

**Sterling Bank PLC**  
**Q3 2012**

**Investor  
Presentation**

**October 2012**

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**Sterling Bank**  
The one-customer bank.

# Important Information

## Notice

- 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.
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1 Macroeconomic Environment

2 Corporate Information

3 Financial Highlights

4 Earnings Analysis

5 Balance Sheet Analysis

6 Outlook

# Agenda



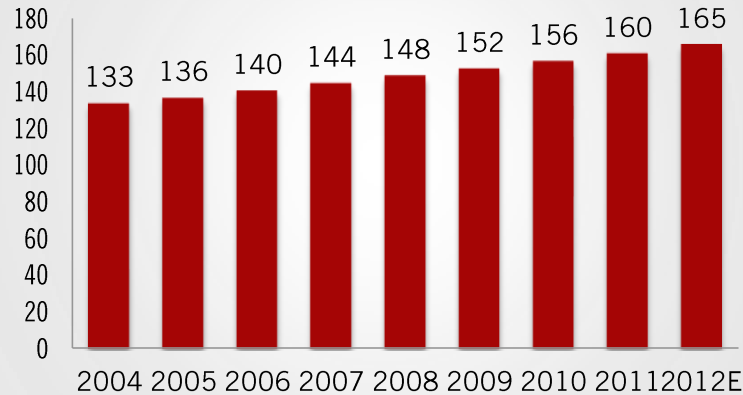
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**Macroeconomic  
Environment**

# Economic Indicators

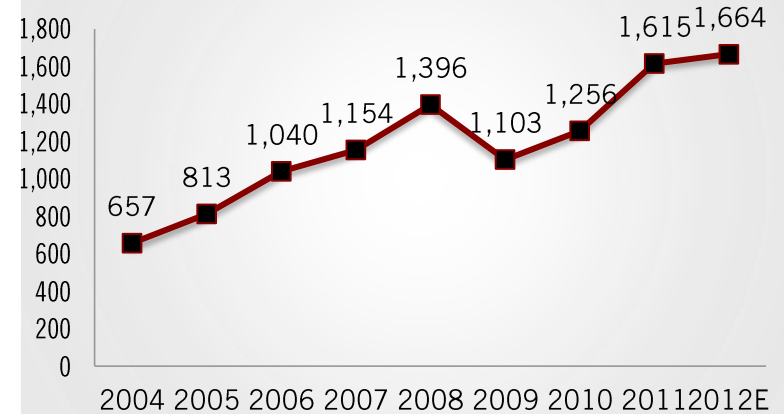
### Population (million)

2004 - 2012



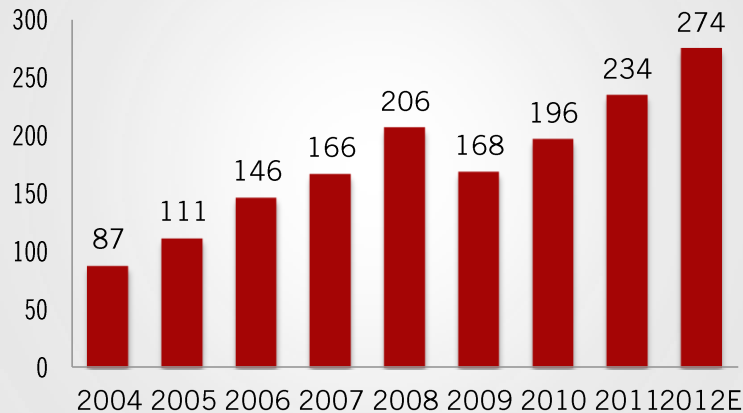
### GDP per Capita (US\$)

2004 - 2012



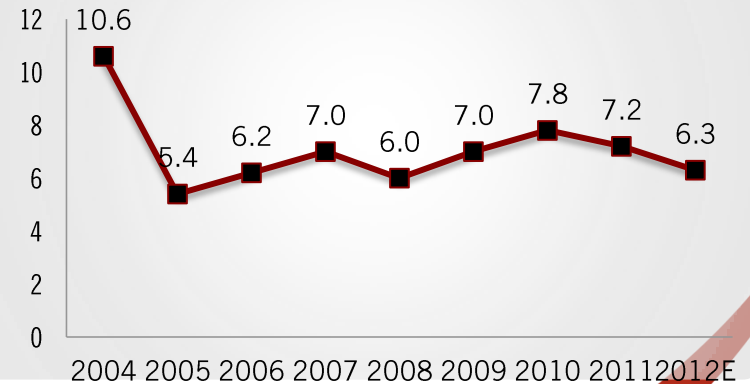
### Nominal GDP (US\$bn)

2004 - 2012



### Real GDP Growth (%YoY)

2004 - 2012



Source: Renaissance Capital

# Economic Indicators

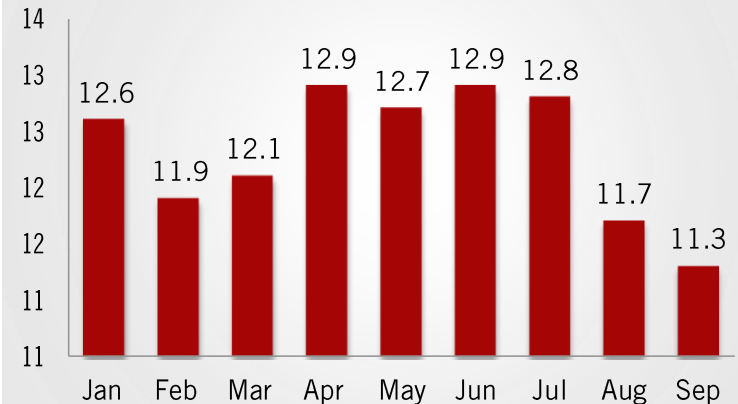
**Bonny Light Spot Prices FOB (\$/Barrel)**

January 2012 to September 2012



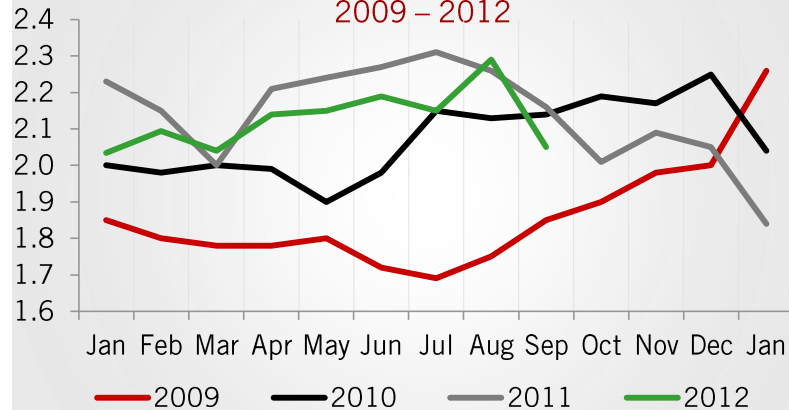
**Nigeria Consumer Price Index / Inflation Rate**

Jan 2012 – September 2012



**Nigeria Crude Oil Supply Data – 4 year**

2009 – 2012



**Nigerian Naira/US Dollar Exchange Rate**

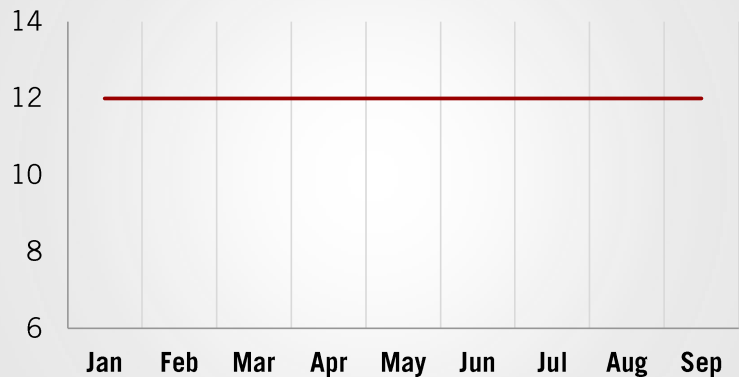
January 2012 – September 2012



# Funding Ecosystem

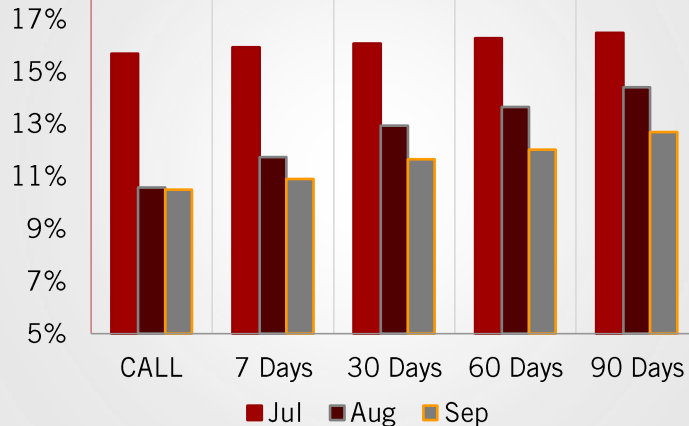
Central Bank of Nigeria Monetary Policy Rate (MPR)

