

Sterling Bank PLC
Q1 2012

Investor & Creditor Presentation

May 2012



Sterling Bank
The one-customer bank.

Important Information

Notice

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1 Macroeconomic Environment

2 Corporate Information

3 Historical Financial Trends

4 Earnings Analysis

5 Balance Sheet Analysis

6 2012 Outlook

Agenda



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**Macroeconomic
Environment**

Economic Indicators

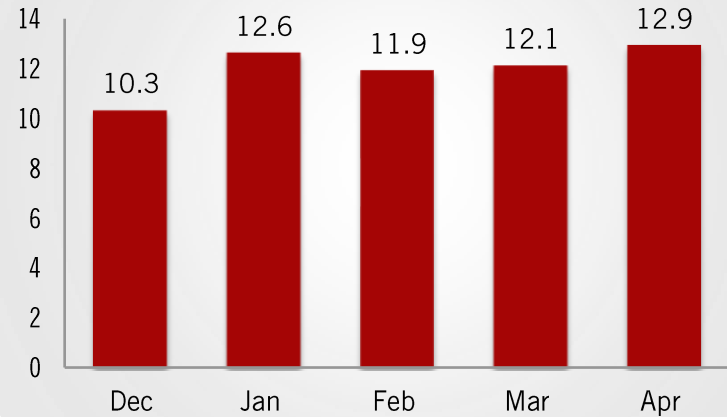
Bonny Light Spot Prices FOB (\$/Barrel)

Dec 1, 2011 to April 30, 2012



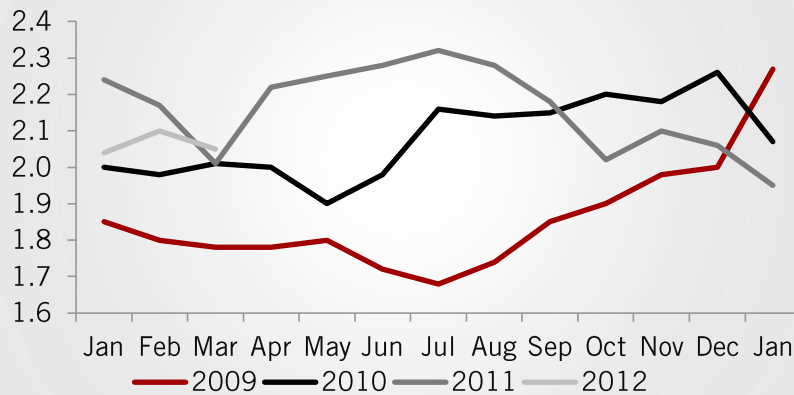
Nigeria Consumer Price Index / Inflation Rate

Dec 2011 – Apr 2012



Nigeria Crude Oil Supply Data – 4 year

2009 – 2012



Nigerian Naira/US Dollar Exchange Rate

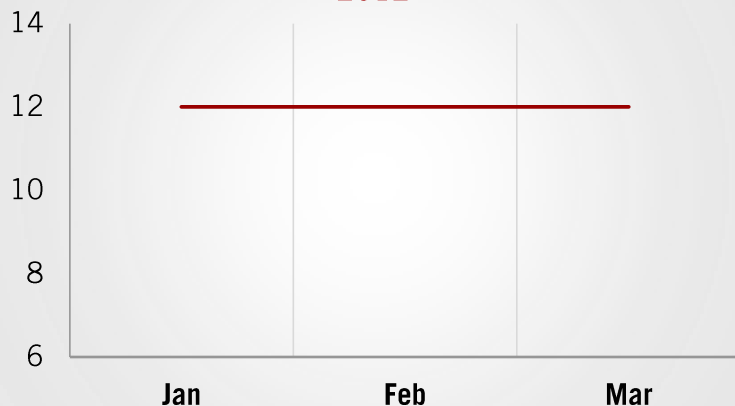
Dec 2011 – Apr 2012



Funding Ecosystem

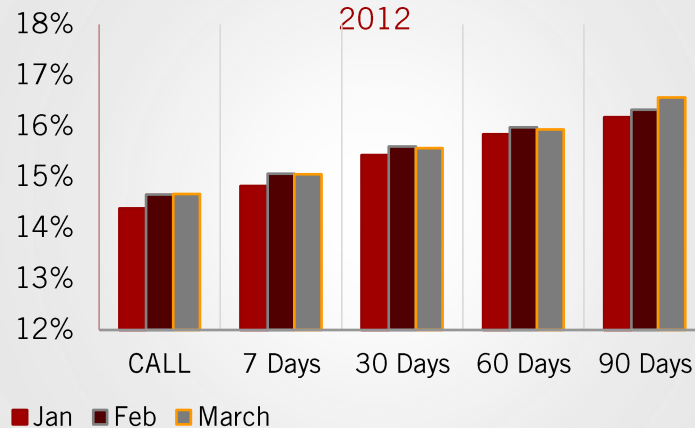
Central Bank of Nigeria Monetary Policy Rate (MPR)

2012



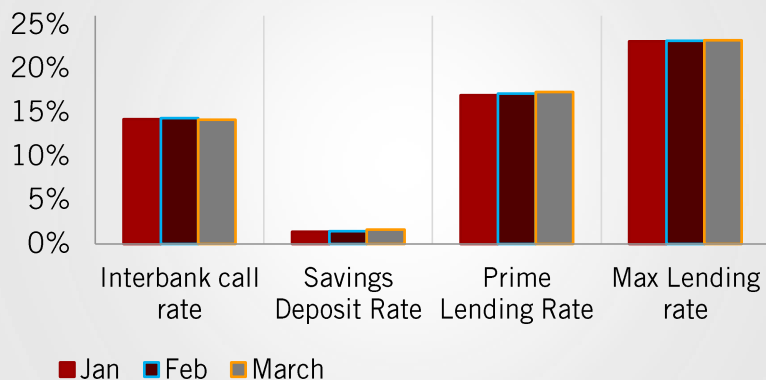
Nigerian Interbank Offer Rate (NIBOR)

