FY 2012 & Q1 2013
Investor/Creditor Presentation

May 2013

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.

- Certain sections of this presentation reference forward-looking statements which reflect Sterling Bank's current views with respect to, among other things, the Bank's operations and financial performance. These forward-looking statements may be identified by the use of words such as 'outlook', 'believes', 'expects', 'potential', 'continues', 'may', 'will', 'should', 'seeks', 'approximately', 'predicts', 'intends', 'plans', 'estimates', 'anticipates' or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. In other cases, they may depend on the approval of the Central Bank of Nigeria, Nigerian Stock Exchange, and the Securities and Exchange Commission.

- Accordingly, there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Sterling Bank believes these factors include but are not limited to those described in its Annual Report for the financial year ended December 31, 2012. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release.

- Sterling Bank undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Agenda

- Corporate Information
- Operating Environment
- Strategy
- Financial Highlights
- Earnings Analysis
- Balance Sheet Analysis
- Q1 2013 Highlights
- Outlook for 2013

Sterling Bank
The one-customer bank.

Corporate Information

Sterling Bank
The one-customer bank.

About Sterling Bank

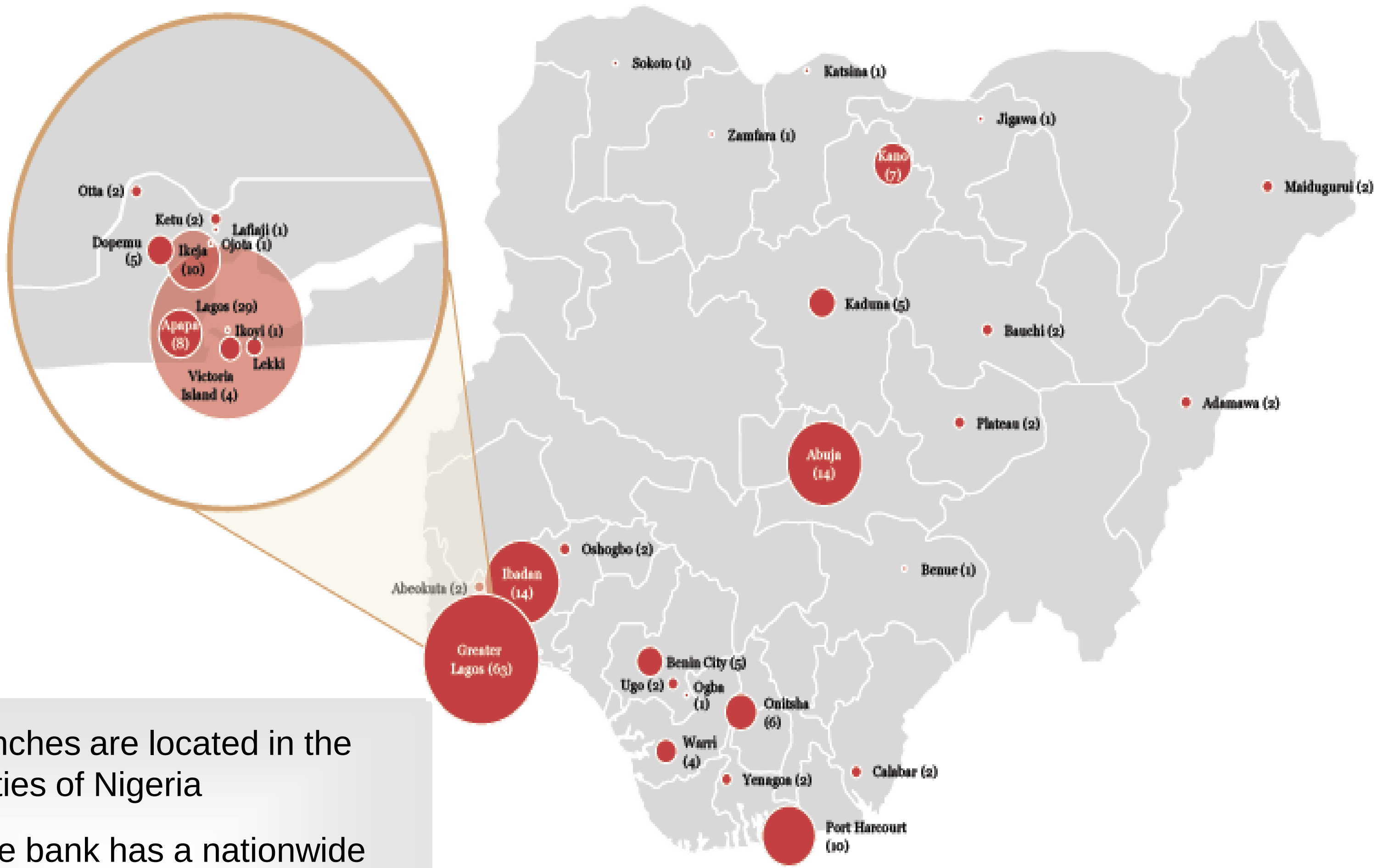
Our History	
	Sterling Bank commenced operations as NAL Bank, the nation's first investment banking institution in 1960 The Bank became government owned in 1972 and was managed in partnership with Grindlays Bank Limited, Continental International Finance Company Illinois and American Express Bank Limited In 1992, the Bank was partly privatized and listed as a public company on the Nigerian Stock Exchange (NSE); and in 2000 the government sold its residual interest in the bank, effectively making it a fully privatized institution Sterling Bank emerged from the merger of NAL Bank with four other Nigerian banks namely Magnum Trust Bank, NBM Bank, Trust Bank of Africa and Indo-Nigeria Merchant Bank (INMB) in 2005

About Sterling Bank

Company	Sterling Bank Plc is a full service national commercial bank. In 2011, the Bank acquired Equitorial Trust Bank (ETB) in furtherance of its retail growth strategy
Banking license	National Commercial Banking License
Accounting	International Financial Reporting Standards (IFRS)
Credit rating	Short term A3; Long term BBB (Stable Outlook) – GCR Short term A2; Long term BBB+ (Stable Outlook) - DataPro
Focus segments	Retail market, Corporate and Institutional clients
Headcount	2,672 professional employees
Channels	160 business offices 213 ATMs 3,250 POS

Sterling Bank
The one-customer bank.

Branch Distribution



- Our branches are located in the major cities of Nigeria
- While the bank has a nationwide network, its branch footprint is light enough to allow for efficient growth without excessive real estate costs
- 89% of the 160 branches are leased

Sterling Bank
The one-customer bank.

Operating Environment

Operating Environment:

- Improving macroeconomic profile

Domestic Highlights	
	• GDP growth rate of 6.99% in Q4 2012 driven by growth in the non-oil sector • Inflation expected to moderate between 10-11% in 2013 due to anticipated easing in food price pressure • Sustained growth in foreign exchange reserve due to high oil prices • Inflow of foreign portfolio investment due to the inclusion of FGN bonds in the JP Morgan emerging markets bond index and Barclays Index • Modest recovery in oil production in 2013 on the back of expected decline in vandalism and decrease in oil theft, due to increased surveillance of oil producing areas by the government • Lower political risks and positive reforms in the agricultural, transport and power sectors

Operating Environment …

Banking Sector	• Stronger corporate governance on the back of enhanced regulatory supervision by the CBN • Increased confidence in the banking sector (post successful intervention by the CBN) • Ratings upgrades for stronger banks (S&P and Fitch) resulting in competitive funding environment • AMCON expected to refinance bond in 2013 • Expected increase in credit to the private sector driven by reforms in the non-oil sector and CBN interventions • Increased focus on the retail and SME market segments • CBN expected to relax its tight monetary policy

Strategy

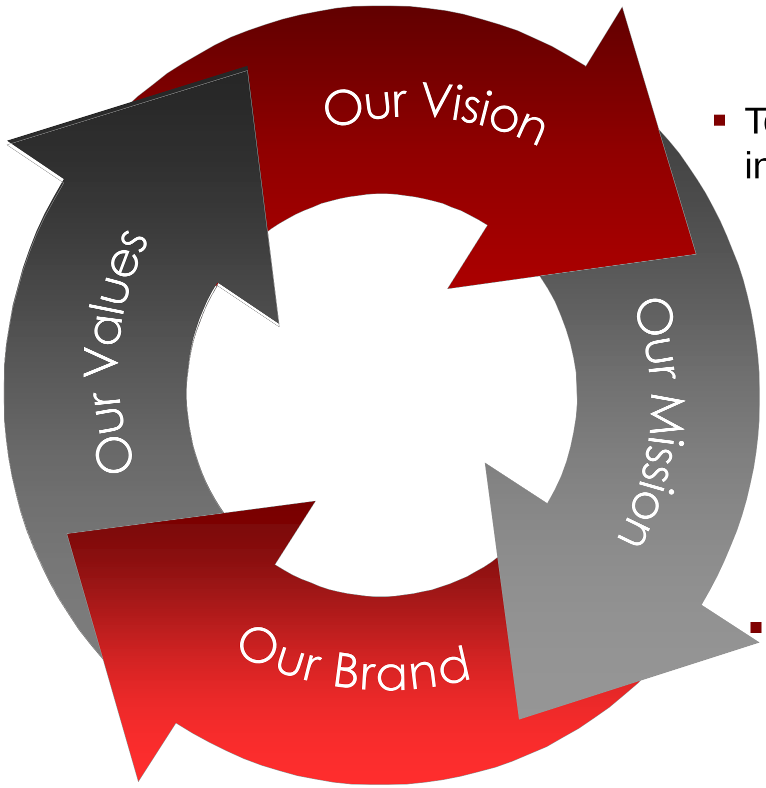
Sterling Bank
The one-customer bank.

Vision & Mission

Our overall business aspirations are reflected in our Vision and Mission Statements, which see the Bank as a leading institution in the medium to long-term.

- **C**ustomer focus, **I**ntegrity, **T**eamwork, **E**xcellence

- **O**ne-**C**ustomer



- To be the financial institution of choice

- We deliver solutions that enhance stakeholders' value

Sterling Bank
The one-customer bank.

Strategy Roadmap

2011-2016

2016+

Mid-term

- 5% market share measured by assets
- Leading consumer banking franchise (bank of choice for customers in our target markets)
- Diverse retail funding base
- <3% 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 by financial and non-financial measures
- 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
- Great place to work

Sterling Bank
The one-customer bank.

Sterling Today

		Relative Strength
Service	▪ The bank retains a strong reputation for customer service	★★★
Leadership Team	▪ Key leadership has worked together through numerous integrations and industry challenges for over ten years	★★★
Footprint	▪ The Bank is present in key markets with room for expansion in branches and deepening of customer relationships	★★
Brand	▪ The Bank's brand is still not widely familiar among retail customers	★
Operating Efficiency	▪ The Bank has rationalization opportunities in operating costs. In addition, a key component of driving the cost-to-income ratio is additional scale	★
Capital	▪ Capital has limited the Bank's ability to serve its best customers, and is a key requirement to execute the Bank's strategy	★

Moving Forward

Service	▪ In order to maintain our competitive edge within the sector, we will rejuvenate the **'One Customer'** concept by delivering service of a standard that is second to none in the Industry
E- Banking	▪ The Bank will leverage its e-Channels to increase sales points and harness opportunities in the retail market
Technology	▪ Technology leverage with process re-engineering to improve efficiency
Human Capital	▪ The Bank will employ global best practices in its recruitment and people management to ensure optimal staff performance and engagement
Strategic Alliance	▪ Strategic Alliances with both local and offshore partners to harness potential business opportunities
Product Innovation	▪ Product innovation that would differentiate the Bank from competition and appeal to the entire value chain of target market segments
Branch Strategy	▪ Optimizing branch network and branch type to meet strategic objectives and product and service delivery goals

Key Issues Today

Low Capital Base	▪ Capital base of N46.6bn representing 39% of peer group average and 27% of industry average
High Funding Costs	▪ Weighted average cost of funds of 6.3% representing 150 basis points above peer group average
Brand Presence	▪ Brand not fully established in target sectors
Operating Efficiency	▪ High cost-to-income ratio at 81% against peer group average of 77%

Meeting Capital Challenges

Capital Injection	The Bank plans to raise additional capital in 2013 from both local and international sources. The capital raising program is phased as follows: **Phase 1 -** Tier I capital • This is expected to be achieved through a Private Placement (US$120million) • Rights Issue of US$80 million • The process commenced in Q1 2013 **Phase 2 -** Tier II capital • The Bank plans to raise subordinated debt of N25 billion (US$156 million) multi-currency • The process will commence in Q3 2013 and will be completed by Q1 2014

Sterling Bank
The one-customer bank.