2012



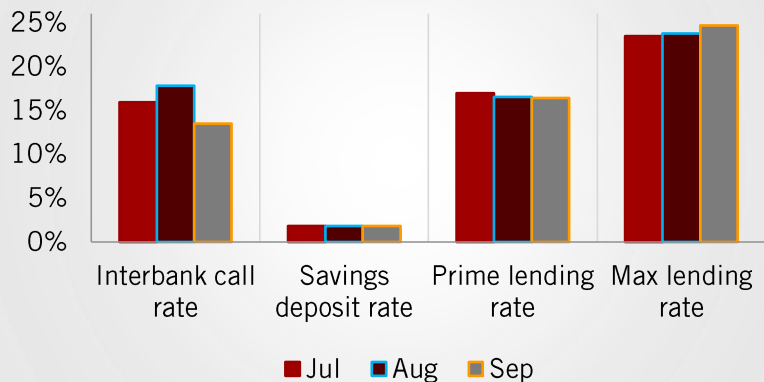
Nigerian Interbank Offer Rate (NIBOR)

2012



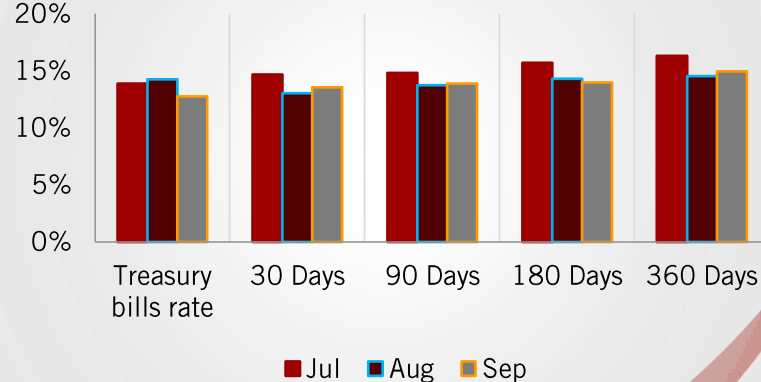
Deposit Taking – Savings Accounts

2012



Deposit Taking – Fixed Deposit

2012







**Corporate  
Information**



# About Sterling Bank

<b>Company</b>	<b>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</b>
<b>Banking license</b>	<b>National Commercial Banking License</b>
<b>Accounting</b>	<b>International Financial Reporting Standards (IFRS)</b>
<b>Credit rating</b>	<b>Short term A3; Long term BBB (Stable Outlook) – GCR Short term A2; Long term BBB+ (Stable Outlook) - DataPro</b>
<b>Focus segments</b>	<b>Retail market, Corporate and Institutional clients</b>
<b>Headcount</b>	<b>2,800 professional employees</b>
<b>Channels</b>	<b>167 business offices 190 ATMs 2,500 POS</b>

# Executive Management Profile

## Mr. Yemi Razack Adeola

### Chief Executive Officer/MD

- Over 25 years professional experience spanning banking, finance, law, corporate consulting and academia
- Served as Executive Director, Corporate and Commercial Banking between January 2006 and November 2007
- Worked in various executive management capacities in Citibank Nigeria, and Trust Bank of Africa Ltd

## Mr. Lanre Adesanya Executive Director South

Banking career spanning over 21 years, including executive management positions held in Nigbel Merchant Bank Ltd (NBML), successfully leading strategic business regions in the country.

## Mr. Devendra Nath Puri Executive Director Lagos

Representative of State Bank of India (SBI)  
Professional career spanning 27 years  
Alumnus of the A.N. College, Patna  
Associate of the prestigious India Institute of Bankers

## Mr. Abubakar Sule Executive Director North & Corporate Banking

Banking career spanning over 22 years  
Held various supervisory and executive management roles at the Central Bank of Nigeria (CBN), NAL Merchant Bank Plc, Sterling Capital Markets Limited and Intercontinental Bank Plc

# General Management Staff Profile

**Mr. Mudathir Lawal**  
**General Manager, Lagos Island Division**

- He has over 20 years professional experience spanning Trade & Manufacturing, Treasury Marketing, Currency Trading, Inspection and Marketing. A fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and an associate member of the Chartered Institute of Taxation of Nigeria (CITN), Kayode was educated at the Yaba College of Technology, Columbia University and Leeds Metropolitan University and holds qualifications in Accountancy, Marketing Management and Corporate Governance.

**Mr. Yemi Odubiyi**  
**Chief Operating Officer**

- Yemi's banking career spans over 17 years. Prior to his current role, he served as Chief Strategist and before that, Head of Structured and Trade Finance. He previously served as Chief Operating Officer at Trust Bank of Africa Limited before its merger into Sterling Bank Plc. in December 2005. He is a graduate of the Citibank Management Associate program and his professional experience spans Strategy & Finance, Corporate & Investment Banking as well as Banking Operations

**Mr. Abubakar Suleiman**  
**Chief Financial Officer**

- Abubakar has over 15 years of core banking experience. Prior to his role as Chief Financial Officer, he successfully led the recent integration of ETB into Sterling Bank. He was previously the Group Treasurer with responsibility for trading and balance sheet management. He started his career as a consultant with Arthur Andersen (now KPMG) and has worked with MBC International Bank (now First Bank Nigeria) and Citibank across the Corporate, Commercial and Institutional Banking functions

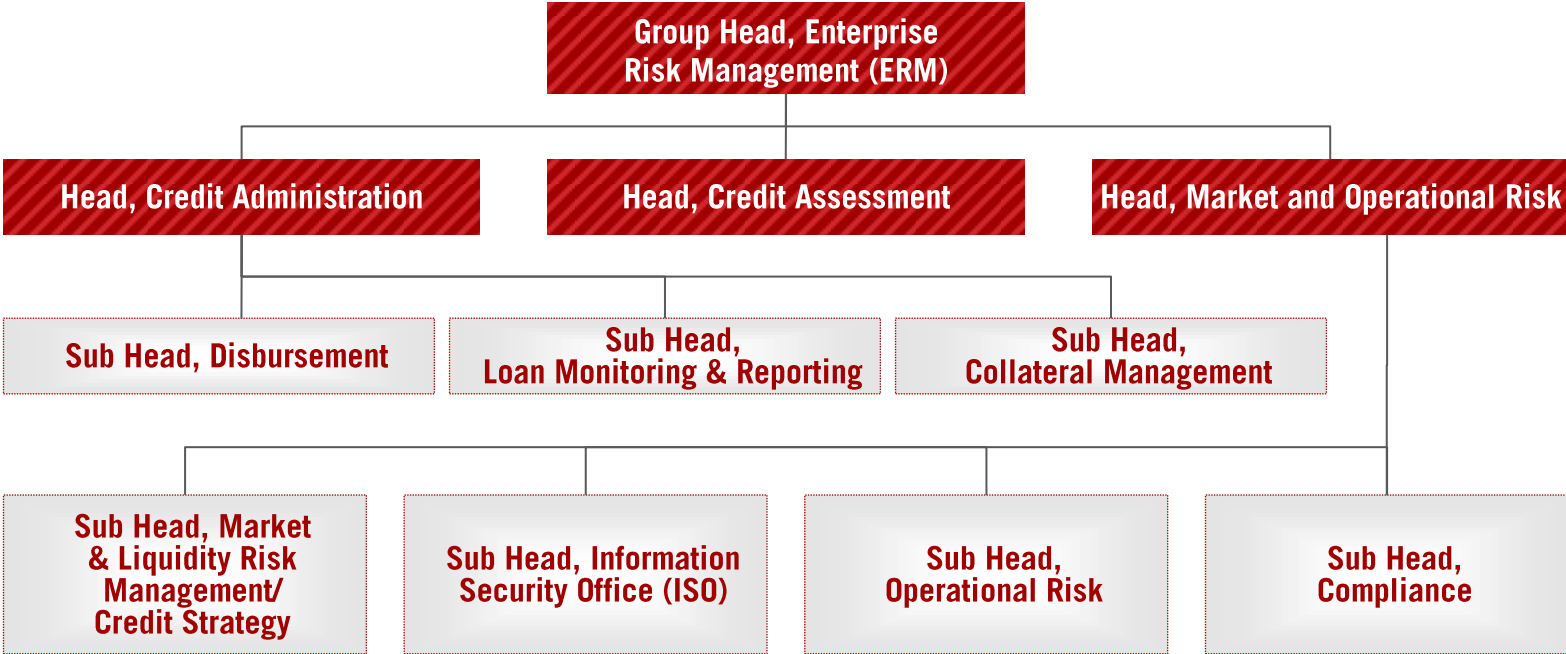
# Risk Management Structure

Risks are tightly managed within Sterling Bank's Enterprise Risk Management structure



\*Institutional framework going through approval process

# Risk Governance - Operational Structure



# Strategy Roadmap

2011-2014

2015+

## Mid-term

- 3-5% market share measured by assets
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- 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

