

Sterling Bank PLC

H1 2012

Investor Presentation

August 2012

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Sterling Bank
The one-customer bank.

Important Information

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1 Macroeconomic Environment

2 Corporate Information

3 Financial Highlights

4 Earnings Analysis

5 Balance Sheet Analysis

6 2012 Outlook

Agenda



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**Macroeconomic
Environment**

Economic Indicators

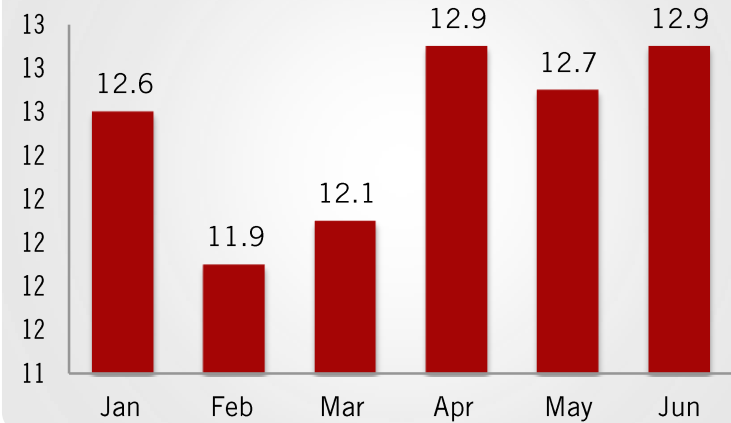
Bonny Light Spot Prices FOB (\$/Barrel)

January 1, 2012 to July 31, 2012



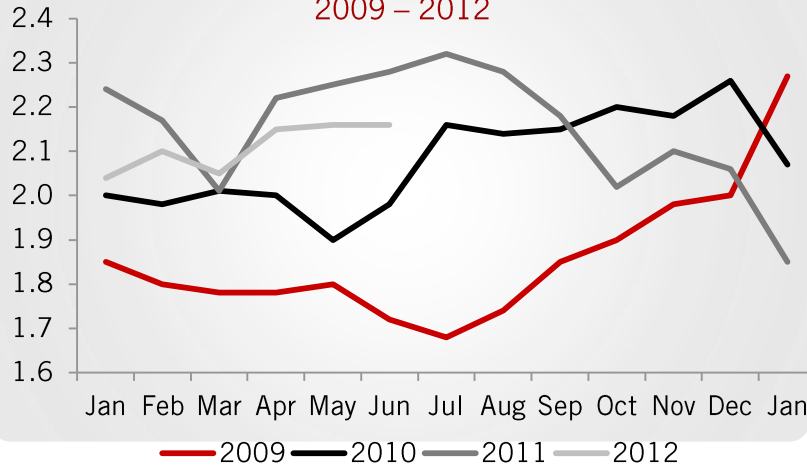
Nigeria Consumer Price Index / Inflation Rate

Jan 2012 – Jun 2012



Nigeria Crude Oil Supply Data – 4 year

2009 – 2012



Nigerian Naira/US Dollar Exchange Rate

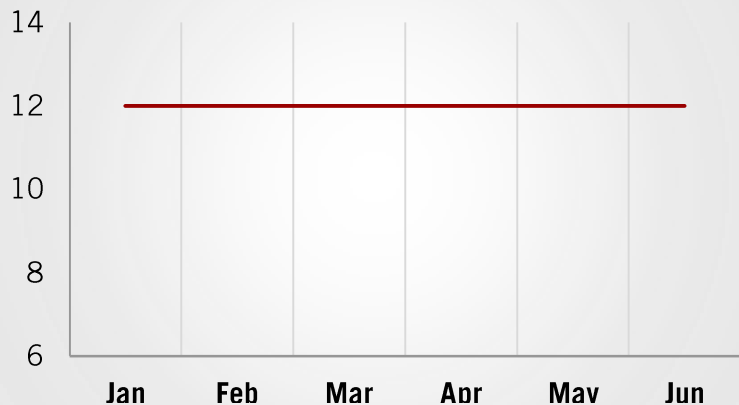
January 2012 – July 2012



Funding Ecosystem

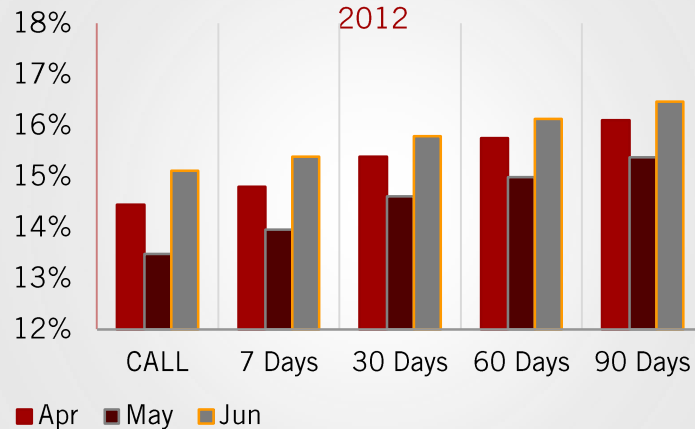
Central Bank of Nigeria Monetary Policy Rate (MPR)

2012



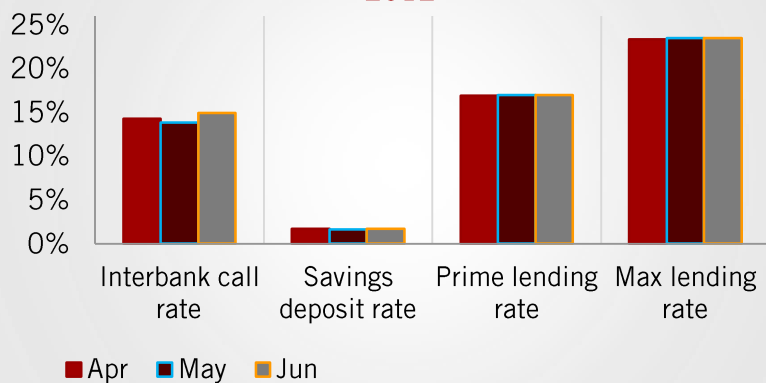
Nigerian Interbank Offer Rate (NIBOR)