Use of Funds

	Tier I	Tier II
IT System	$30m	
Branch Optimisation	$20m	
Branch Expansion	$20m	
Alternative Channels	$20m	
Lending Book		$156m
Bonds	$100m	
Total	$190m	$156m

$120 million lending book equates to increasing assets $1.2 billion by 1:10

Sterling Bank
The one-customer bank.

Reducing our Cost of Funds

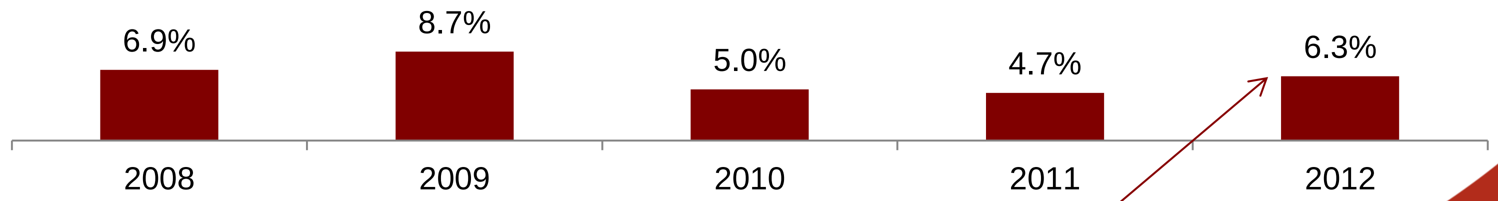
Cost of funds

- Leverage our strong customer service appeal to build retail deposit base - mix of funding is being moved from wholesale to retail.
- Through our deposit growth strategy we have moved deposit mix from 60/40 Wholesale/Retail to 35/65 Wholesale/Retail over the last 3 years
- Customer acquisition costs have been brought down significantly from an average of N50,000 to an average of N9,500 per new customer as a result of a number of initiatives implemented and we expect it to drop further:

  Sales outsourcing, virtual sales, telemarketing and third party acquirers for low end customers

  Customer acquisition by full time relationship managers limited to high value accounts

Cost of Funds trend



MPR rose 175 basis points to 12% in December 2011,
CRR rose 400 basis points to 12% in July 2012 driving up cost of funds industry-wide.

Sterling Bank
The one-customer bank.

Raising Brand Awareness

Brand Presence

- Focus on providing customers with an easy and seamless interface in dealing with the bank through our various distribution points
- Restructuring of the service organization to support retail drive
- Alignment of physical infrastructure with people, processes and systems:
  - Modernization to capture high street retail look and feel
  - Restructuring along the lines of hub (generic) and spoke (targeted) delivery platforms
- Shifting from a traditional organization-centric model to a customer-centric model that is integrated around the customer's needs



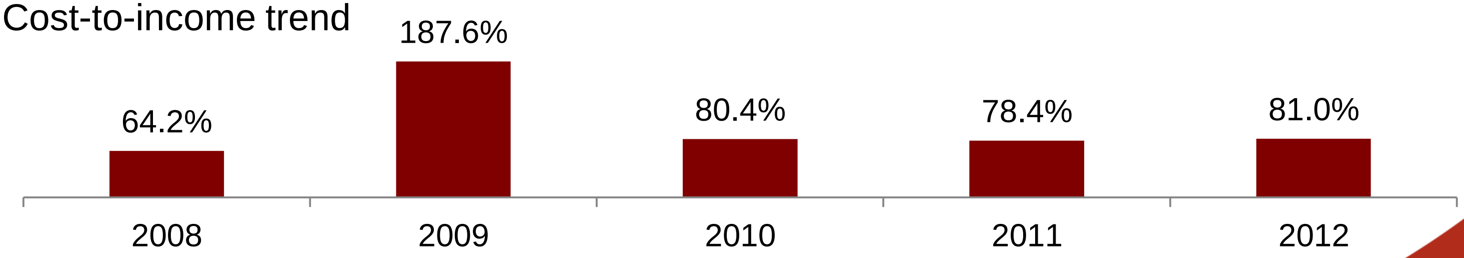
Improving Efficiency

Operating Efficiency

Improved operating costs - Infrastructure and related costs are high relative to size of bank:

- With additional capital the Bank will seek to take more deposits and make more loans from existing infrastructure.
- We have a unique deposit growth strategy focused on depositor rewards, more efficient execution and better leveraging of existing branch infrastructure with limited new branches.
- The focus is on efficient growth and deeper exposure to customers. Additional capital increases operating leverage and immediately makes the business more efficient and more profitable
- Automation of existing manual processes to enable us free the workforce to focus on value adding, business enhancing tasks

Cost-to-income trend

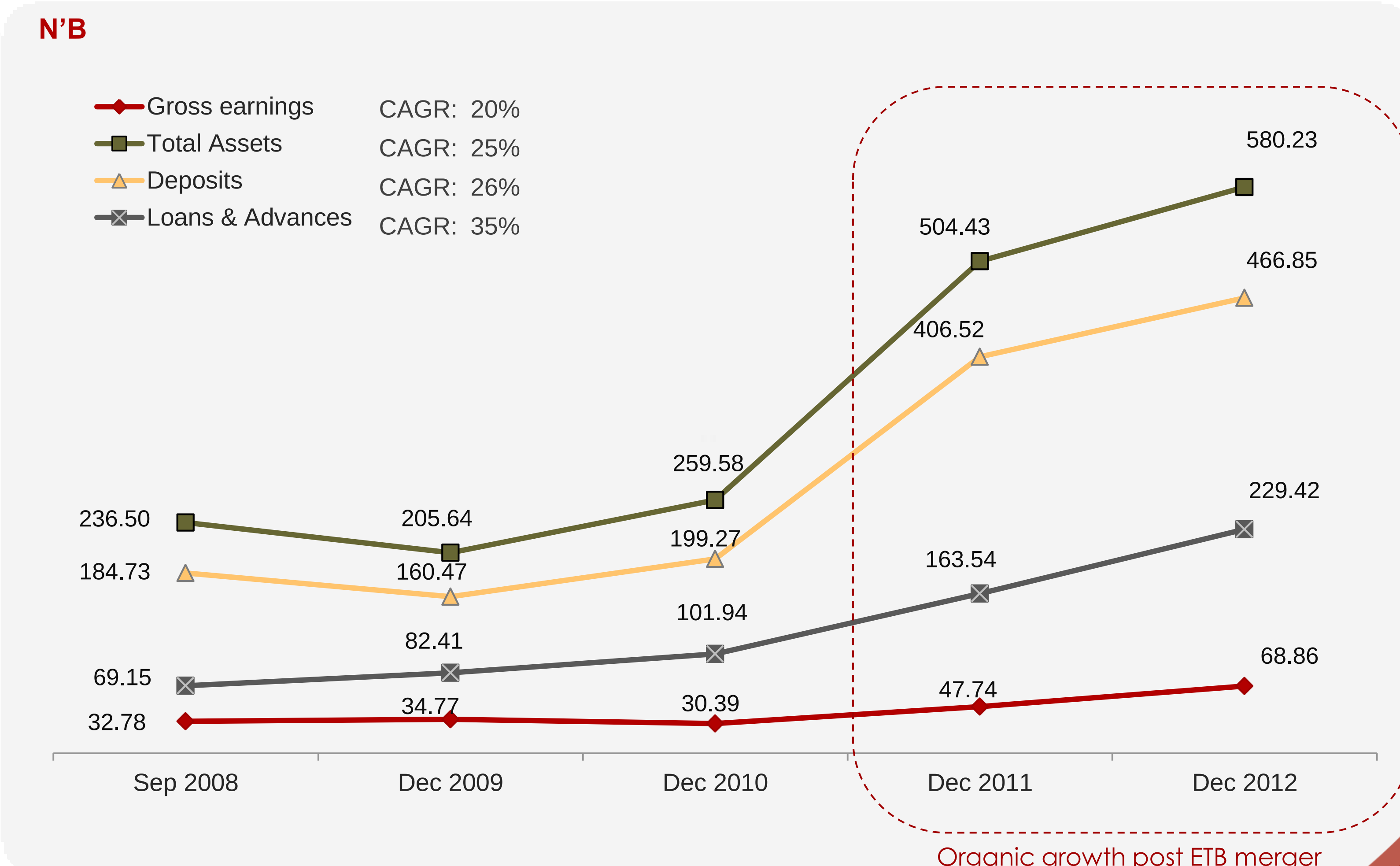


Sterling Bank
The one-customer bank.

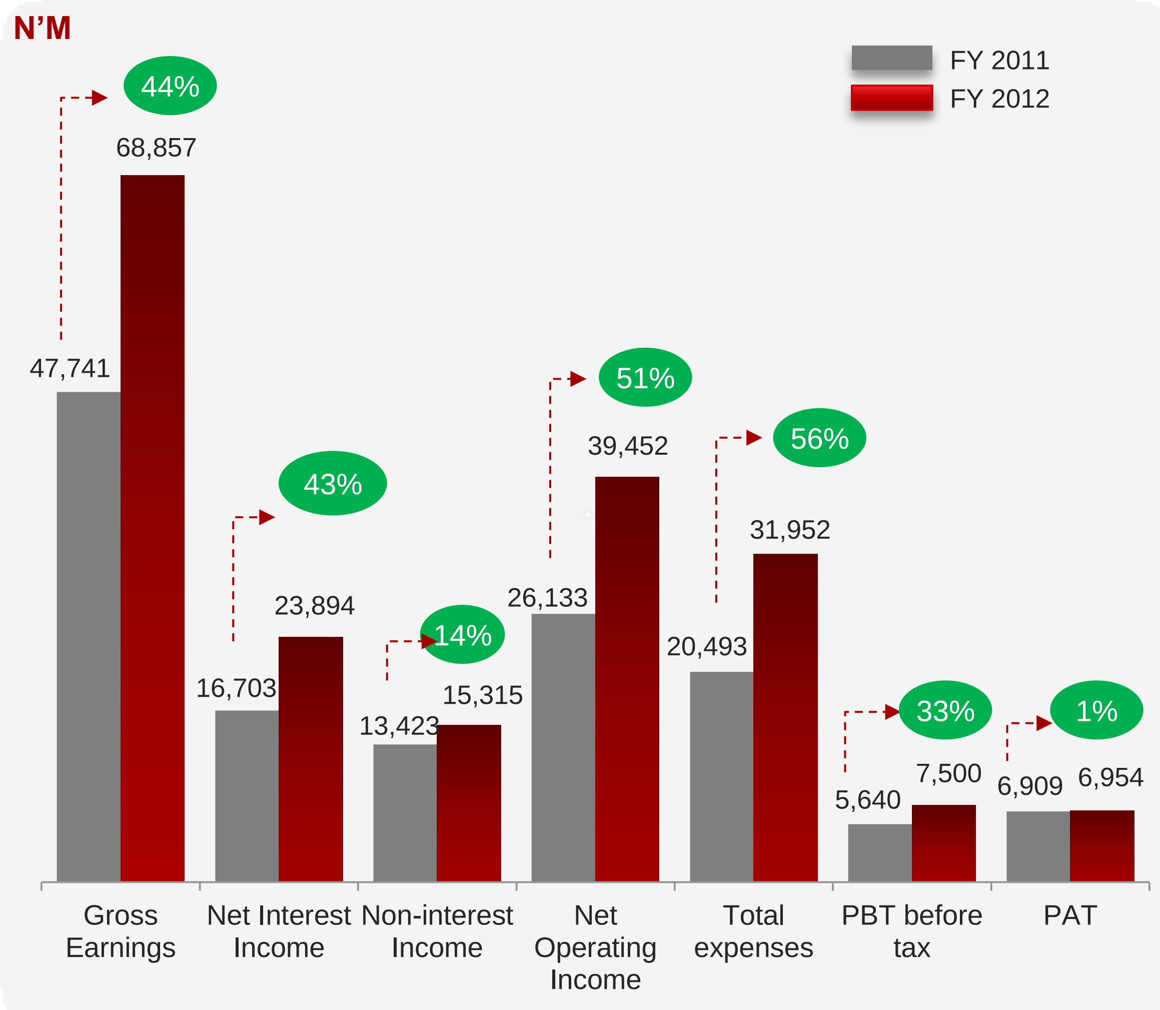
Financial Highlights

Sterling Bank
The one-customer bank.