- 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



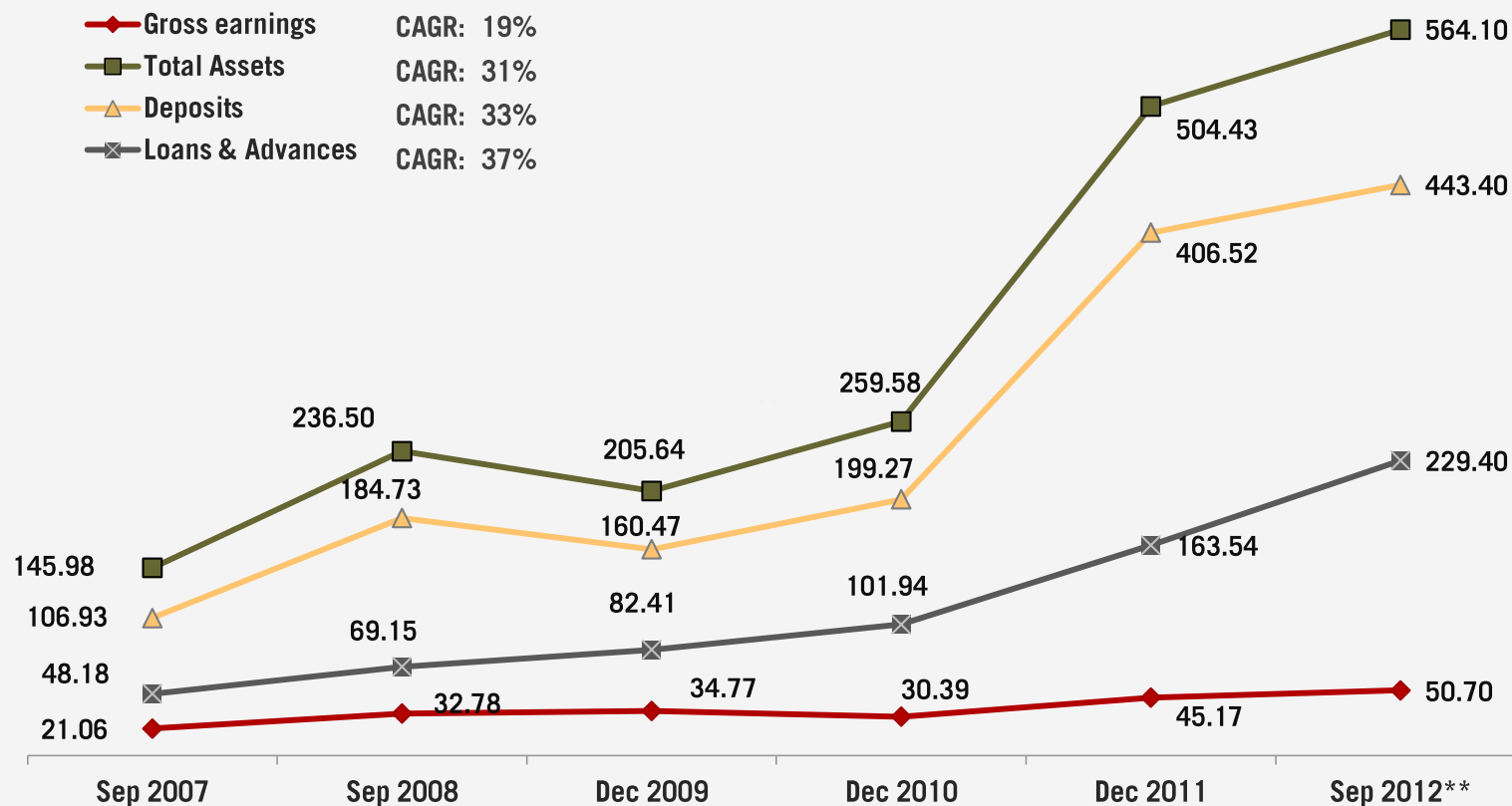
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# Financial Highlights