2012



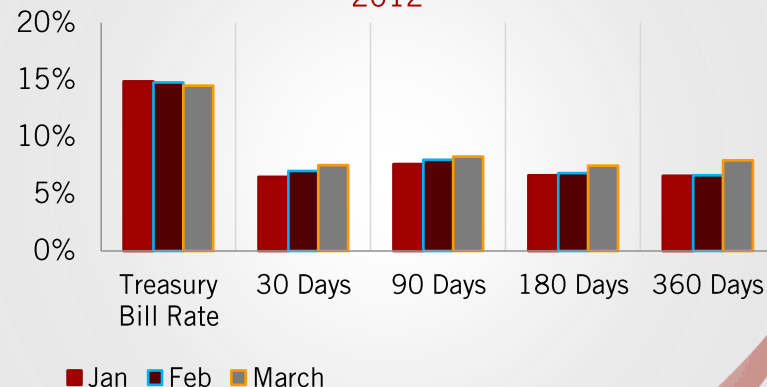
Deposit Taking – Savings Accounts

2012



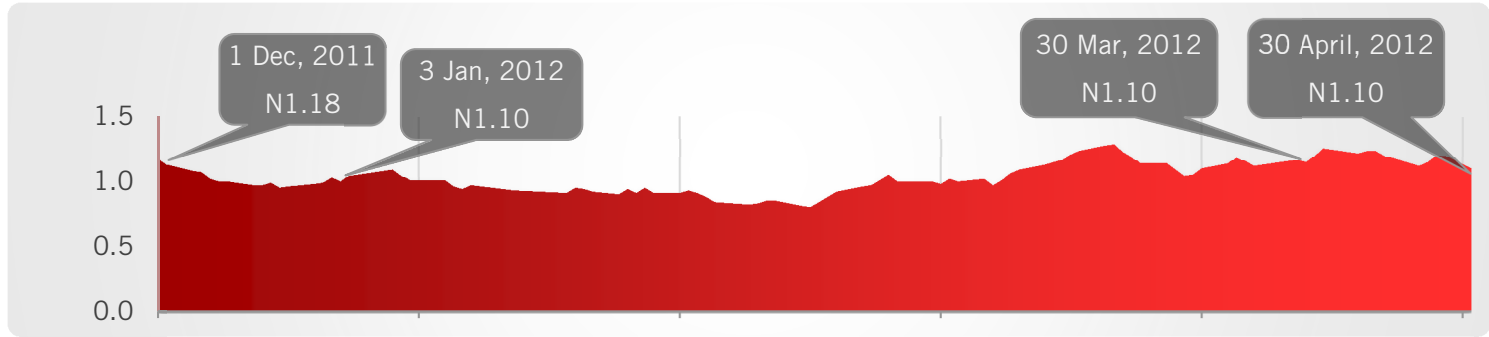
Deposit Taking – Fixed Deposit

2012

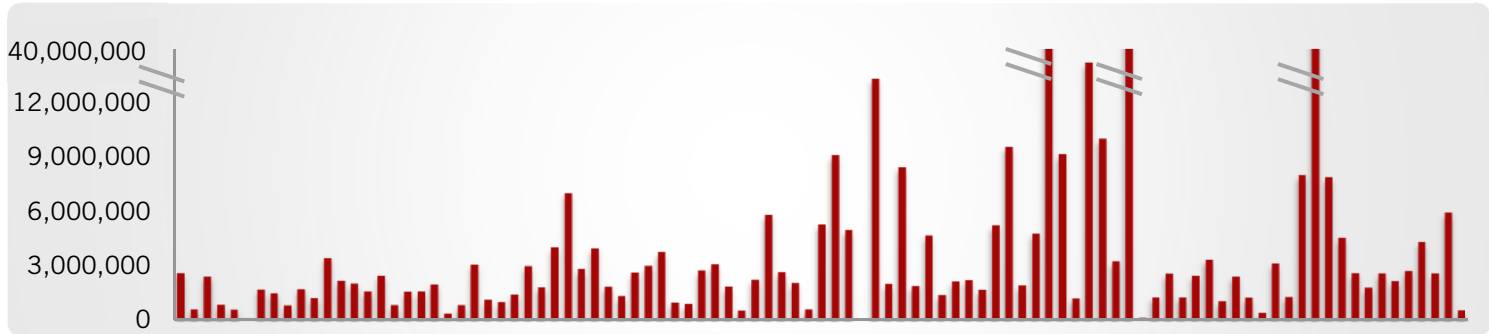


Market Trend: Dec 1, 2011 – Apr. 30, 2012

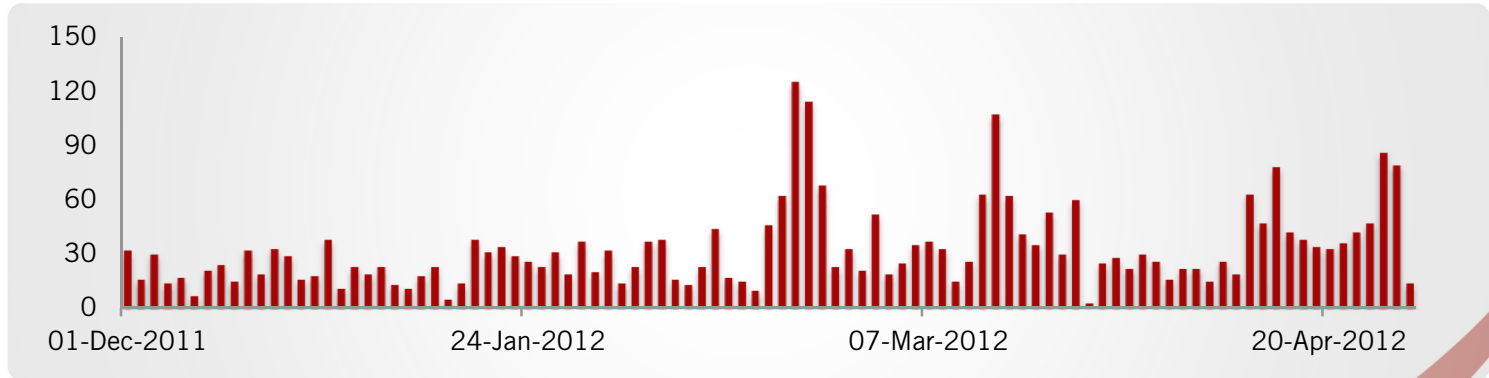
Price



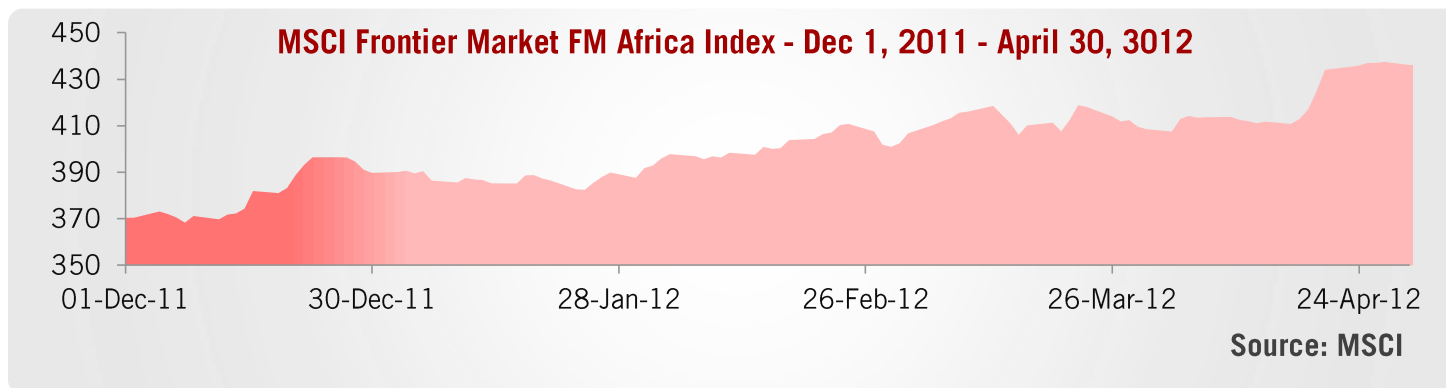
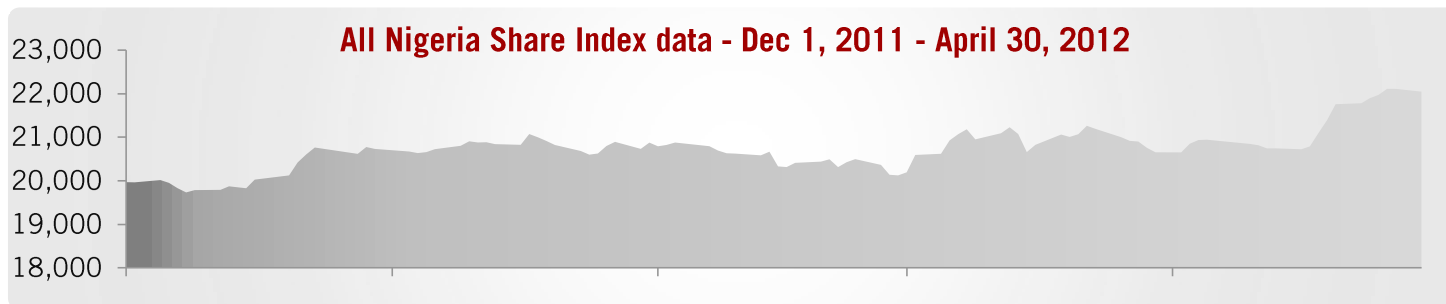
Volume



Trades



Share Price Performance Comparison



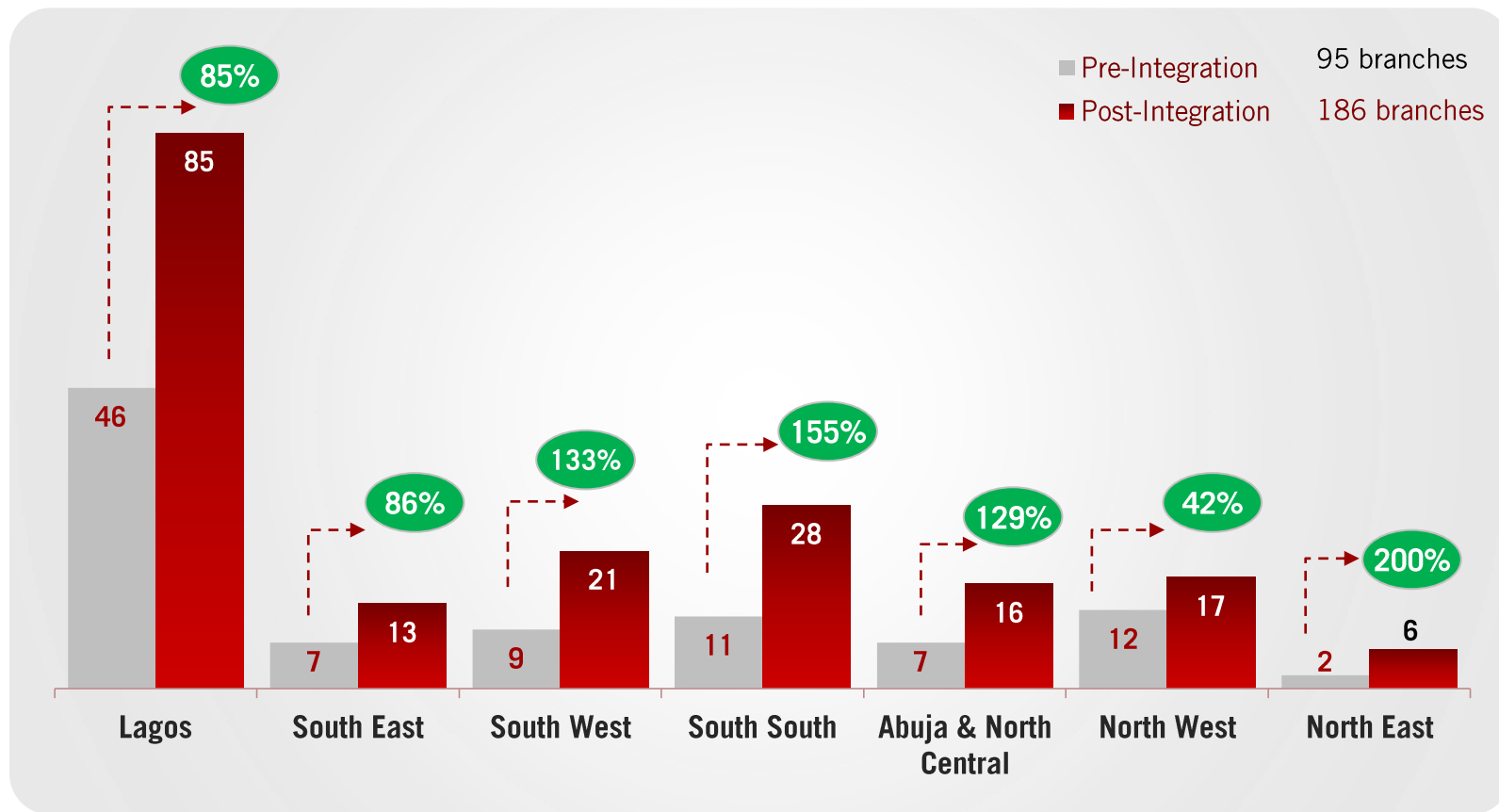


**Corporate
Information**

About Sterling Bank

Company	Sterling Bank Plc is a full service commercial bank, which emerged from the successful merger of five banks in 2005. In 2011, the Bank acquired ETB in furtherance of its inorganic growth strategy
Banking license	National Commercial Banking License
Accounting	IFRS
Credit rating	Short Term A3; Long term BBB (Stable Outlook) – GCR
Focus segments	Corporate and Institutional clients
Headcount	3,500 professional employees
Channels	186 business offices

Post-integration Branch Spread



Strategic Roadmap

2008-2010



Short-term (2008-2010)

- Equity Injection to reinforce 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

2011-2014



Mid-term (2011-2014)

- 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

2015+



Long-term (2015+)

