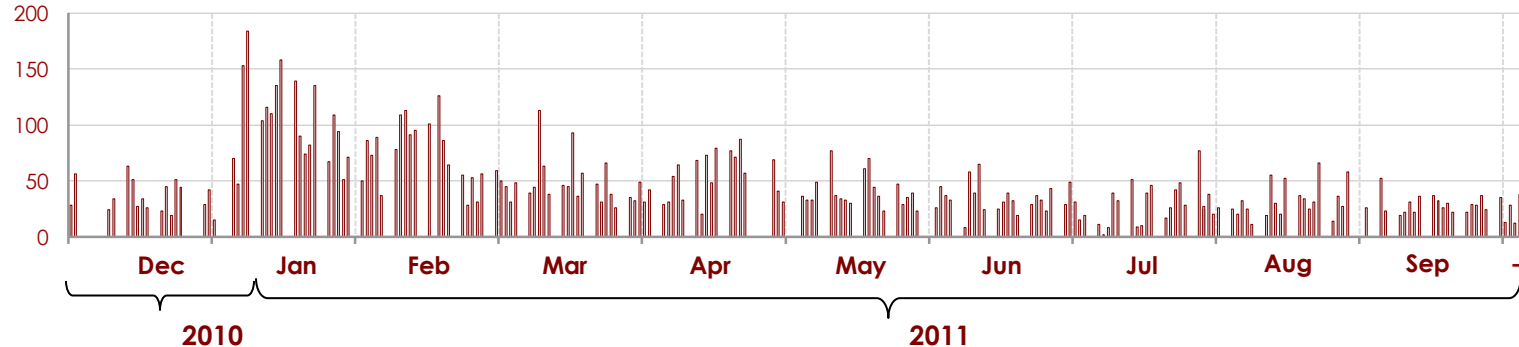
Share Price Trend



Volumes Traded (# Millions)

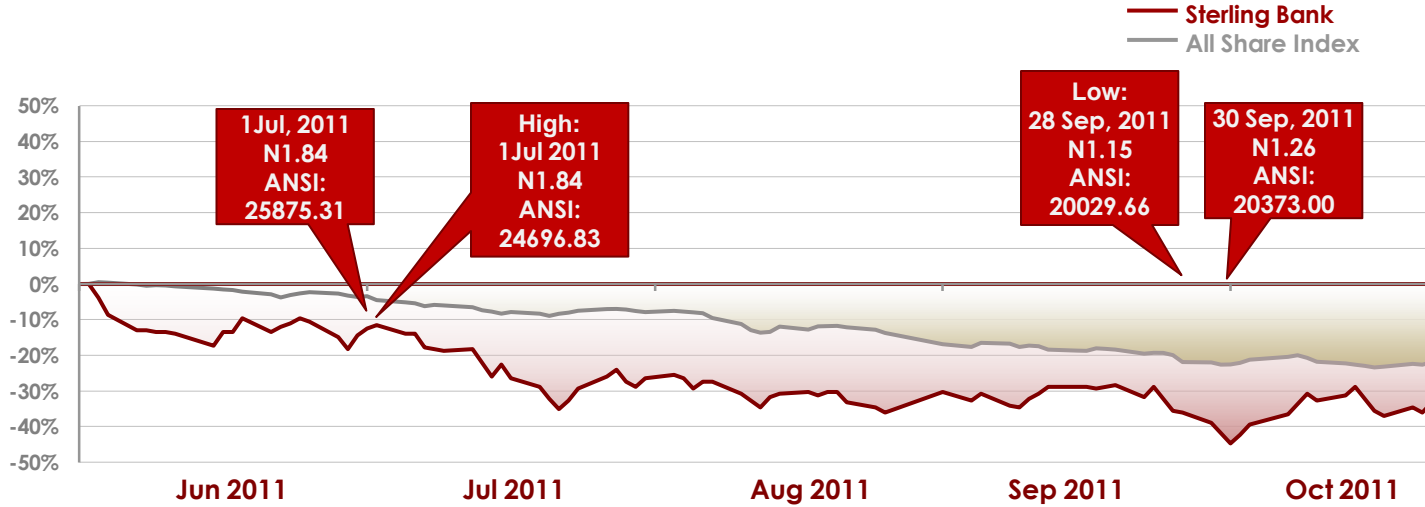


Number of Trades

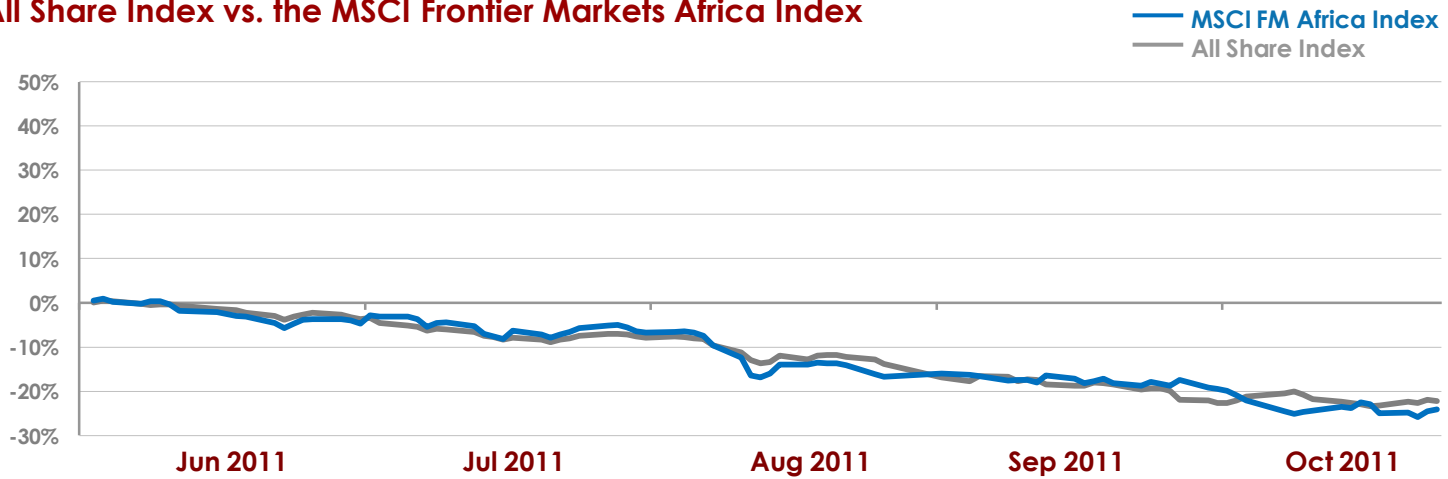


# Market Movement

## Sterling Share Price Movement vs. NSE All Share Index



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



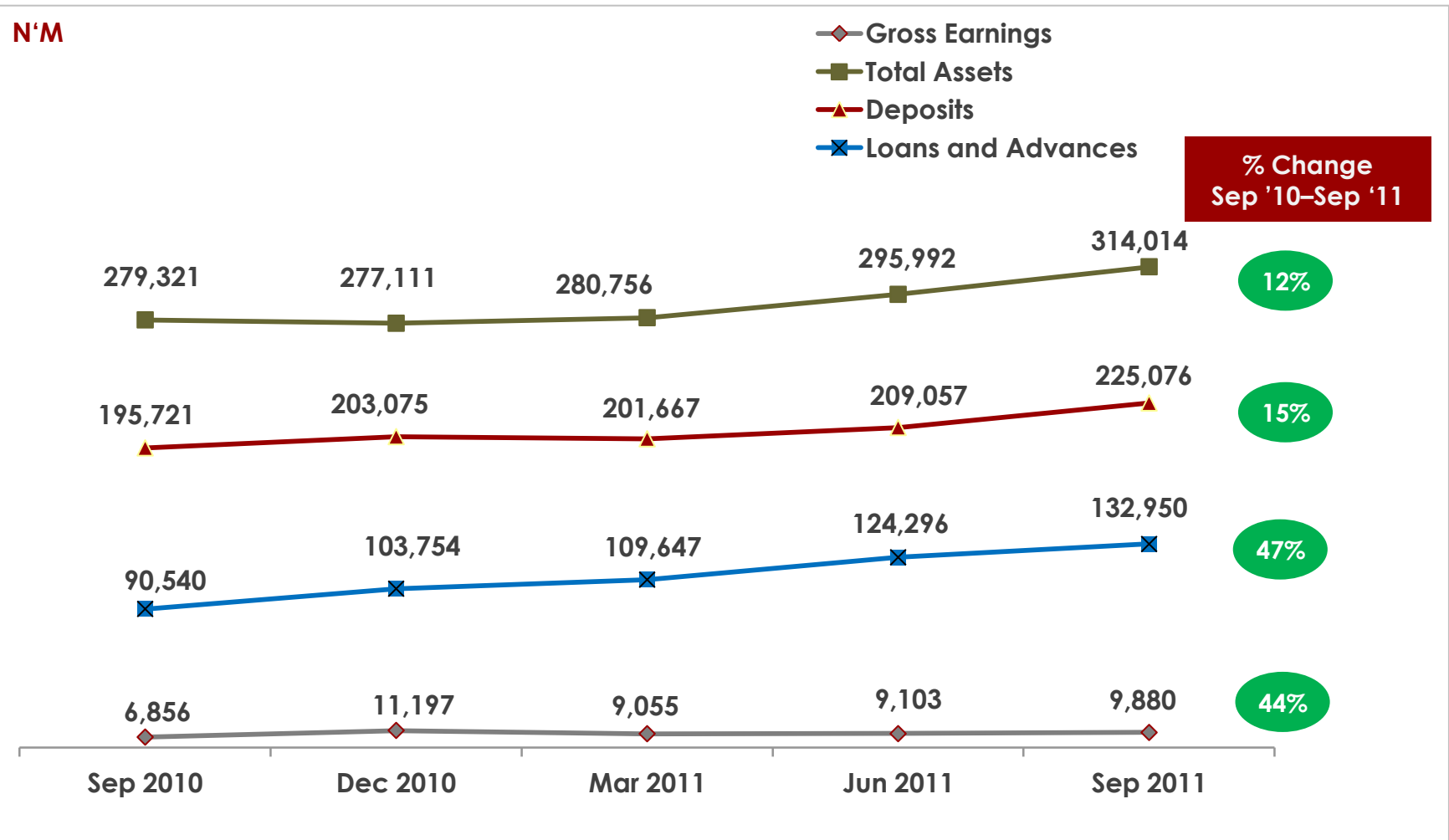
Source: MSCI



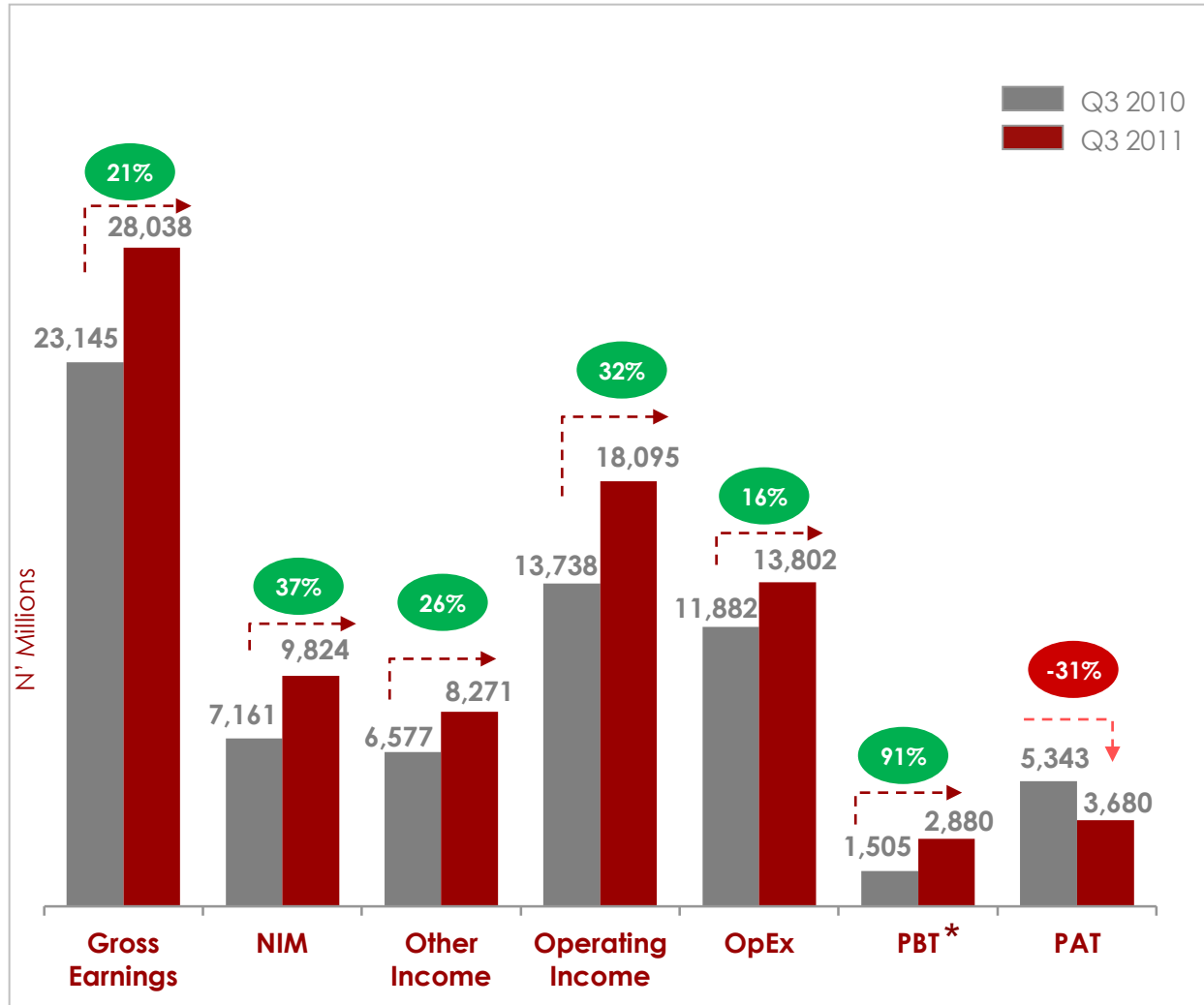
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## Performance Review