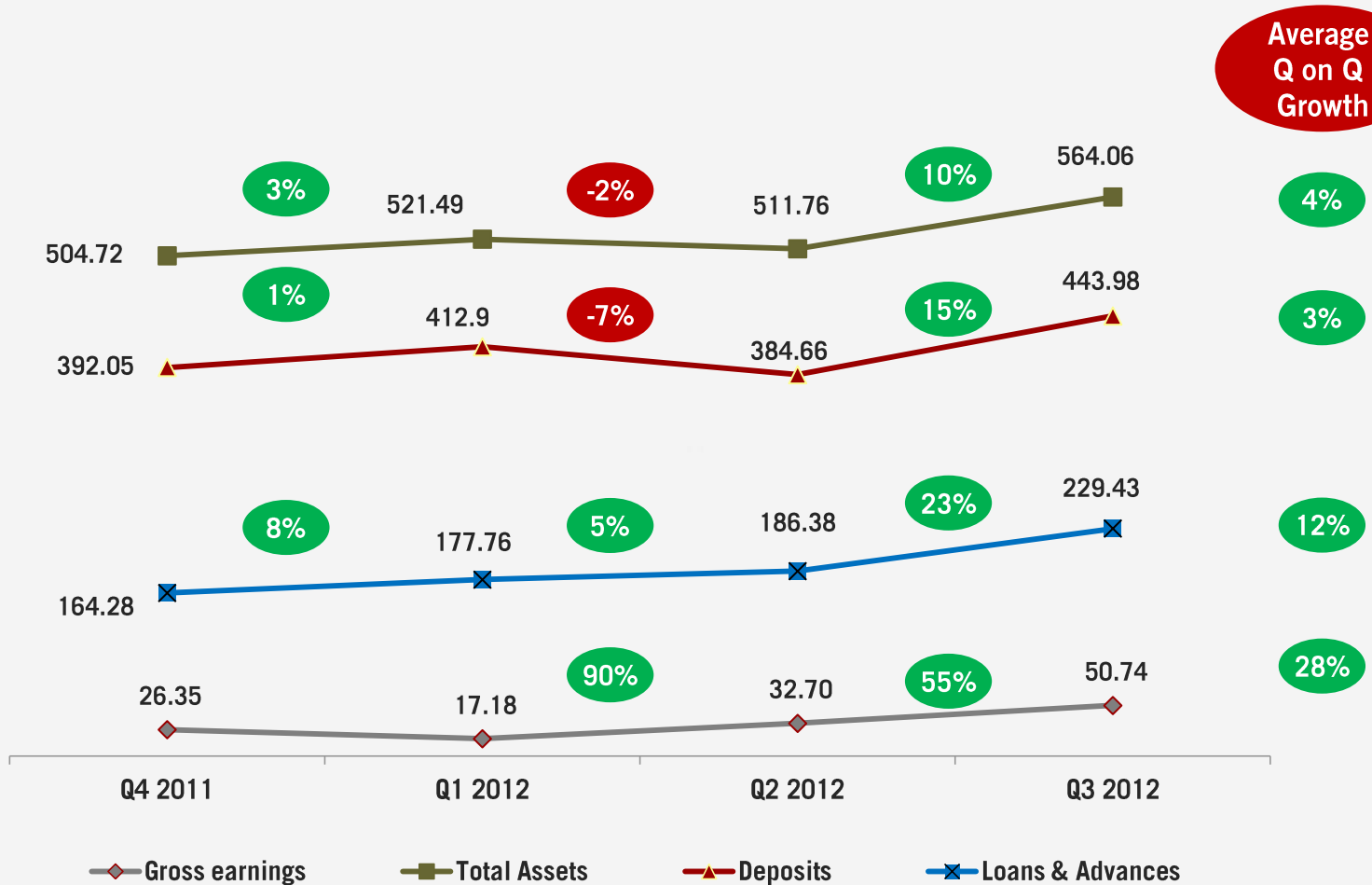
# Growth Trends: Year-on-Year Review

N'B



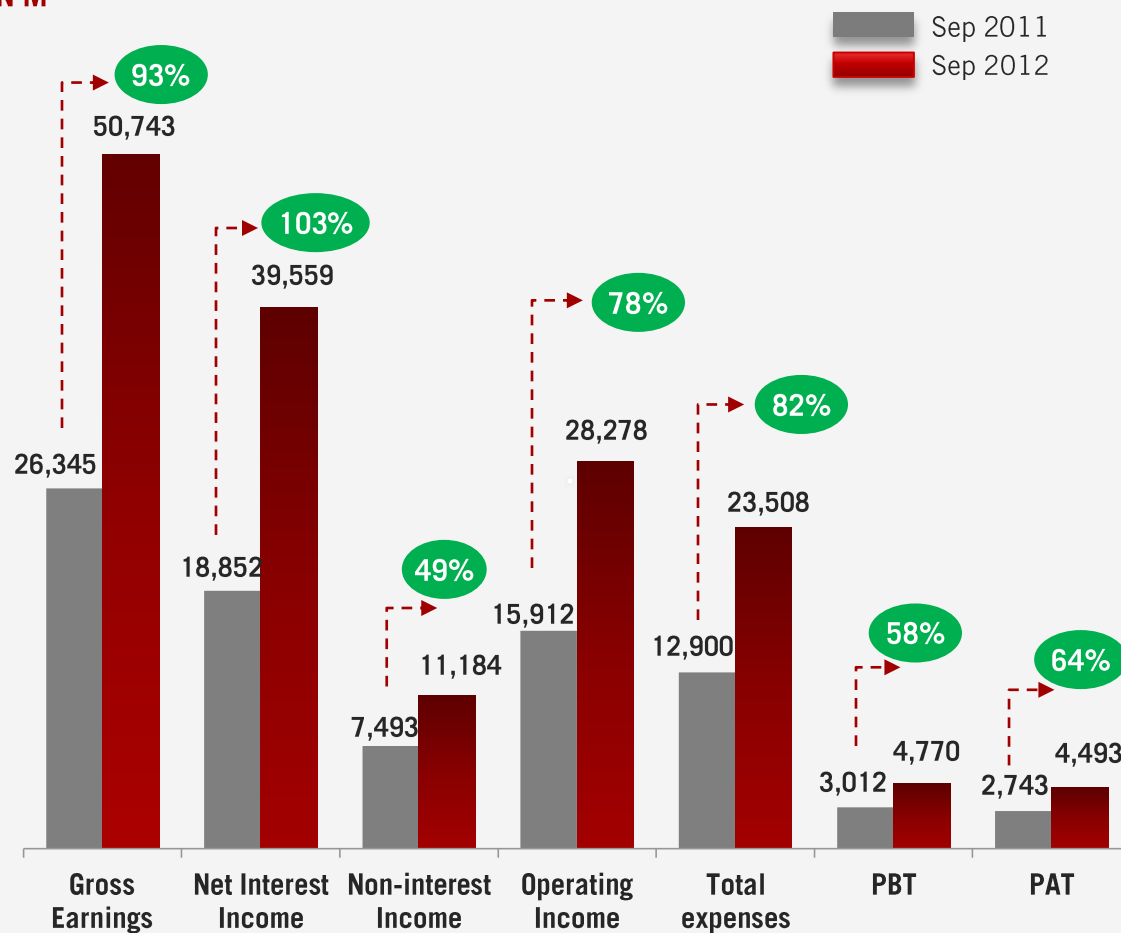
\*\* Nine months

# Growth Trends: Quarter-on-Quarter Review



# Income Statement Highlights

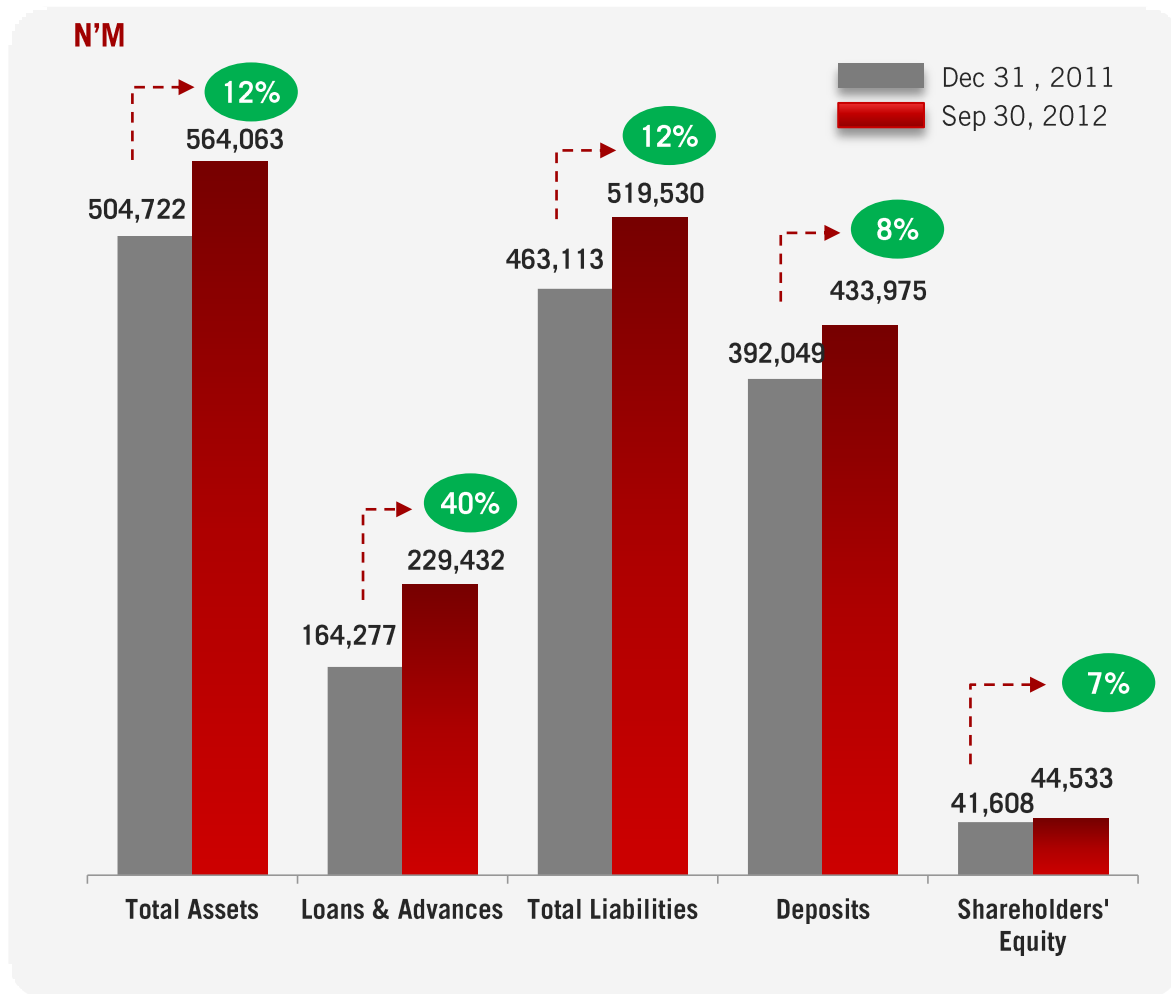
N'M



## Comments

- Gross earnings rose 93% to N50.7 billion driven by 110% growth in interest income
- Operating income rose 78% on the back of a 103% improvement in net interest income after impairment charges
- Improvement in non-interest income largely driven by growth in fees and commission, loan recoveries and write-back of credit provisions
- Profit before and after tax grew by 58% and 64% respectively

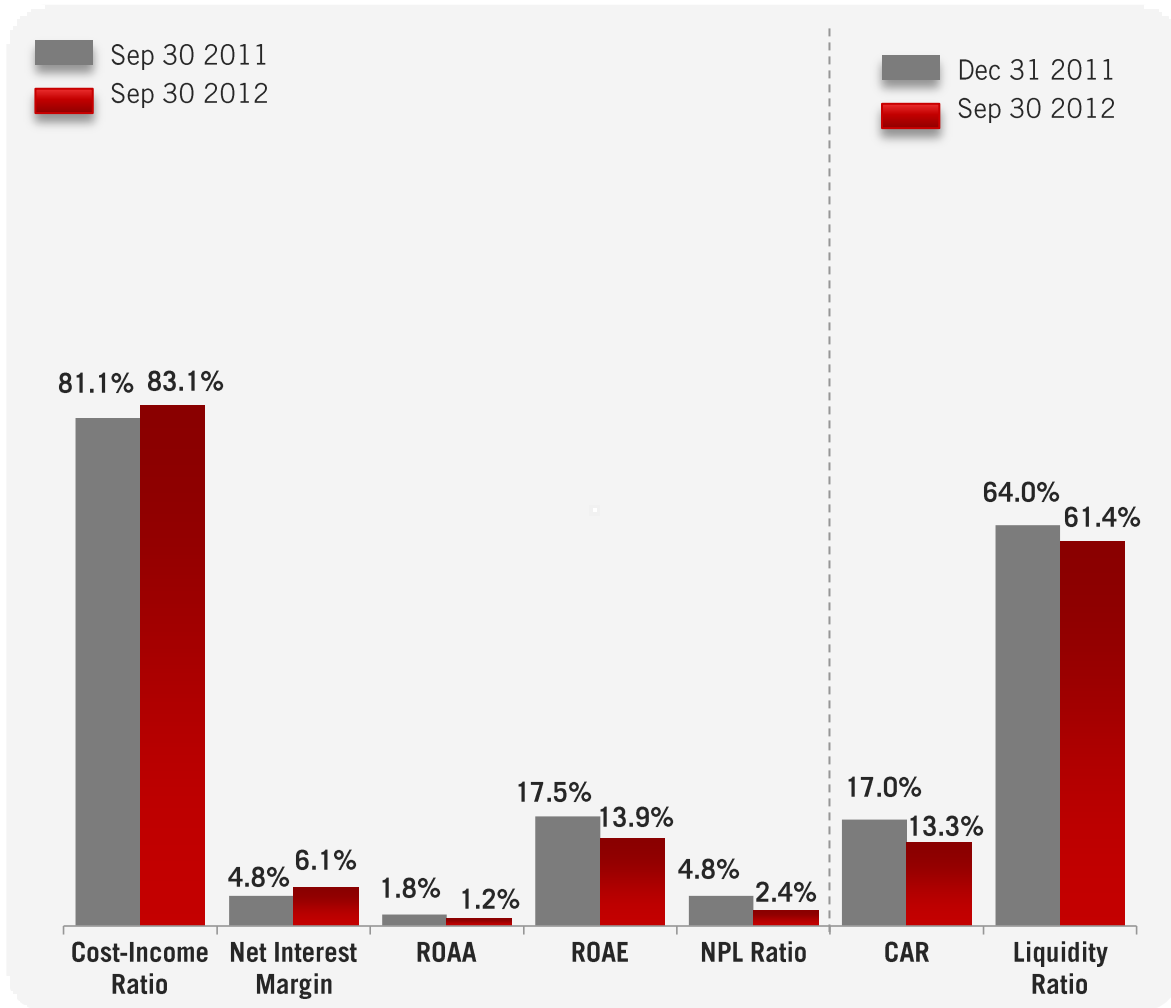
# Balance Sheet Highlights



## Comments

- Growth in balance sheet despite slowdown in economic activities arising from tight monetary policy stance of the CBN
- Deposits increased by 12% resulting from growth in our retail deposit drive
- Net loans & advances increased 40% on the back of enhanced presence in the corporate banking space
- Improvement in Equity due to profit accretion