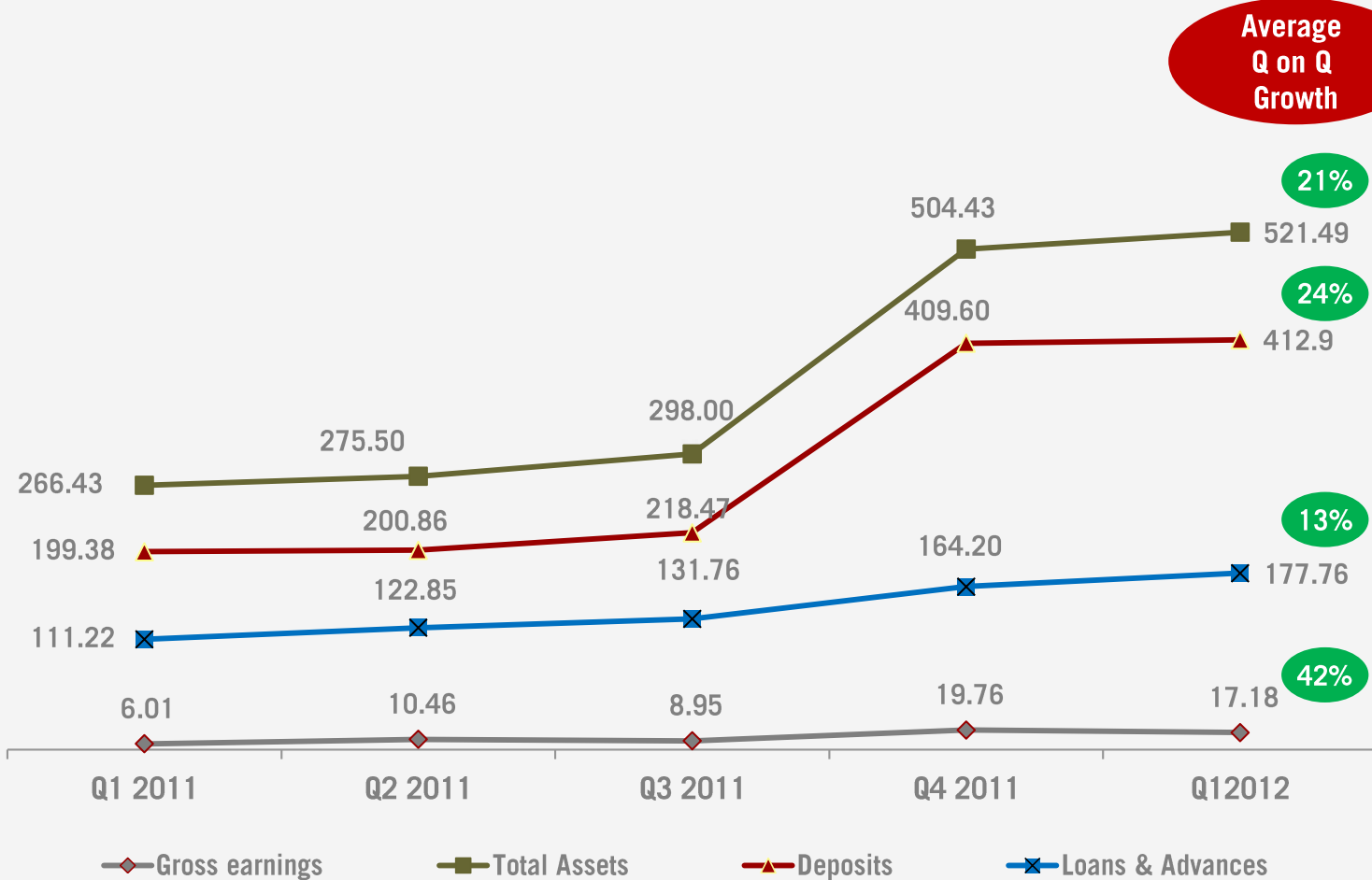
- Globally competitive financial services franchise
- Fully scaled business model with institutionalized processes beyond the stewardship of current owners and managers
- Systemically important operator materially impacting all our sectors of business participation



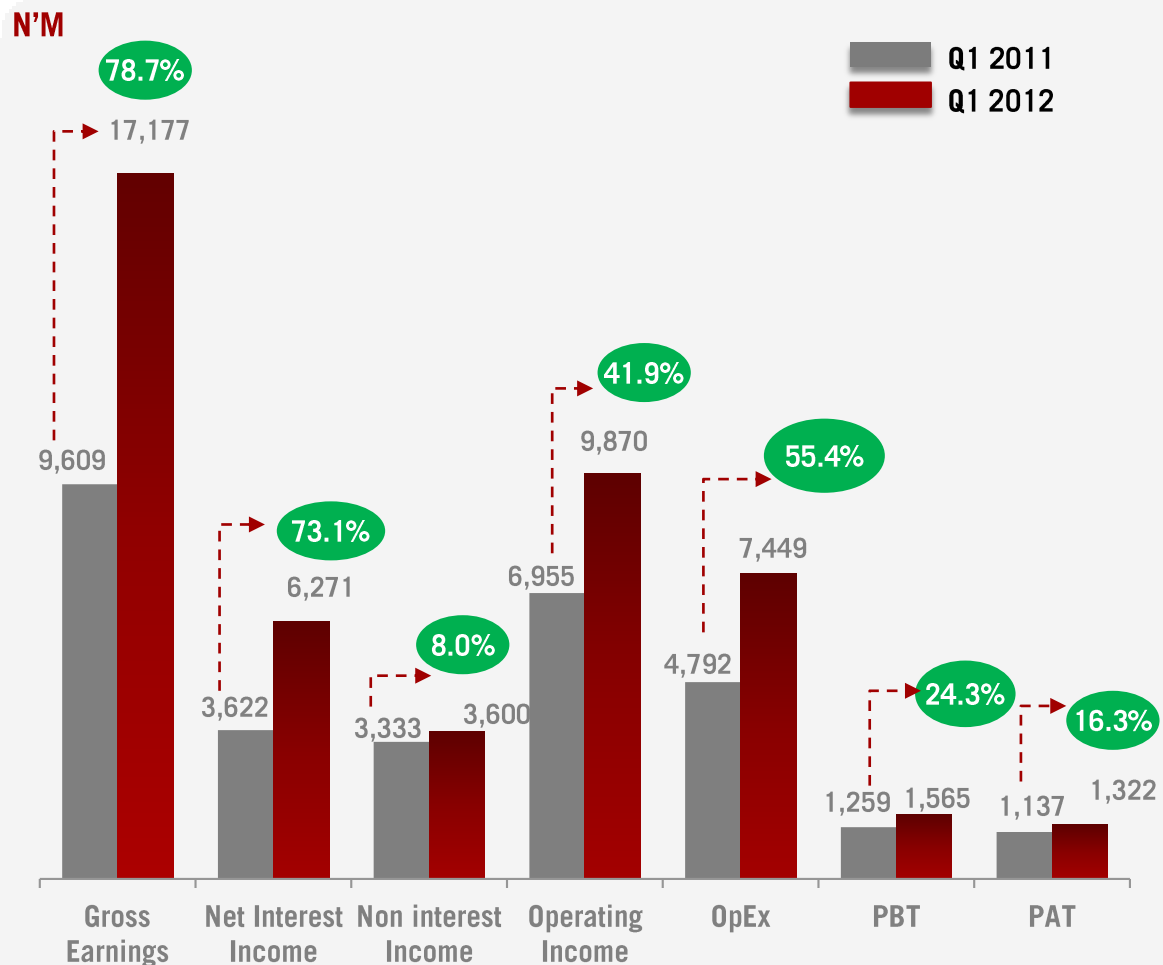
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**Financial
Highlights**

Growth Trends: Q on Q Review



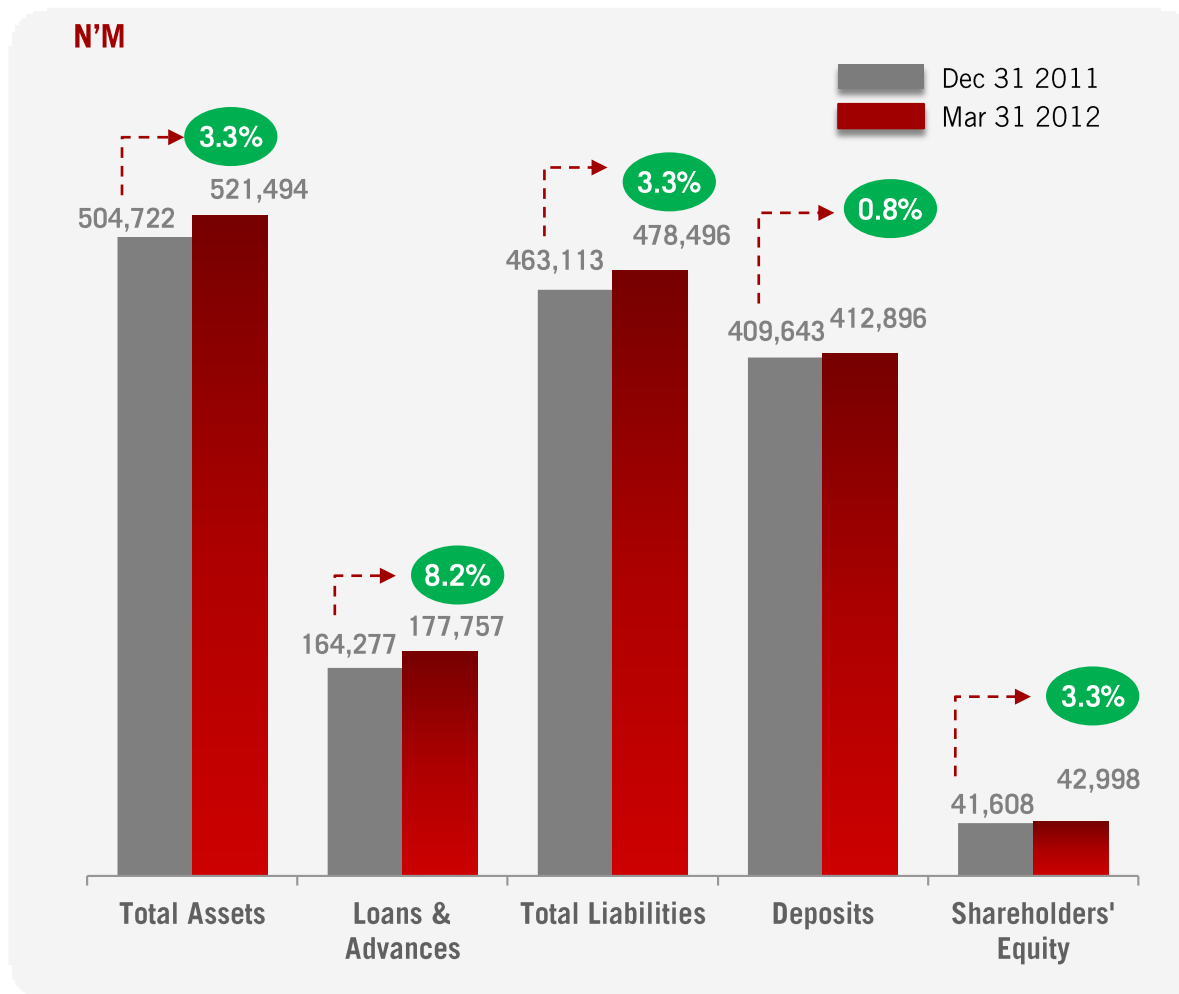
Income Statement Highlights



Comments

- Gross earnings rose 79% to N17 billion driven by growth in quality asset creation
- Operating income rose 42% boosted by improvement in net interest income
- Growth in operating expenses due to incremental costs arising from the business combination
- Profit before tax of N1.6 billion and profit after tax of N1.3 billion