Growth Trends: Year-on-Year Review



Income Statement Highlights

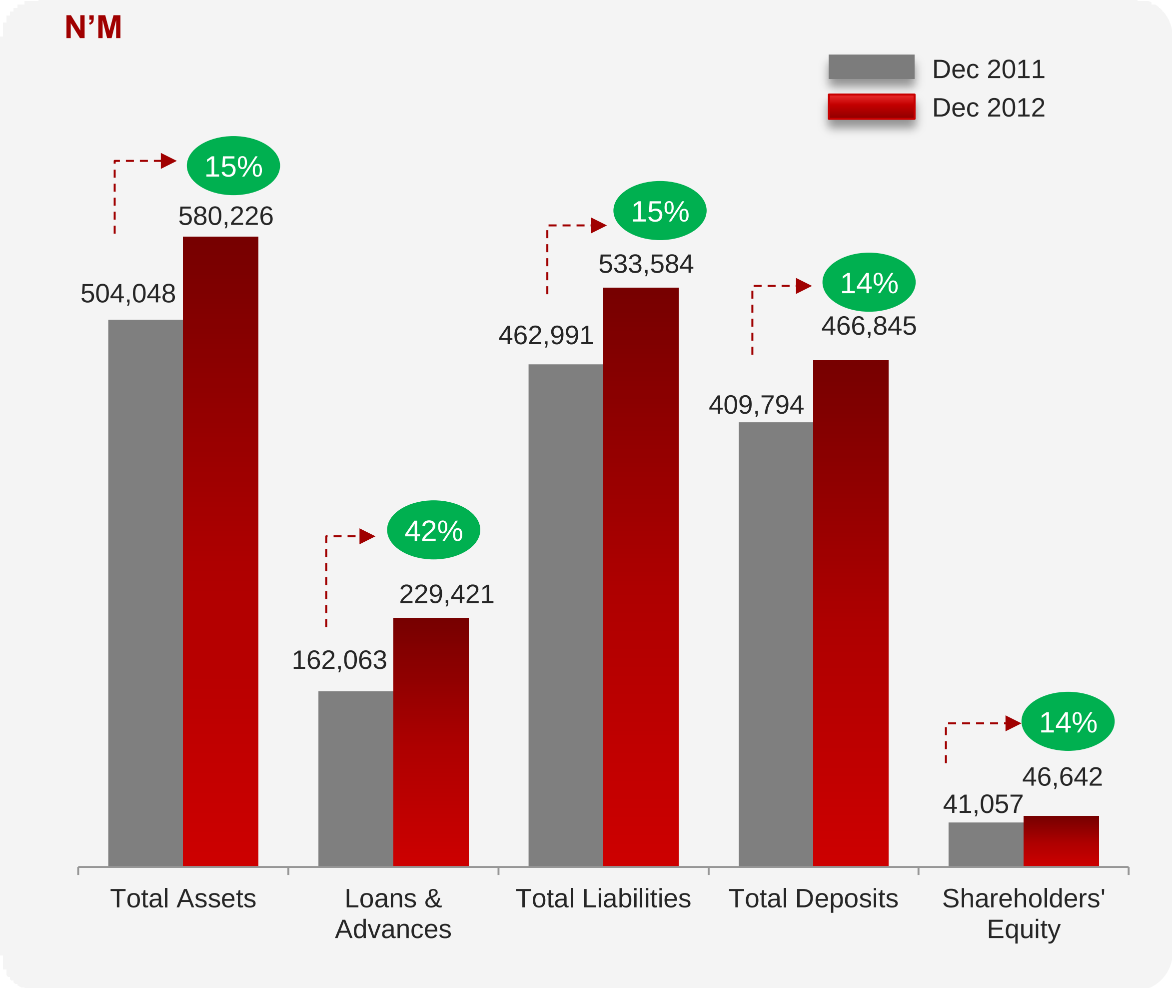


Comments

- Earnings rose 44% to N68.9 billion driven by 66% growth in interest income
- Net operating income rose 51% on the back of a 43% improvement in net interest income
- Non-interest income was boosted by growth in commission & fees and trading income
- Profit before tax grew by 33% to N7.5 billion
- Adjusted for the non-recurring items PBT rose by 108% to N7.5 billion

Sterling Bank
The one-customer bank.

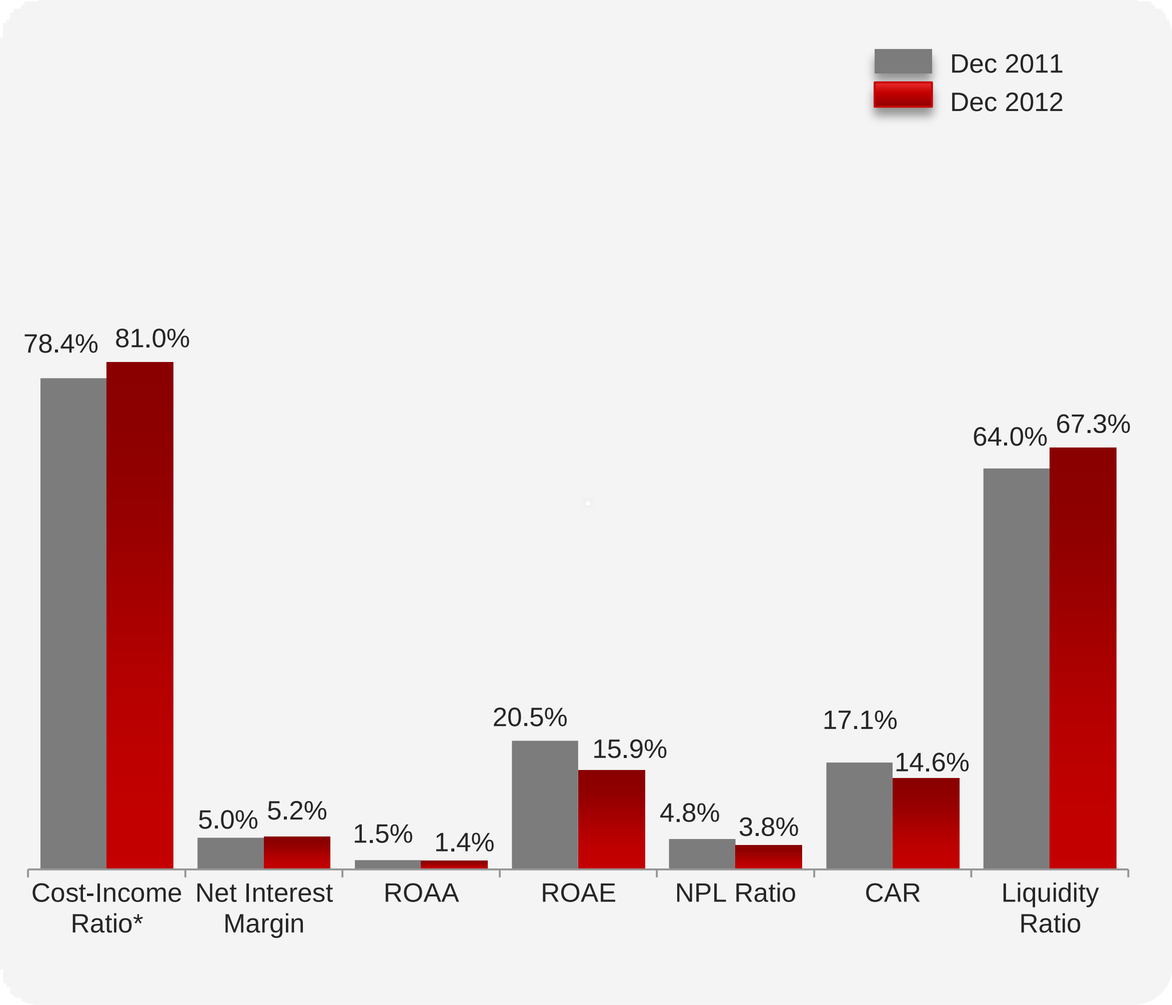
Balance Sheet Highlights



Comments

- Growth in balance sheet despite slowdown in economic activities arising from security challenges, strike, flood and contraction in the oil sector
- Total assets rose at a compound annual growth rate of 25% (CAGR: 2008-2012)
- Customer deposits grew 18% YoY reflecting progress in our retail deposit drive
- Net loans & advances increased 42% YoY on the back of increased penetration in the corporate banking space
- Improvement in shareholder's equity due to profit accretion

Key Financial Ratios



* CIR in 2011 dropped as a result of N2bn income from discontinued operations (sale of subsidiaries)

Comments

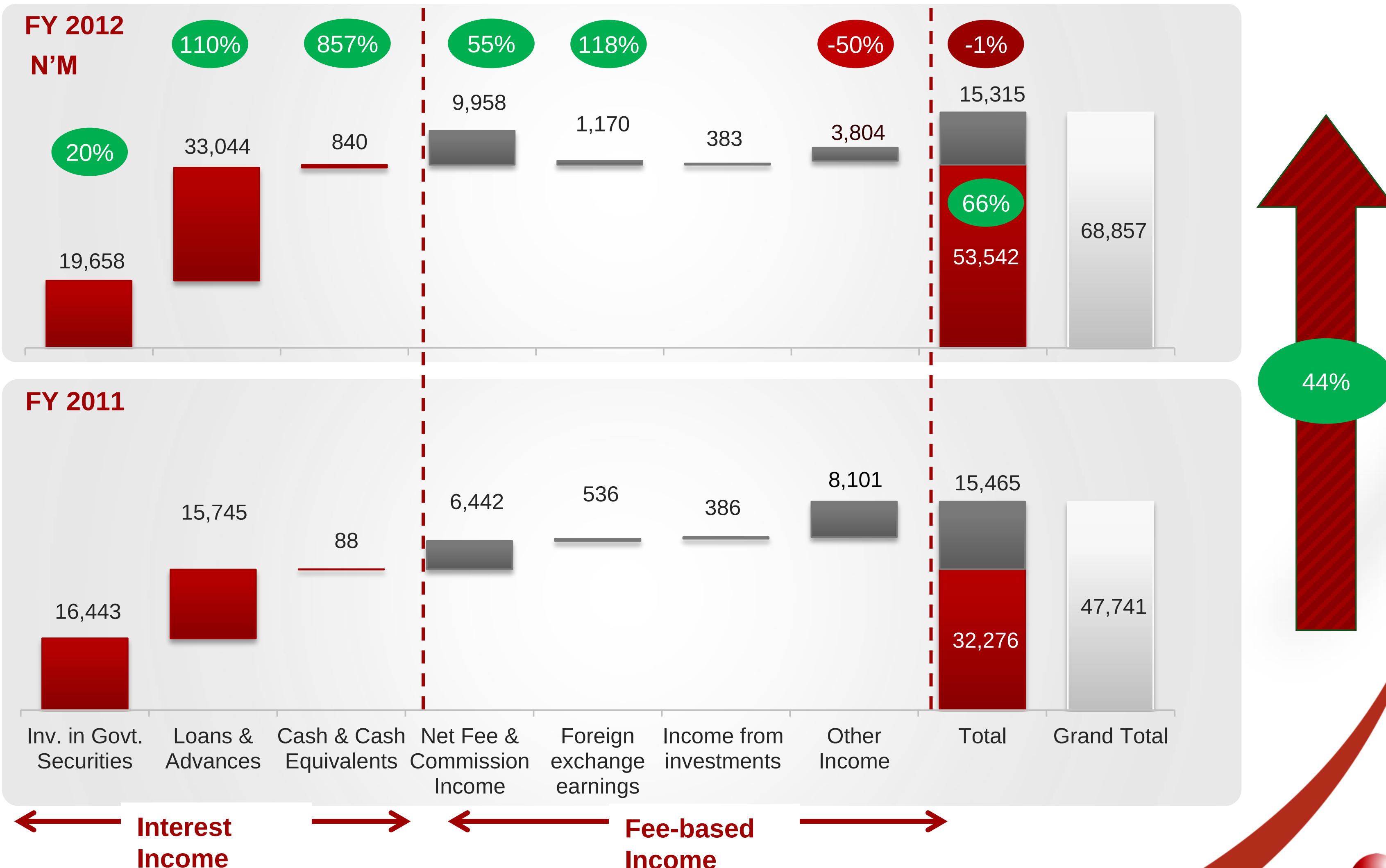
- Net interest margin increased marginally by 20 basis points reflecting improvements in asset yield
- Cost to income ratio increased by a 260 basis points due to merger related costs such as systems integration and brand standardization
- Strong liquidity and capital adequacy position above regulatory benchmarks providing support for business growth
- Good asset quality with NPL ratio down to 3.8%, while cost of risk was 2.8%

Sterling Bank
The one-customer bank.