2012



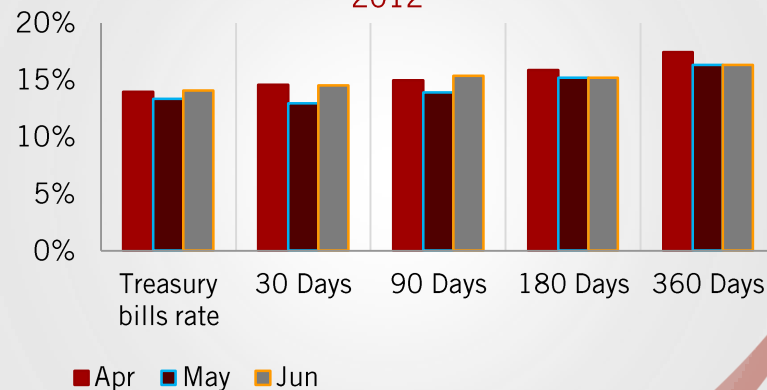
Deposit Taking – Savings Accounts

2012



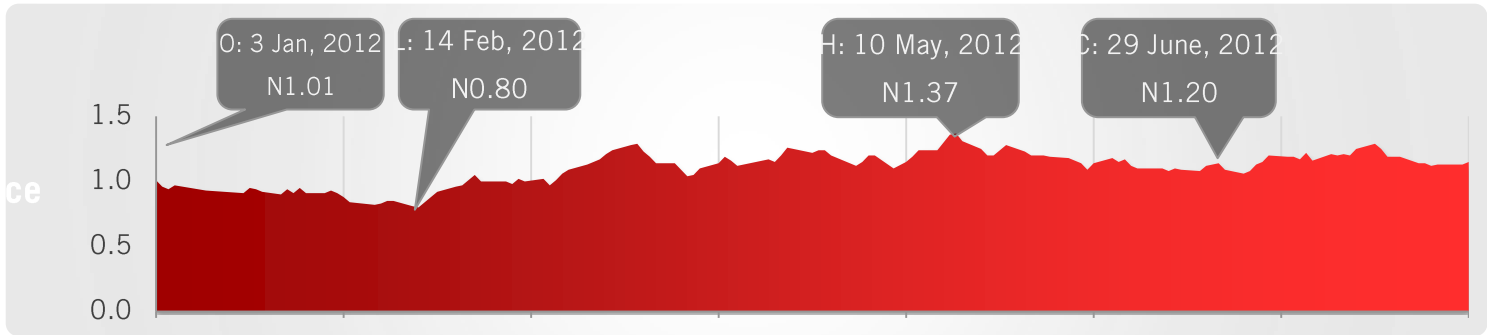
Deposit Taking – Fixed Deposit

2012

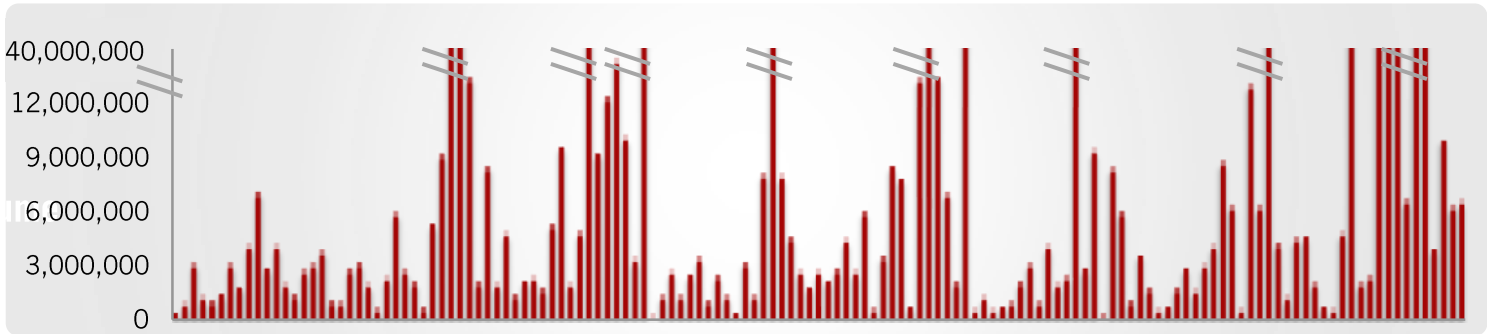


Share Trends: Jan 3, 2011 – July 31, 2012

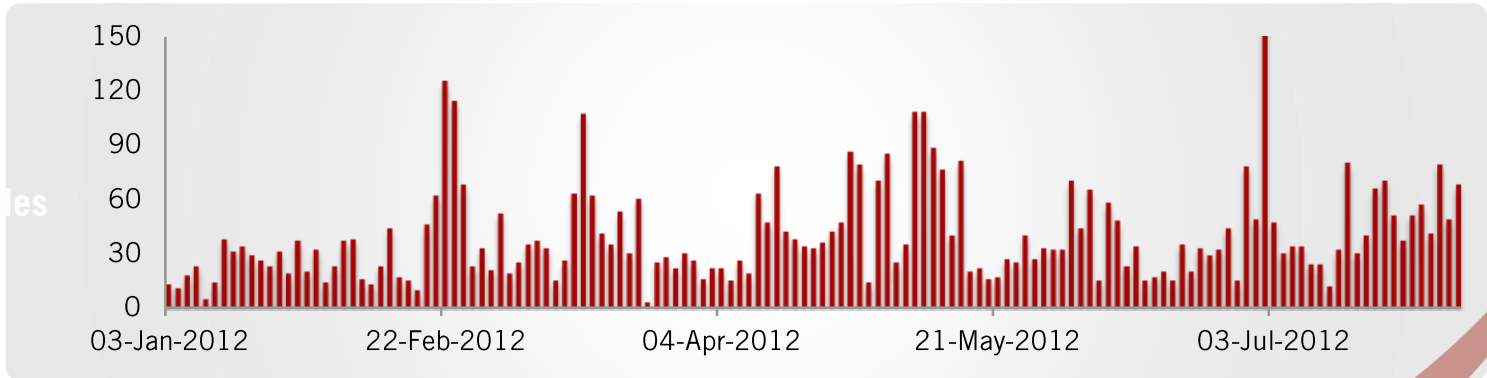
Price



Volume

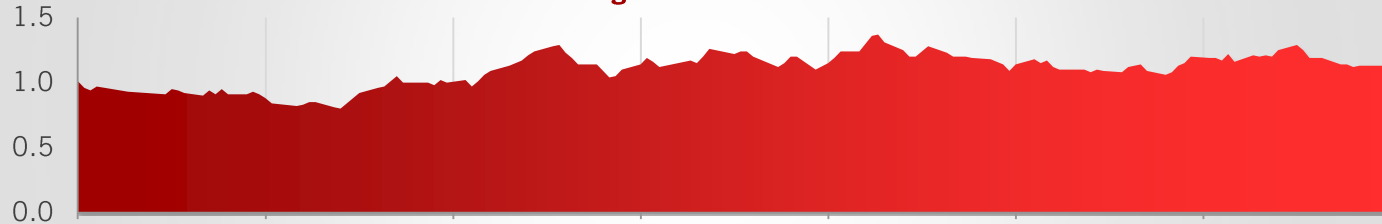


Trades

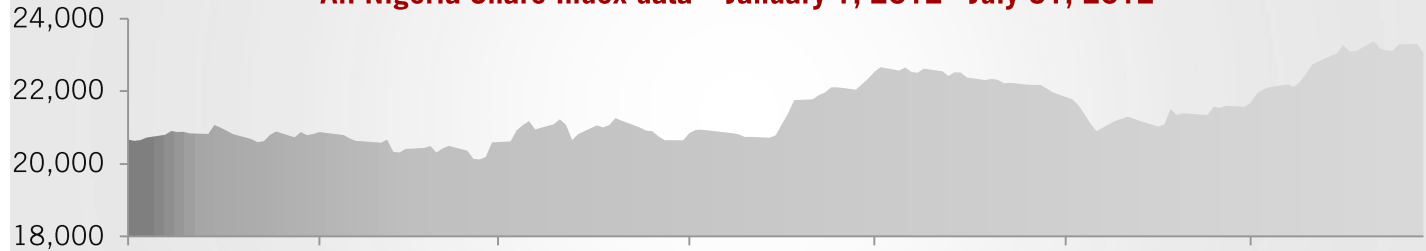


Market Performance: Jan 3 – July 31, 2012

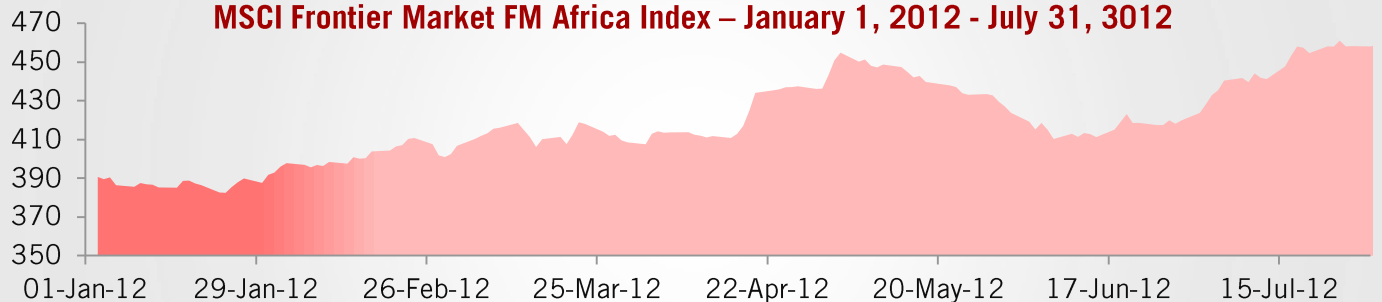
Sterling Bank Stock Price



All Nigeria Share Index data – January 1, 2012 - July 31, 2012



MSCI Frontier Market FM Africa Index – January 1, 2012 - July 31, 2012



Source: MSCI



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 Short Term A2; Long term BBB+ – DataPro |
| Focus segments | Corporate and Institutional clients |
| Headcount | 2,800 professional employees |
| Channels | 176 business offices, 150 ATMs and over 3000 POS Terminals |

H1 2012 Highlights

Market Penetration

- Launched Saver's Promo, a retail customer savings drive to boost retail deposits

Operational efficiency

- Embarked on technology upgrade to enhance speed of processing and service delivery at the various branch offices

Building Wealth in the Community

- Signed partnership agreement with FATE Foundation to support young entrepreneurs
- FATE Foundation is an NGO that prioritizes SME-owner skills training

Leveraging on Merger's Collateral Relationships

- Deepened strategic partnership with Glo, the telecoms giant, and Conoil, the petroleum marketing company
- Deployed PoS terminals for their high foot-fall business premises

Viral branding

- Embarked on Head Office remodelling, façade upgrade at branches
- Rolled out new billboard campaigns, and in-branch advertising

Accolades

- Received the 2011 Citi Bank Award for Performance Excellence
- The award was bestowed for outstanding "correspondent banking and processing accuracy"

Strategic Roadmap

2011-2014

2015+

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

Long-term (2015+)

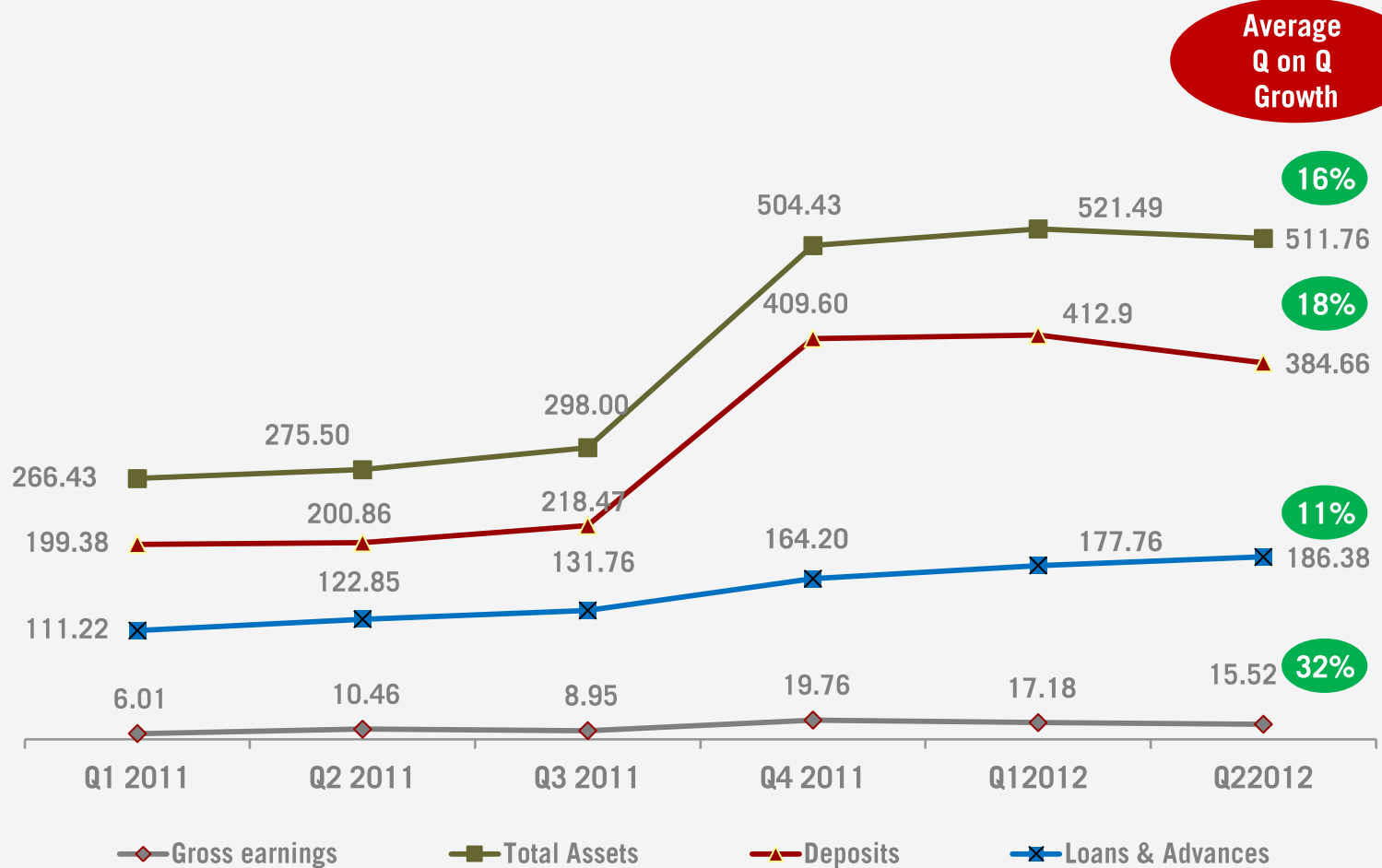
- Globally competitive financial services franchise
- Fully scaled business model with institutionalized processes beyond the stewardship of current owners and managers
- Systemically important operator materially impacting all our sectors of business participation