# Key Trends



# Income Statement highlights

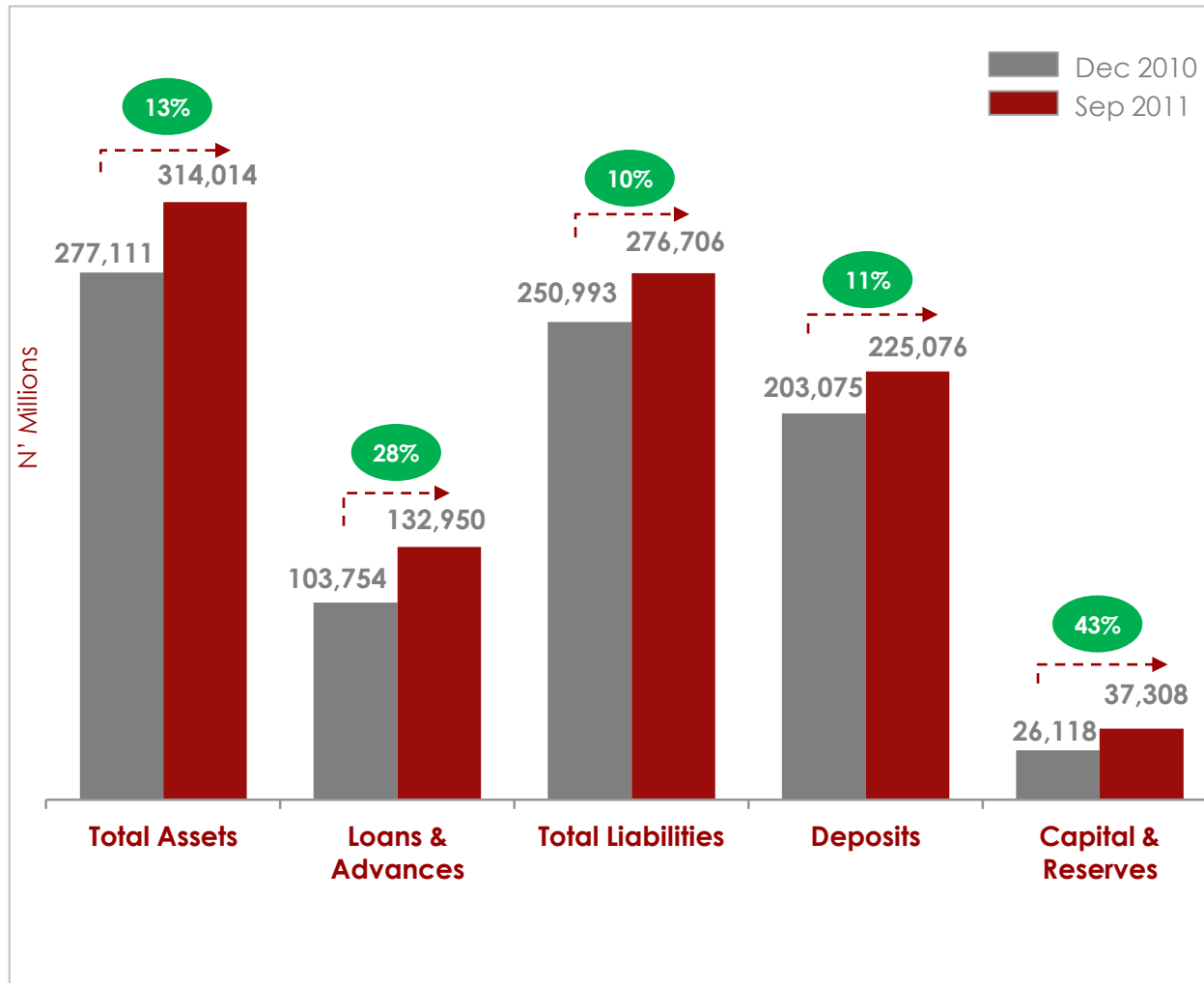


\* Before Exceptional Item

## Comments

- Double digit growth in revenues driven by improvement in both interest and non-interest income
- Growth in operating income boosted by NIM expansion
- Increase in operating expenses due largely to inflationary pressures
- Profit before exceptional item grew 91% to N2.9 billion.
- Decline in PBT largely due to N4.2bn loan recovery that boosted net earnings in 2010. Core earnings excluding exceptional income was N2.9bn.

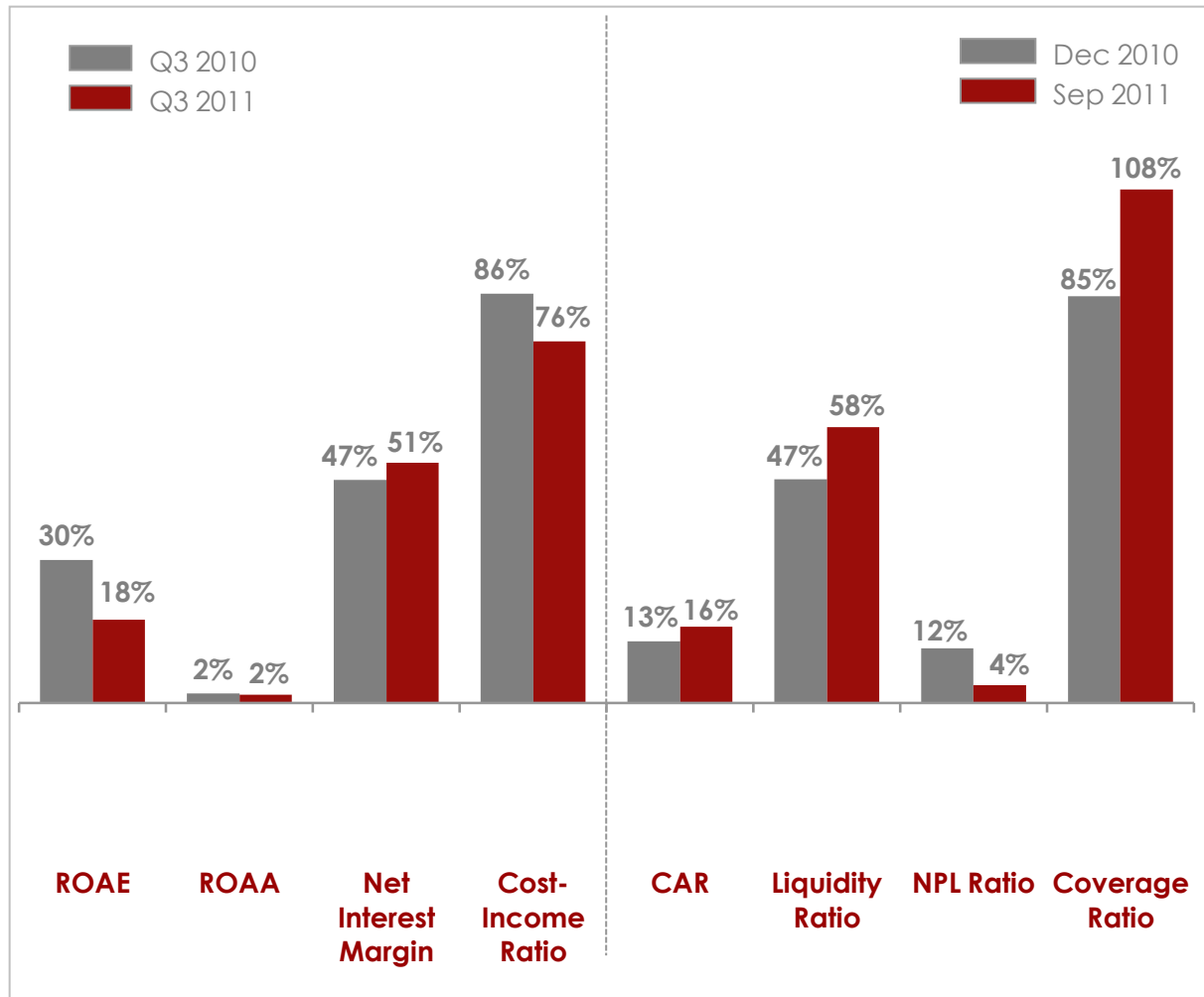
# Balance Sheet highlights



## Comments

- Continuous growth in key balance sheet lines spurred by slightly improved operating conditions
- Total assets and contingencies rose 14% to N371.9b from N326.0b in Dec. 2010
- Loans and advances grew by 28% despite sale of loans to AMCON.
- Loans sold to AMCON in the tranche II process at N10.4bn, 9% of gross loans as at Dec. 2010
- Growth in capital & Reserves resulted from profit accretion and N7.5bn subordinated note issuance.

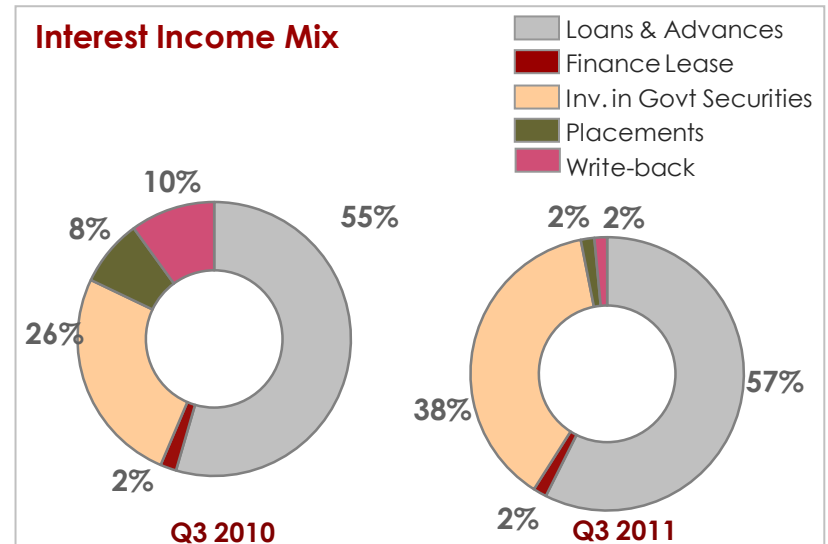
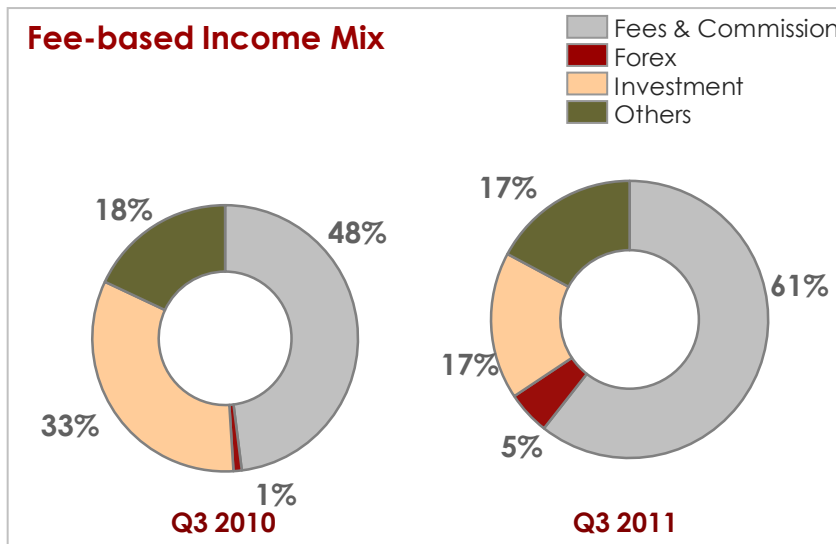
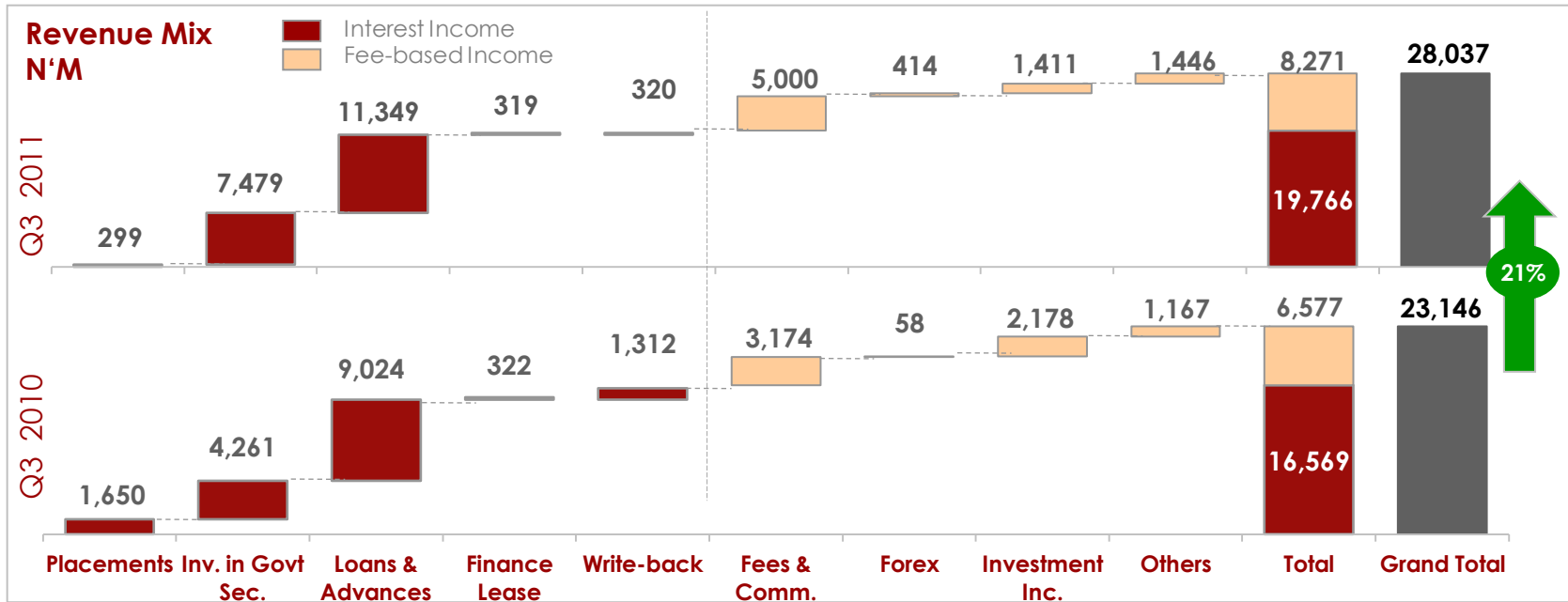
# Key Financial Ratios