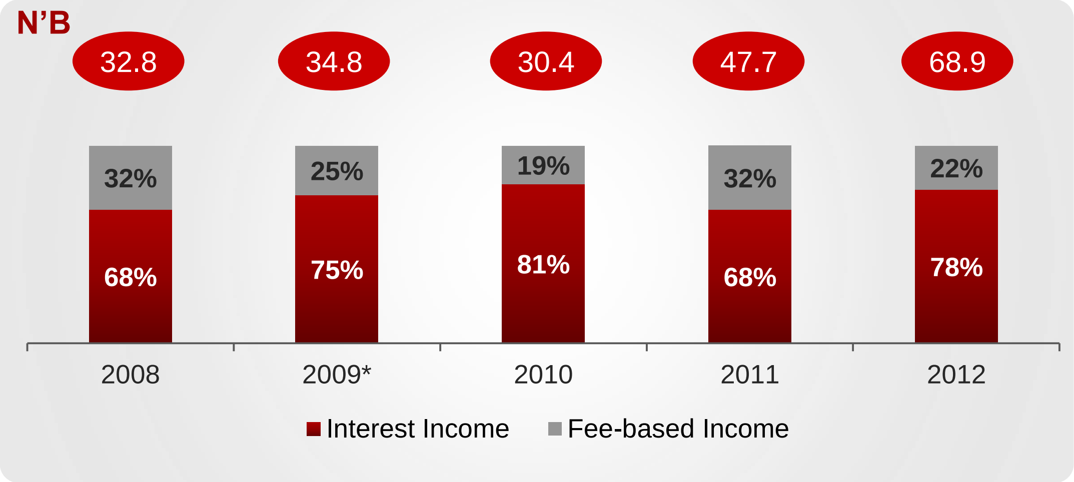
Earnings Analysis

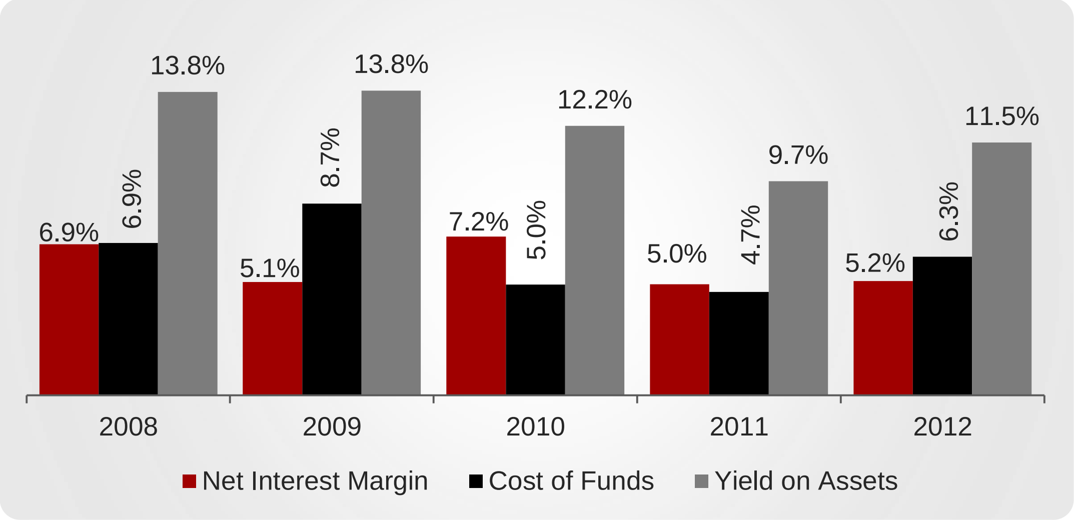
Sterling Bank
The one-customer bank.

Revenue Sources



Revenue Drivers





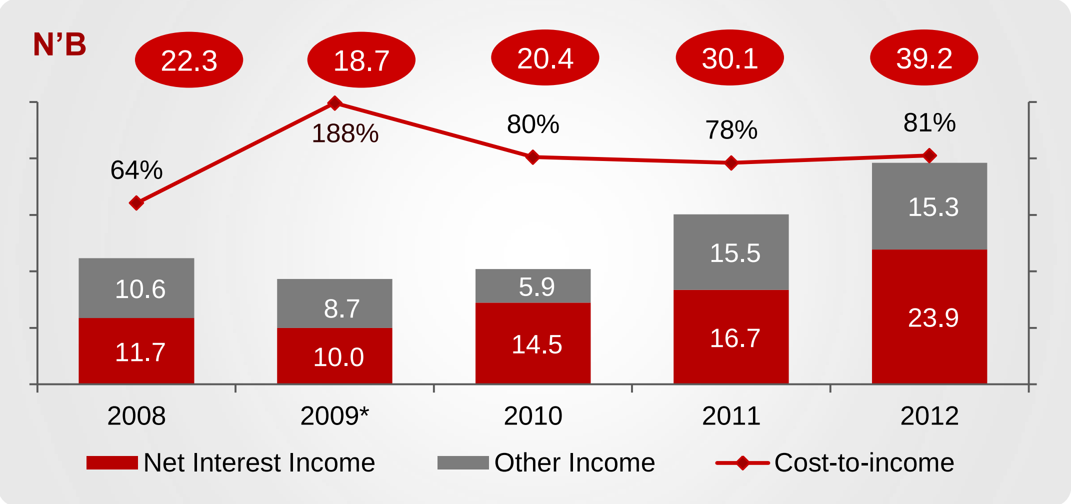
Comments

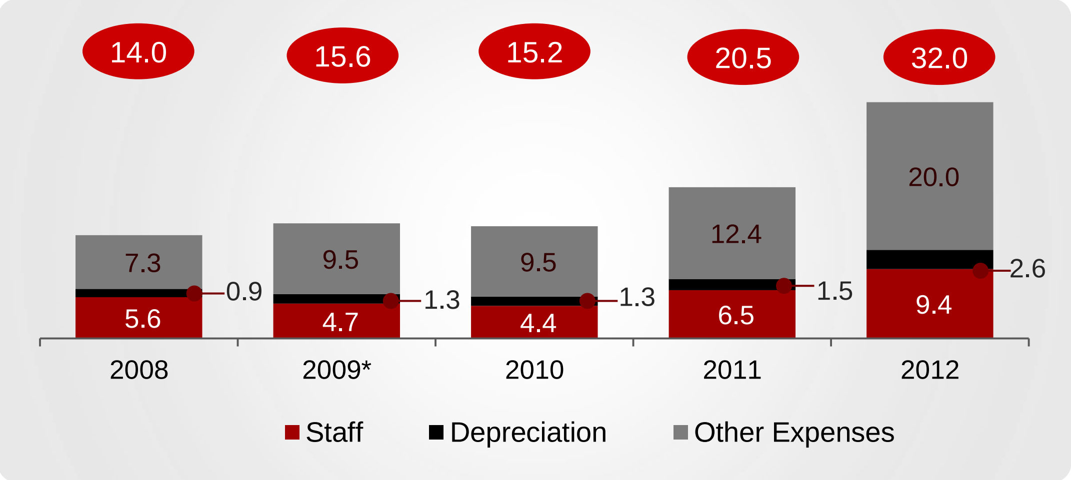
- Gross earnings rose at a compound annual growth rate of 20% (CAGR: 2008-2012)
- Interest income remained the key driver of earnings and accounted for 78% of gross earnings
- Improvement in yield on earning assets outweighed the increase in funding costs resulting in a 20 basis points increase in net interest margin
- Increase in cost of funds due to tight monetary policy measures of the CBN
- We expect to dilute these costs in 2013 as our retail customer acquisition drive gains momentum

* Annualised

Sterling Bank
The one-customer bank.

Operating Efficiency





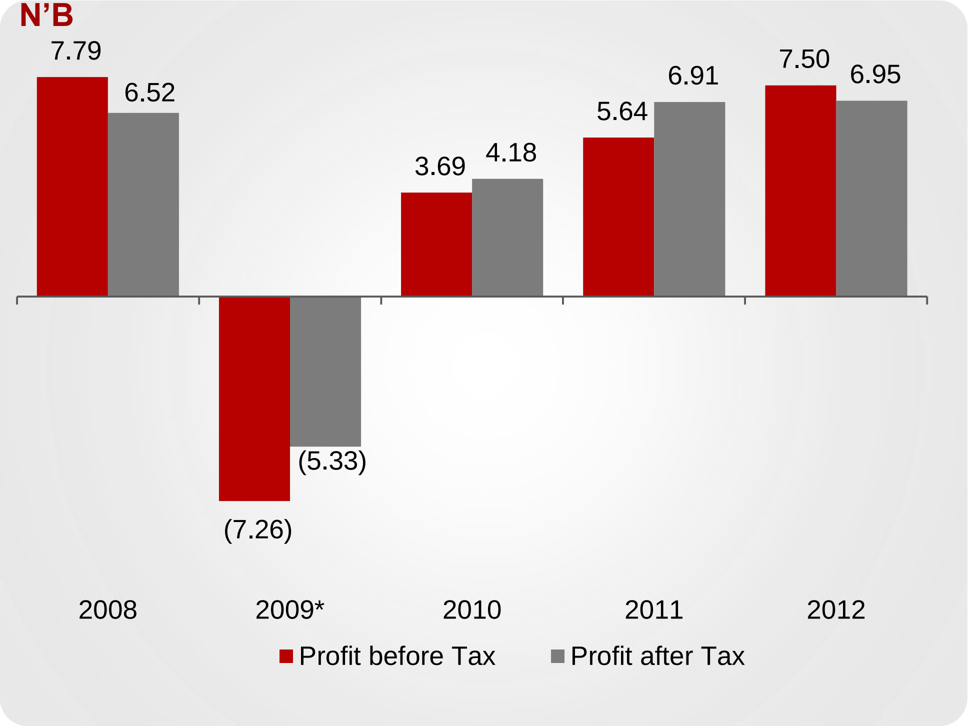
Comments

- Operating income rose at a compound annual growth rate of 15% (CAGR: 2008-2012) and 30% YoY
- Net operating income rose 51% YoY due to positive allowances for risk assets of N243mn in 2012
- Net interest income was the key growth driver and accounted for 61% of operating income
- Growth in operating expenses reflected increase in AMCON surcharge, improvements in branch infrastructure, systems upgrade and brand standardization resulting from the merger with ETB
- We expect the benefits of the business combination to fully kick-in in 2013

** Annualised*

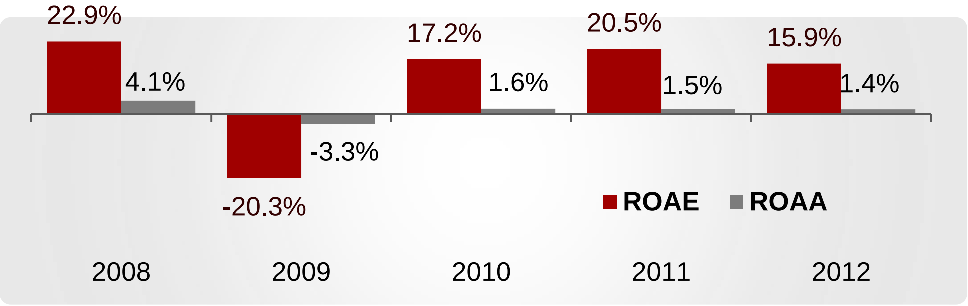
Sterling Bank
The one-customer bank.