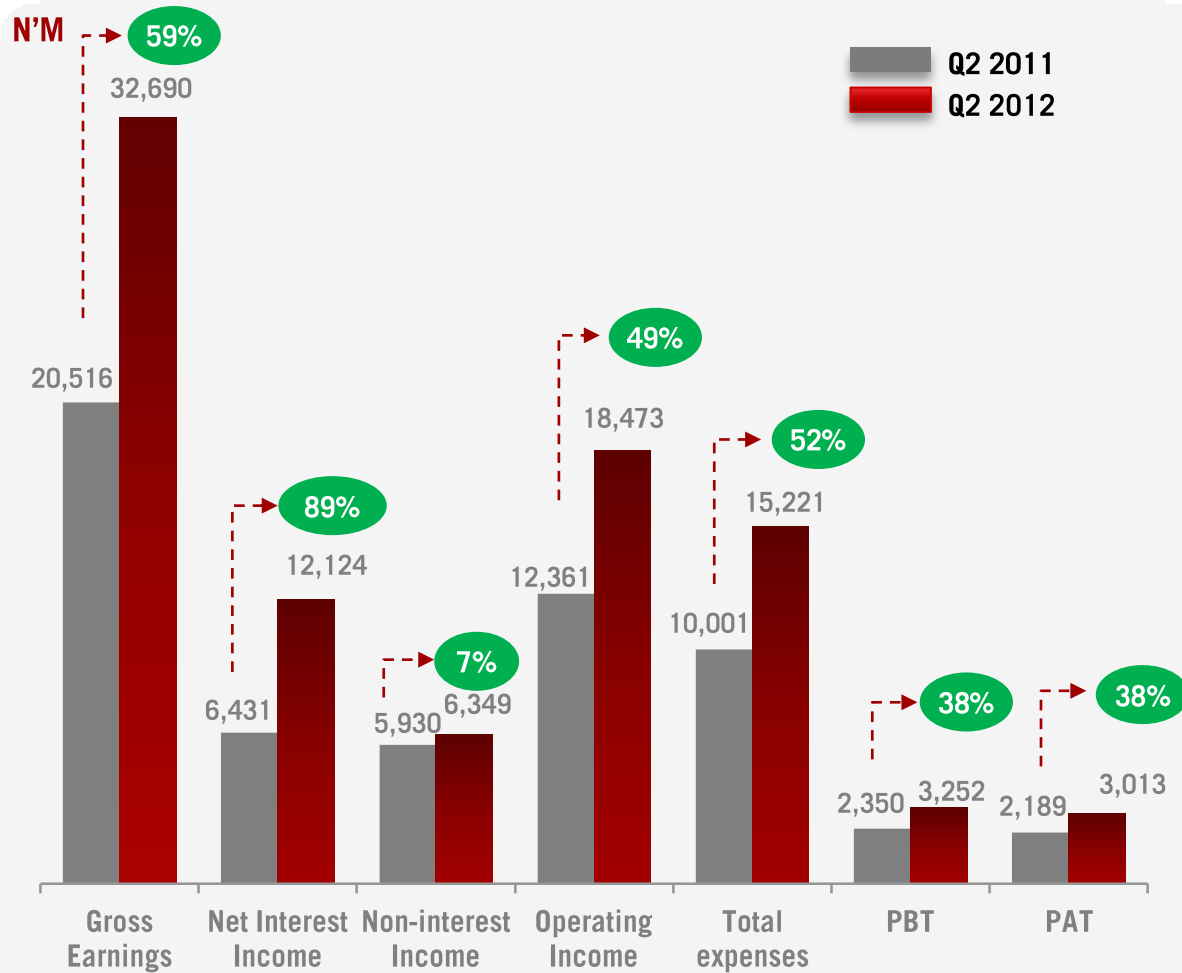
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**Financial
Highlights**

Growth Trends: Q on Q Review



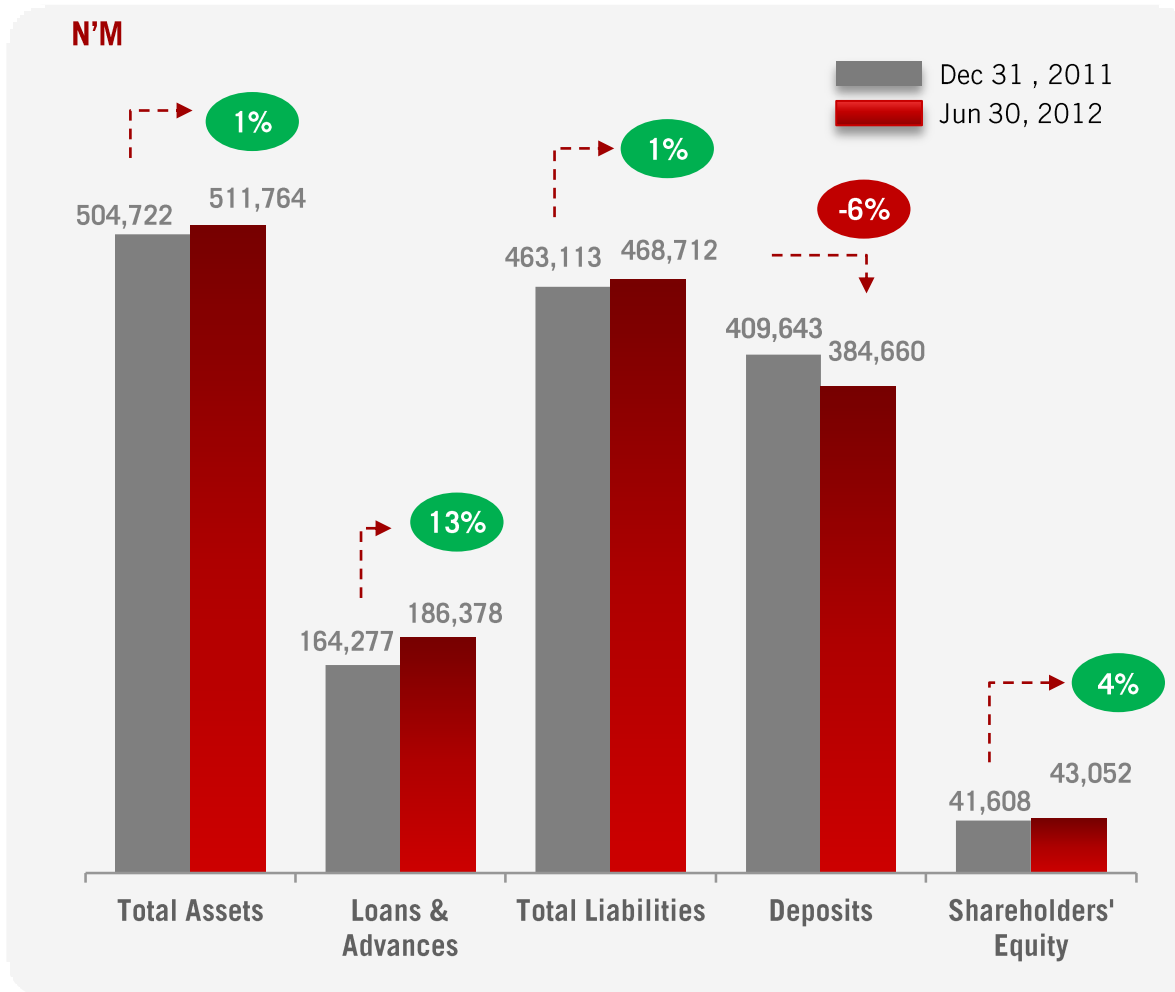
Income Statement Highlights



Comments

- Gross earnings rose 59% to N33 billion resulting from 89% growth in interest income
- Operating income rose 49% on the back of improved net interest income
- Growth in operating expenses reflecting incremental costs arising from technology upgrade, brand standardization and other merger related costs
- Profit before tax and Profit after Tax grew by 38% respectively