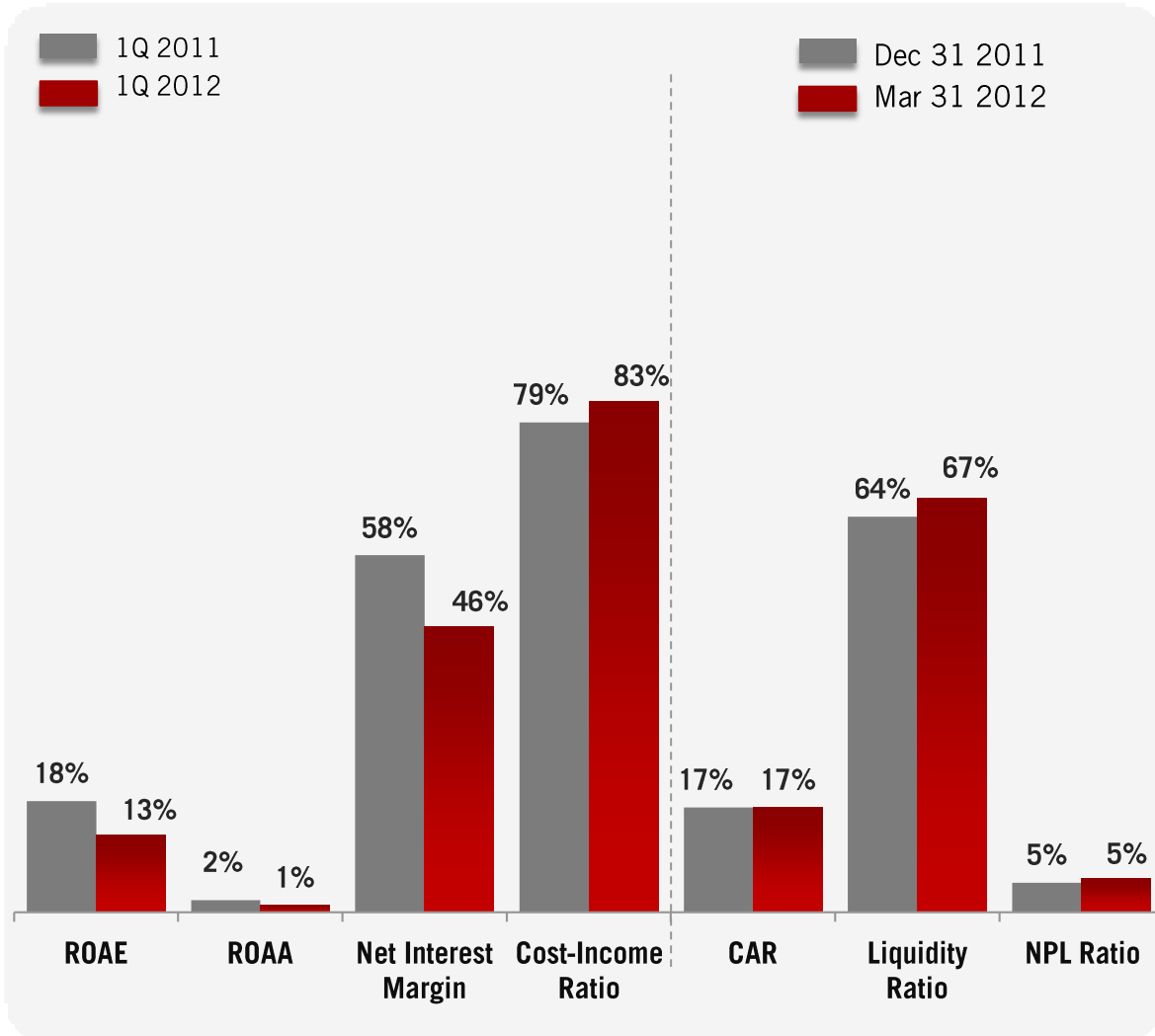
Balance Sheet Highlights



Comments

- Slow growth in balance sheet was spurred the slowdown in economic activities in the first quarter of 2012
- Net loans & advances increased 8% to N178 billion
- Customer deposits increased marginally by 3% to N413 billion
- Improvement in Equity was as a result of profit accretion

Key Financial Ratios



Comments

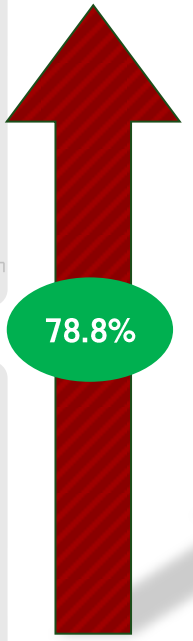
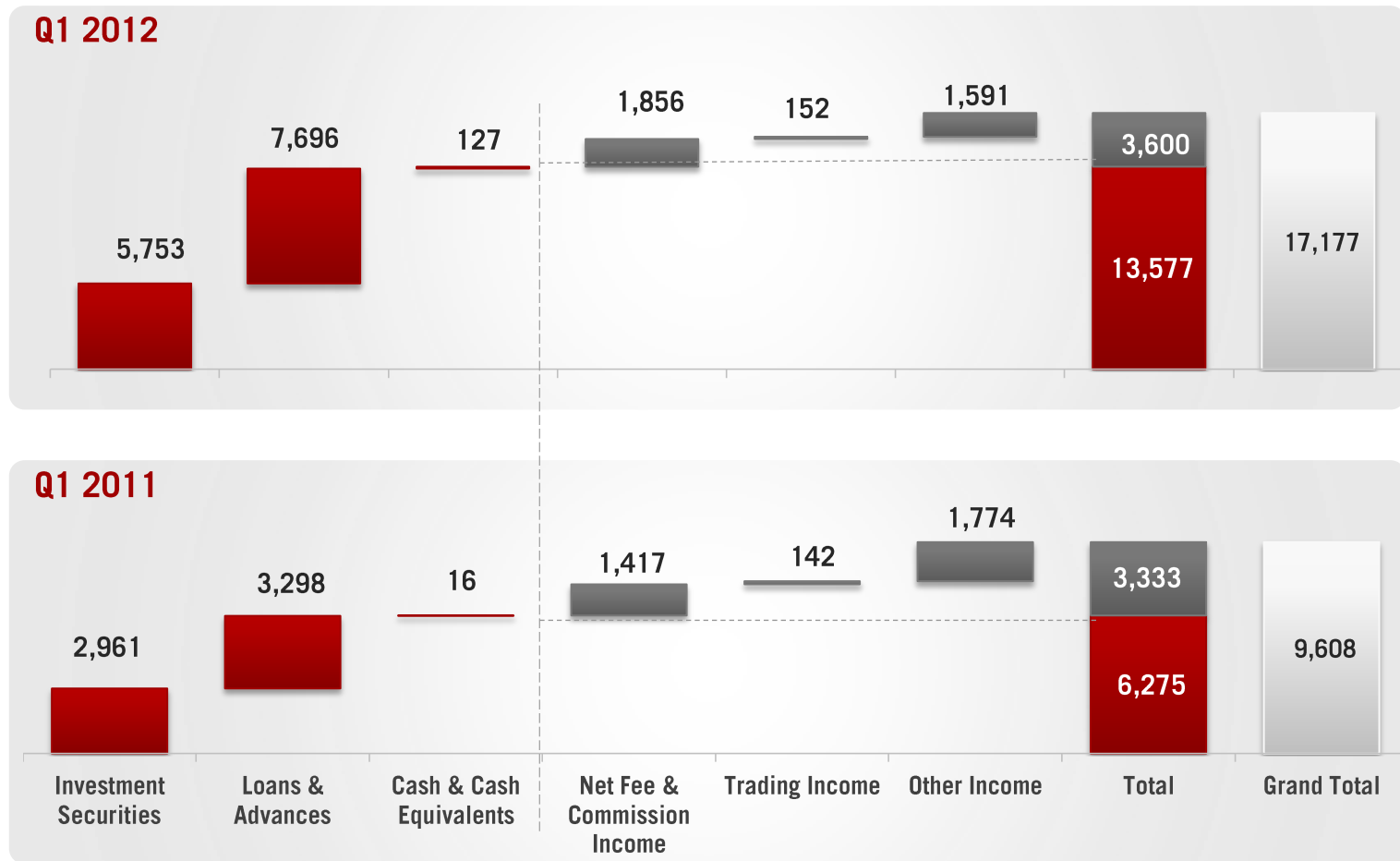
- Net interest margin declined to 46% due to increase in funding costs arising from the monetary policy tightening measures implemented by the CBN throughout 2011
- Cost to income ratio of 83% impacted by increase in operating costs
- Strong liquidity and capital adequacy position to support business growth
- NPL ratio relatively stable at 5%. However, as at end of April 2012, NPL ratio was 3.5%