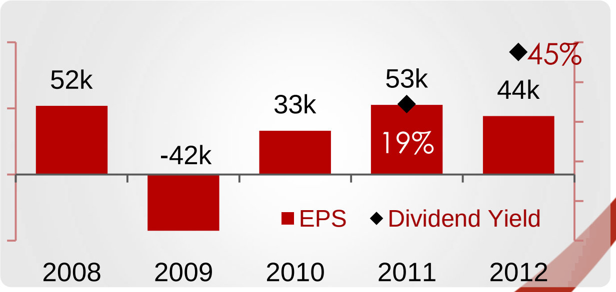
Profitability



Comments

- The Bank has recorded steady improvements in profitability YoY
- PBT rose 33%, while PAT was relatively flat
- Profit in 2011 was boosted by non-recurring items - tax credit and net gain from sale of subsidiaries
- Reduction in EPS was due to additional shares issued with respect to the ETB acquisition (Sterling paid by issuing common stock)
- Dividend per share of 20k (2011: 10k) representing 45% dividend yield





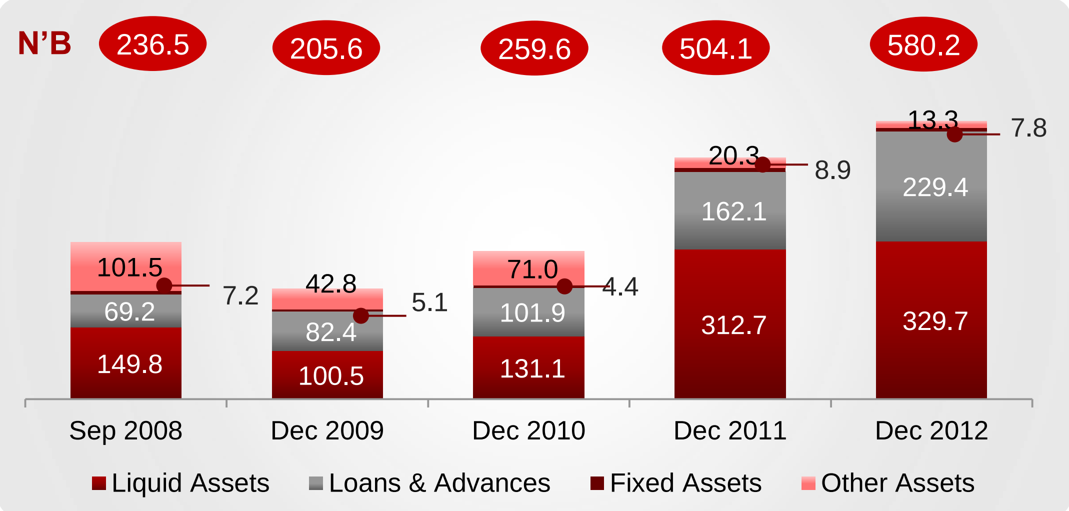
* ***Annualised***

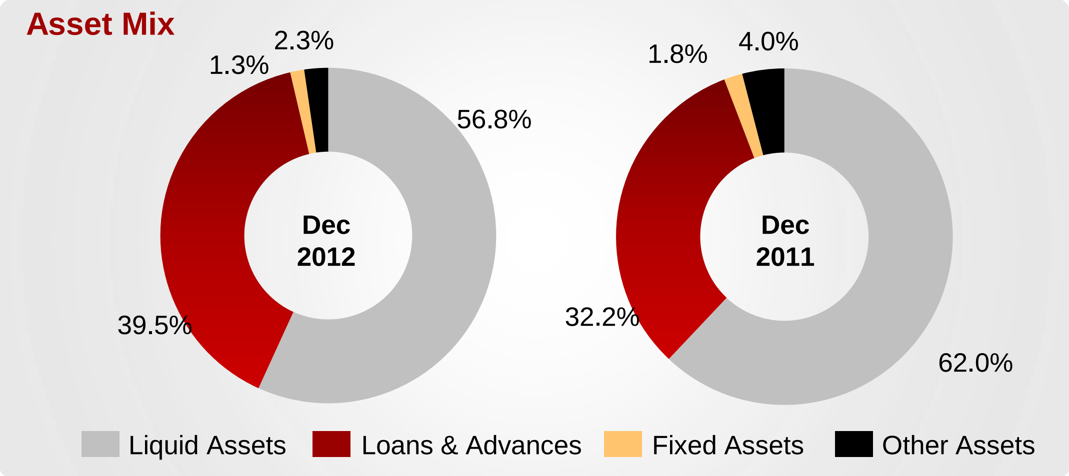
Sterling Bank
The one-customer bank.

Balance Sheet Analysis

Sterling Bank
The one-customer bank.

Asset Decomposition



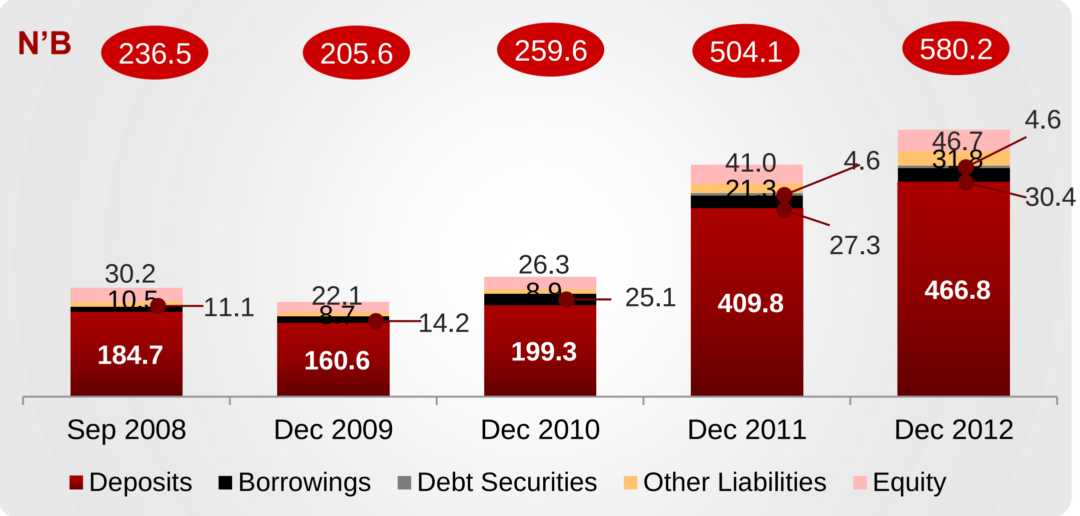


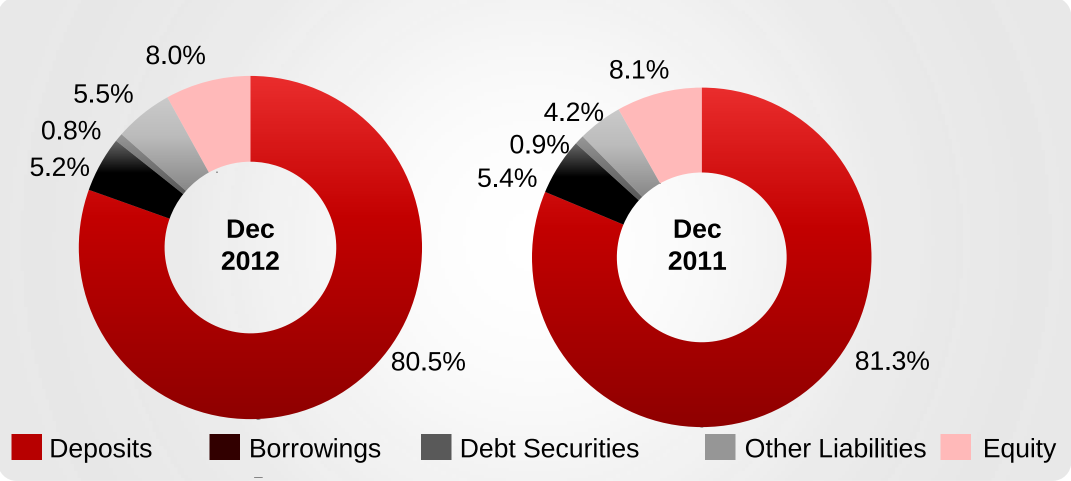
Comments

- Total assets grew 15% YoY to N580 billion
- Income generating assets accounted for 85% of total assets, an increase of13% YoY
- Loan penetration increased 740 basis points to 40% driven by a 42% growth in loans and advances YoY
- Liquid assets, which were largely government securities – Treasury Bills and Bonds, accounted for 57% of total assets (62% in 2011)

Sterling Bank
The one-customer bank.

Assets Funding Mix



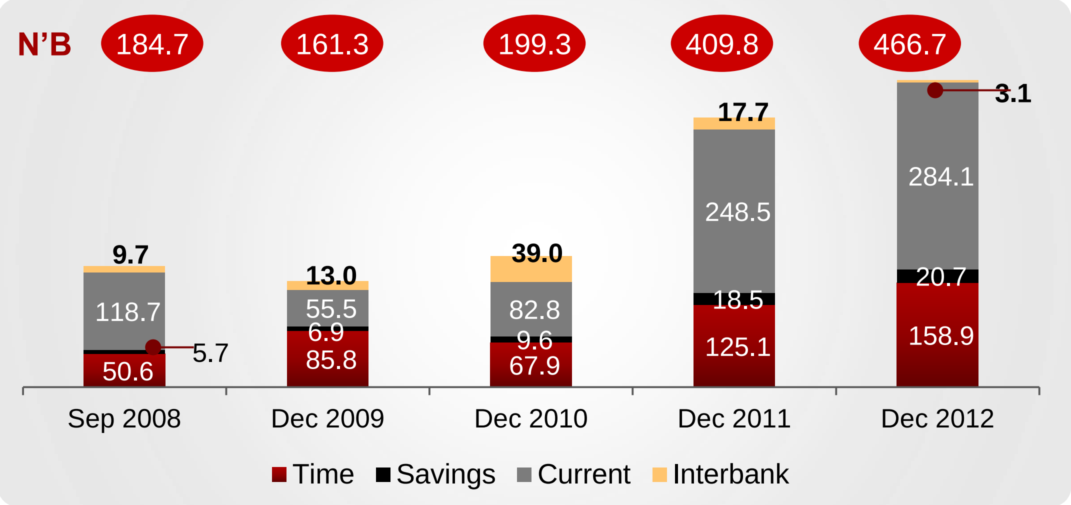


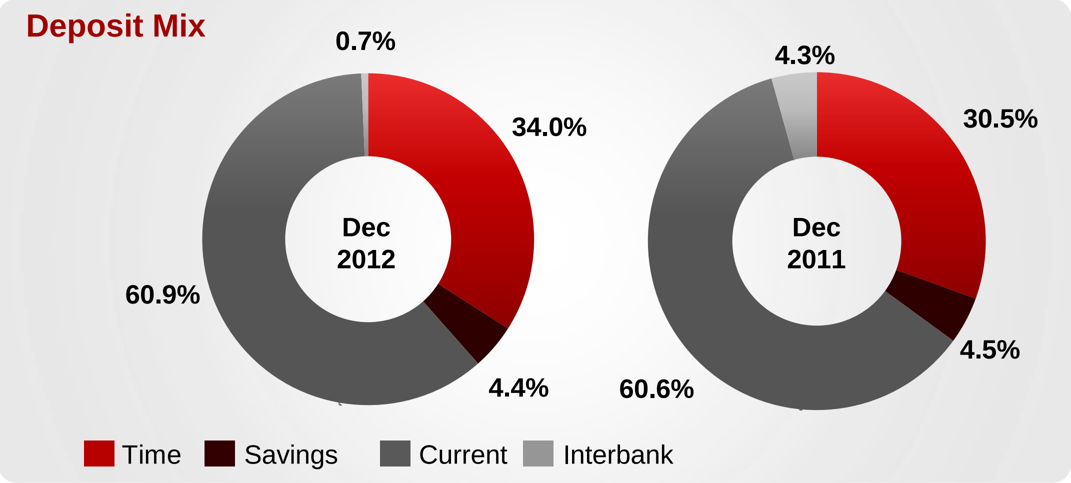
Comments

- Diversified funding base with deposits as the major funding source
- Deposits continued to fund 81% of total assets in December 2012
- Borrowings consist of facilities from Citibank, Bank of Industry (under the CBN intervention fund) and Agric. Fund for on-lending to the agricultural sector
- Debt securities of N4.6 billion, a 7-year unsecured debenture stock at 13%

Sterling Bank
The one-customer bank.