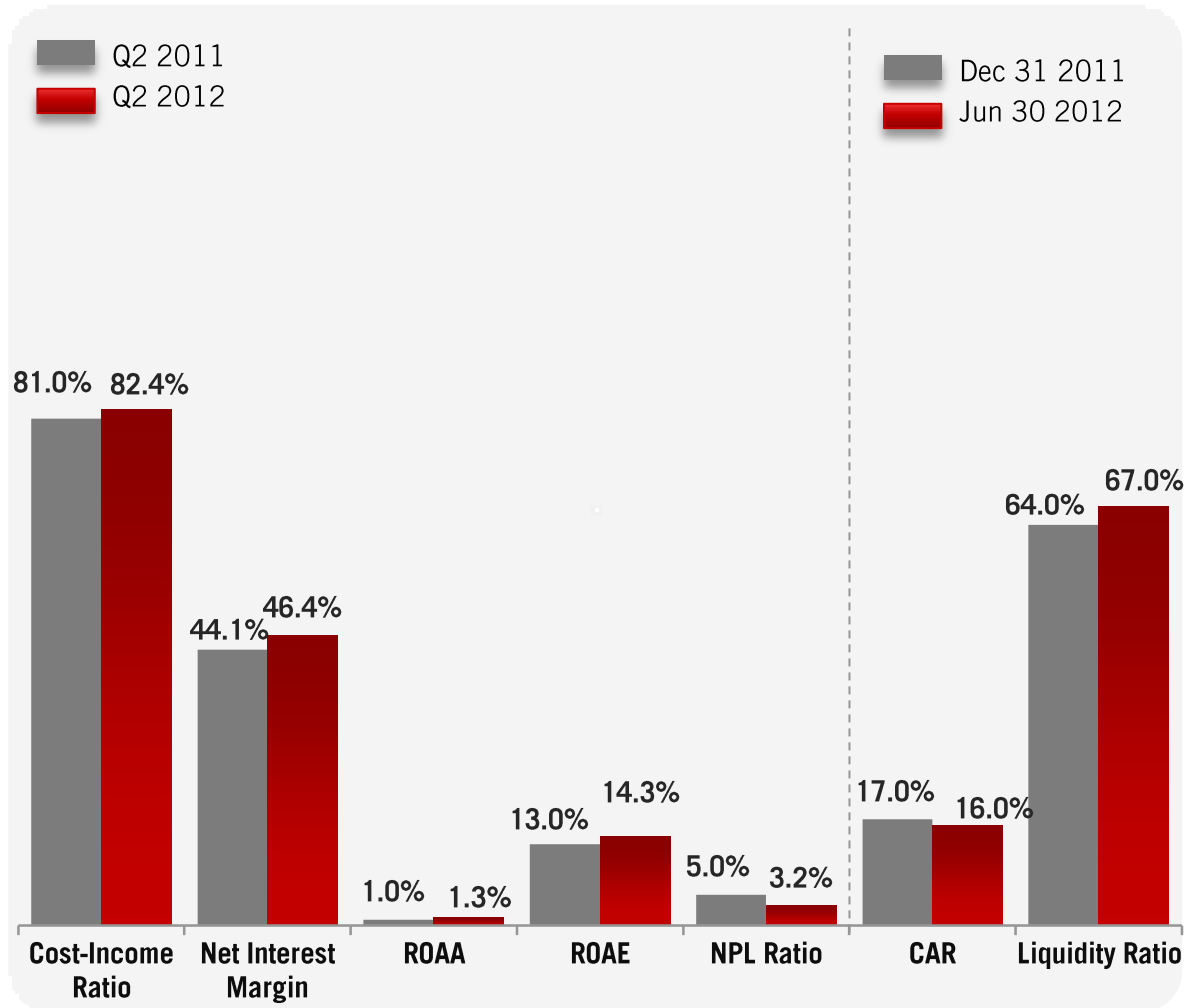
Balance Sheet Highlights



Comments

- Total assets increased marginally by 1% due to Management's focus on efficiency rather than nominal growth in the first half of 2012
- Customer deposits reduced by 3% to N385 billion in line with the objective of balance sheet optimization
- Net loans & advances increased 14% to N186 billion
- Improvement in Equity was as a result of profit accretion

Key Financial Ratios



Comments

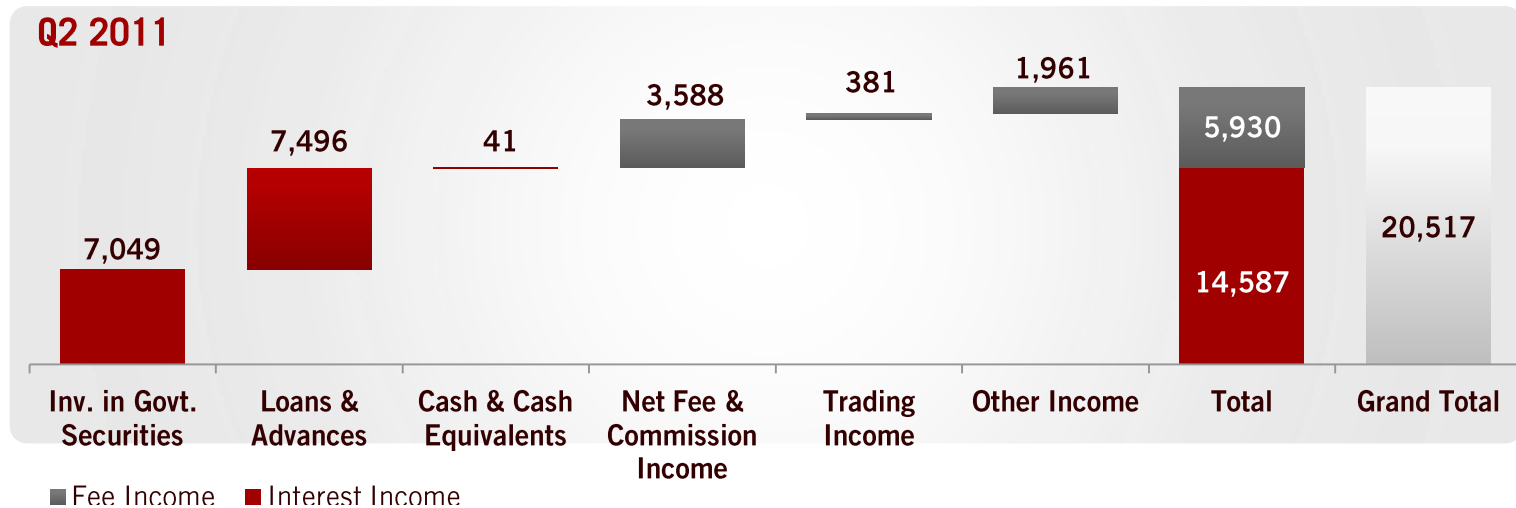
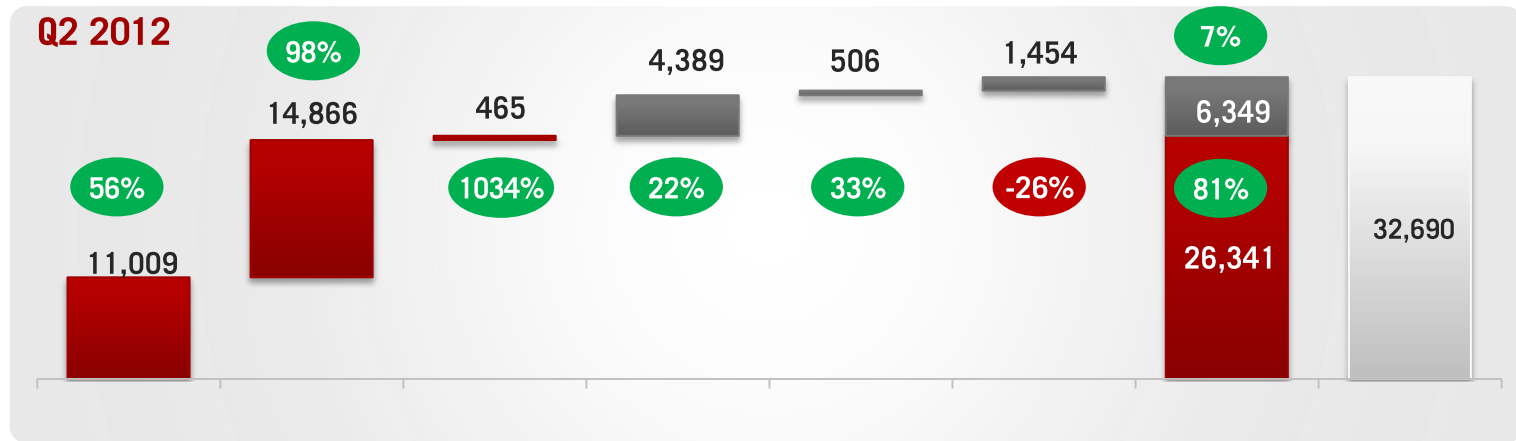
- Net interest margin increased 230 basis points due to growth in risk assets creation
- Cost to income ratio of 82.4% impacted by increase in operating costs
- Strong liquidity and capital adequacy position above regulatory benchmarks providing support for business growth
- NPL ratio reduced to 3.2%, while cost of risk was 2% (Dec. 2011: 5%) resulting in improved asset quality.



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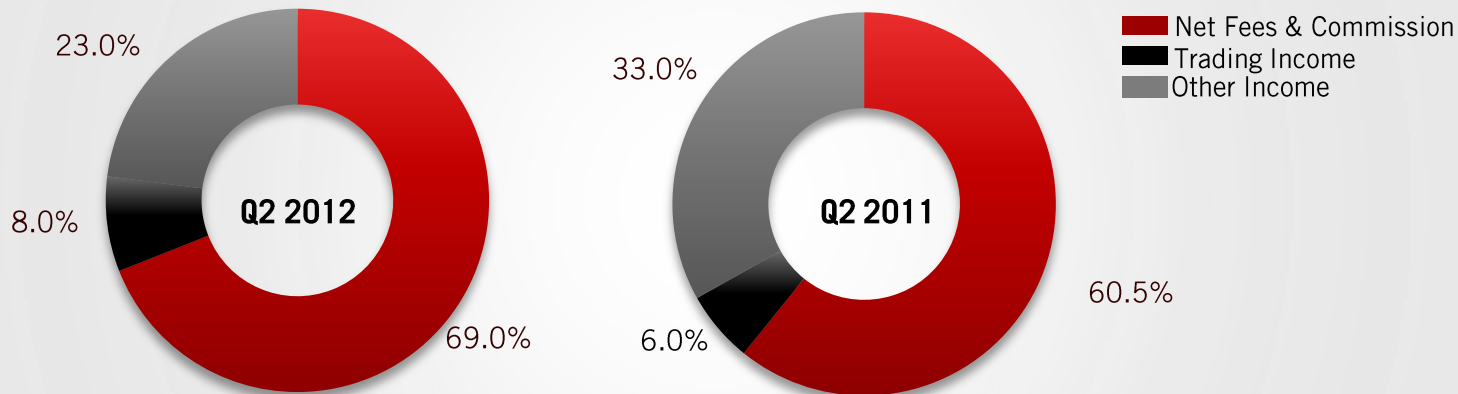
Earnings Analysis