# Key Financial Ratios



## Comments

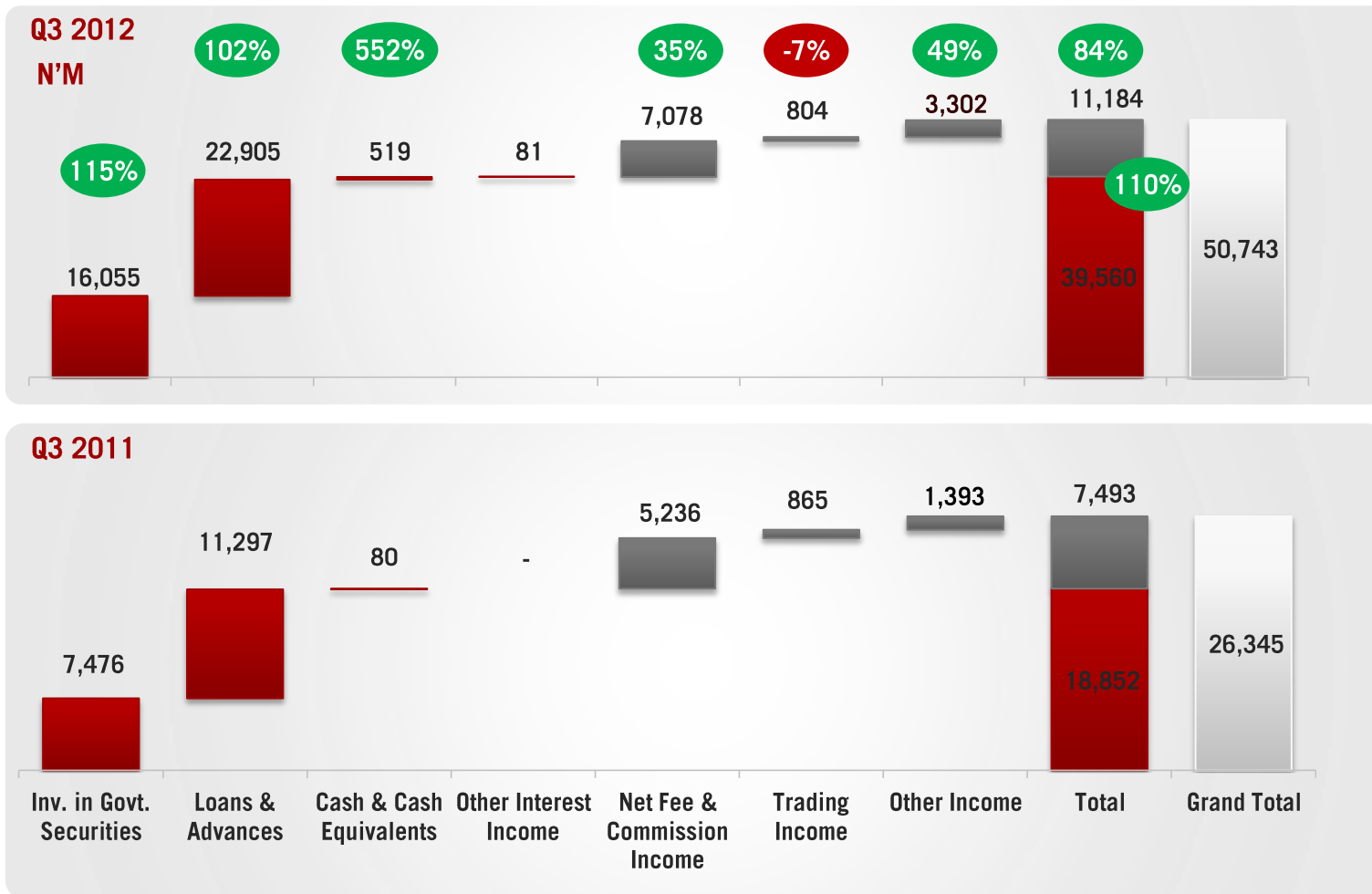
- Net interest margin increased 130 basis points due to improvements in asset yield
- Cost to income ratio of 83.1% arising from one-off merger related costs
- Strong liquidity and capital adequacy position above regulatory benchmarks providing support for business growth
- NPL ratio was halved to 2.4%, while cost of risk was 1.4% resulting in improved asset quality.



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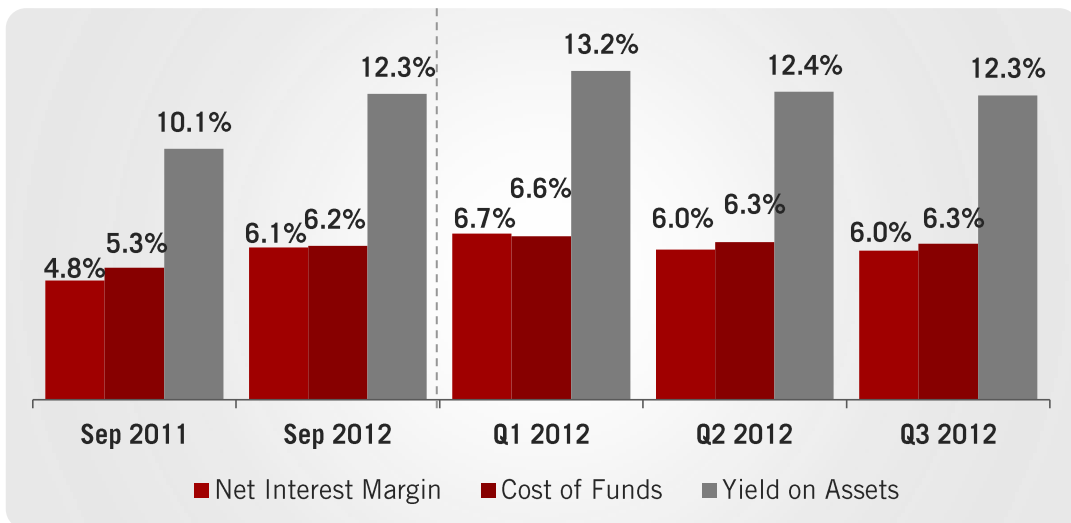
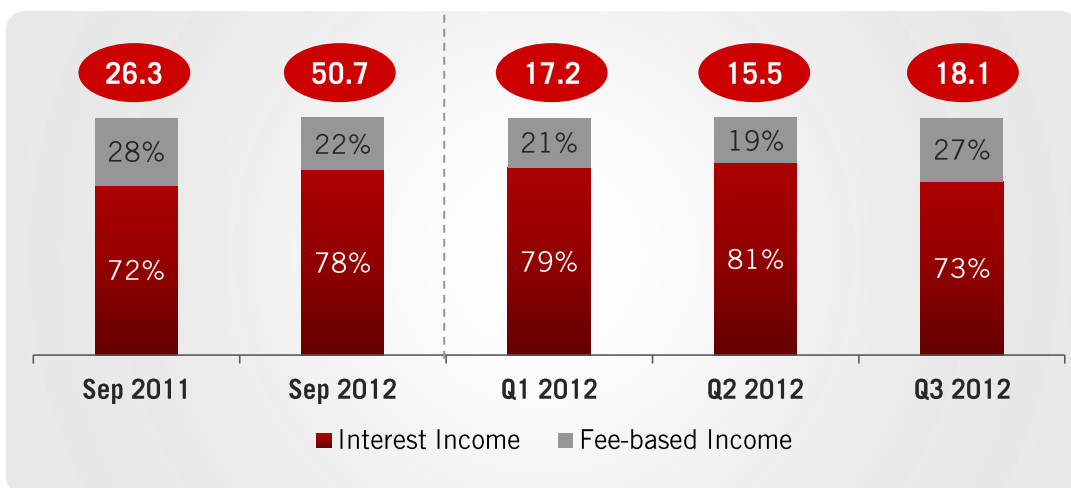
## Earnings Analysis