Deposits



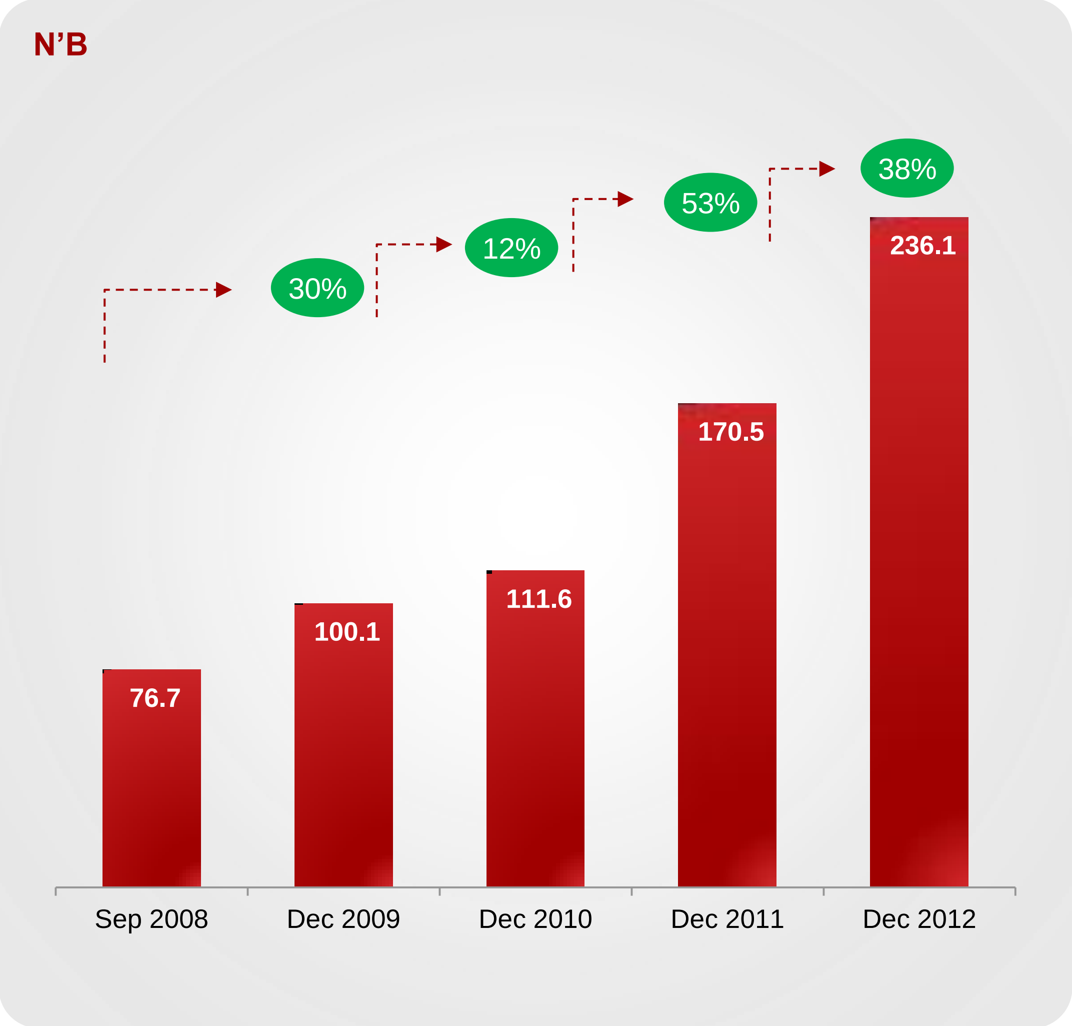


Comments

- Deposits grew at a compound annual growth rate of 26% (CAGR: 2008-2012) and 14% YoY
- Growth was driven by current and savings account balances, which rose by 19% and 94% respectively
- Low cost deposits accounted for 65% of total deposits (wholesale, 35%) reflecting the benefits of our retail strategy
- Customer deposits accounted for 99% of total deposits (96% in 2011)

Sterling Bank
The one-customer bank.

Gross Loans Trend



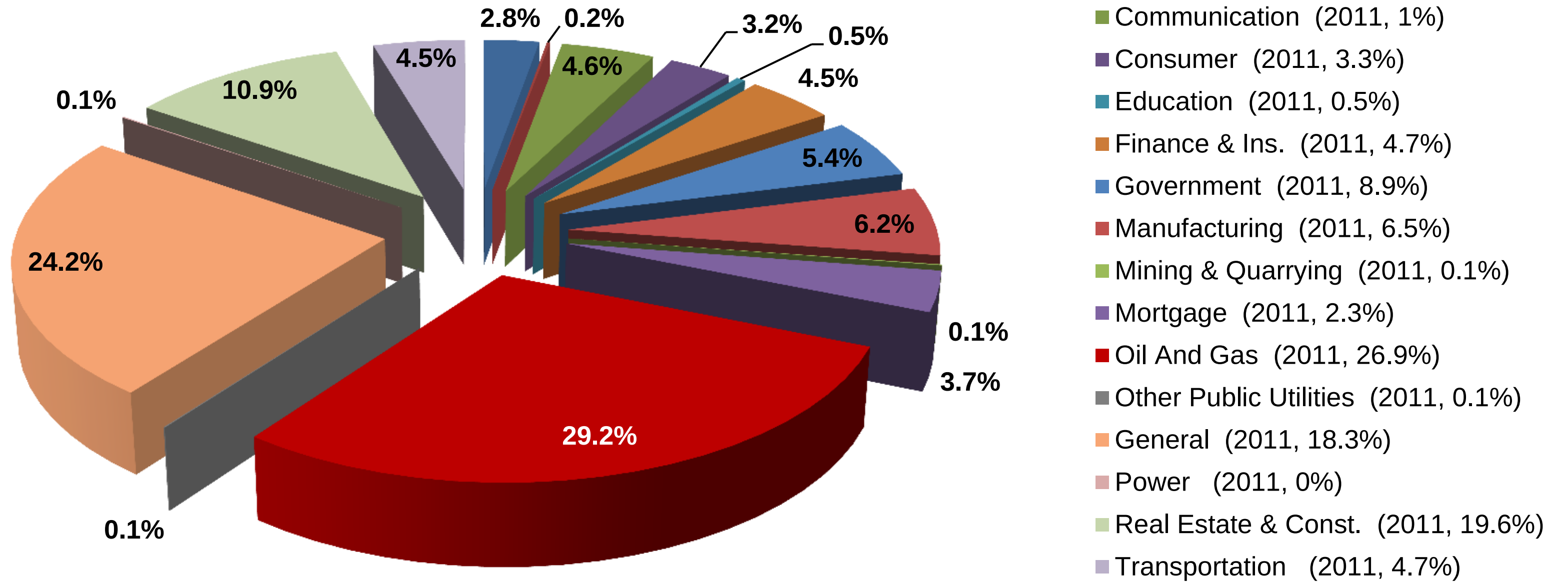
Comments

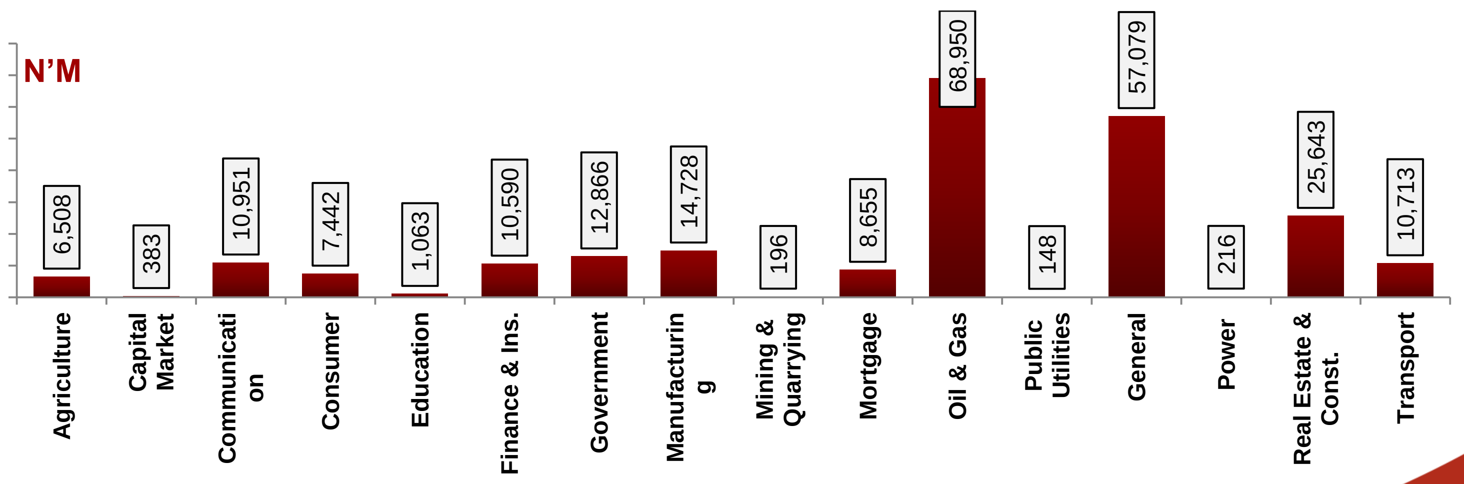
- Loans and advances rose at a compound annual growth rate of 32% (CAGR: 2008-2012) and 38% YoY
- Growth was largely driven by our corporate banking loan book
- Loans to individuals accounted for 12% of gross loans, while loans to corporate entities and other organizations accounted for 88%
- Loans to communications, general commerce and oil & gas sectors recorded the highest nominal growth YoY
- Oil & gas exposures were made up of the upstream (31%), downstream (43%) and services (26%)

Sterling Bank
The one-customer bank.

Gross Loans by Sector

100% = N236,131M

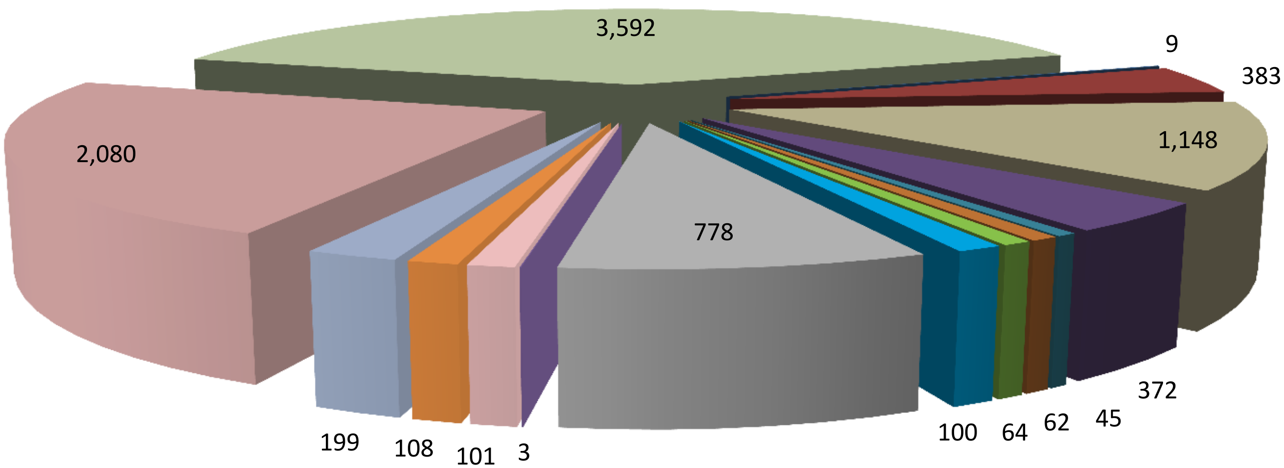




Sterling Bank
The one-customer bank.