Revenues

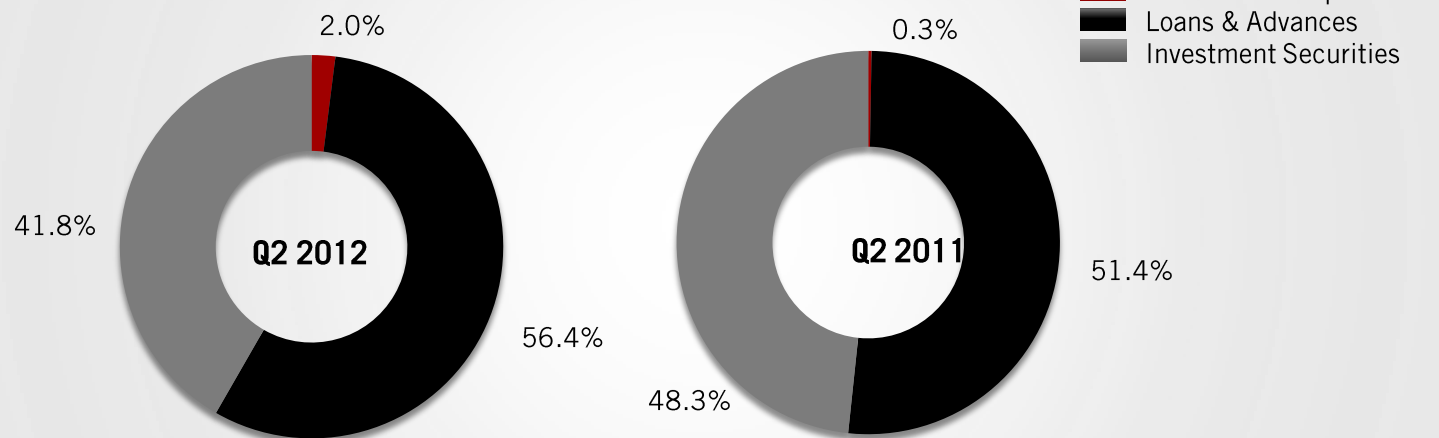


Revenues (% Contribution)

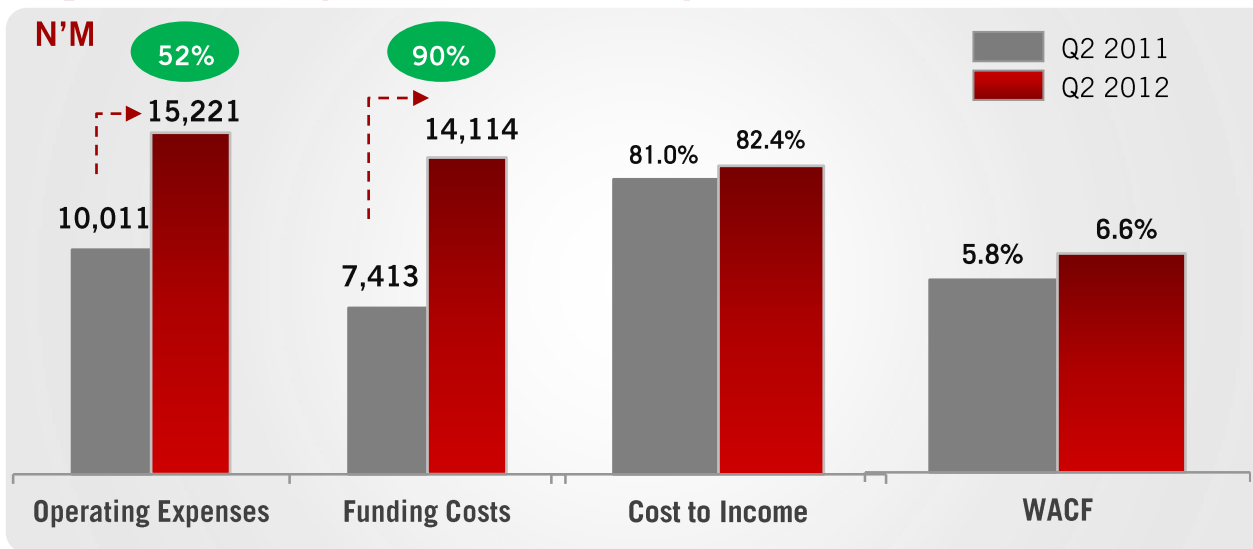
Fee-based Income Mix



Interest Income Mix

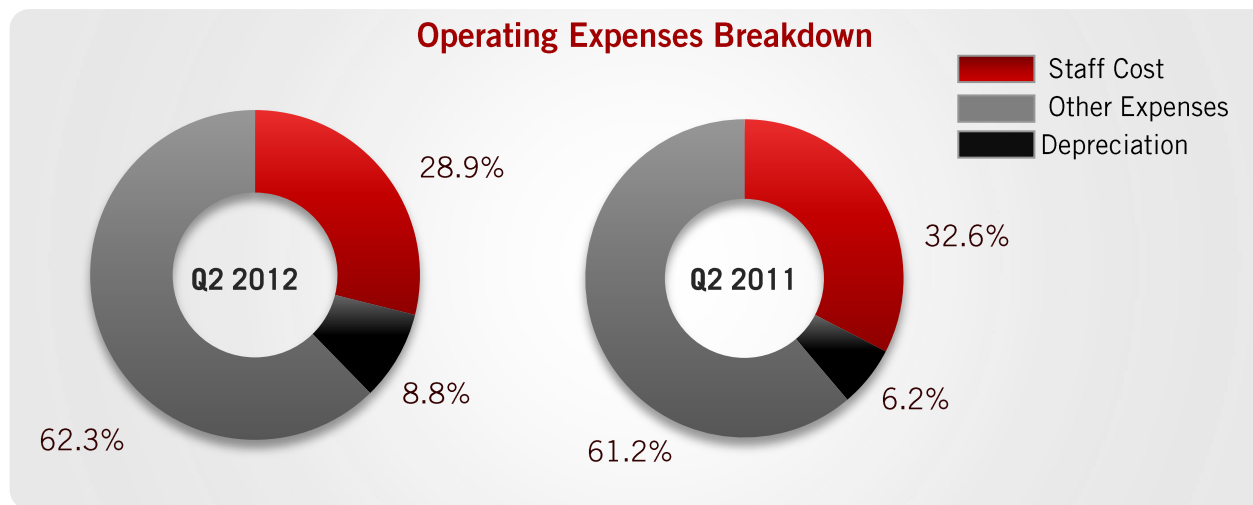


Operating Efficiency



Comments

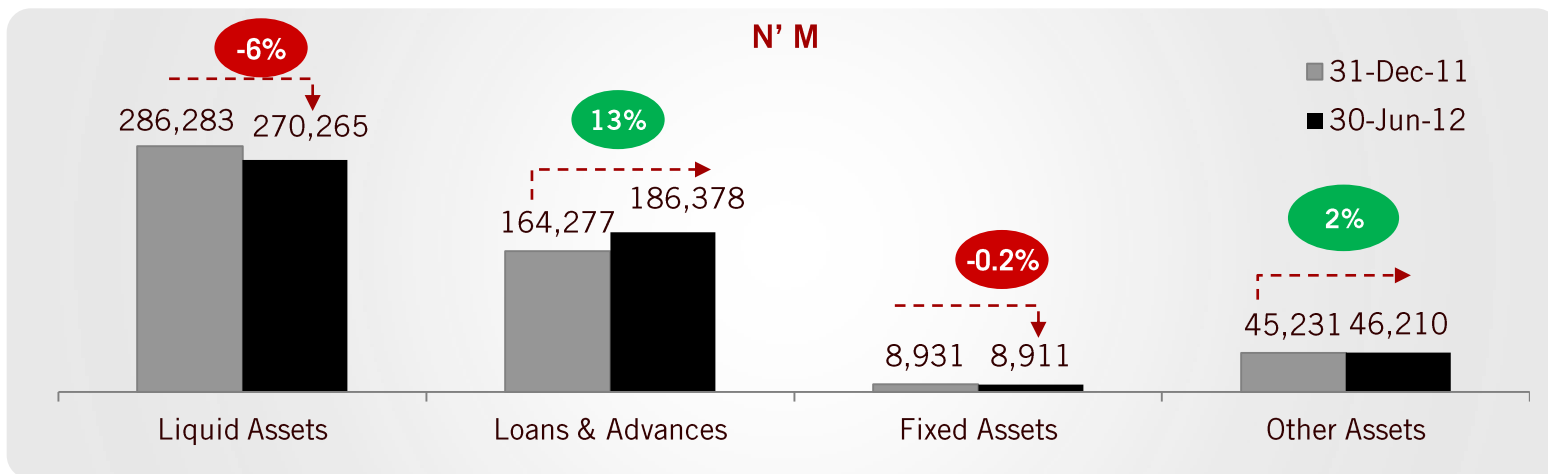
- Weighted average cost of funds (WACF) increased by 80 basis points due to the high interest rates that obtained during the period
- Staff cost accounted for 29% of operating costs (Q2 2011: 33%) despite increase in workforce



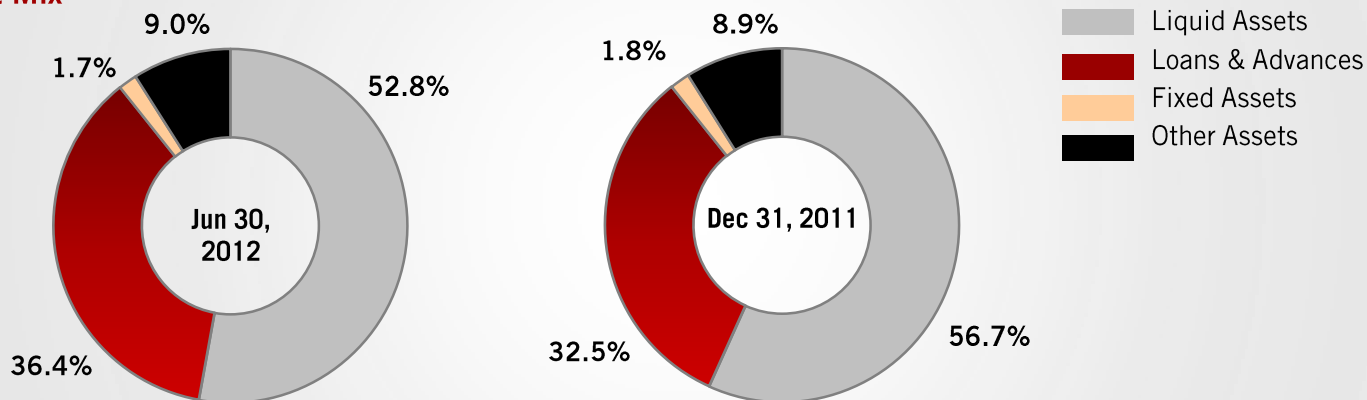
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Balance Sheet Analysis