## Comments

- Return on Average Equity stood at a competitive level of 18%
- Net Interest Margin rose to 51% feeding from a 28% improvement in interest income
- Strong improvement in liquidity ratio despite tighter monetary policy measures
- Improvement in capital adequacy ratio to support business growth
- NPL ratio at 3.9% in line with our medium term goals
- Coverage ratio stood at 108%

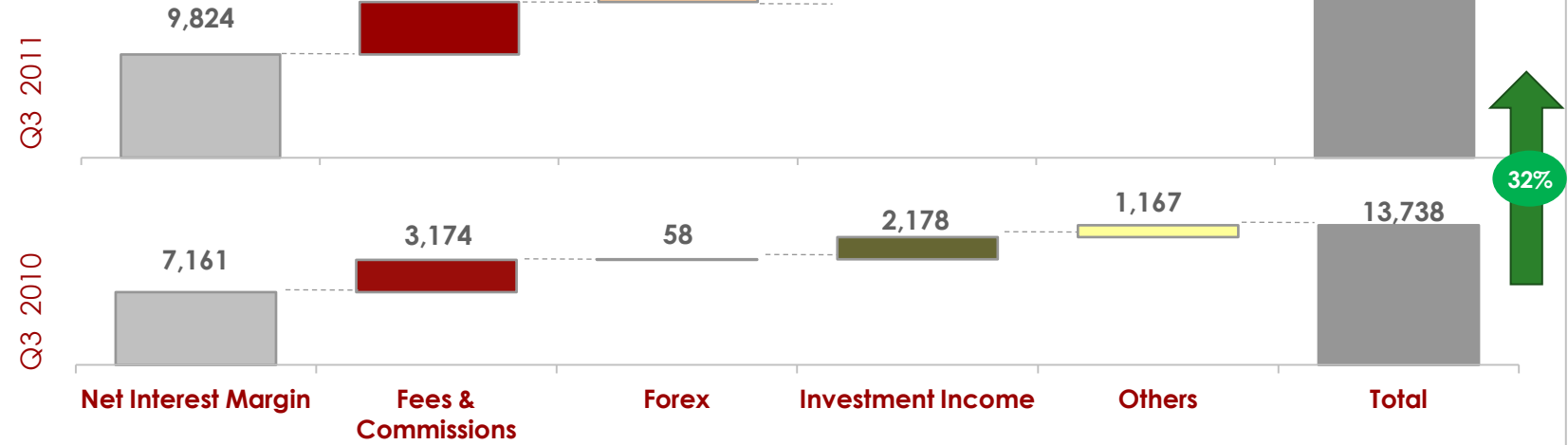
# Revenues



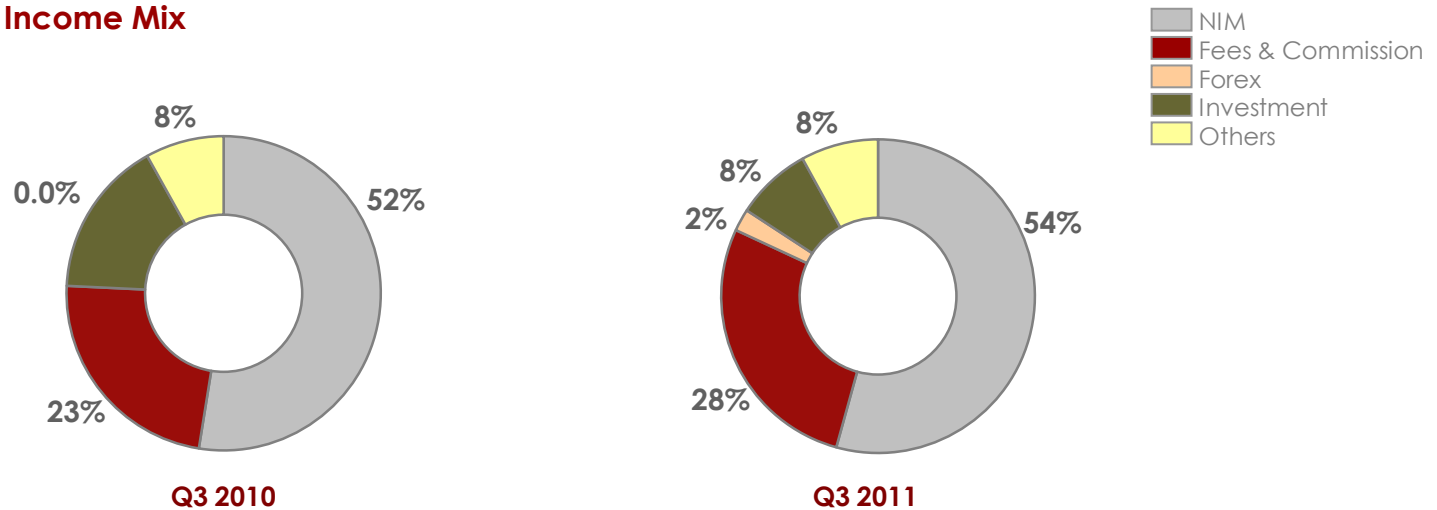
# Operating income

## Operating Income

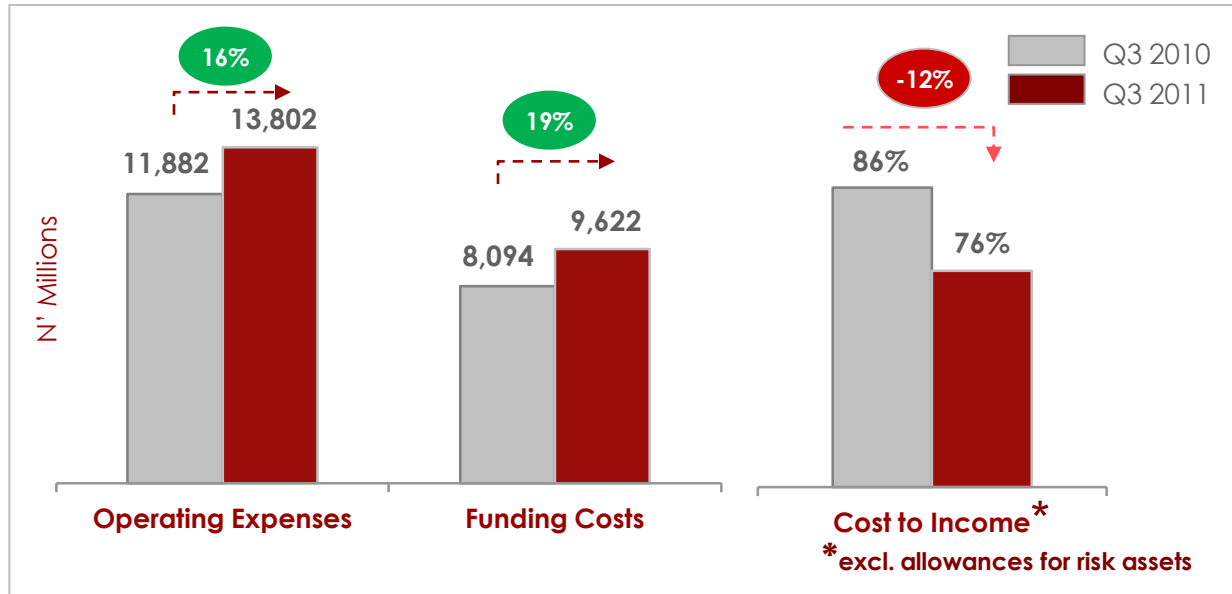
N'M



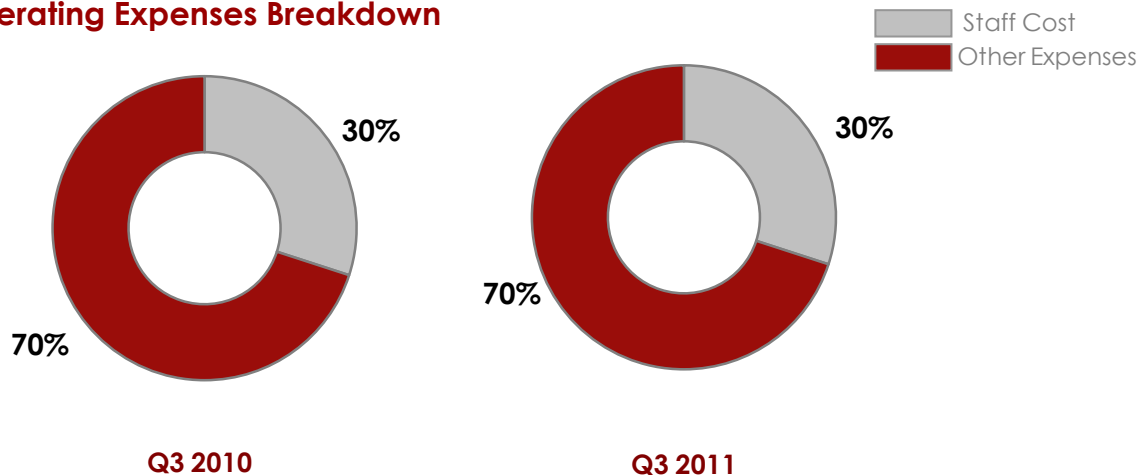
## Operating Income Mix



# Operating Efficiency



## Operating Expenses Breakdown

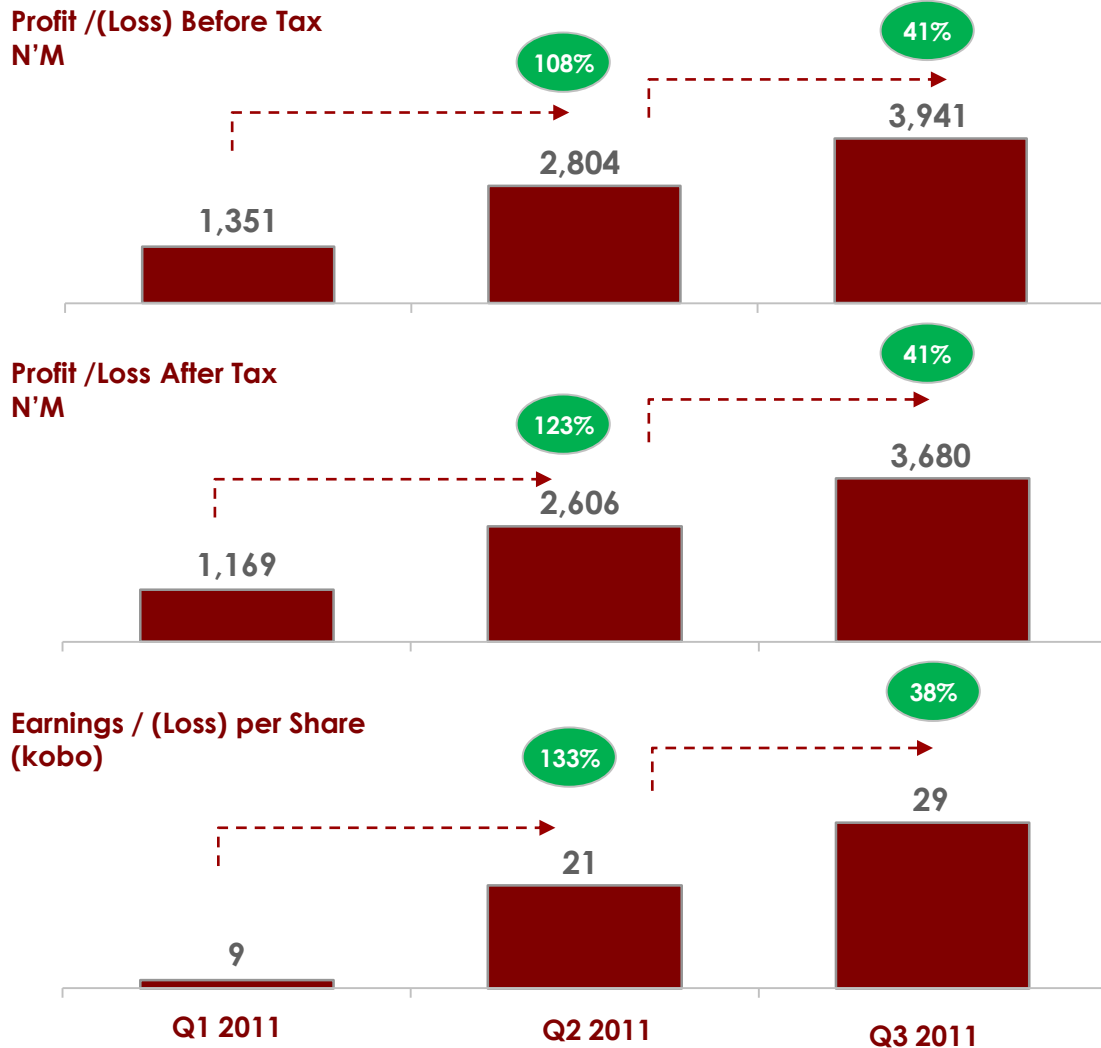


## Comments

- Funding costs impacted by high interest rates resulting from tight monetary policy measures of the CBN.
- However, weighted average cost of funds remained relatively stable at 5%
- Reduction in cost to income ratio reflecting improvement in revenues
- Efficiency will improve significantly as we tap cost and revenue benefits from economies of scale and operational synergies arising from business combination with ETB



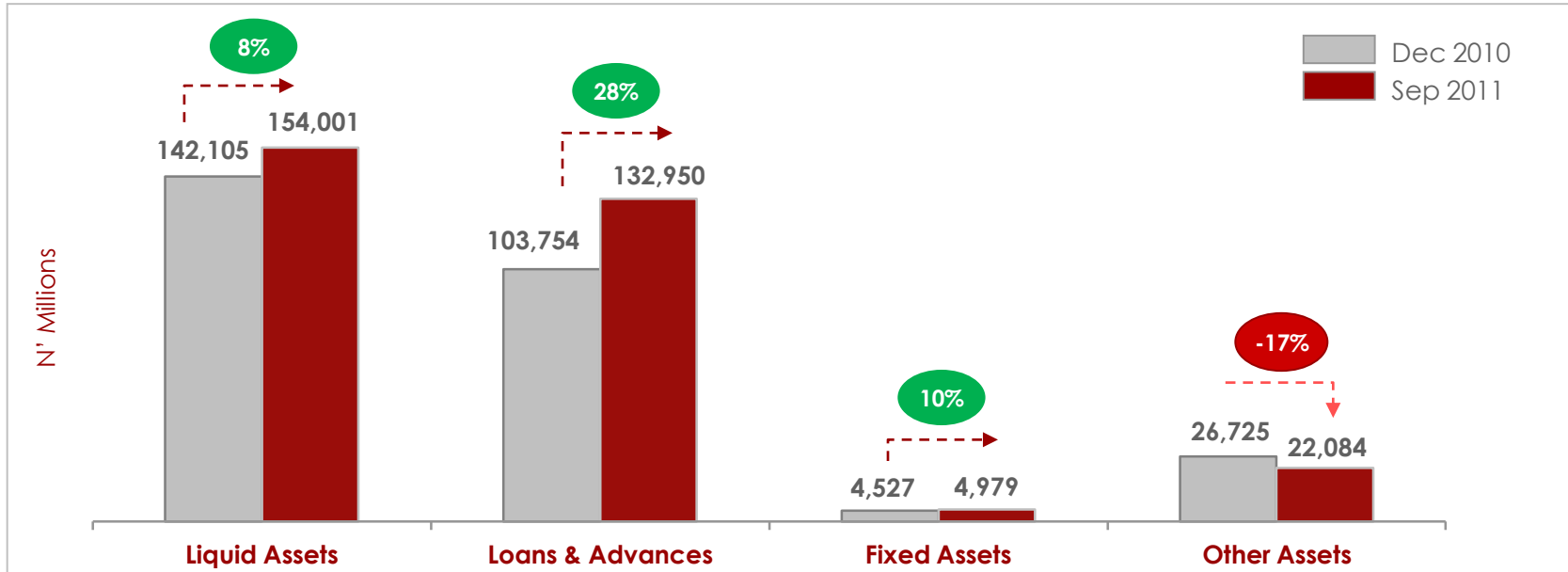
# Net Earnings



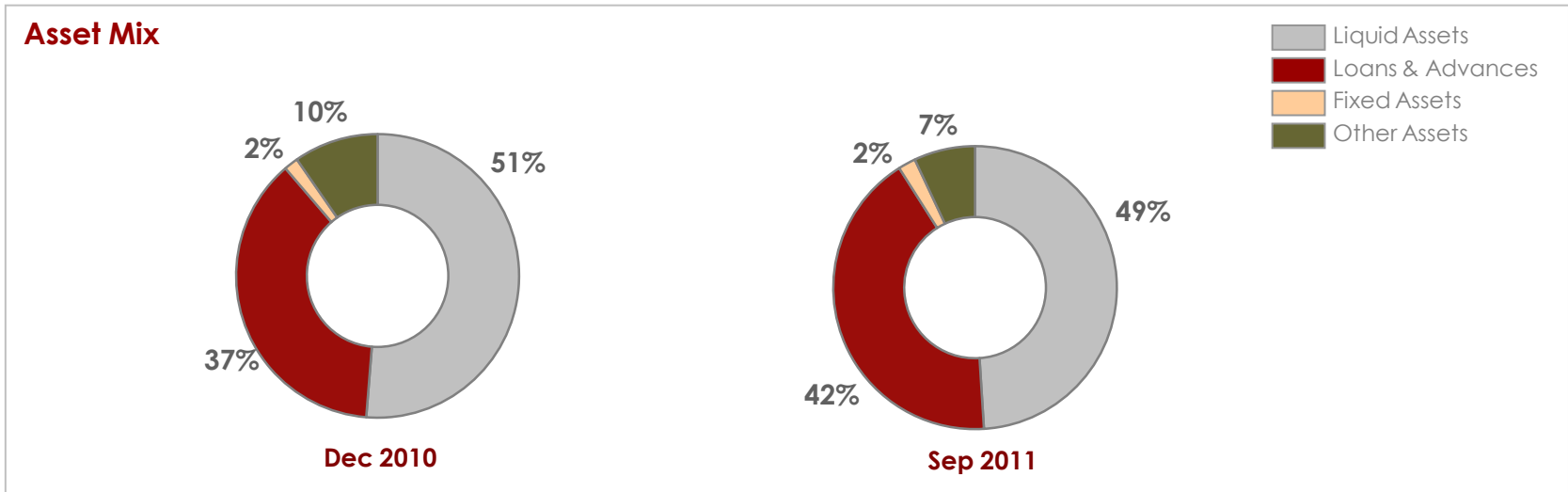
## Comments

- The Group recorded steady growth in net earnings quarter-on-quarter. However, the momentum slowed in the third quarter
- In the final quarter of 2011, we are optimistic that the performance in preceding quarters will be sustained and surpassed
- To achieve this we would continue to focus on:
  - Growing quality risk assets - 28% growth achieved as at 3Q 2011
  - Deepening retail penetration for low cost deposit mobilization