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Earnings Analysis

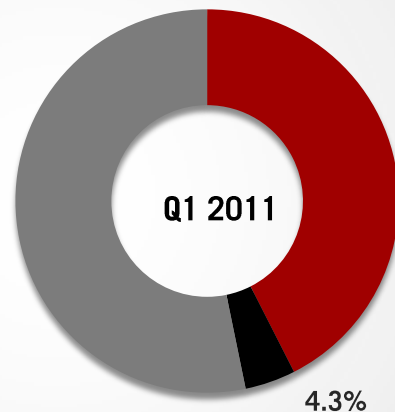
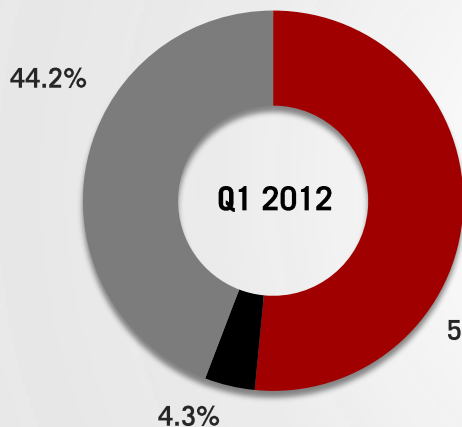
Revenues



■ Interest Income ■ Fee Income

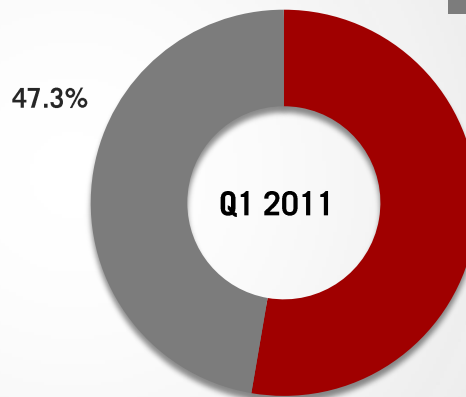
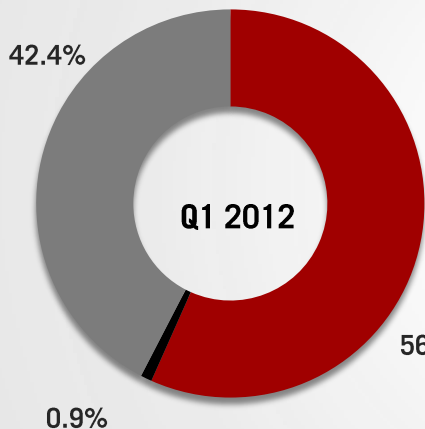
Revenues (% Contribution)

Fee-based Income Mix



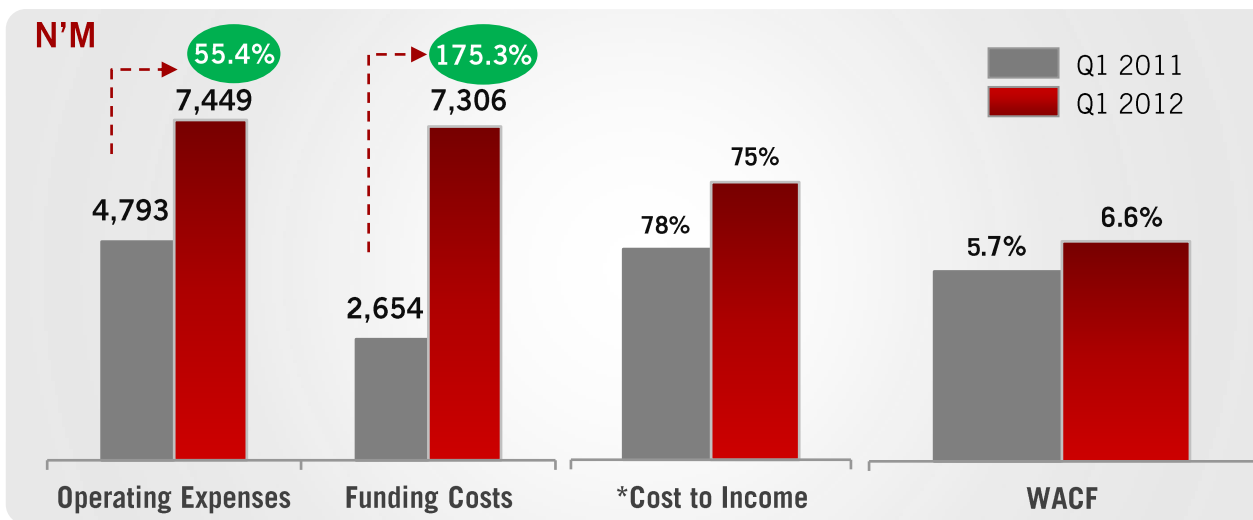
- Net Fees & Commission
- Trading Income
- Other Income

Interest Income Mix

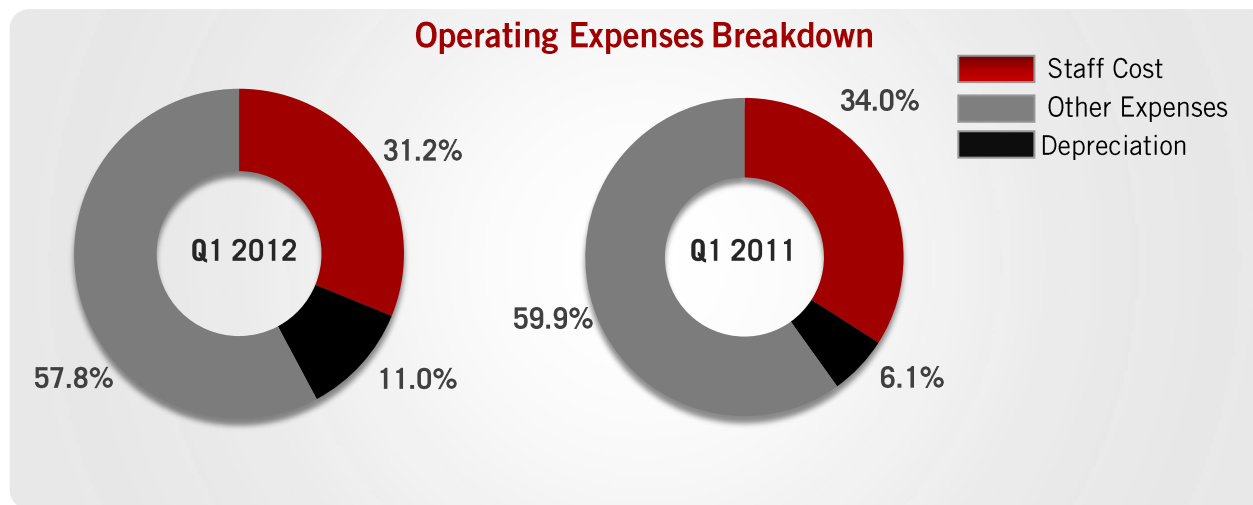


- Cash & Cash Equivalents
- Loans & Advances
- Investment Securities

Operating Efficiency



- ### Comments
- Increase in funding costs due to growth in deposit volume and the impact of the CBN's monetary policy stance
 - Staff cost accounted for 31% of operating costs (34% in Q1 2010) despite increase in workforce arising from the business combination
 - We are optimistic that the expected cost and revenue benefits from economies of scale and operational synergies arising from the business combination will begin to kick-in in the medium term



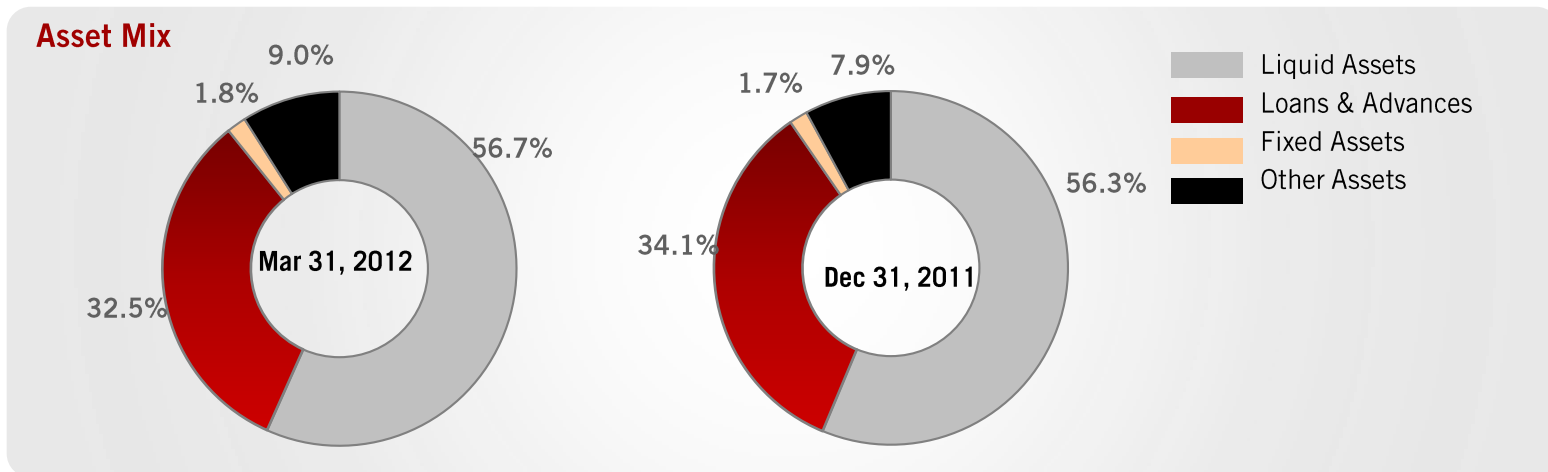
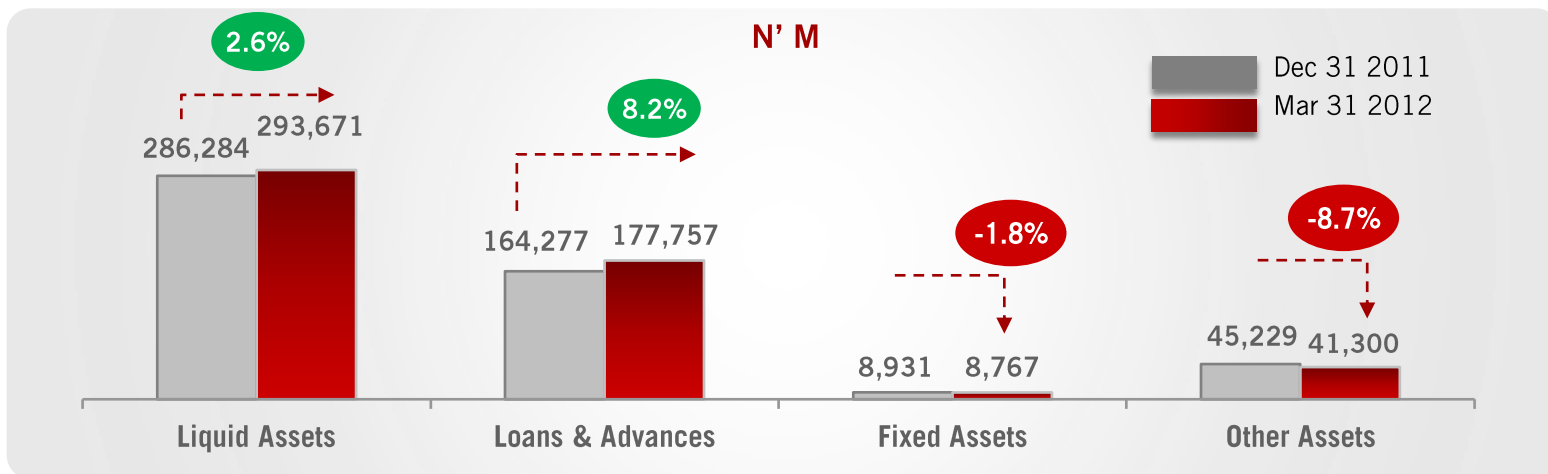
* Including allowances for risk assets