# Revenues





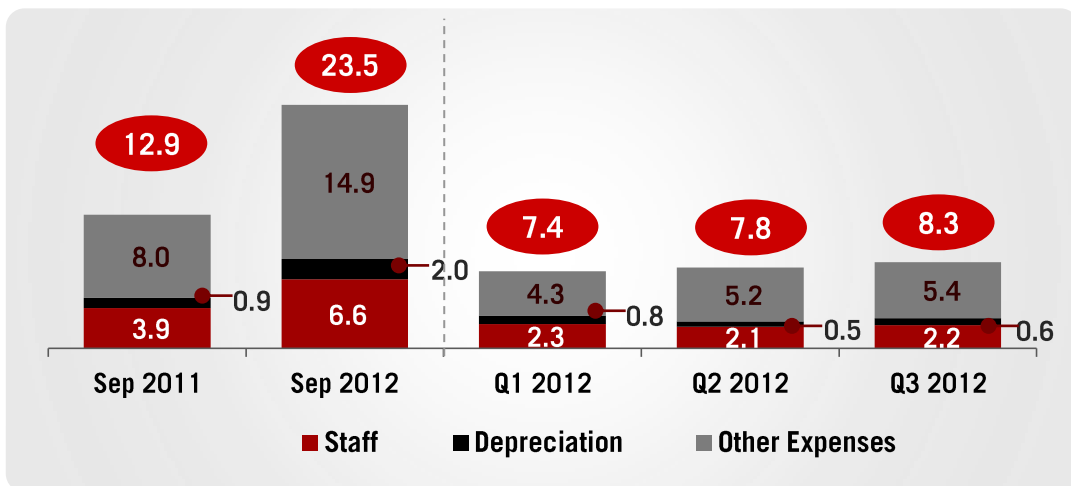
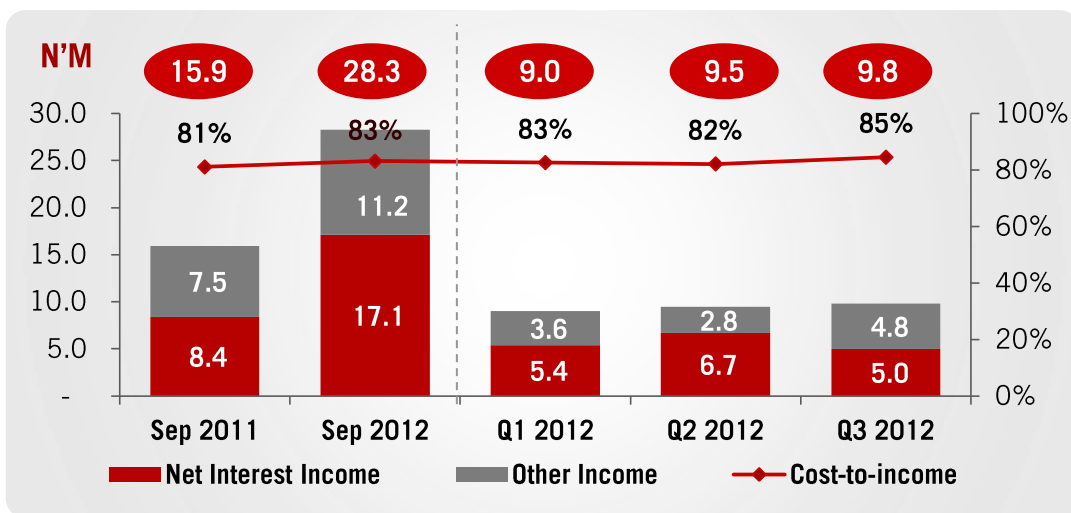
# Revenue Drivers



### Comments

- Gross earnings rose 110% YoY and 16% QoQ
- Interest income remained the key driver of earnings accounting for 78% of gross earnings.
- Yield on assets improved 220 basis points to 12.3% resulting in 130 basis points increase in net interest margin
- Despite 400 basis points increase in Cash Reserve Ratio, cost of funds rose by just 90 basis points YoY
- Cost of funds remained relatively stable QoQ driven by our sustained retail deposit drive

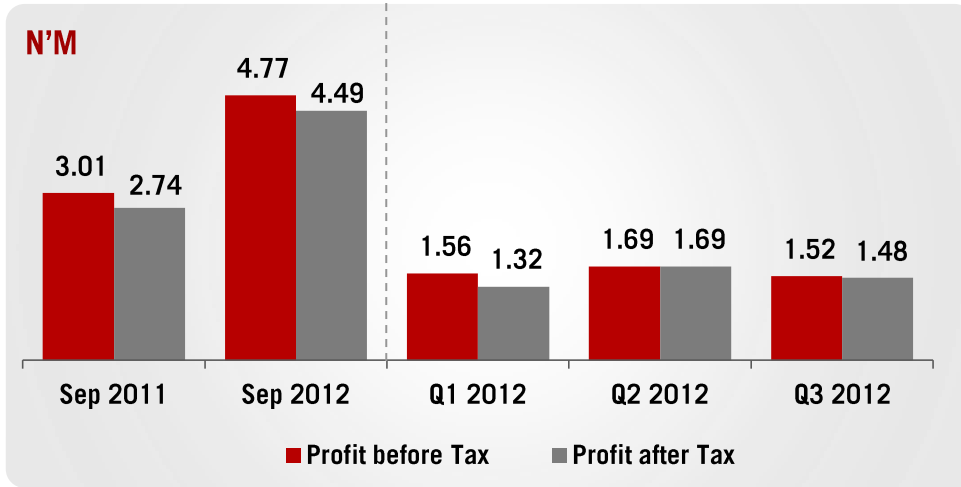
# Operating Efficiency



## Comments

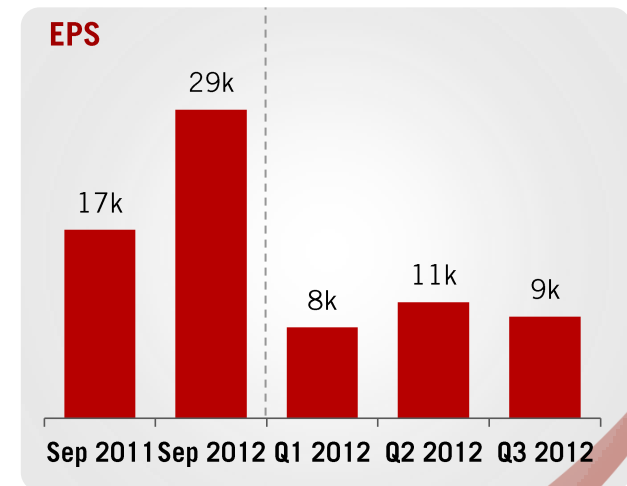
- Operating income rose 78% to N28.3 billion and 4% QoQ to N9.8 billion
- Net interest income was the major driver accounting for 60% as at September 2012
- Growth in operating expenses was driven by other expenses comprising general and administrative expenses, AMCON surcharge, other premises and equipment costs, and professional fees

# Profitability



**Comments**

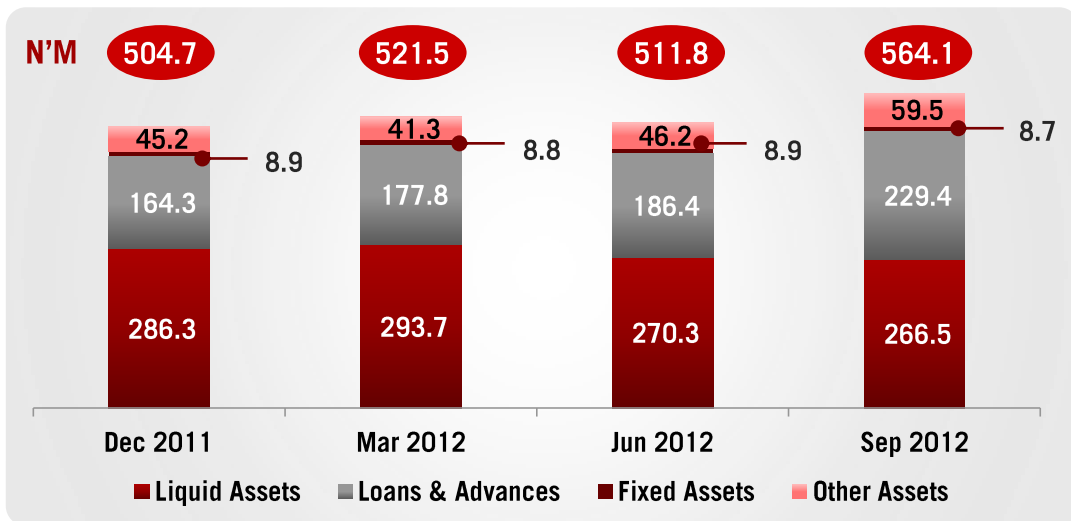
- Profit before tax rose 58% YoY
- Profit after tax rose 64% YoY



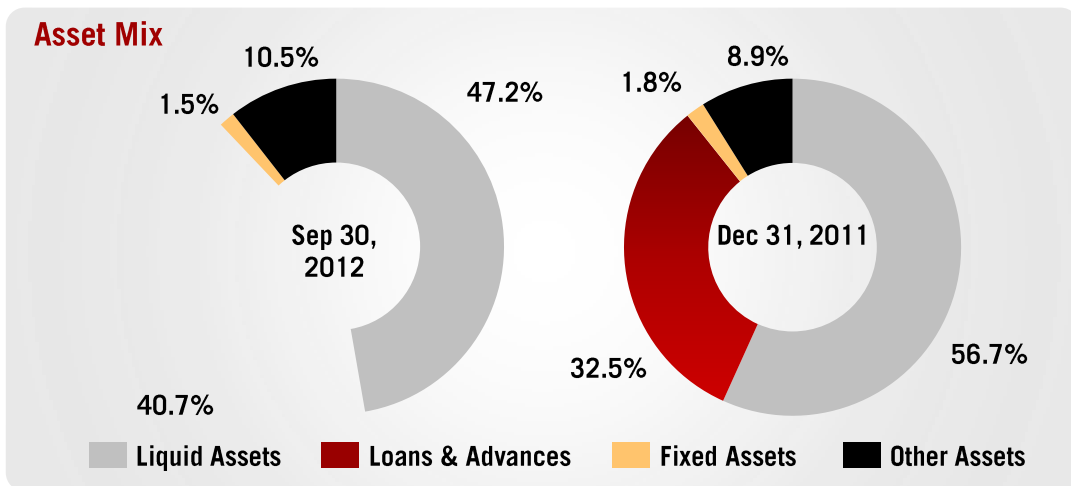
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## Balance Sheet Analysis