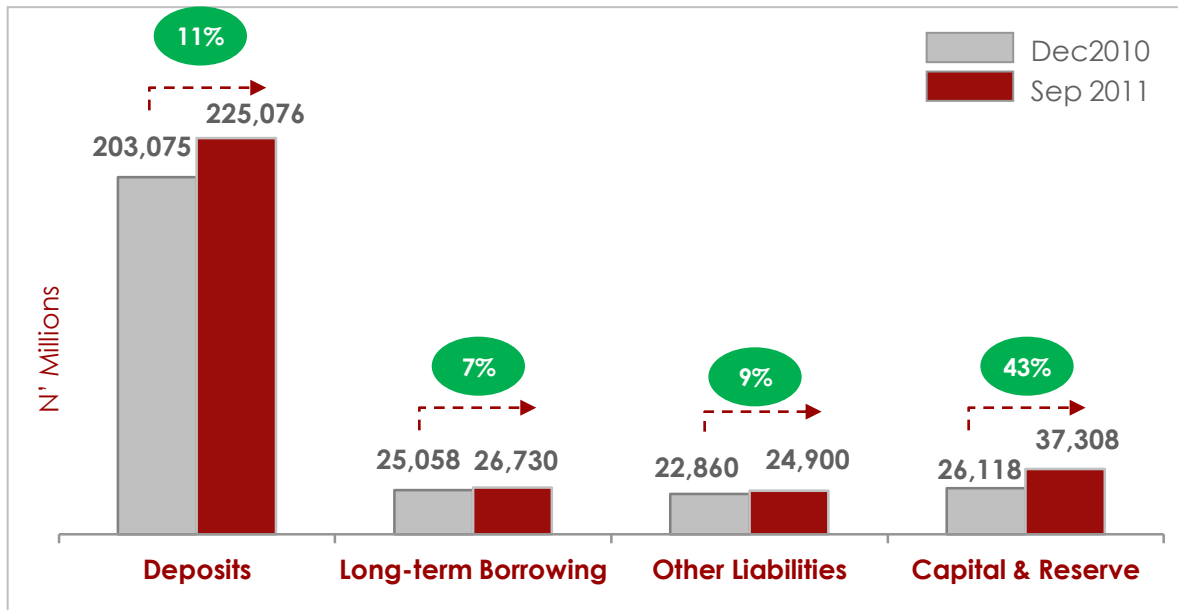
# Asset Decomposition



## Asset Mix



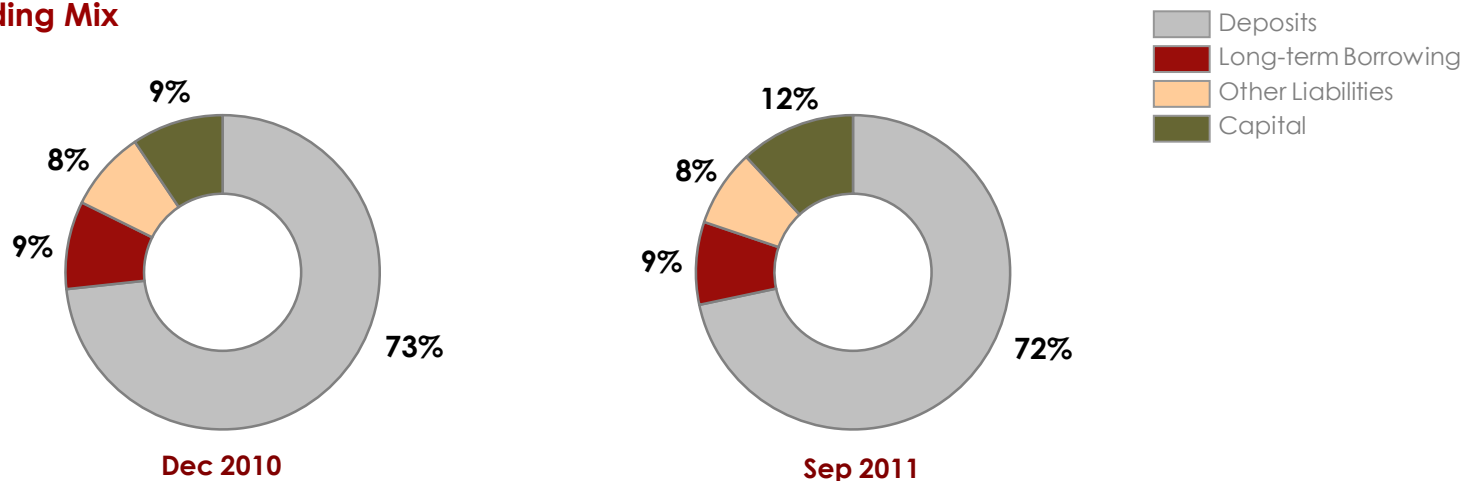
# Assets Funding Mix



## Comments

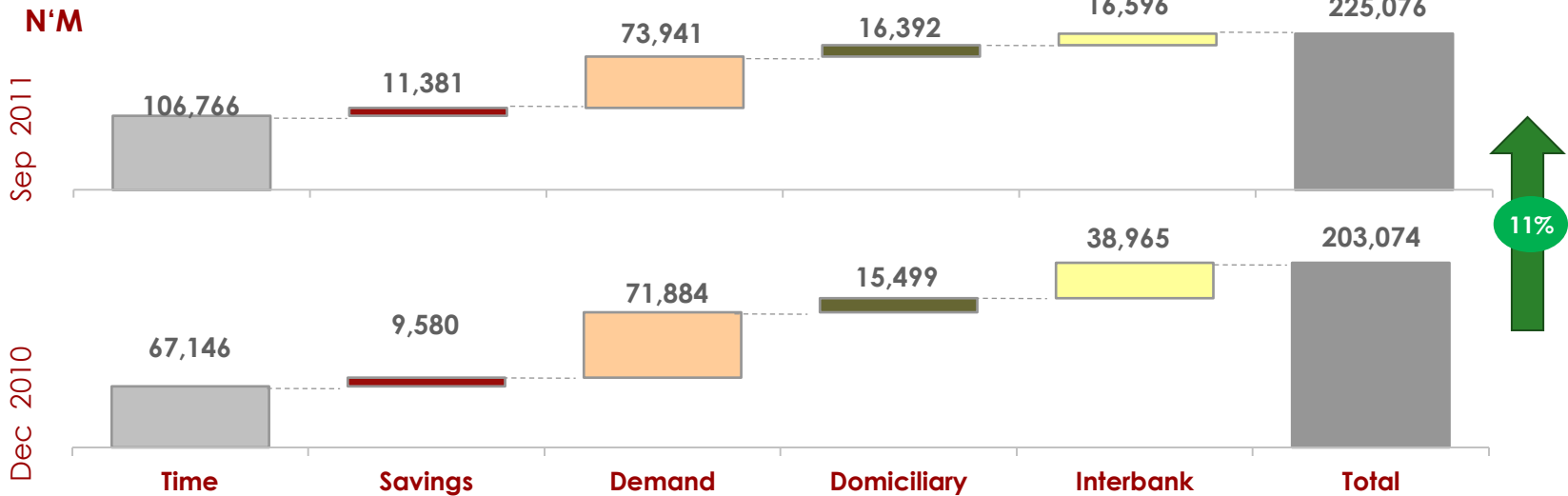
- Diversified funding base with deposits as the major funding source
- Deposits funded 73% of total assets, while capital funded 12%
- Long-term borrowing consists of facilities from Citibank and Bank of Industry (under the CBN intervention fund).

## Asset Funding Mix

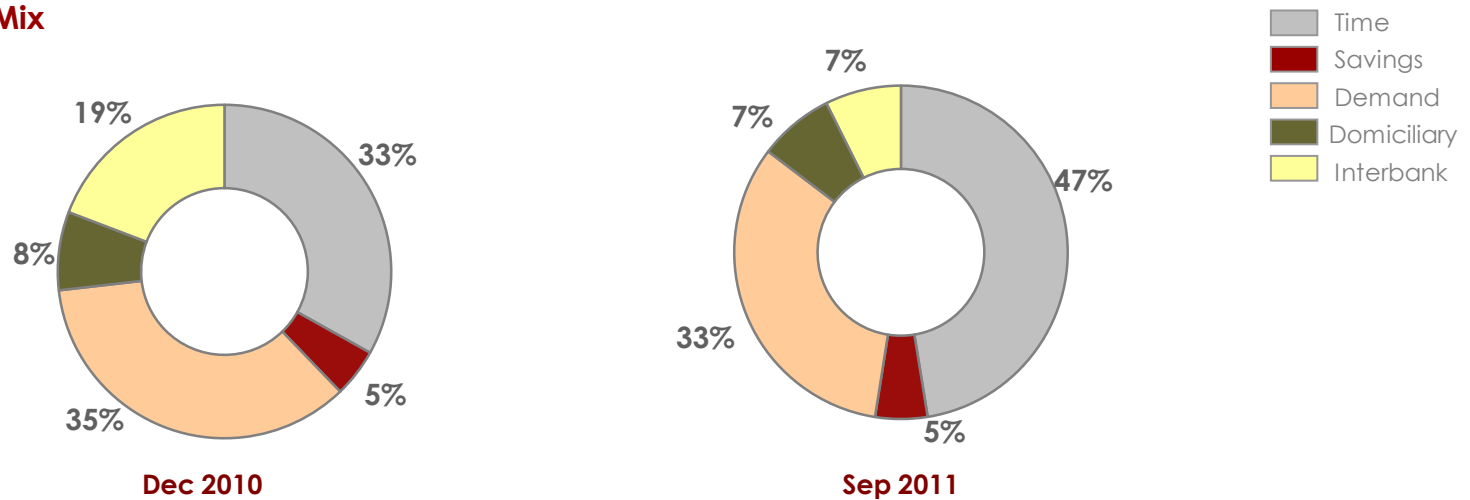


# Deposits

## Deposit breakdown

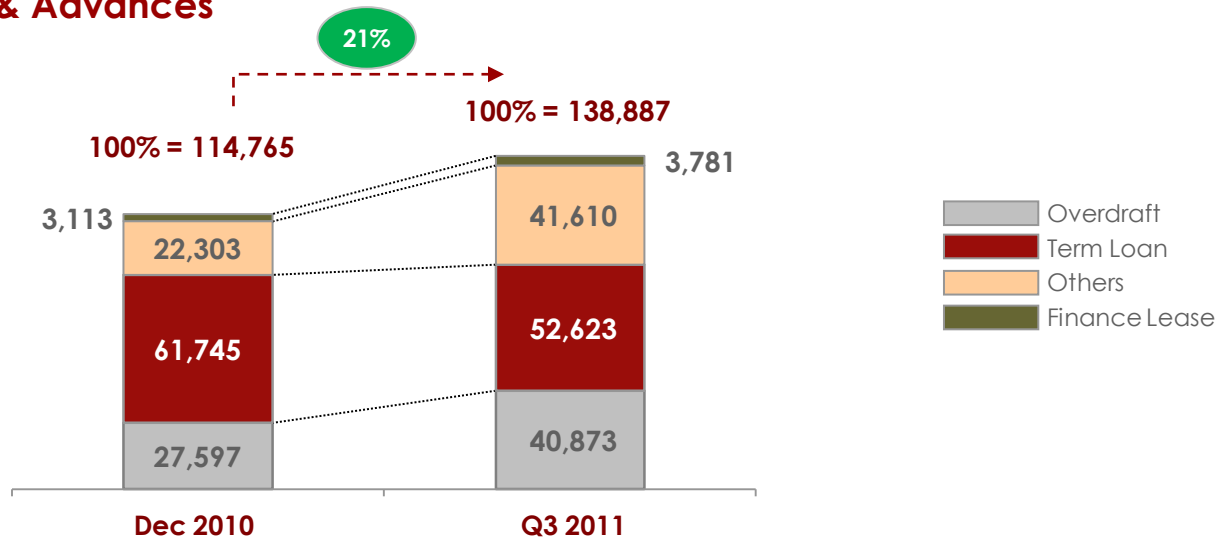


## Deposit Mix

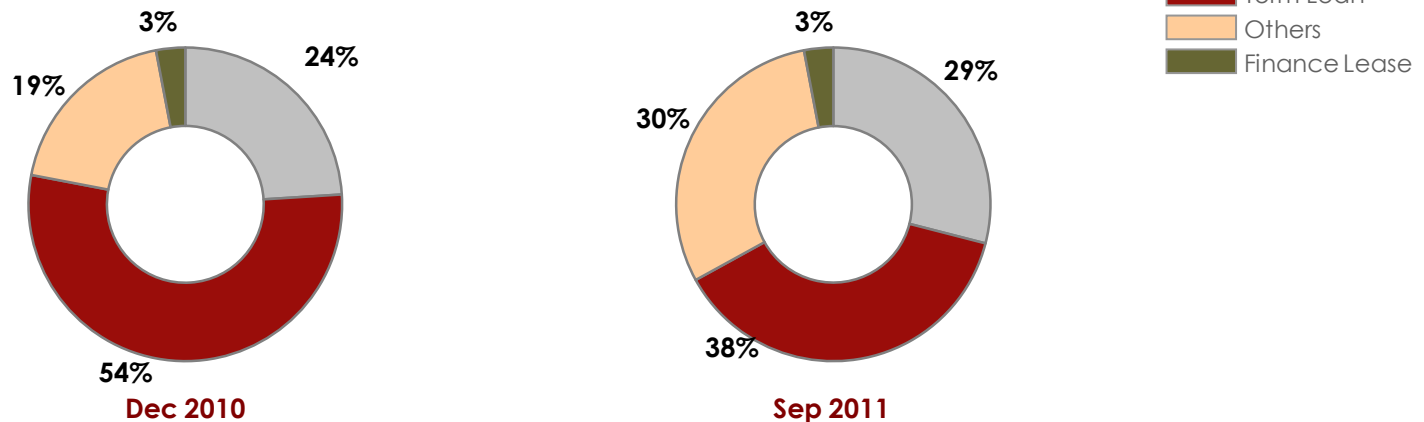


# Gross Loans by Type

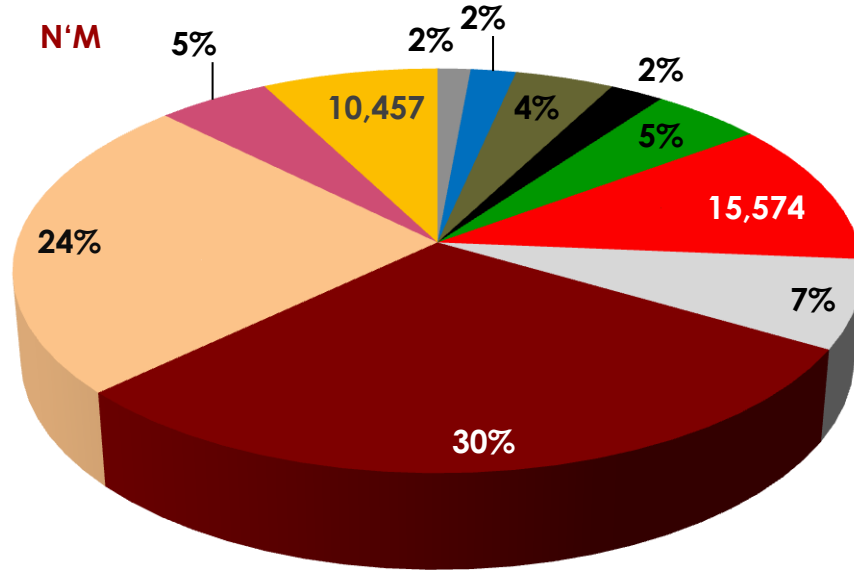
## Loans & Advances N'M



## Loans & Advances by Type



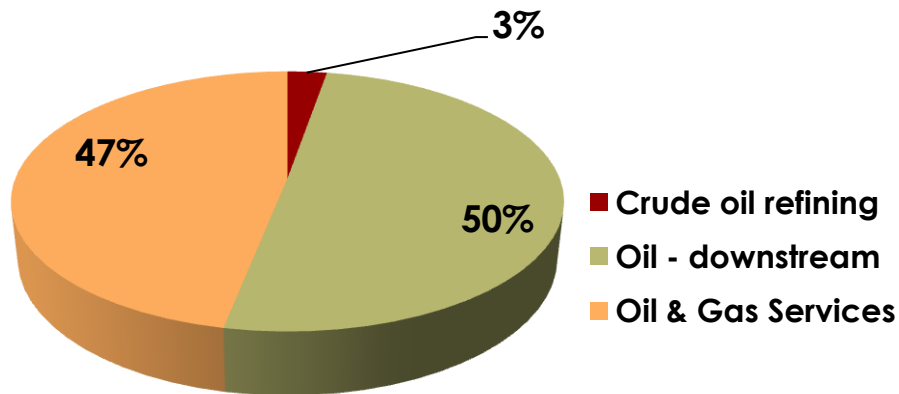
# Gross Loans by Sector



## % of Total: Sep 2011 (Dec. 2010)

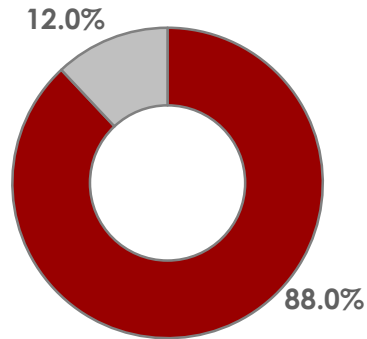
- Agriculture 1.4% (0.5%)
- Capital Market 2% (2.5%)
- Finance & Insurance 4.3% (4.1%)
- General/Others 2.4% (1.6%)
- Government 4.8% (1.8%)
- Indiv. & Professionals 11.4% (11.3%)
- Manufacturing 7.1% (11.6%)
- Oil & Gas 29.6% (16.9%)
- Real Estate & Construction 24.4% (33.6%)
- Telecoms & Transportation 4.9% (3.7%)
- Trading & Gen. Commerce 7.7% (12.5%)