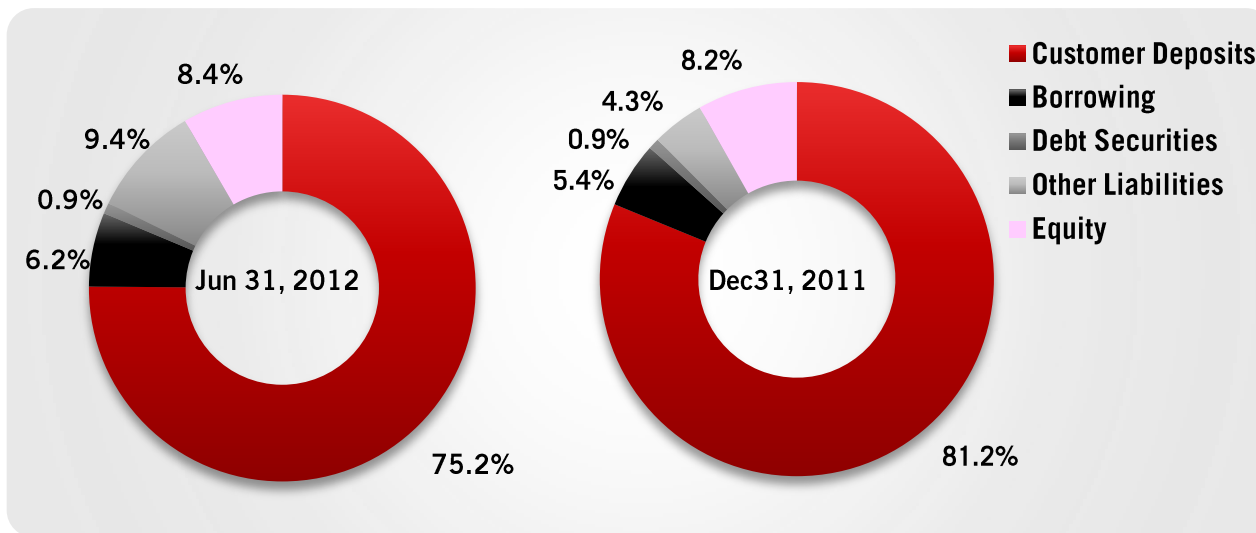
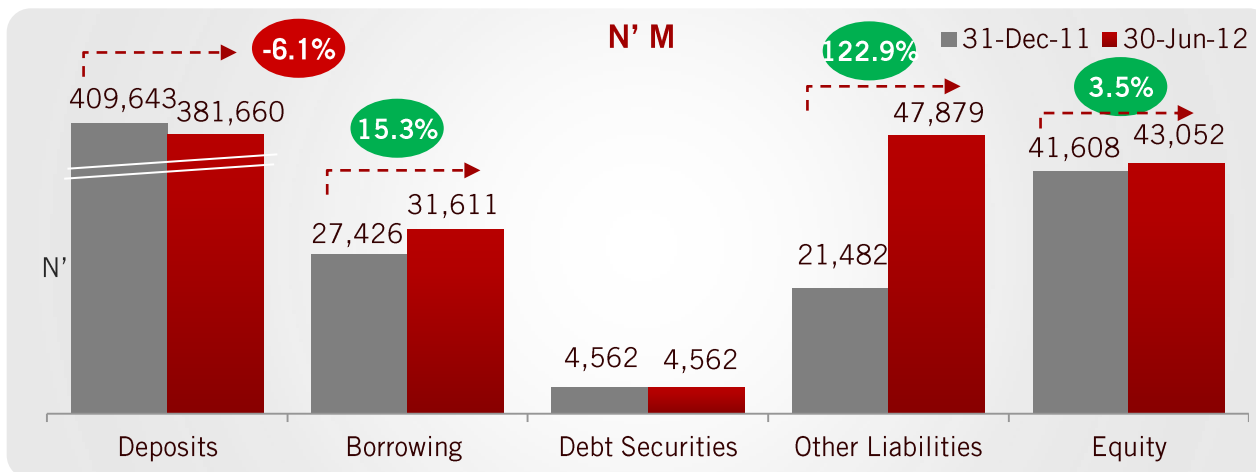
Asset Decomposition



Asset Mix



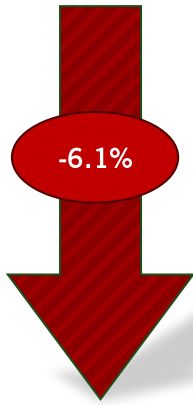
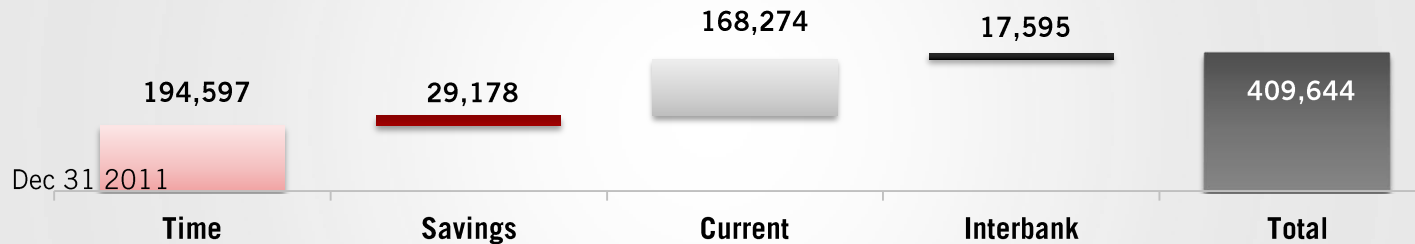
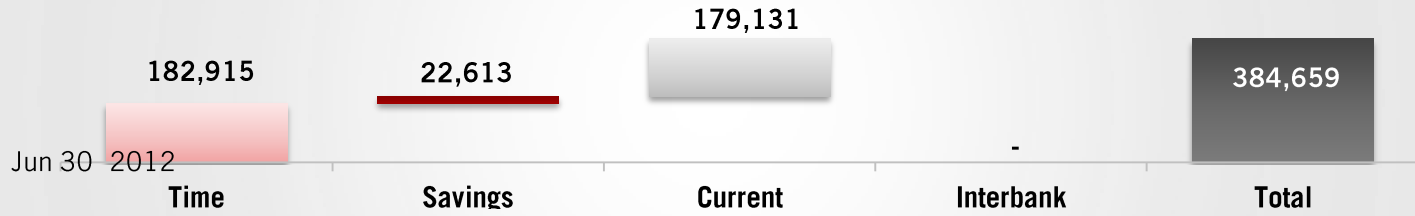
Assets Funding Mix



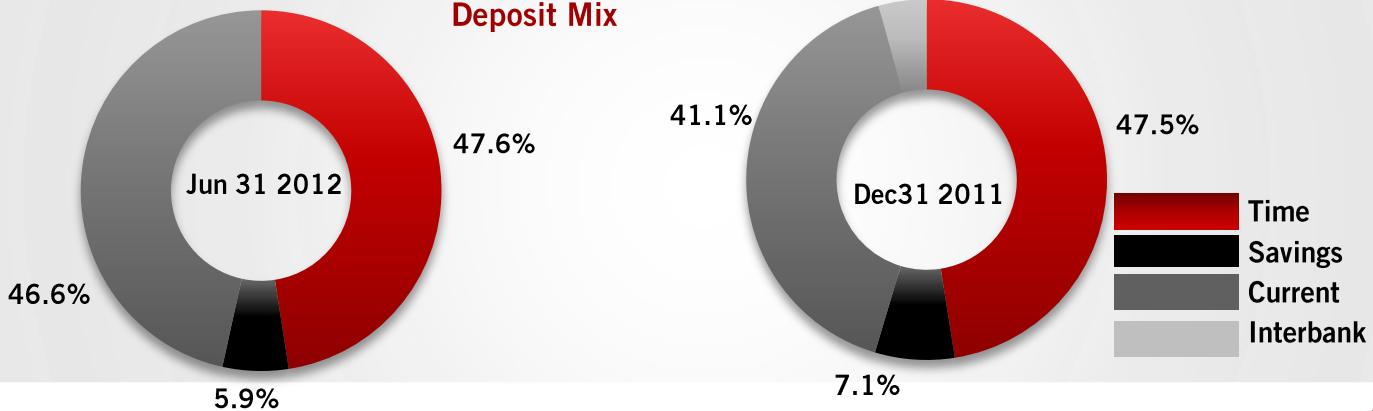
- ### Comments
- Diversified funding base with deposits as the major funding source
 - Deposits funded 75% of total assets
 - Deposit mix improved by 200 basis points in favor of low-cost funds
 - Long-term borrowing consists of facilities from Citibank and Bank of Industry (under the CBN intervention fund).