Non-performing Loans by Sector

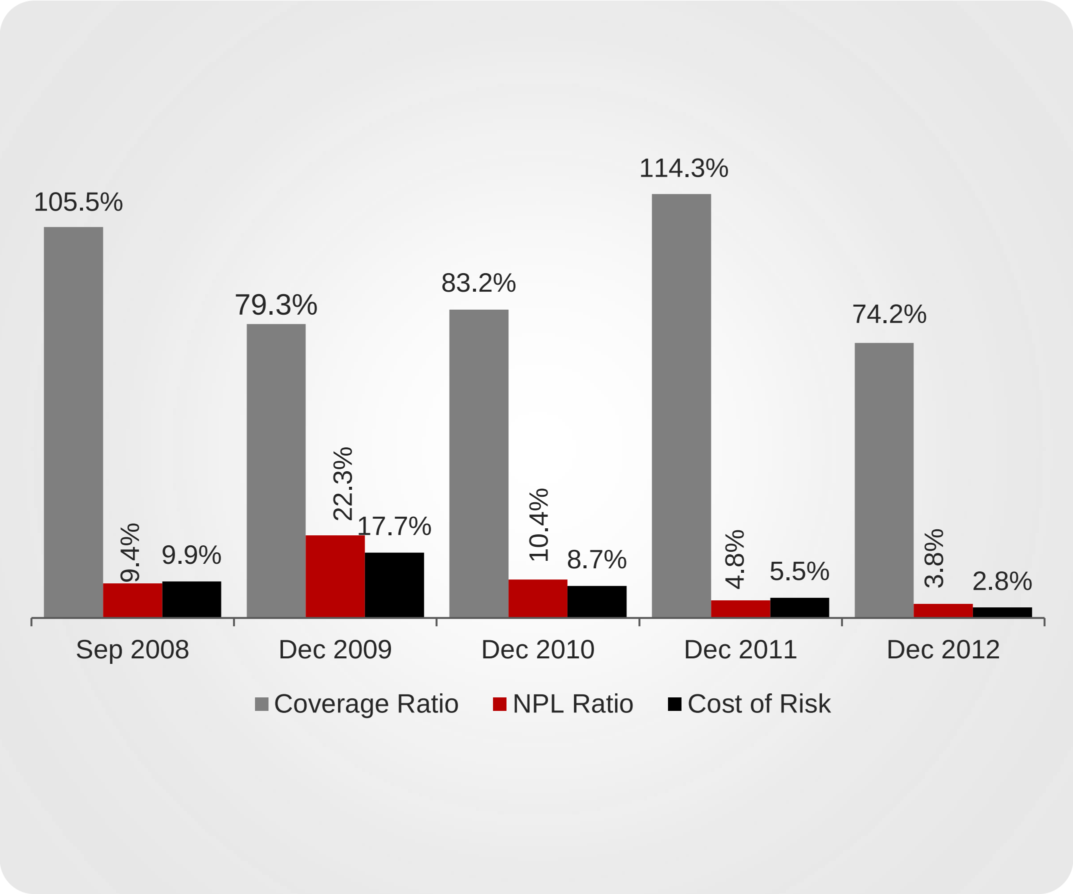
N'M



100% = N9,043M

Agriculture (0.1%)	Capital Market (4.2%)	Communication (12.7%)
Consumer (4.1%)	Education (0.5%)	Finance & Ins. (0.7%)
Government (0.7%)	Manufacturing (1.1%)	Oil And Gas (8.6%)
Other Public Utilities (0%)	Real Estate & Const. (1.1%)	Transportation (1.2%)
Others (2.2%)	Individuals & Professionals (23%)	Trading & General Comm. (39.7%)

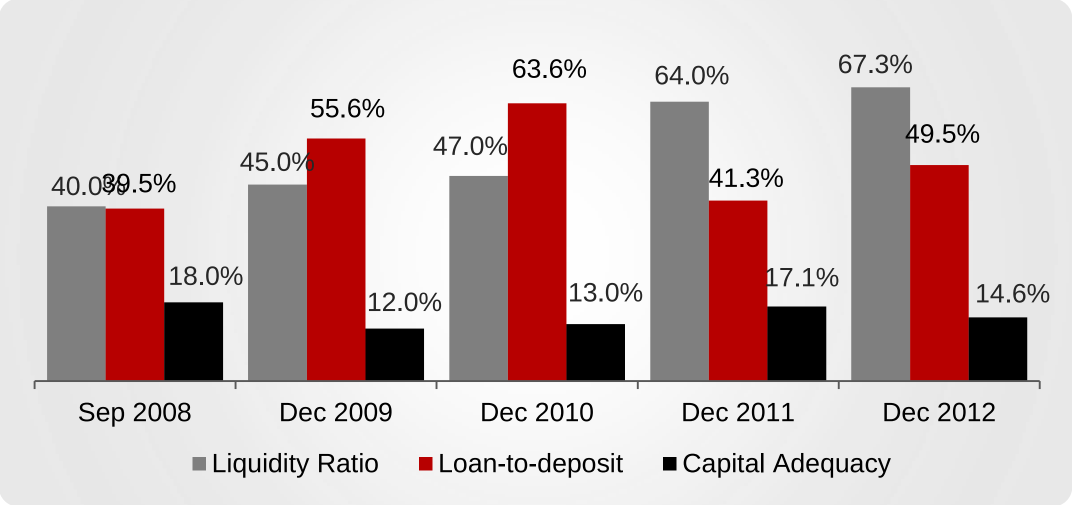
Asset Quality



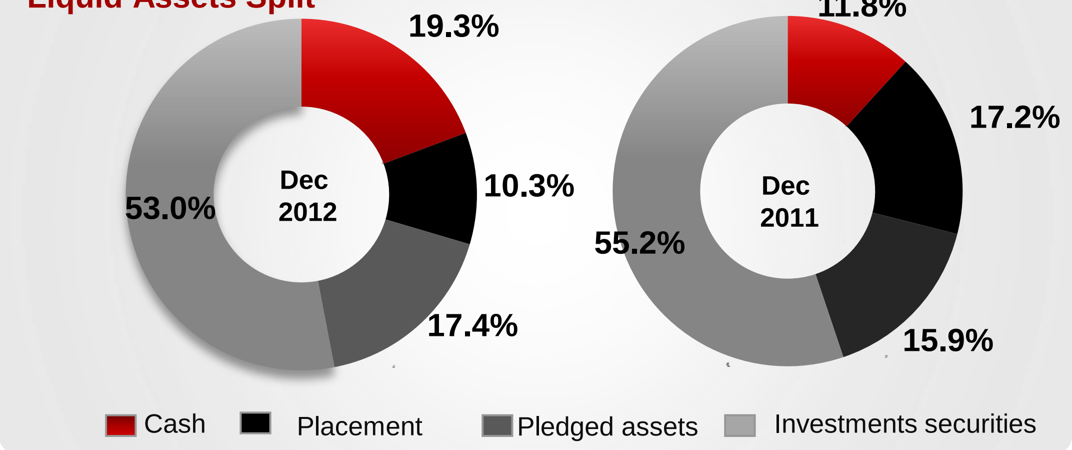
Comments

- NPL ratio was reduced by 100 basis points to 3.8% from 4.8% in 2011
- Improvement in asset quality enhanced by loan recoveries and write-back of provisions no longer required
- Non-performing loans coverage ratio was 74%, while cost of risk was reduced to 2.8% from 5.5% in 2011
- Well secured risk assets – 47% (secured against real estate), 4% (cash), 3% (stock/shares), while 45% were otherwise secured

Capital Adequacy and Liquidity



Liquid Assets Split



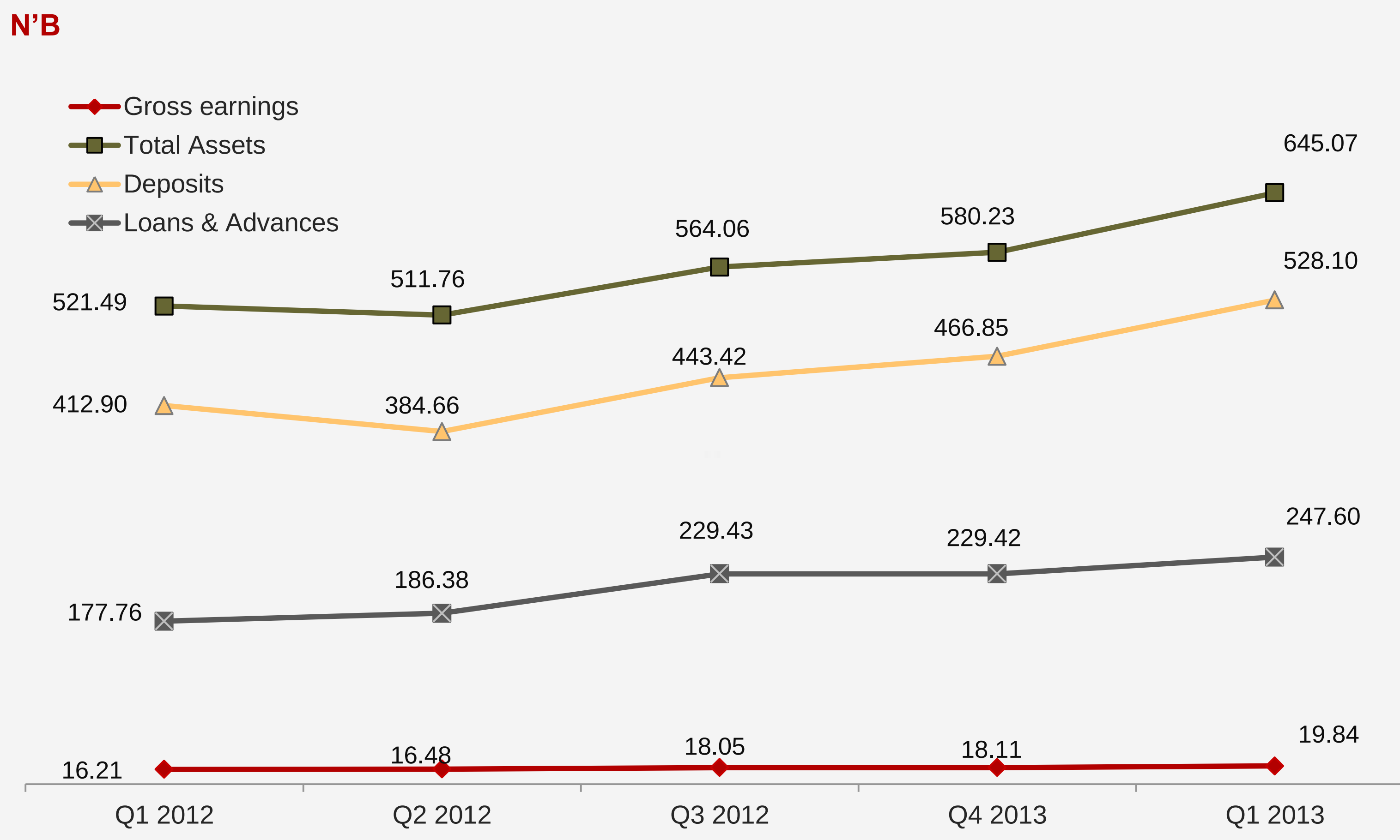
Comments

- Loan-to-deposit ratio increased to 50% due to growth in loan creation
- Investment securities were predominantly TBs and bonds of which 89% are held to maturity
- Pledged assets were also made up of TBs and government bonds and accounted for 16% of liquid assets
- Reduction in CAR was as a result of 24% growth in the risk weighted assets to N308,1bn

Sterling Bank
The one-customer bank.