## Oil & Gas Exposure Split

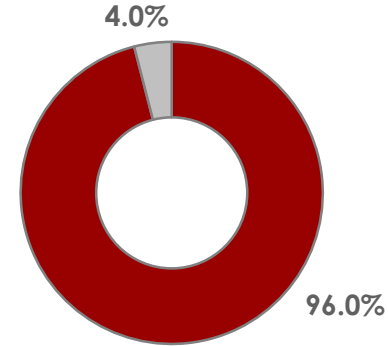


# Loan book classification

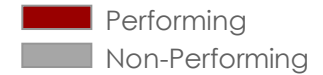
## Loans by Performance



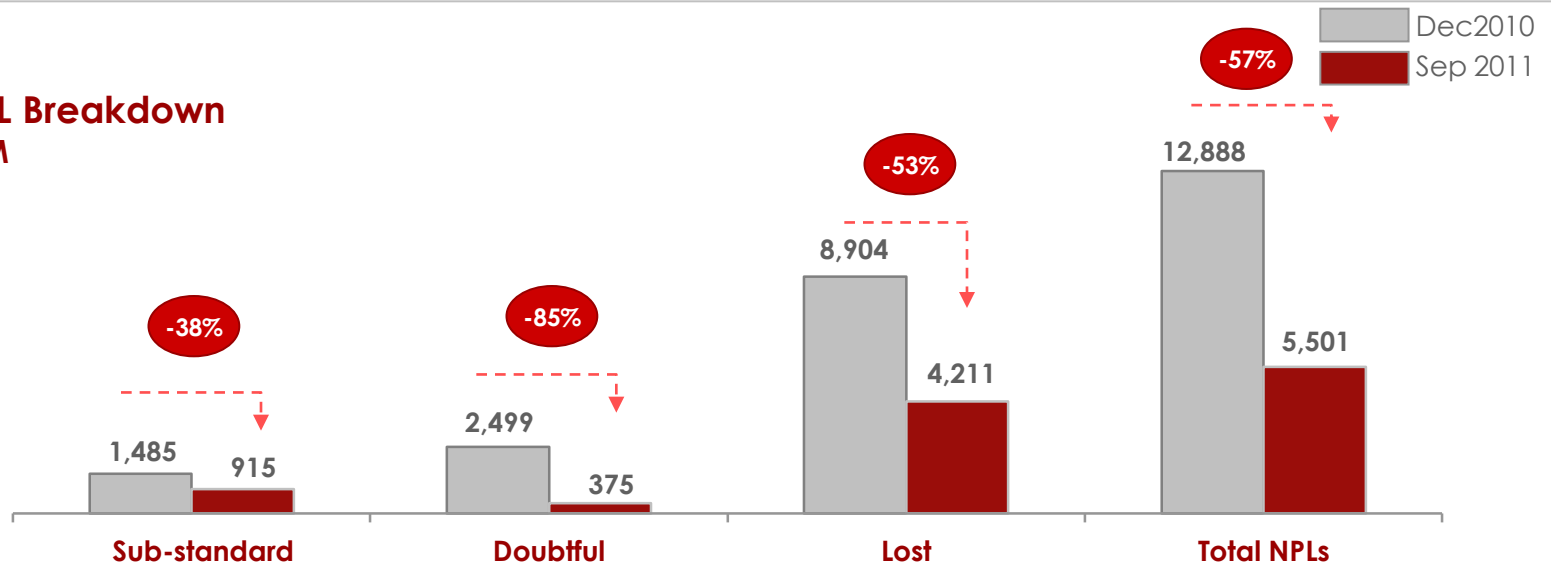
Dec 2010



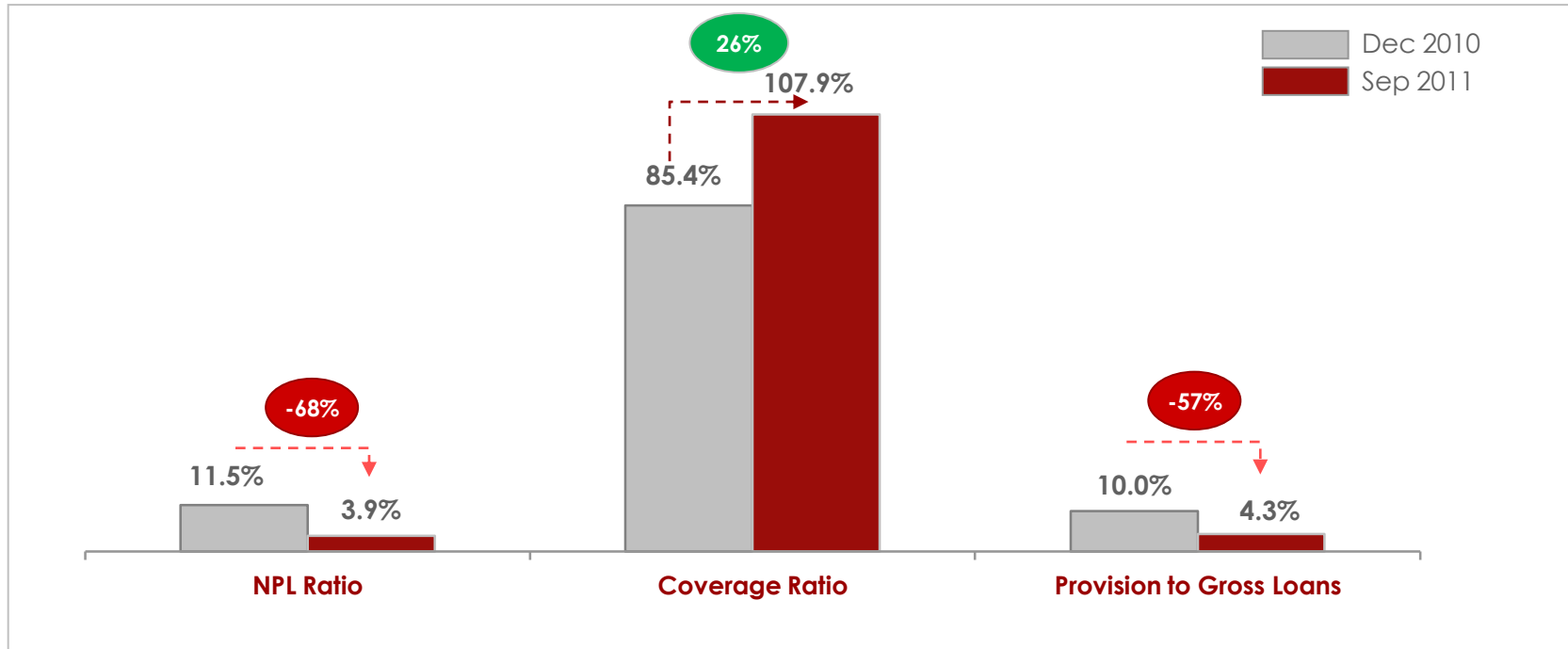
Sep 2011



## NPL Breakdown N'M



# Asset Quality



## Comments

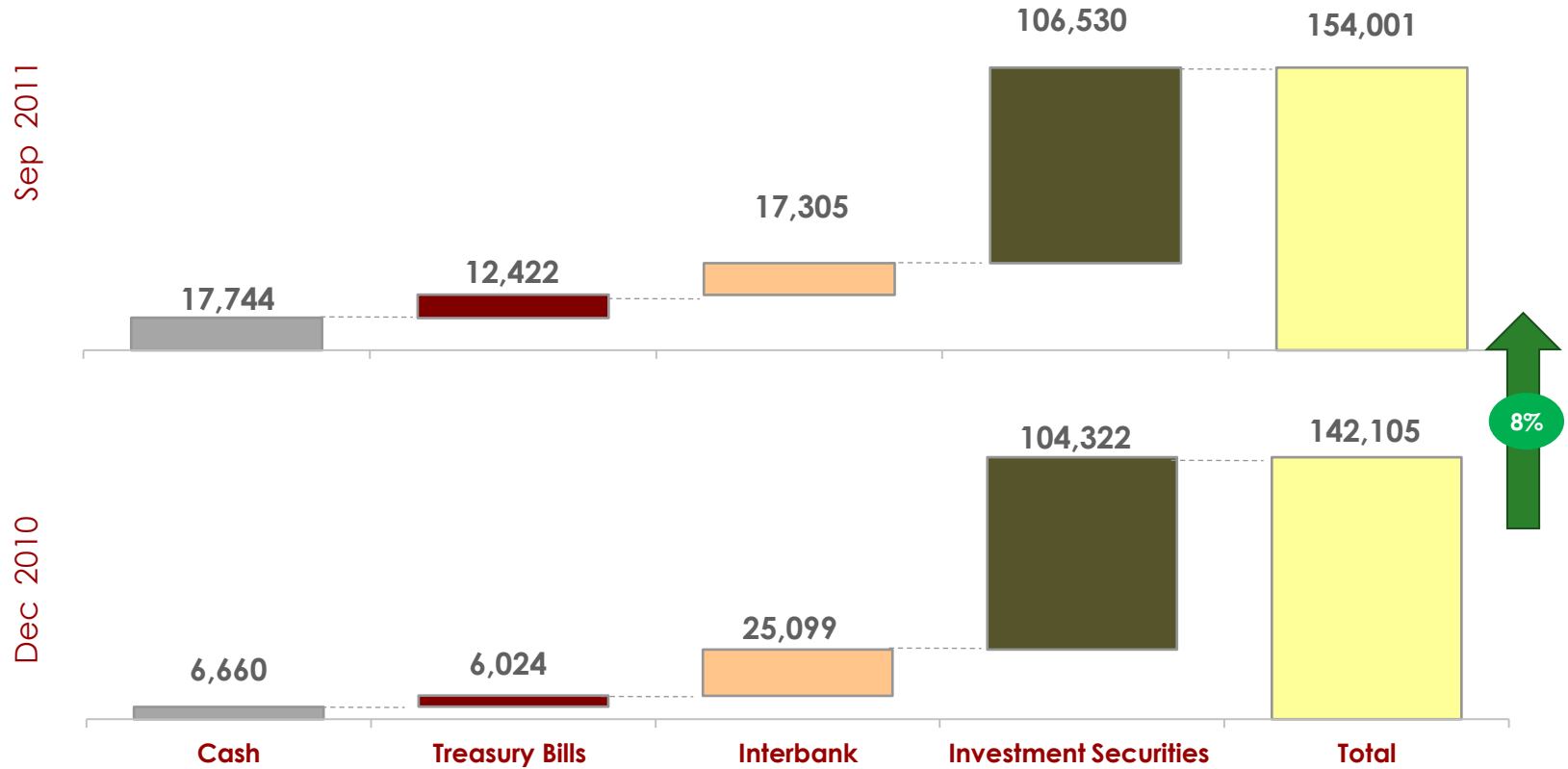
- NPL ratio reduced to 3.9% of total loans driven by AMCON purchases. As at September 2011, total NPLs sold to AMCON stood at N10.35b representing non-margin facilities
- The Bank has made adequate cover for non performing loans with coverage ratio of 108%.
- Cost of risk reduced to 4% from 10% in December 2010.