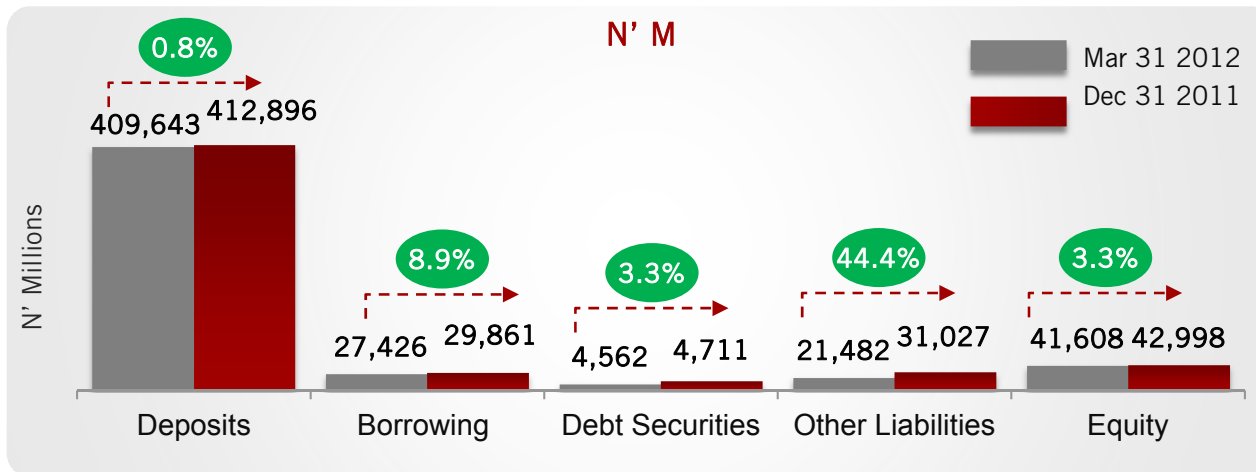
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Balance Sheet Analysis

Asset Decomposition

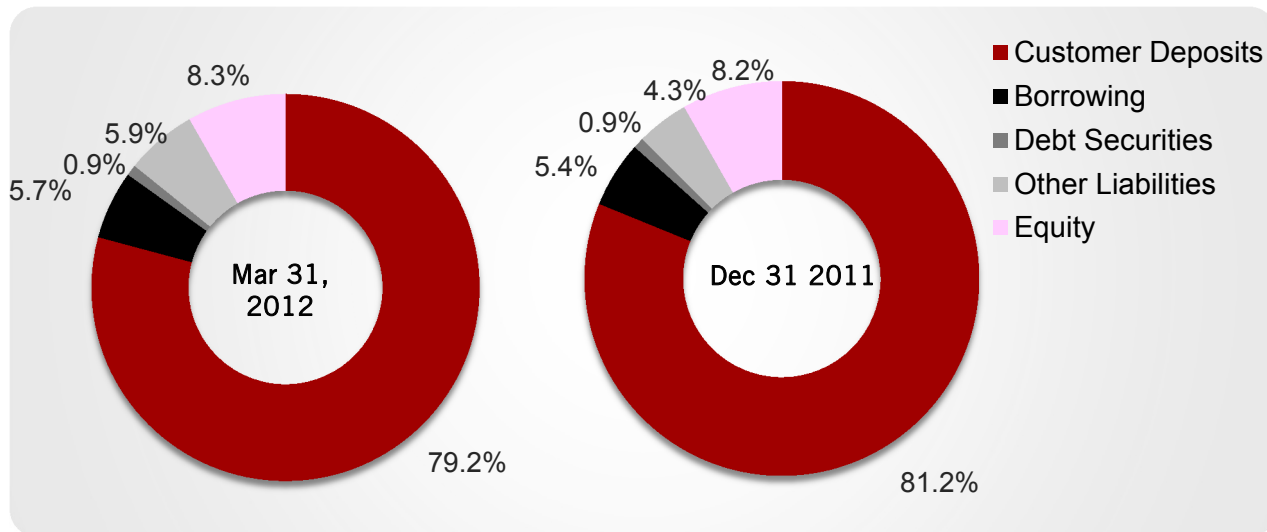


Assets Funding Mix



Comments

- Diversified funding base with deposits as the major funding source
- Deposits funded 79% of total assets
- Long-term borrowing consists of facilities from Citibank and Bank of Industry (under the CBN intervention fund).



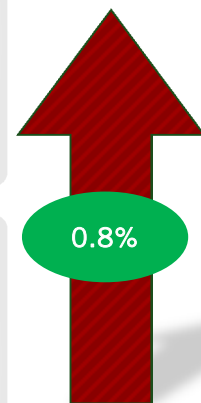
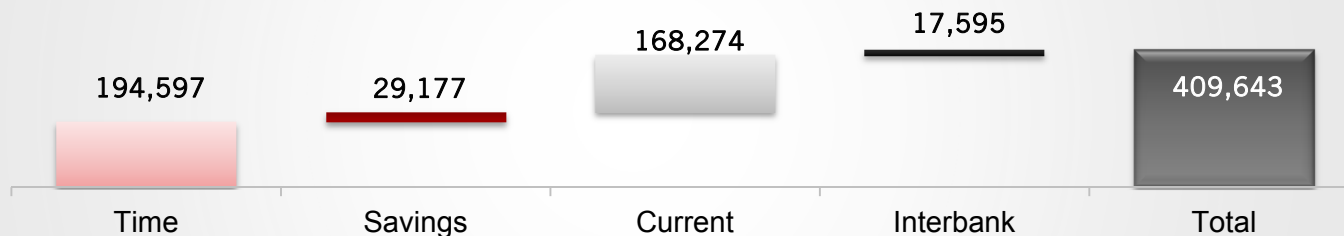
Deposits