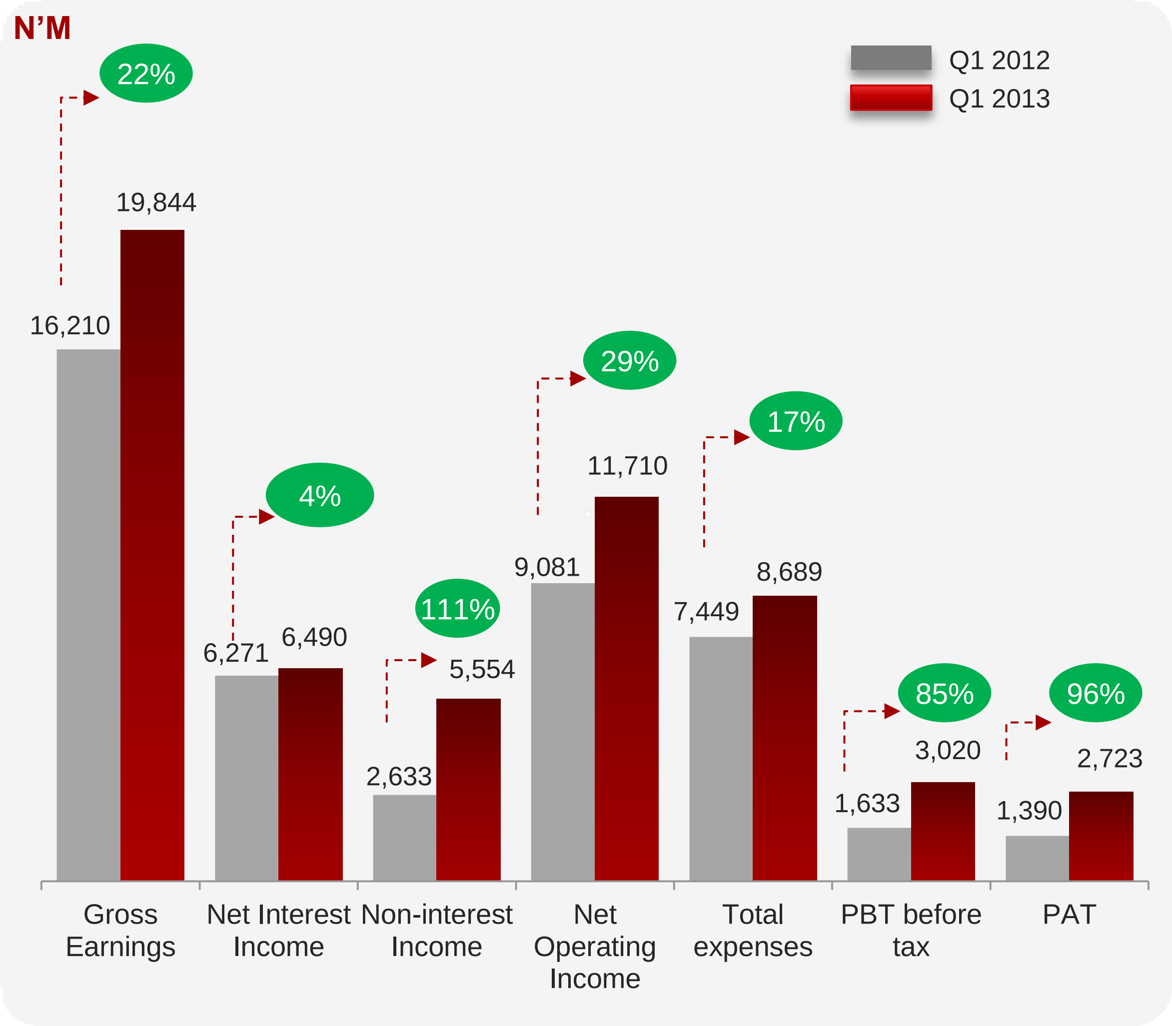
Q1 2013 Highlights

Growth Trends: Quarter-on-Quarter Review



Sterling Bank
The one-customer bank.

Income Statement Highlights

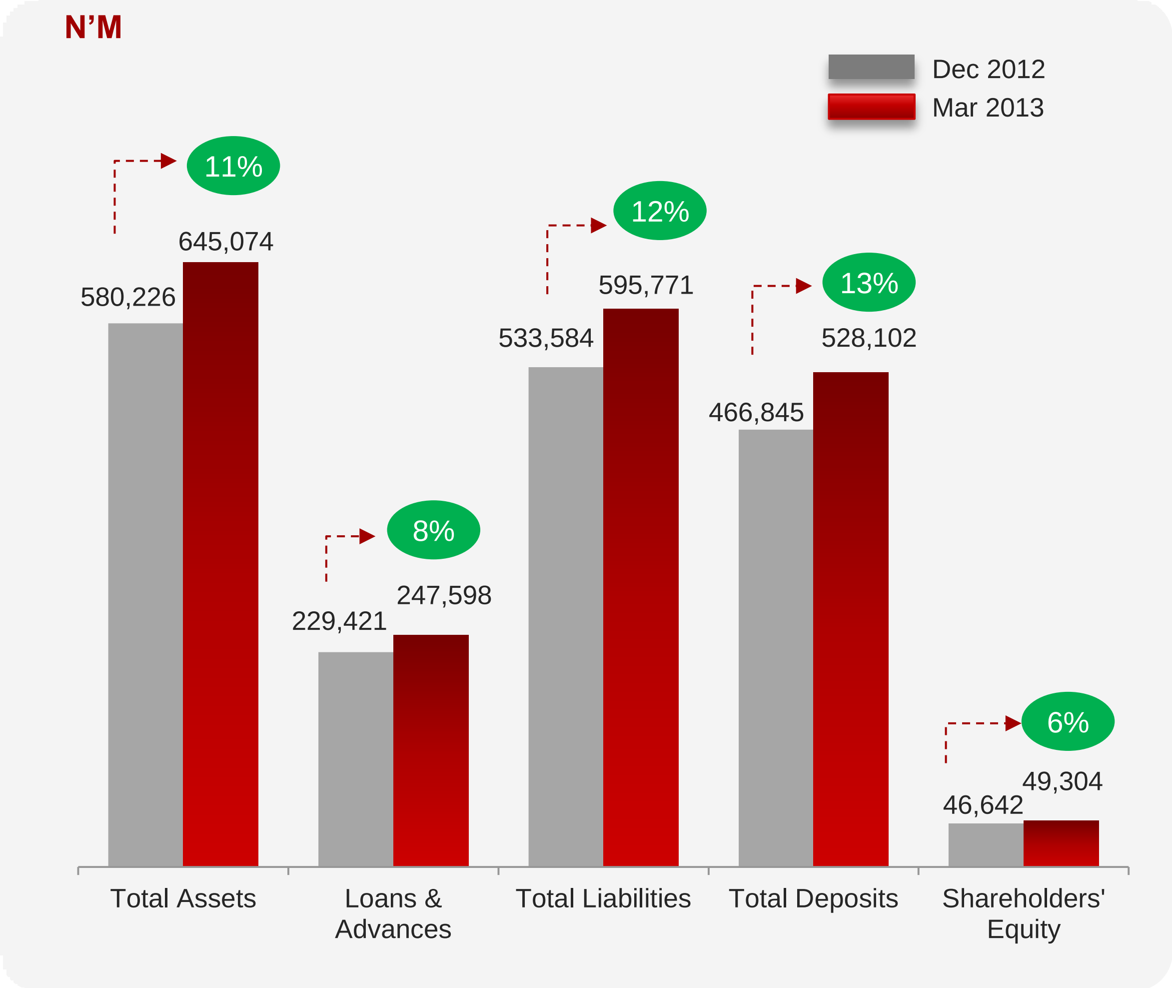


Comments

- Earnings grew by 22% driven mainly by a 111% improvements in non interest income
- Non interest income was boosted by improvements in trading income to N1.8 billion from N148 million in Q1 2012
- Net operating income after impairment loss rose 29% ahead of operating expenses, which rose 17% to N8.7 billion
- Profit before tax rose 85%, while after tax profits rose 96% to N2.7 billion

Sterling Bank
The one-customer bank.

Balance Sheet Highlights

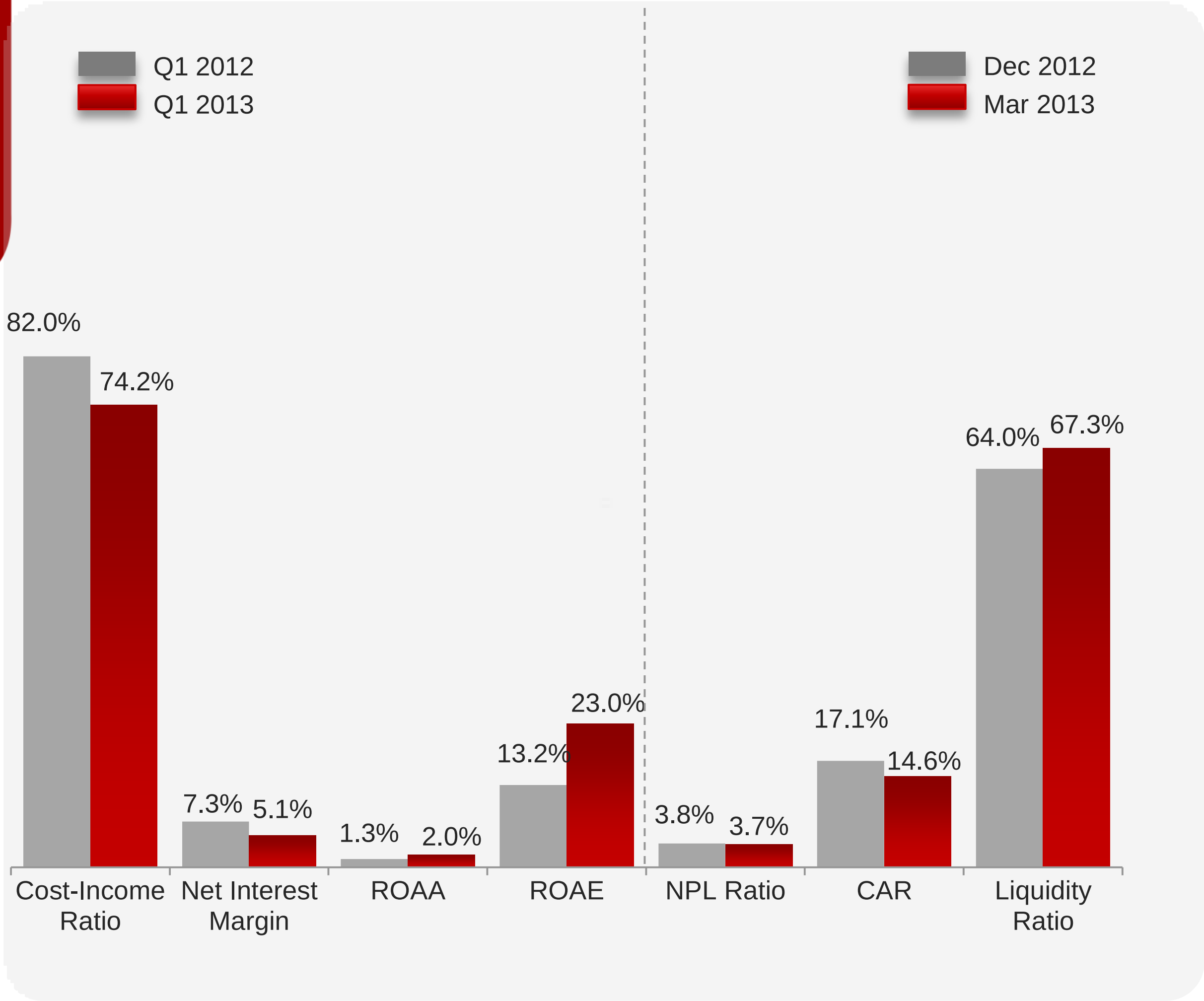


Comments

- Growth recorded across all key balance sheet lines reflecting gradually improved operating environment
- Deposit growth of 13% driven by our sustained retail drive reflecting growth in customer acquisition and share of customer wallet
- Growth in loans and advances driven mainly by corporate banking lending
- Improvement in equity due to profit accretion.

Sterling Bank
The one-customer bank.

Key Financial Ratios



Comments

- Return on average equity of 23% in line with our medium term strategic objectives
- Cost to income ratio reduced to 74% on the back of enhanced earnings and reduced funding costs
- Reduction in NIM by 220 basis points due to lower assets yield in Q1 2013 off-setting the 60 basis points improvement in funding costs YoY
- Liquidity and capital adequacy ratios above the regulatory benchmarks
- Improved asset quality with NPL ratio further down by 10 basis points to 3.7%, while cost of risk was 2.7%

Sterling Bank
The one-customer bank.

Outlook for 2013

Sterling Bank
The one-customer bank.

Specific Action Plan for 2013

Retail

- A revamped retail strategy focusing on customer acquisition and low cost deposit mobilization
- Effective use of alternative channels to serve our teeming retail customers
- Deployment of robust CRM to aid understanding of customer behaviour and preferences for effective deployment of enterprise resources
- Use of a Virtual Sales (telemarketing) Force, an expanded contact centre and social media to engage with customers and provide superior service

Corporate

- Leverage our planned capital injection to enhance capacity to meet the financing needs our corporate clients
- Focus on growth sectors – education, agriculture, telecoms and oil & gas
- Focus on low cost deposits by following the value chain
- Leverage our robust trade platform to grow trade business
- Leverage our efficient risk management framework and monitoring systems

Specific Action Plan for 2013

Operational Efficiency

- Continuous automation and streamlining of processes to improve cost efficiency
- Conclude remodelling of branch infrastructure and energy sources in conformity with our retail focus to reduce cost of doing business
- Replace core banking application with a more robust solution
- Deploy MIS for effective performance measurement, reporting, and decision making

Balance Sheet Efficiency

- Improve average yield on assets by reinvesting maturing investments in government securities
- Leverage our retail strategy to generate cheap deposits to fund our corporate lending
- Increase balance sheet aggressiveness on the back of new capital

FY 2013 Performance Indicators

- Double digit growth in earnings > 20%
- ROAE > 20%
- Cost-to-income ratio <78%
- Loan growth > 31%
- Deposit growth > 36%
- Growth in active customer count > 30%

Thank you

Sterling Bank
The one-customer bank.