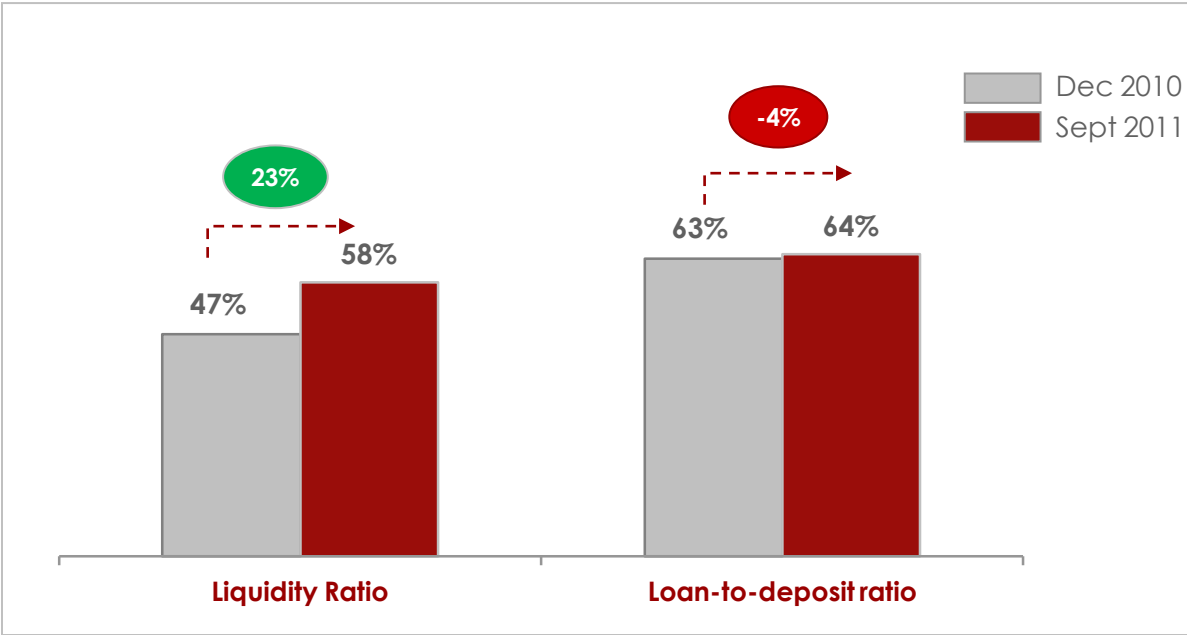
# Liquidity Profile

## Liquid Assets breakdown

N'M



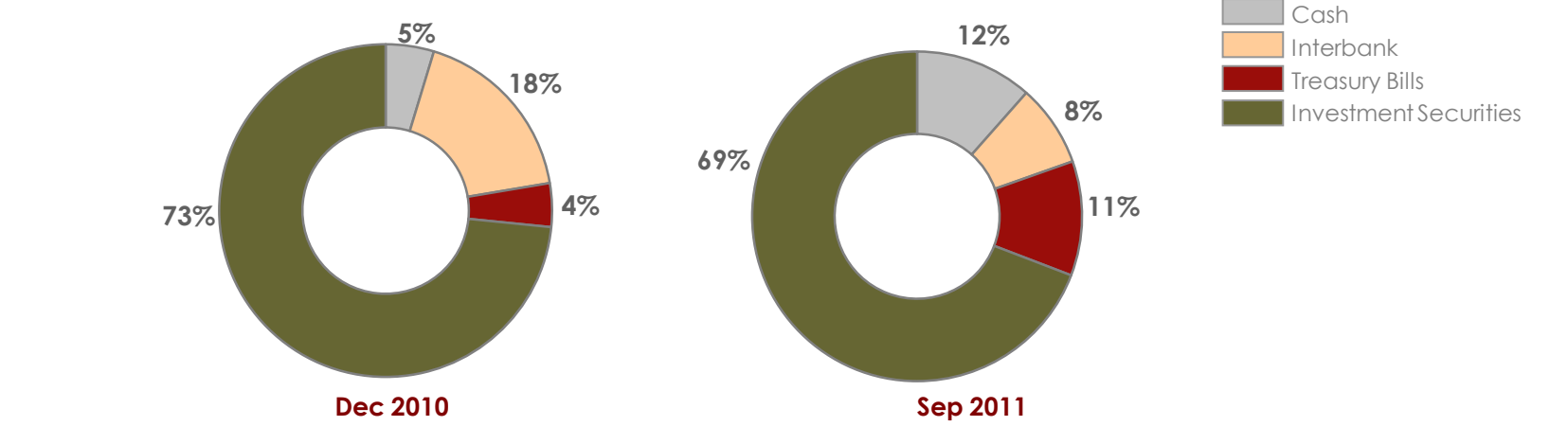
# Strong Liquidity position



**Comment**

- Liquidity ratio stood at a healthy level of 58%

## Liquid Assets Split



**3**

## **Business Case for ETB Acquisition**

# Deal Highlights

- AMCON injects 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 receives 785,193,222 units of ETB shares subsequent to ETB's capital re-organization
- Existing ETB shareholders re-capitalize the institution up to N8.5 billion from zero
- Sterling Bank issues 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 retain existing holding, which total 80% of the enlarged Sterling Bank
- Total Sterling Bank shares in issue increases by 25% to 15,703,864,432 ordinary shares of 50 kobo each.