Deposits

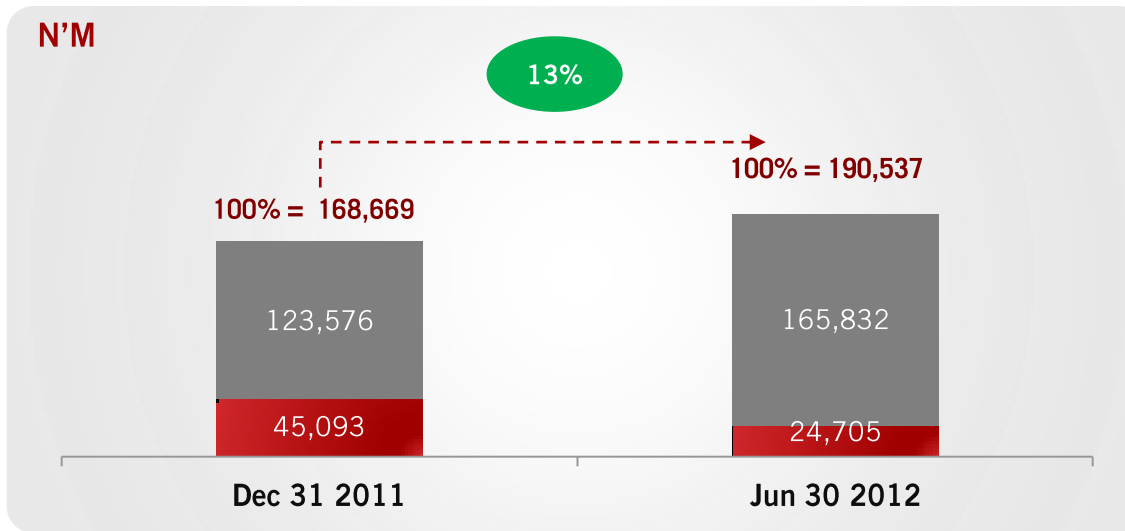
Deposit Breakdown N'M



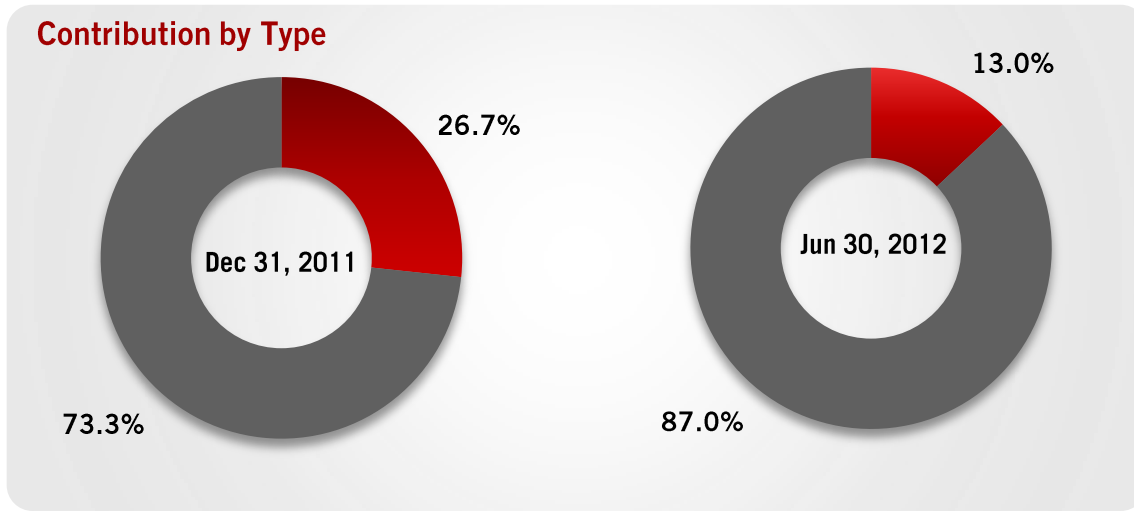
Deposit Mix



Gross Loans by Type



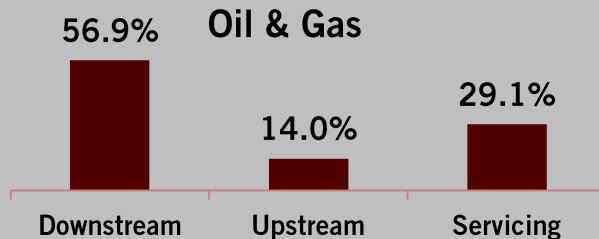
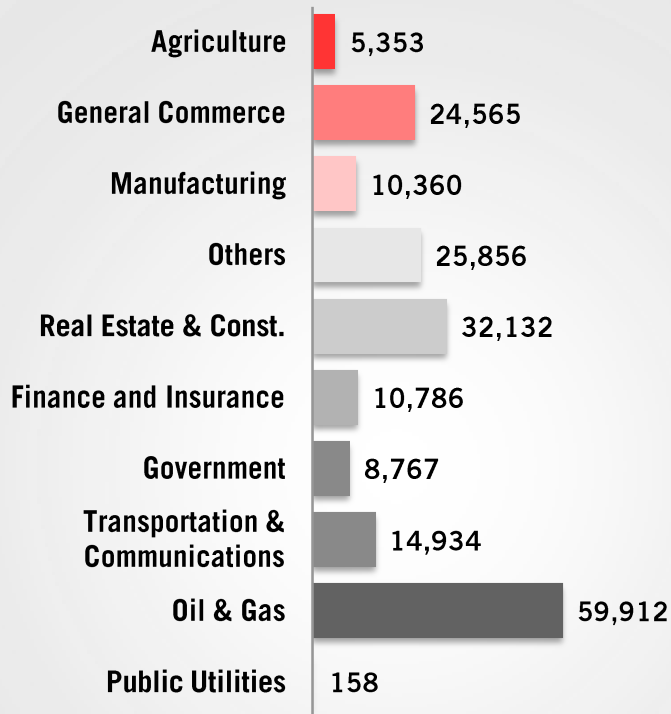
- ### Comments
- Gross loans rose 13% to N190.5 billion
 - Growth was boosted by improvement in our corporate and commercial loan book
 - Loans to transport & communications sectors recorded the largest growth year-to-date followed by the oil & gas sector
 - Oil & Gas exposures include upstream and downstream sub-sectors and the servicing firms



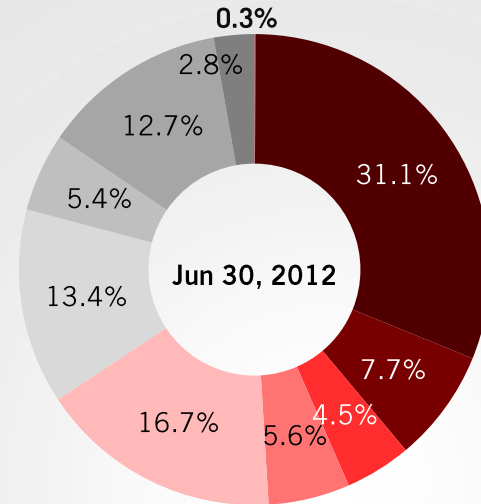
■ Individual Loans
■ Corporate Loans

Gross Loans by Sector

N'M

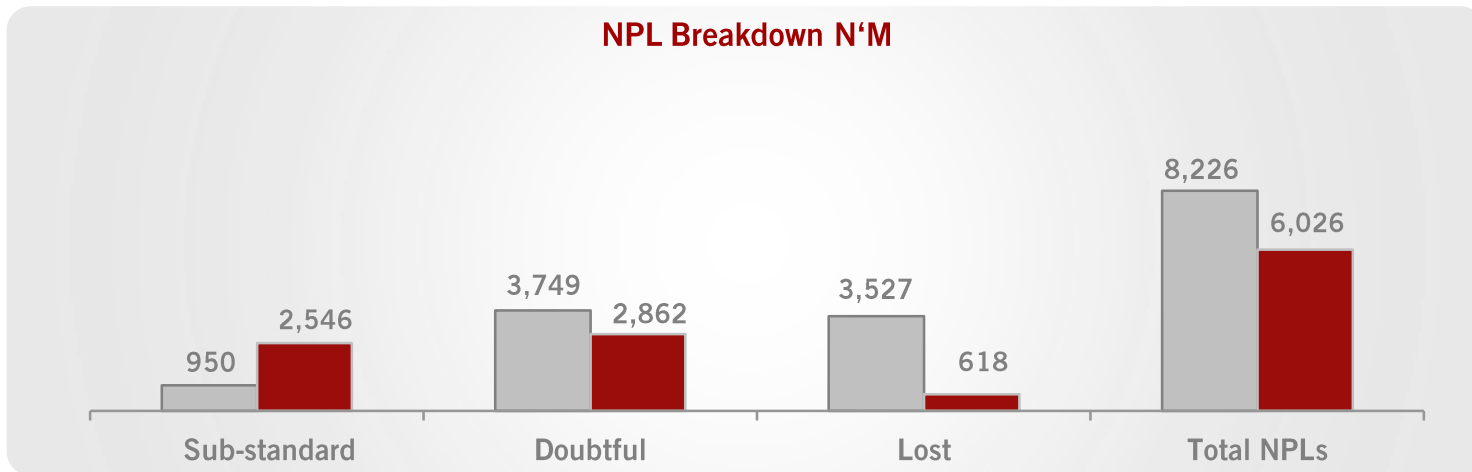
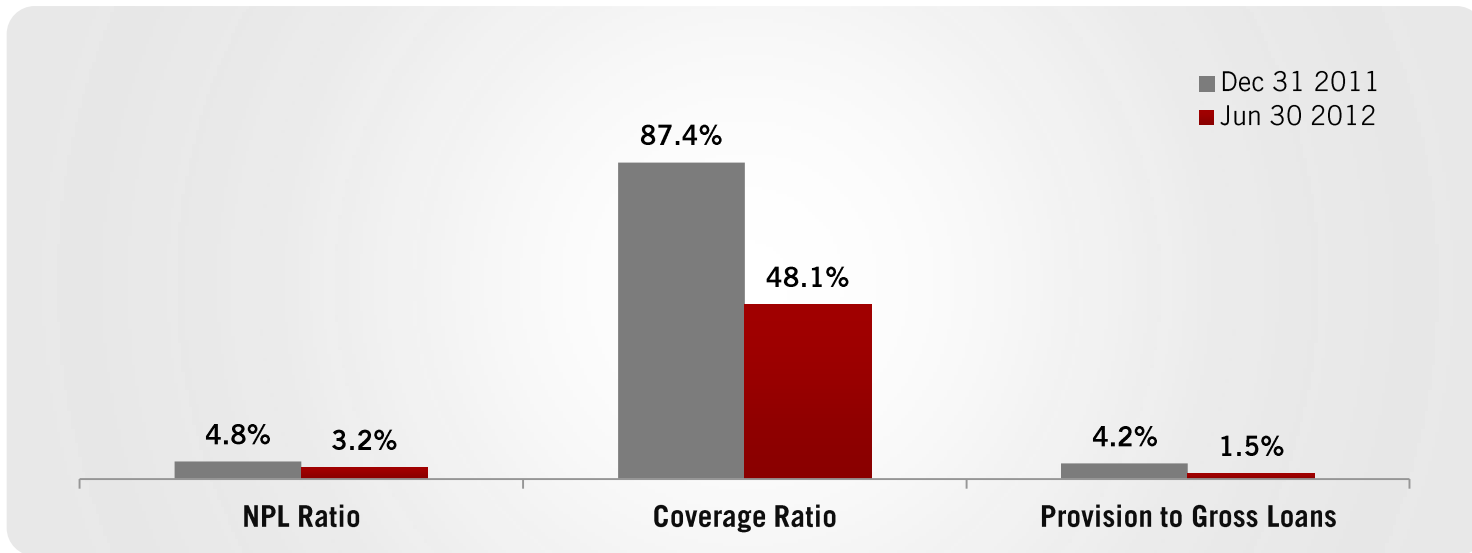