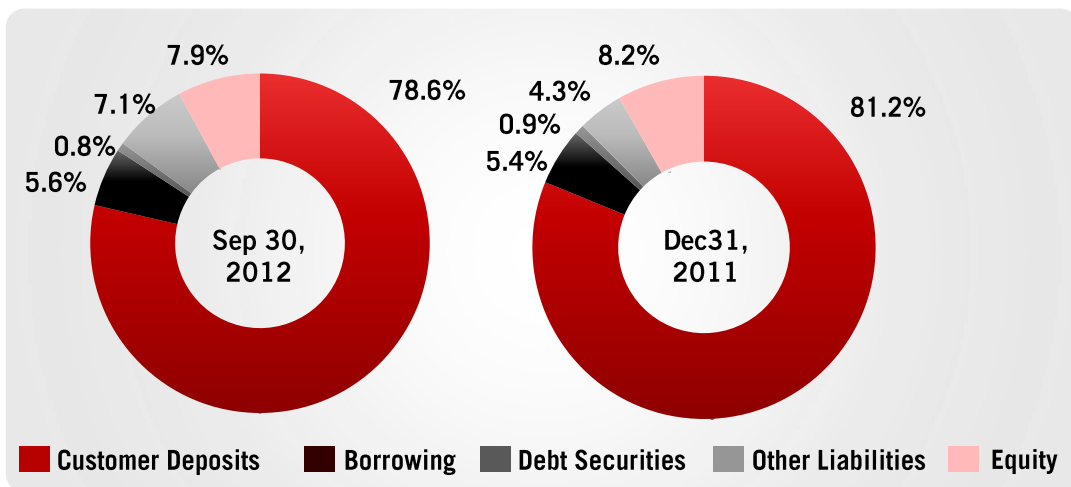
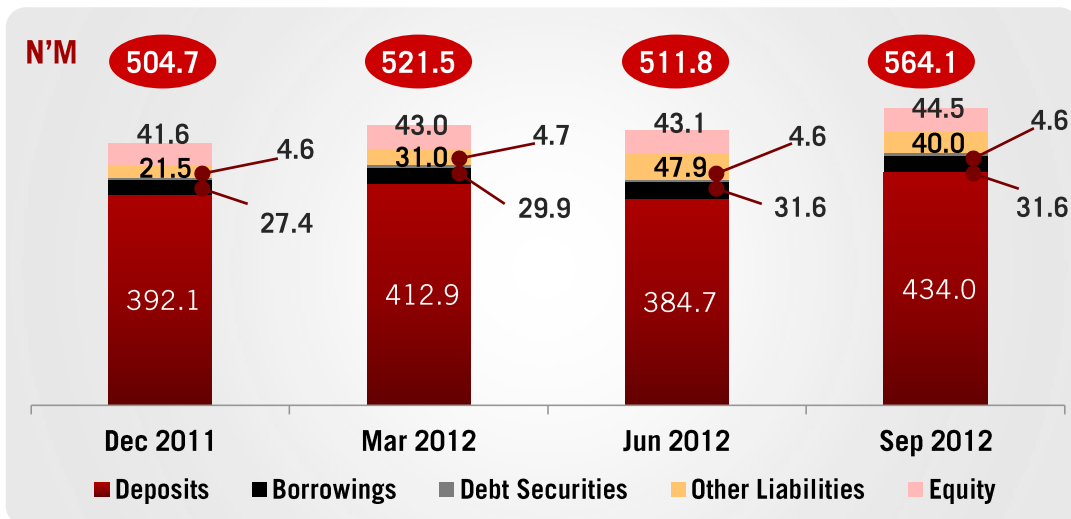
# Asset Decomposition



- ### Comments
- Total assets grew 12% to N564.1 billion
  - Income generating assets accounted for 80% of total assets
  - Loan penetration increased from 33% in December to 41% resulting from a 40% growth in loans and advances year-to-date
  - Liquid assets were largely government securities

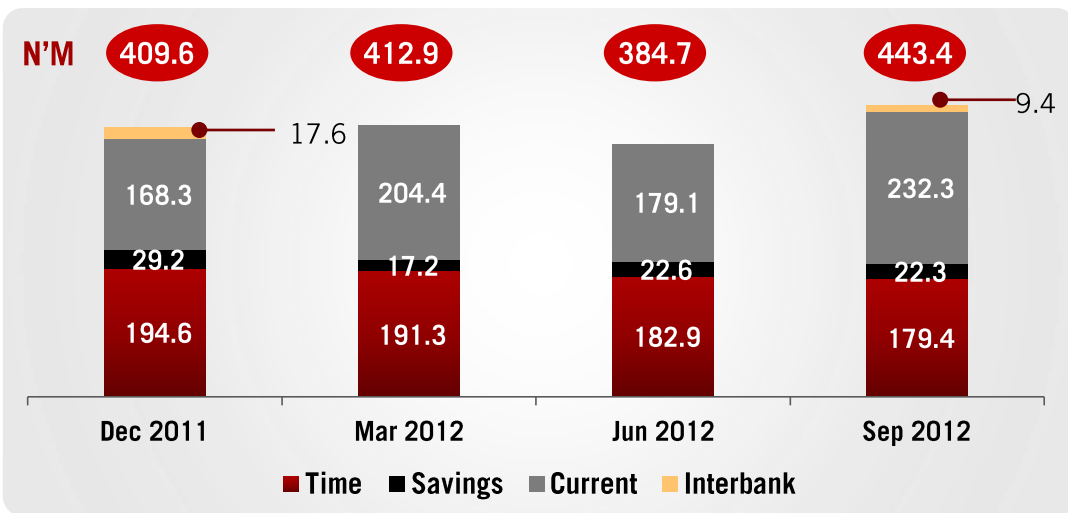


# Assets Funding Mix



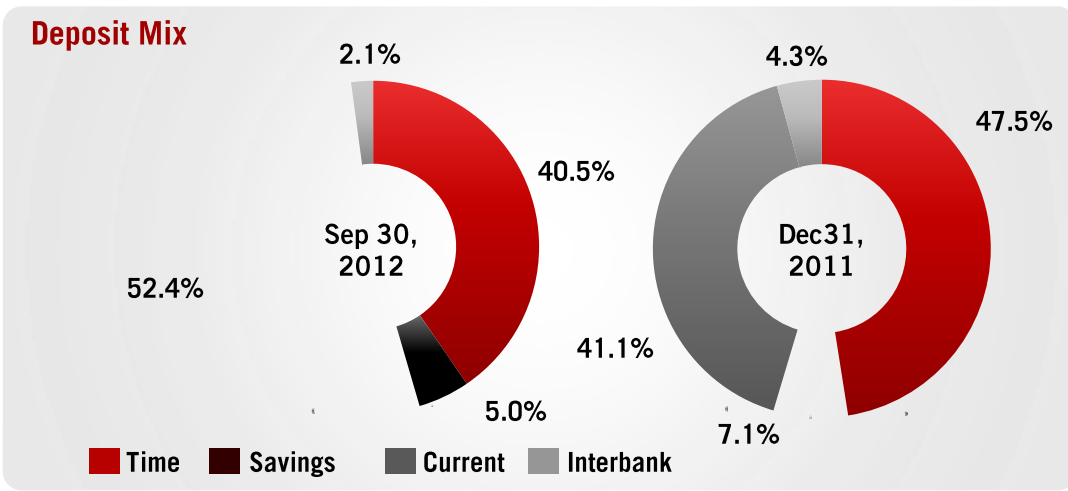
- ## Comments
- Diversified funding base with deposits as the major funding source
  - Deposits funded 79% of total assets against 81% in December 2011
  - Borrowings consist of facilities from Citibank and Bank of Industry (under the CBN intervention fund).
  - Debt securities of N4.6 billion a 7-year unsecured debenture stock at 13%