Deposits Breakdown N'M

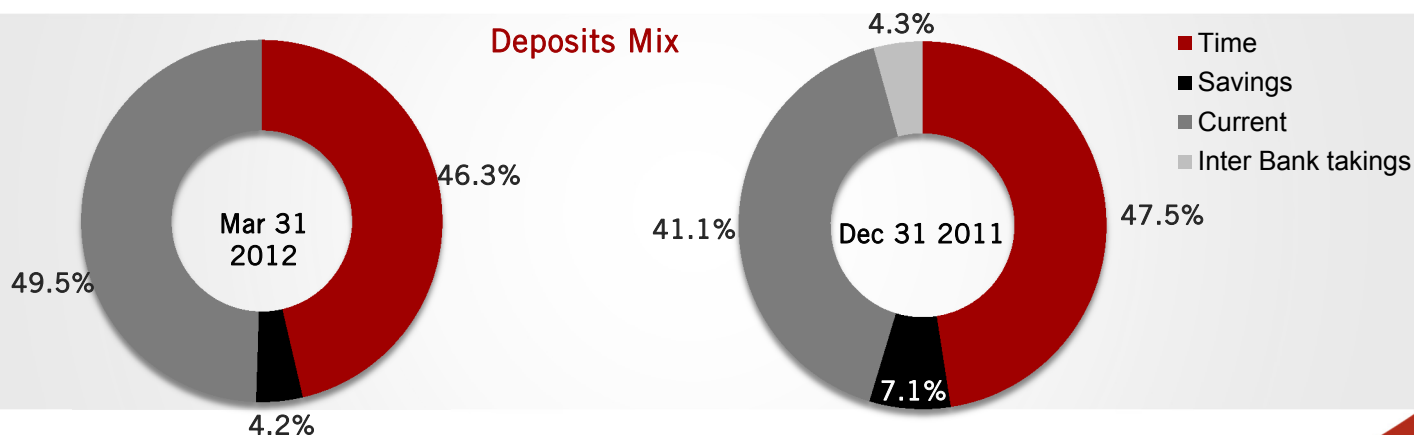
Mar 31 2012



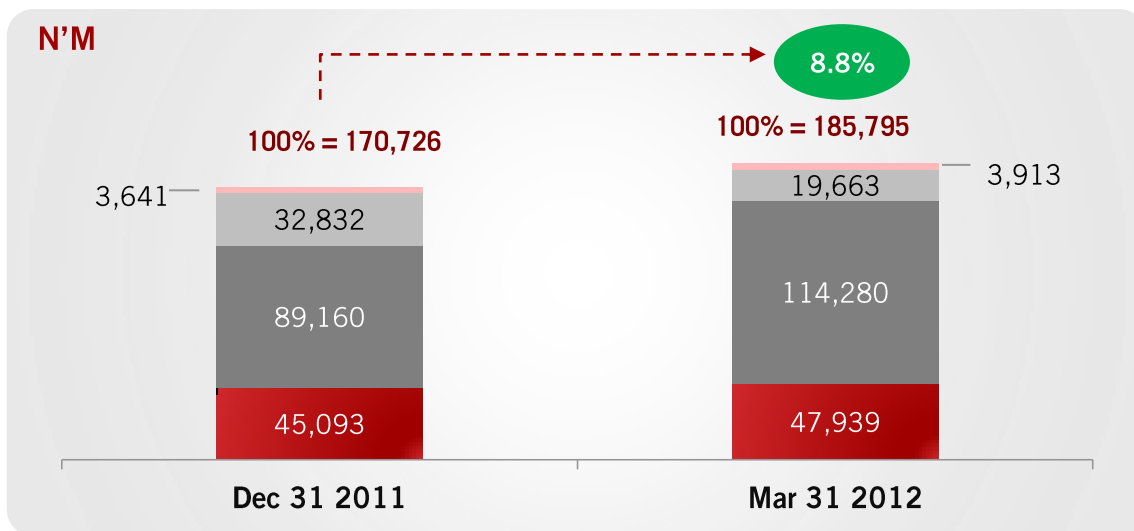
Dec 31 2011



Deposits Mix

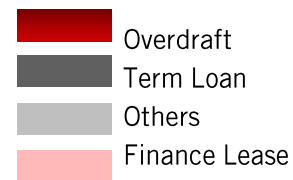
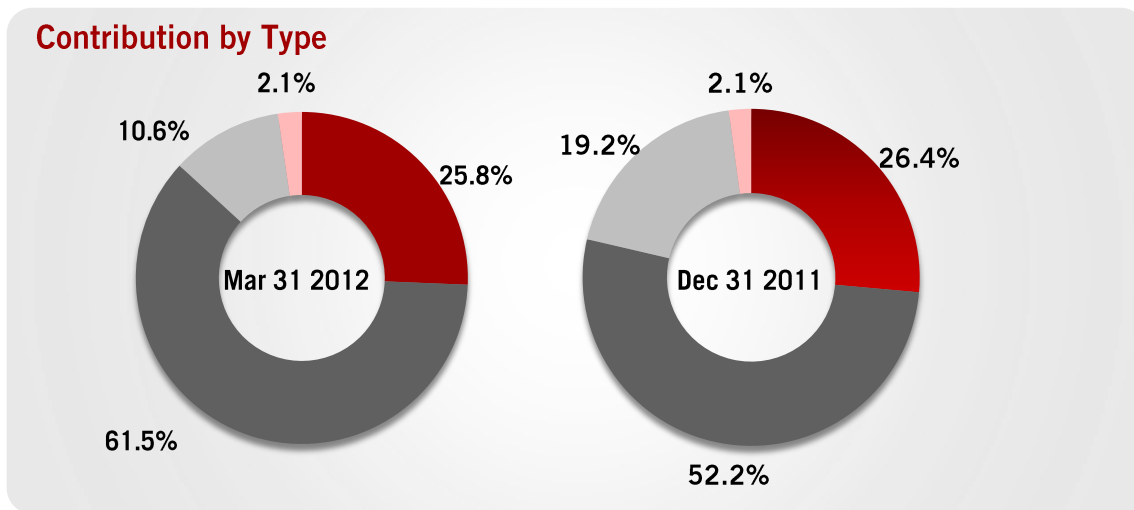


Gross Loans by Type



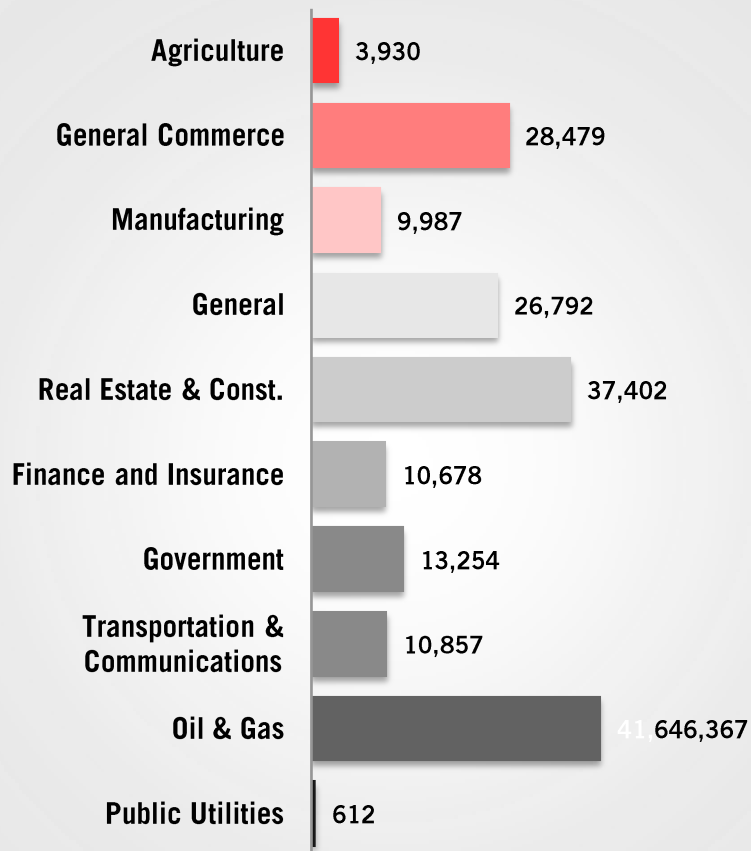
Comments

- Gross loans rose 9% to N185.8 billion
- Growth was driven by improvement in our corporate loan book
- Focus on deepening corporate and retail loan book