Gross Loans : Jun 30, 2012

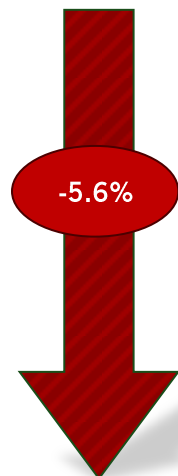
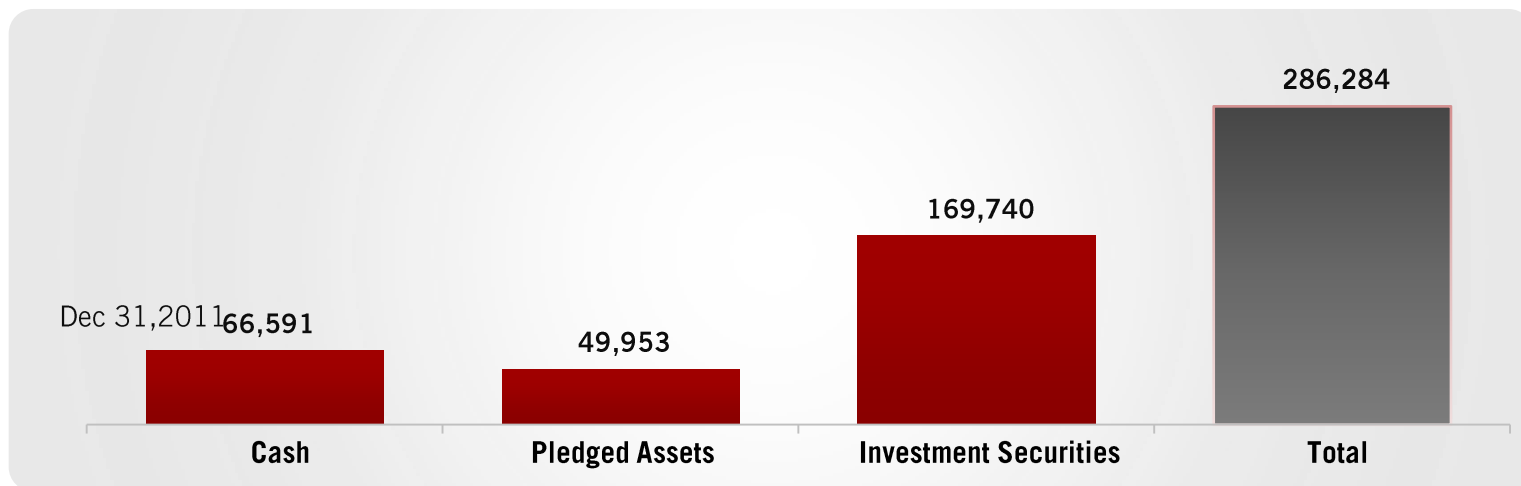
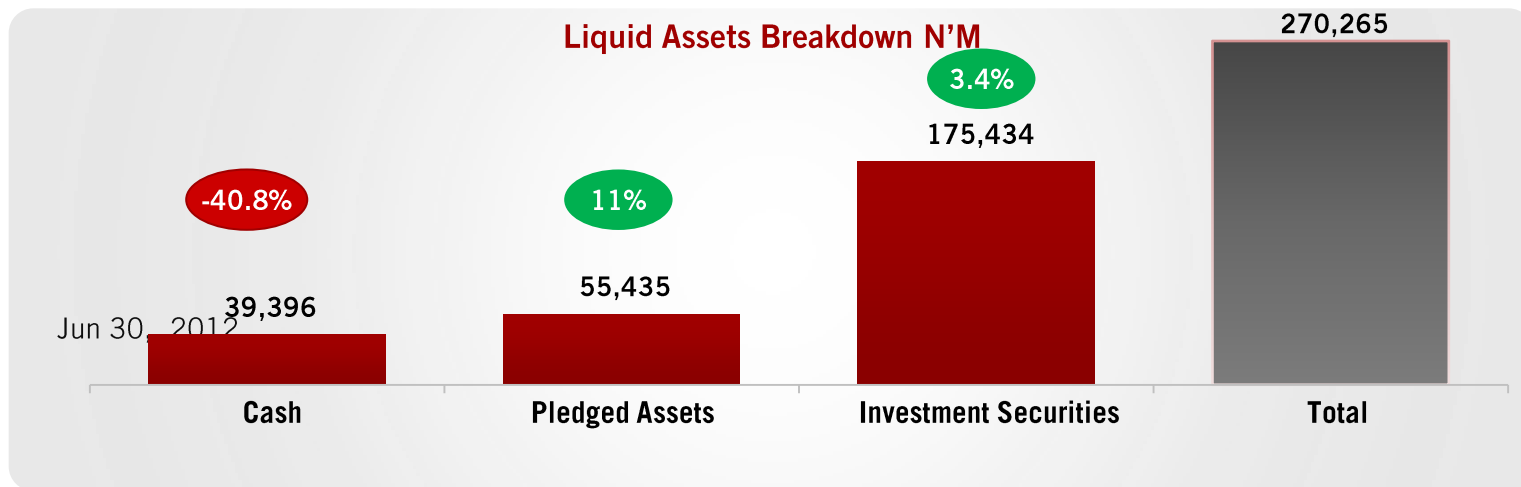


- Public Utilities, (0.1%)
- Oil & Gas, (31.1%)
- Transportation & Communications, (7.7%)
- Government, (4.5%)
- Finance and Insurance, (5.6%)
- Real Estate & Const., (16.7%)
- Others, (13.4%)
- Manufacturing, (5.4%)
- General Commerce, (12.7%)
- Agriculture, (2.8%)

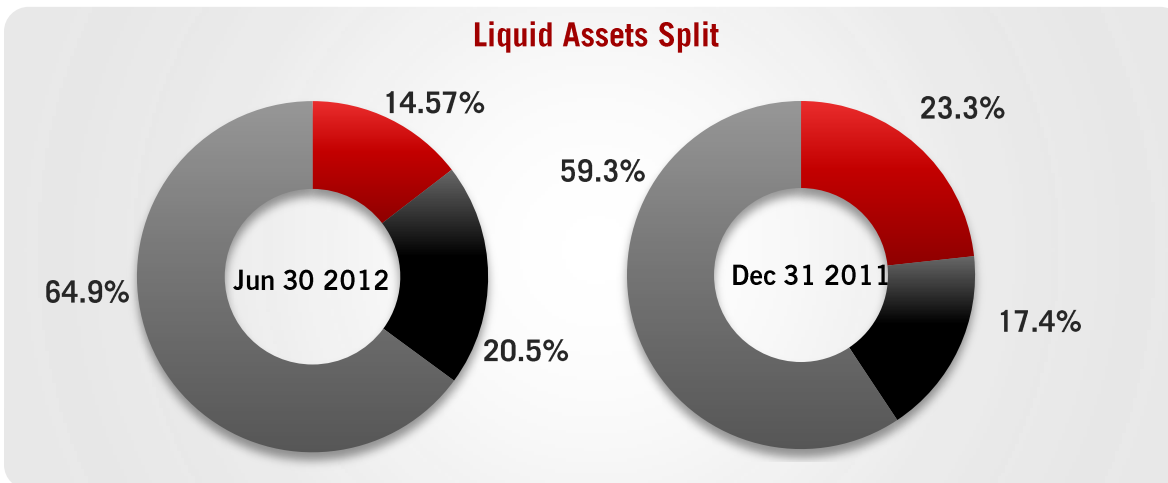
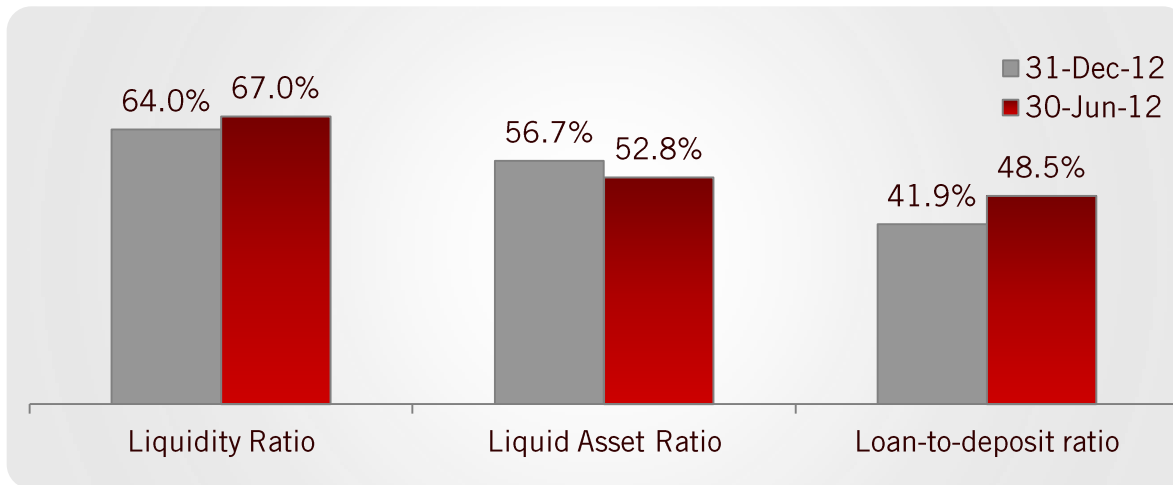
Asset Quality



Liquid Assets Profile



Liquidity Position



Comments

- **Loan-to-deposit ratio increased 660 basis points to 49% due to growth in assets creation**
- **Investment securities were predominantly TBs and government bonds 98% of which were held to maturity**
- **Pledged assets, also made up of TBs and government bonds, accounted for 21% of liquid assets**

- Pledged assets
- Investments securities
- Cash



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**2012 Outlook
& Priorities**

We are doing more

In terms of what we offer our customers

- Improve customer experience at each of our service delivery channels
- Offer 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.