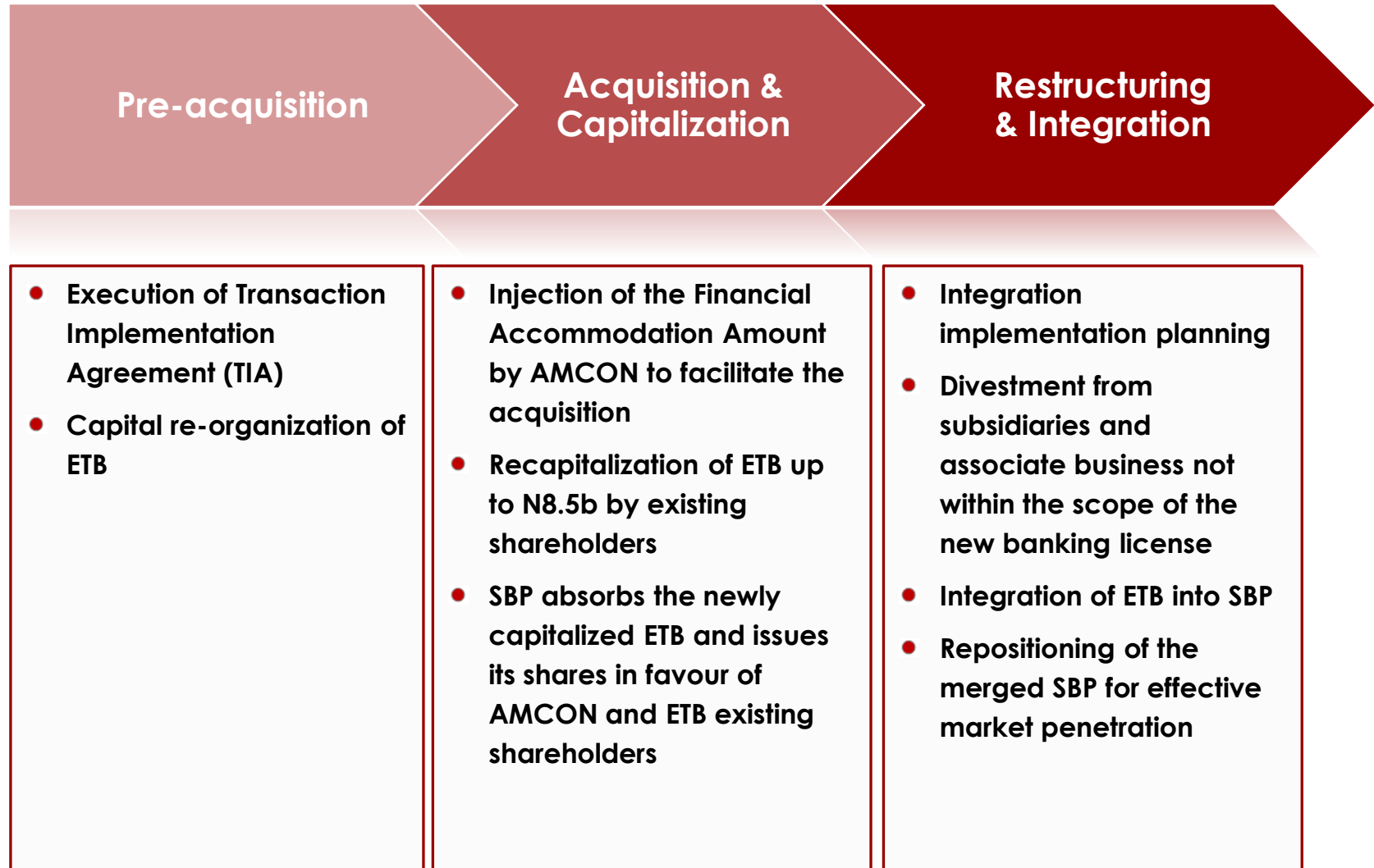
## Key Facts

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

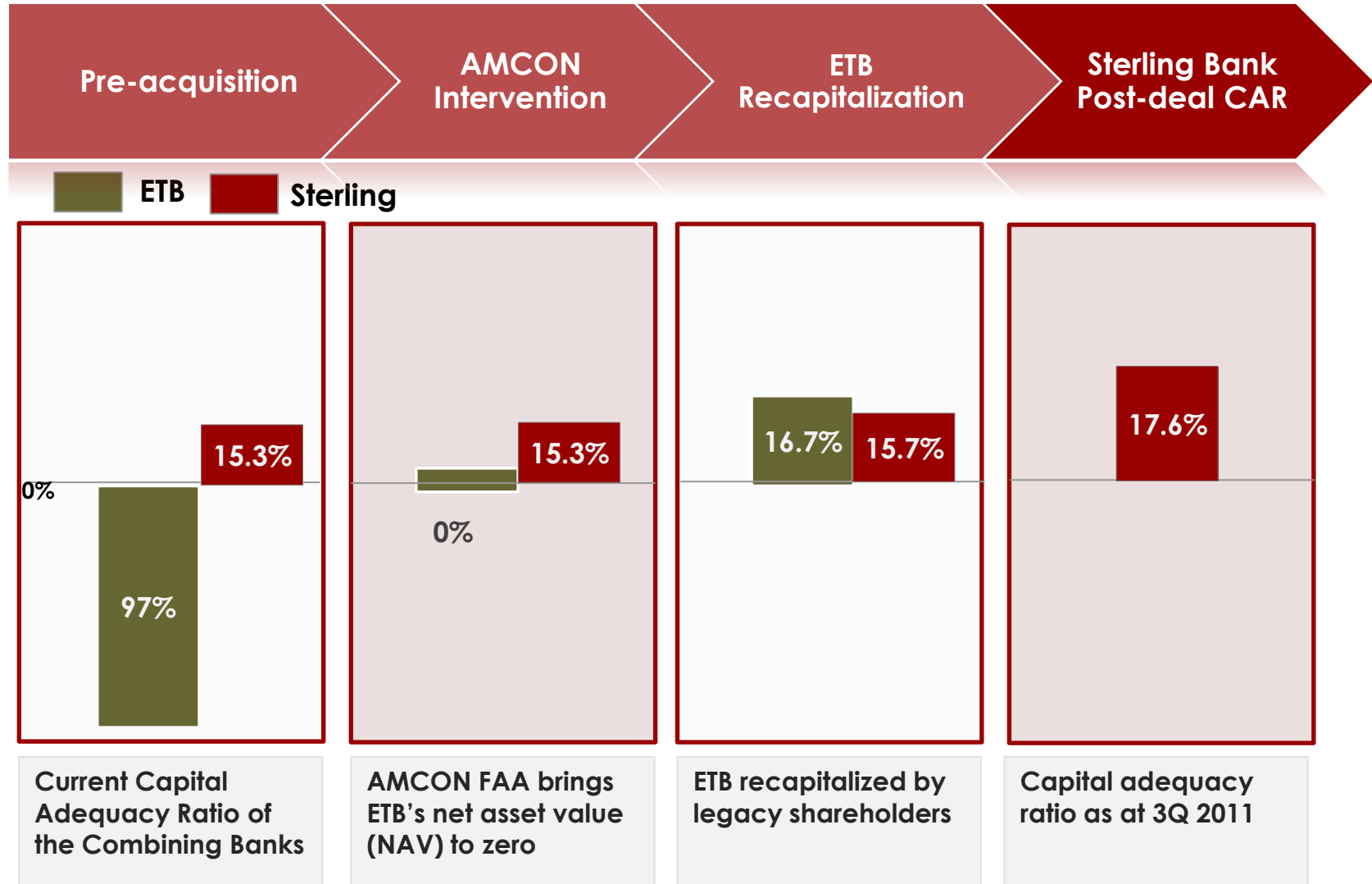
## Valuation

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

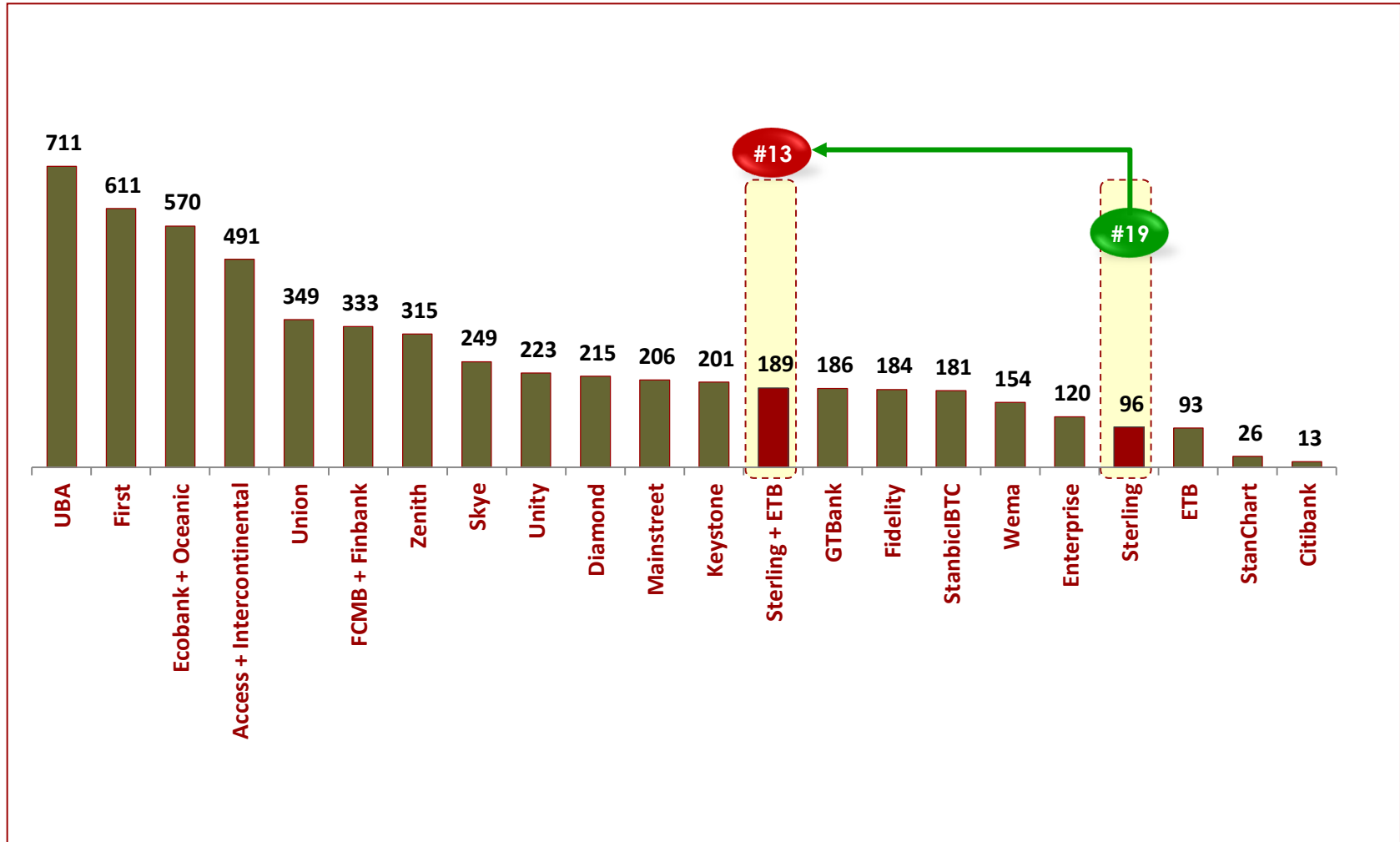
# Transaction Dynamics



# Pro Forma Capital Position

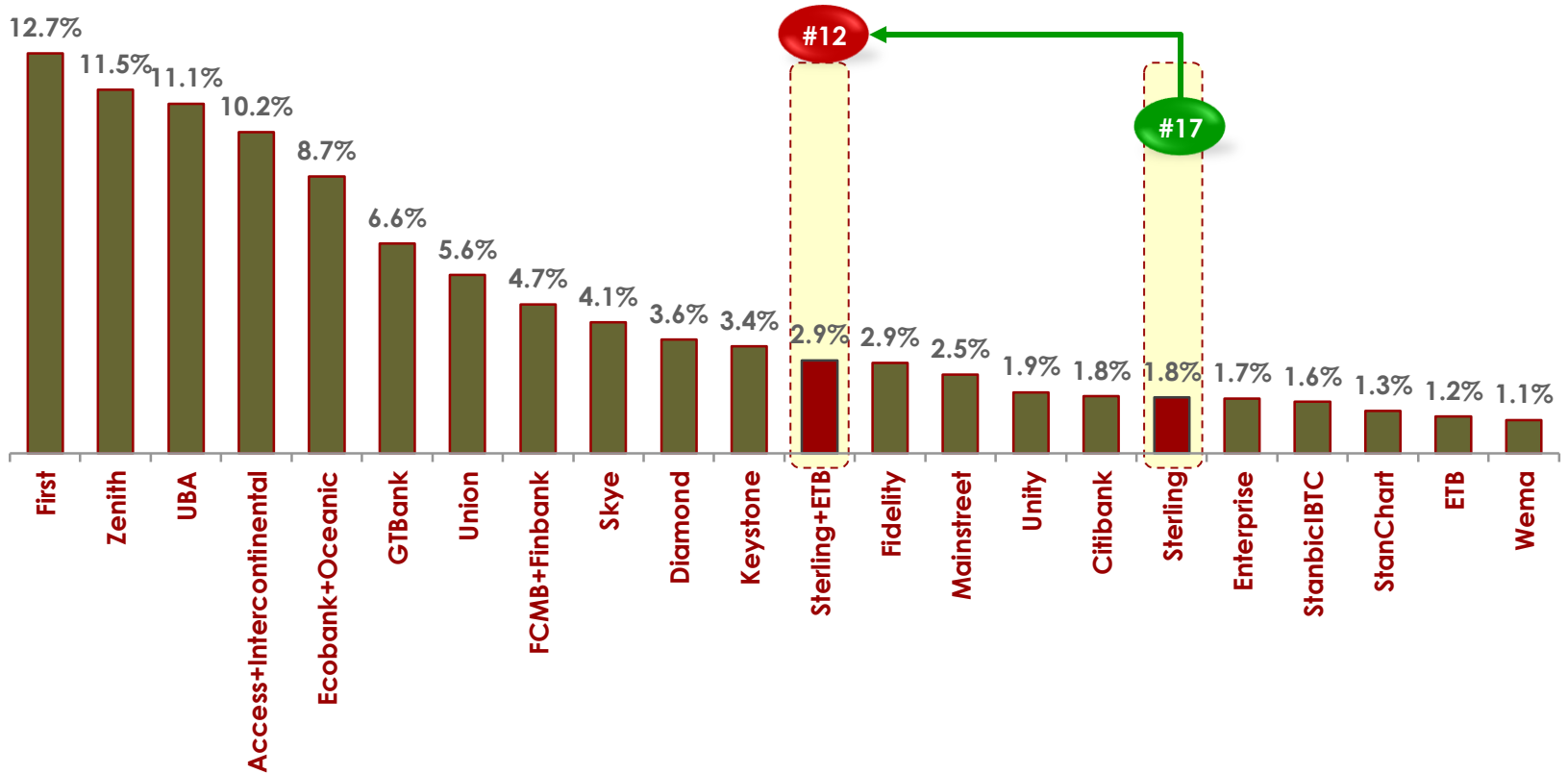


# Market Share by Branches



# Market Share by Deposits

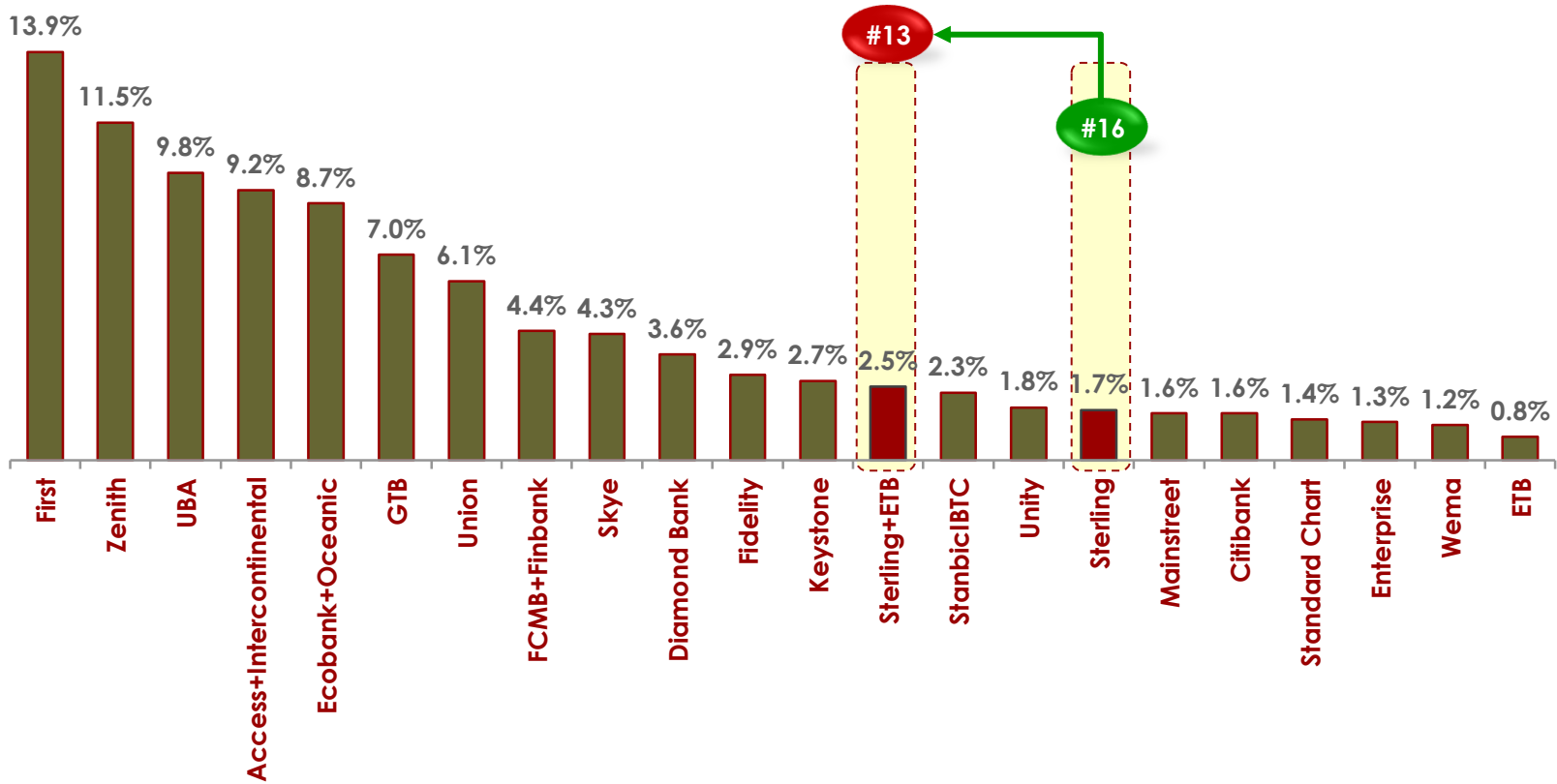
FY 2010, %





# Market Share by Assets

FY 2010, %



# 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

# Key Transaction Timelines

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

# Consolidated Balance Sheet – 3Q 2011

Indicators (N in Millions)	Sterling Bank	ETB	Consolidated
<b>ASSETS</b>			
Cash & Short Term Investments	30,166	25,795	55,961
Due from other Banks	17,305	13,000	30,305
Loans & Advances	132,950	31,385	164,335
Investment Securities	106,530	123,722	230,252
Other Assets	22,084	12,056	34,140
Fixed Assets	4,979	3,932	8,911
<b>TOTAL ASSETS</b>	<b>314,014</b>	<b>209,890</b>	<b>523,904</b>
<b>LIABILITIES</b>			
Customers' deposits	225,076	149,526	374,602
Borrowings	26,730		26,730
Other Liabilities	24,900	47,532	72,432
<b>TOTAL LIABILITIES</b>	<b>276,706</b>	<b>197,058</b>	<b>473,764</b>
<b>CAPITAL</b>			
Tier I Capital	29,808	12,832	42,640
Tier II Capital	7,500		7,500
Capital & Reserves	37,308	12,832	50,140
Contingencies	57,882	31,582	89,464
<b>Balance sheet size</b>	<b>371,896</b>	<b>241,472</b>	<b>613,368</b>

# Financial Forecasts: Balance Sheet

(N in Millions)	2011E	2012E	2013E
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>	<b>561,657</b>	<b>684,478</b>	<b>818,294</b>