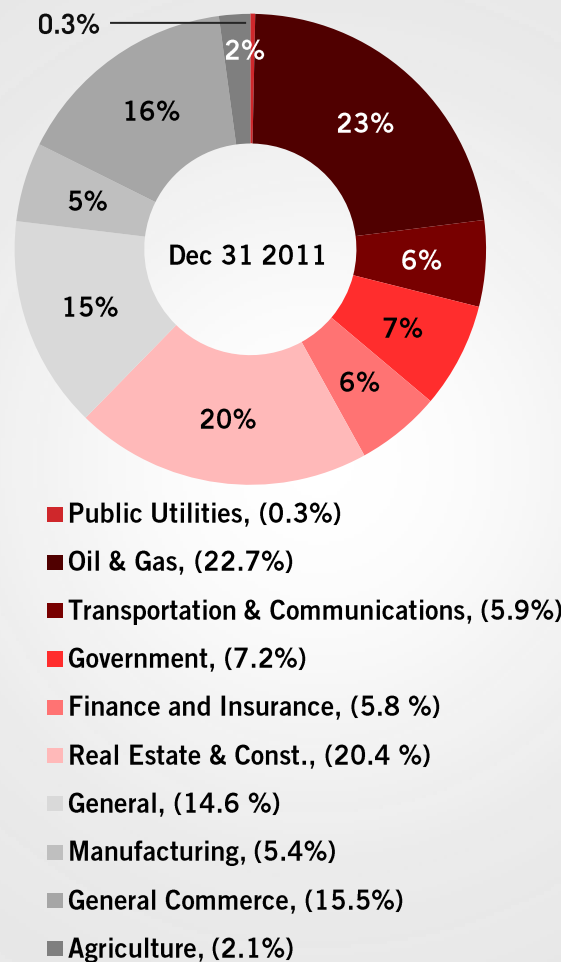


Gross Loans by Sector

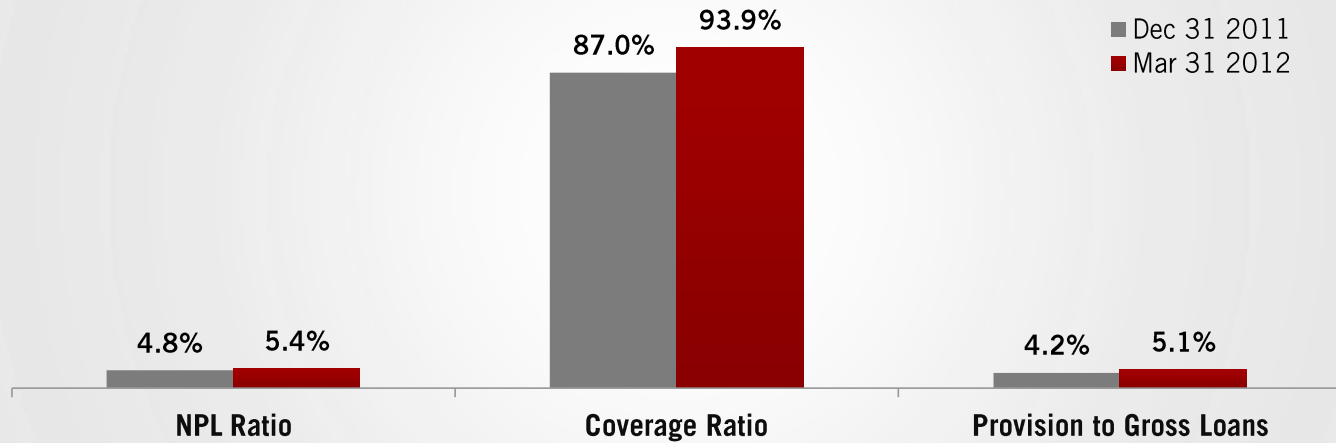
N'M



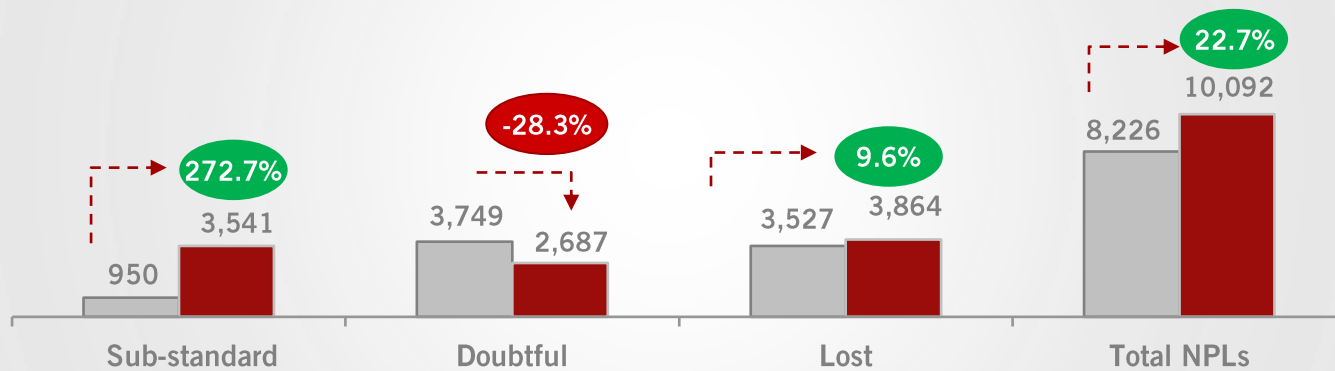
Gross Loans Mar 31 2012



Asset Quality

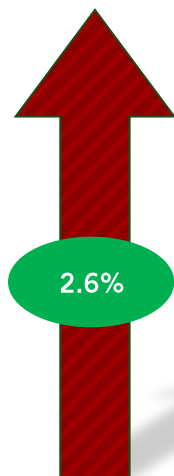
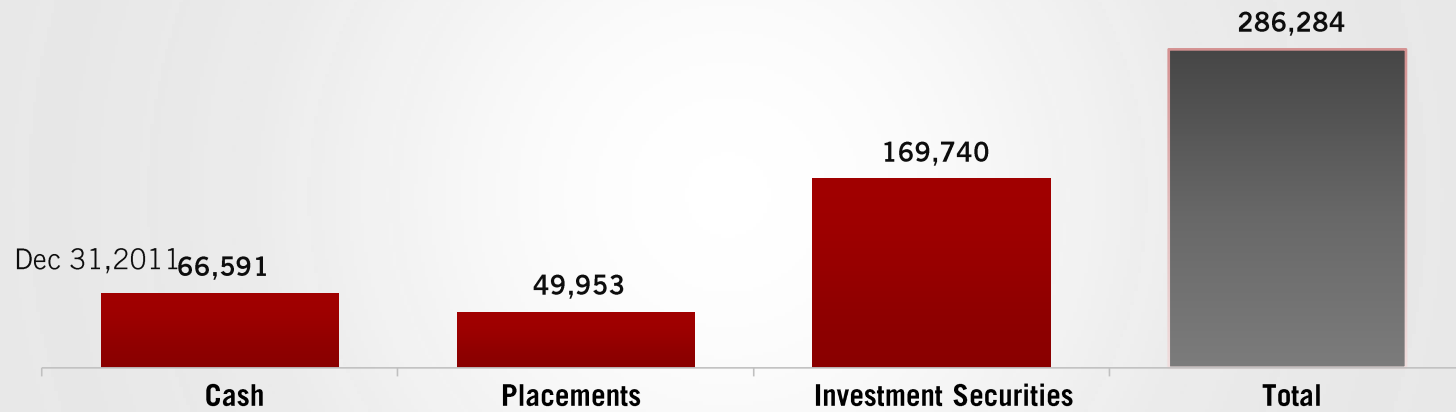
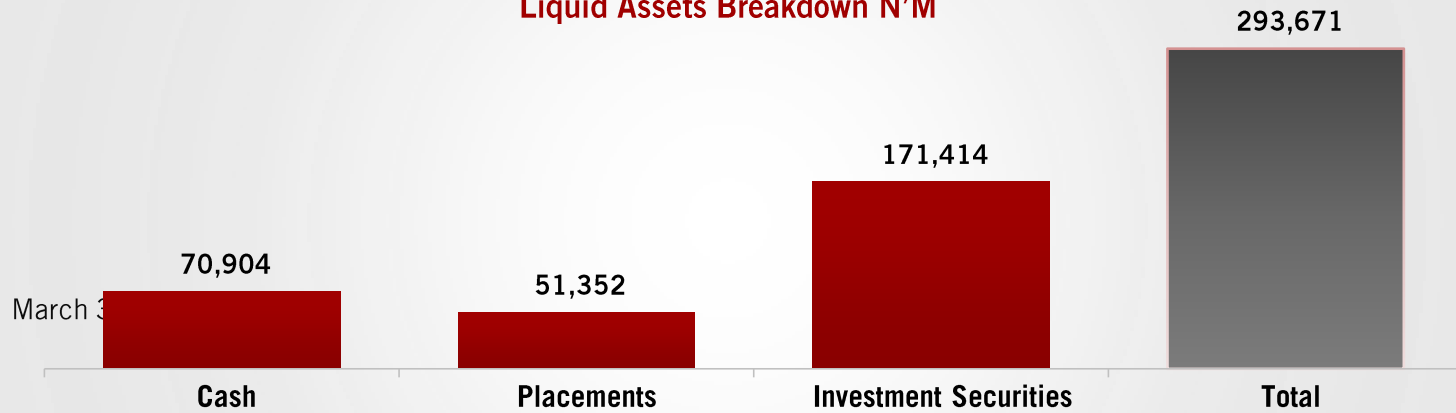


NPL Breakdown N'M

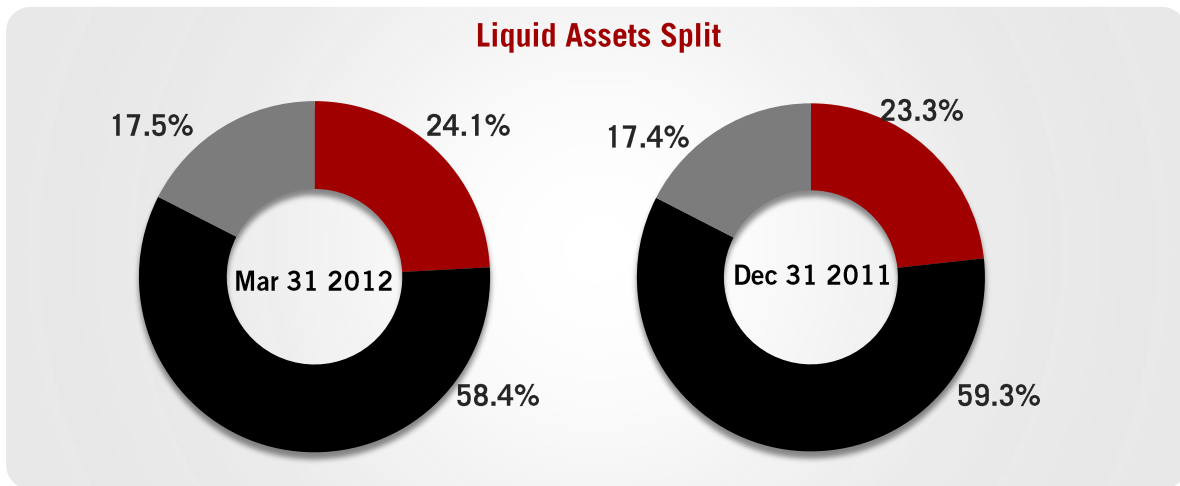
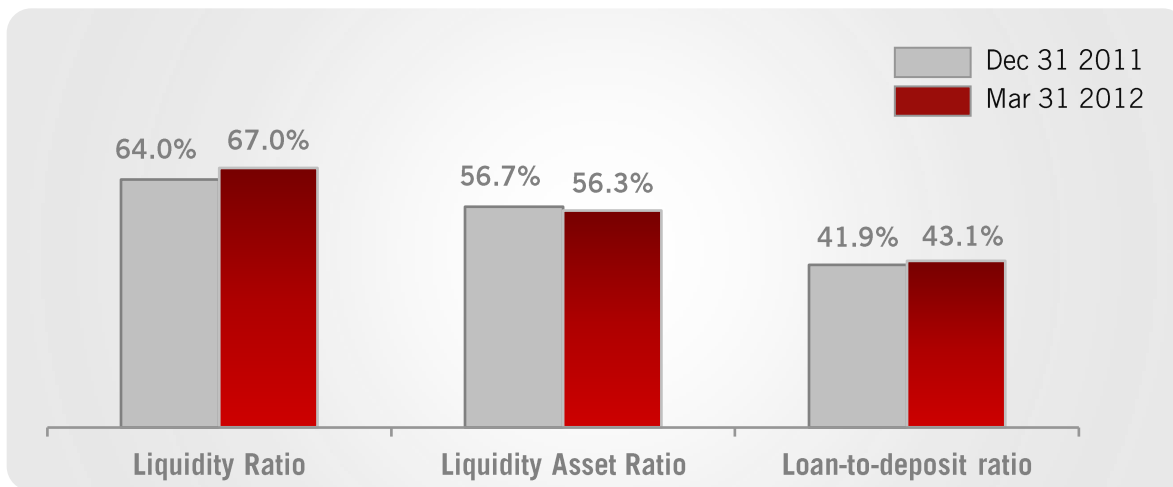


Liquid Assets Profile

Liquid Assets Breakdown N'M



Liquidity Position



Comments

- Strong improvement in liquidity ratio despite tighter monetary policy measures
- Loan-to-deposit ratio of 43% shows that there is significant room to grow quality risk assets
- Liquid asset ratio of 56% provides opportunity for asset switch to achieve higher return

- Short-term Investments
- Investments securities
- Cash



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**2012 Outlook
& Priorities**

We are doing more to improve further....

In terms of what we offer our customers

- Improved customer experience at each of our on- and offline service delivery channels
- Variety of products and services tailored to meet customer needs

**Customer
Centricity**

In terms of how we operate as a company

- Automation and streamlining of processes to improve cost efficiency as business and regulatory costs rise
- Optimize economies of scale and operational synergies arising from the business combination

**Operational
Efficiency**

And in how we manage our balance sheet

- Optimize balance sheet to maximize returns through asset re-allocation
- Leverage our enhanced capital cushion to drive quality risk assets creation
- Leverage increased branch network to mobilize low cost retail deposits

**Balance
Sheet
Optimization**

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**Thank
You**

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Sterling Bank

The one-customer bank.