# Deposits



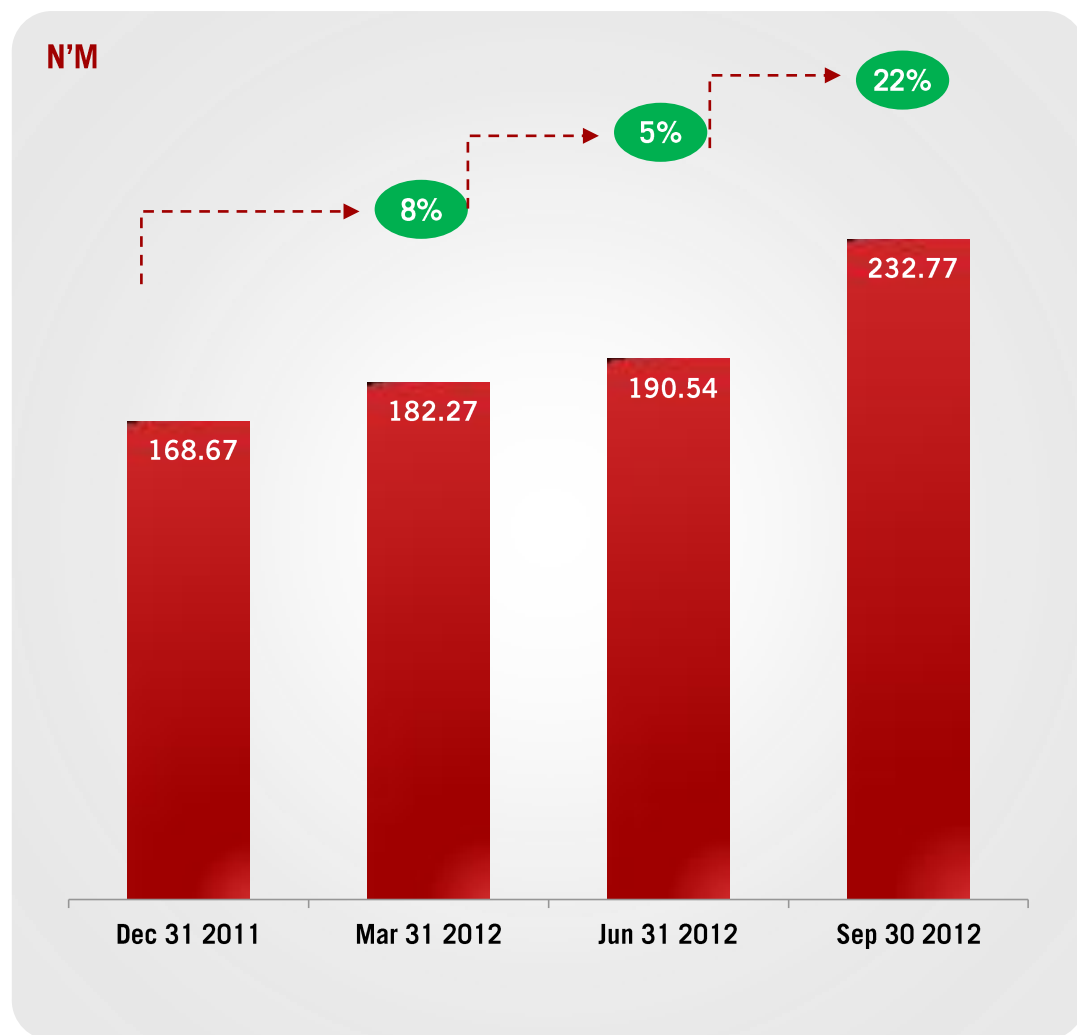
## Comments

- Deposits grew by 8% to N443.4 billion (year-to-date) and 15% QoQ
- Growth was driven by a 38% increase in current account deposits to N232.3 billion
- Low cost deposits accounted for 57% of total deposits a 900 basis points improvement reflecting progress in our retail deposit drive





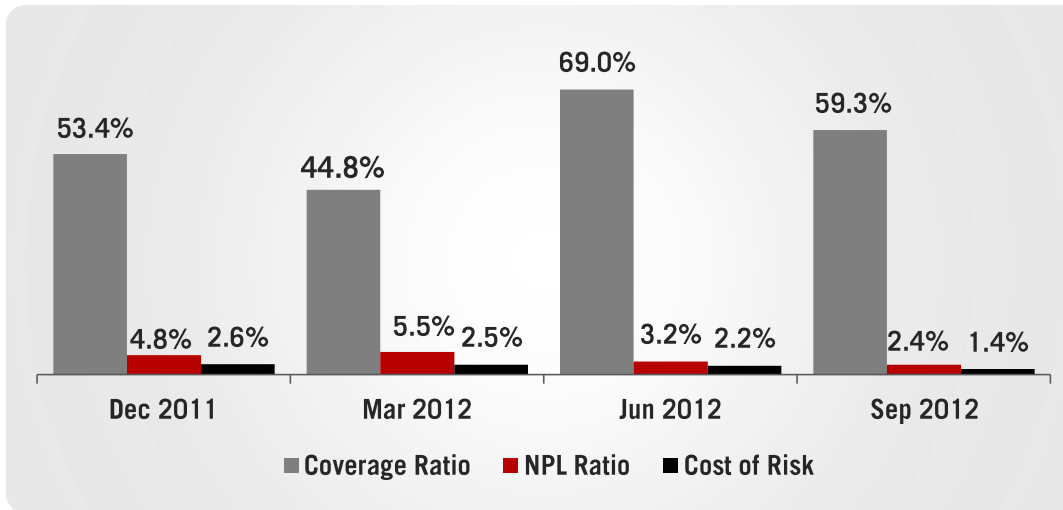
# Gross Loans by Type



## Comments

- Gross loans rose 38% year-to-date to N232.8bn
- Growth was boosted by improvement in our corporate loan book
- Loans to communications & transport sector recorded the highest growth year-to-date followed by the oil & gas sector
- Oil & Gas exposures include upstream and downstream sub-sectors and the servicing firms

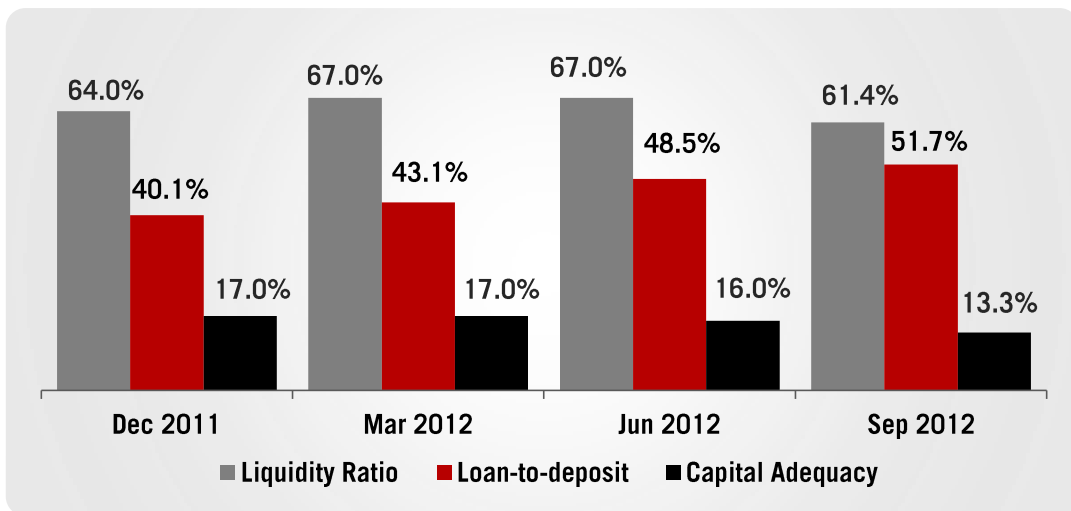
# Asset Quality



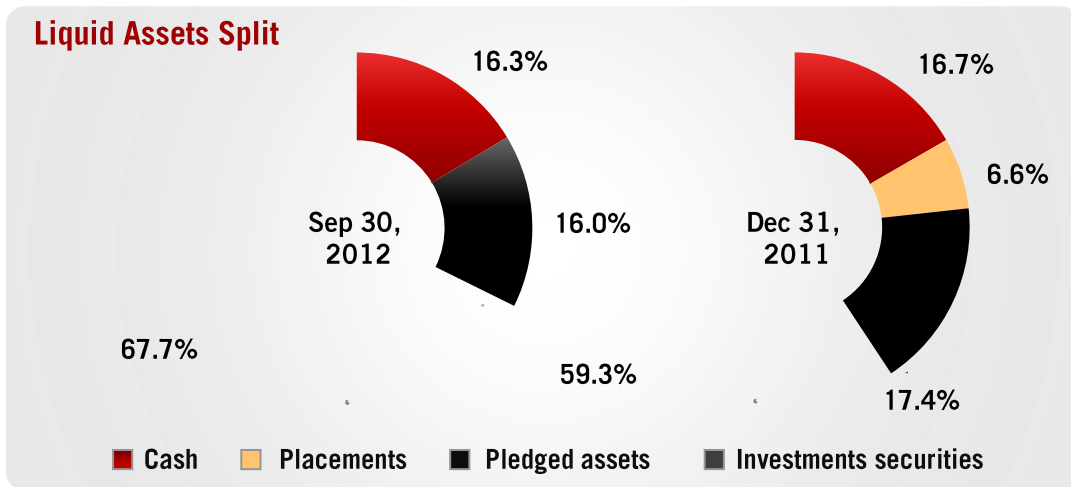
## Comments

- Steady decline in NPL ratio to 2.4% in September 2012
- Asset quality was enhanced by loan recoveries and write-back of provisions no longer required
- Non performing loans coverage ratio stood at 59%, while cost of risk was reduced to 1.4%

# Capital Adequacy and Liquidity



- ### Comments
- Loan-to-deposit ratio increased to 52% due to growth in assets creation
  - Investment securities were predominantly TBs and government bonds of which 95% were held to maturity
  - Pledged assets, also made up of TBs and government bonds, accounted for 16% of liquid assets
  - Reduction in CAR was due to growth in the loan book
  - The Bank plans to raise US\$250 – 300 million in capital in Q1 2013 through a mix of Tier 1 and 2 capital instruments





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**Outlook**

# Sterling Bank is doing more to improve further...

## **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
- Staff re-alignment in favour of sales and front office

**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
- Remodelling of branch infrastructure and energy sources in conformity with our retail focus to reduce cost of doing business
- 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 yield
- Increase scale of risk taking through capital injection
- Leverage increased branch network to mobilize low-cost retail deposits

**Balance  
Sheet  
Optimization**

**Office**

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**Thank  
You**

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