<b>LIABILITIES</b>			
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
<b>TOTAL LIABILITIES</b>	<b>514,443</b>	<b>610,055</b>	<b>727,367</b>
<b>NET ASSETS</b>	<b>47,214</b>	<b>74,423</b>	<b>90,927</b>

# Financial Forecasts: Capital & Reserves

(N in Millions)	2011E	2012E	2013E
<b>DEBT CAPITAL</b>			
13% subordinated unsecured Non-convertible stock	7,500	7,500	7,500
<b>CAPITAL AND RESERVES</b>			
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
<b>Capital and Reserves</b>	<b>47,214</b>	<b>74,423</b>	<b>90,927</b>

## Financial Forecasts: Profit & Loss

(N in Millions)	2011E	2012E	2013E
<b>GROSS EARNINGS</b>	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)
<b>Net interest margin</b>	16,820	37,168	49,731
Fee and commission income	8,501	18,784	25,134
Fee and commission expenses	-	-	-
<b>Net fee and commission income</b>	8,501	18,784	25,134
Income from investments	1,674	1,065	1,254
Other income	4,680	9,687	12,961
<b>Operating income</b>	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)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	5,610	15,731	23,277
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	5,610	15,731	23,277
Taxation	272	(471)	(2,646)
<b>PROFIT/(LOSS) AFTER TAXATION</b>	5,881	15,260	20,632



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## Strategic Outlook



## 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

# Strategic Goals

## 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

2011

2012

2013

2014 ...

## 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

2015

2016

2017

2018

2019+

# Contacts

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