

Investor/Analyst Presentation

August 2013



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Agenda

Corporate Information

Operating Environment

Financial Highlights

Earnings Analysis

Balance Sheet Analysis

Update on Capital Raising

Strategic Outlook

Corporate Information

About Sterling Bank ...

Our History

Sterling Bank Plc “the one-customer bank” is a full service national commercial bank in Nigeria with asset base above \$4 billion (N690 billion) and shareholders’ funds in excess of \$305m (N49 billion).

In over 50 years of operations, Sterling Bank (formerly NAL Bank) has evolved from the nation’s pre-eminent investment banking institution to a fully-fledged commercial bank; and completed a merger with 4 other banks – Indo-Nigeria Merchant Bank, Magnum Trust Bank, NBM Bank and Trust Bank of Africa – as part of the 2006 consolidation of the Nigerian banking industry.

With the acquisition of the business interest of the defunct Equitorial Trust Bank in 2011, the Bank enhanced its position in the hierarchy of major players in the sector.



About Sterling Bank

Company	Sterling Bank is a full service commercial Bank
Banking license	National Commercial Banking License
Accounting	International Financial Reporting Standards (IFRS)
Auditors	Ernst & Young
Listing	Nigerian Stock Exchange
Focus segments	Retail, Corporate and Institutional clients
Headcount	2,672 professional employees
Channels	>160 business offices; 241 ATMs; 4,648 POS

Ratings Agency	Short Term	Long Term
GCR	A3	BBB

Key Achievements

Financial

- **19%** growth in total assets year-to-date
- **25%** return on average equity (annualized)
- **76 kobo** earnings per share (annualized)
- **2.7%** non performing loans ratio

Non-financial

- Commenced our capital raising programme with a Rights Issue of N12.5 billion
- Set up a retail directorate to drive our retail penetration strategy
- Grew active customer base by about 200,000 in six months
- Established a partnership with Arsenal FC to issue co-branded debit cards and improve overall brand positioning

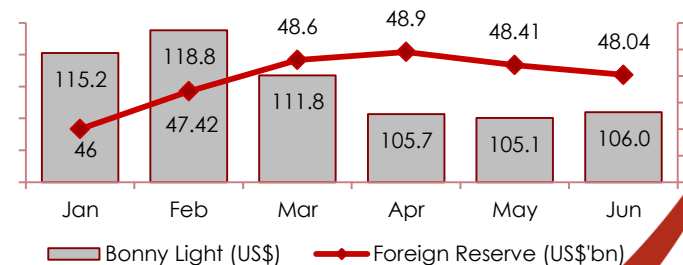
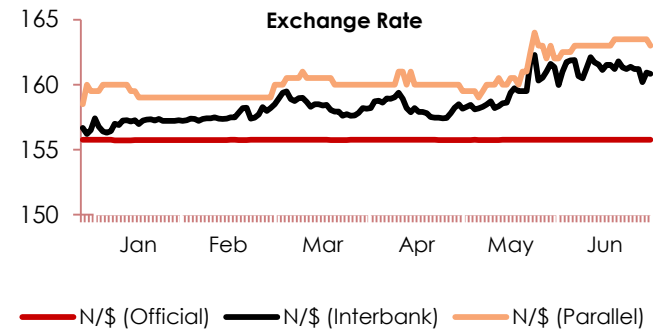
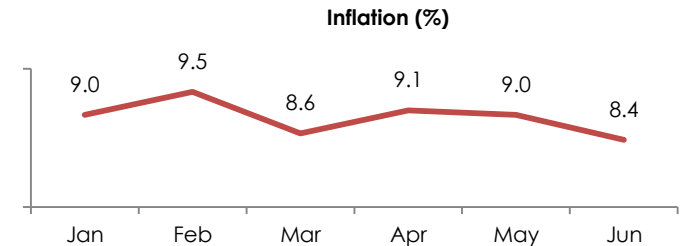


Operating Environment

Operating Environment

- Real GDP growth of 6.56% in Q1 2013. Second quarter growth estimated at 6.72%¹. The non-oil sector remains a major growth driver
- Inflation rate remained in single digit and moderated to 8.4% largely on the base effect
- Exchange rate was relatively stable at the official market but depreciated at both the interbank and parallel markets on the back of demand pressures
- Crude oil price (bonny light) remained above US\$100 per barrel while exports declined to 1.86 mbpd due to oil theft and vandalization
- Strong uptick in foreign reserves in Q1 2013 but moderated in Q2 2013 to US\$48.04bn representing about 10 months of imports
- The NSE All Share Index gained 28.8% as at June 2013 to 36,164.30 driven by improved investor confidence and attractive corporate earnings

¹NBS estimate



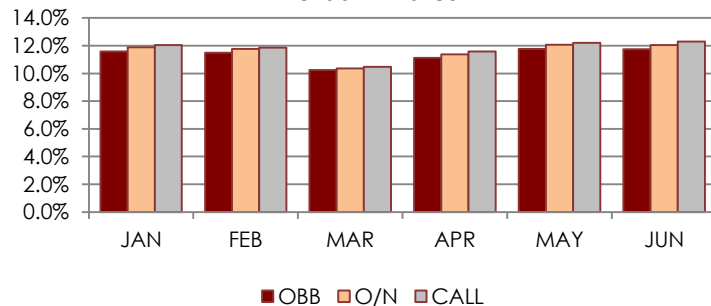
Sources: CBN

Operating Environment

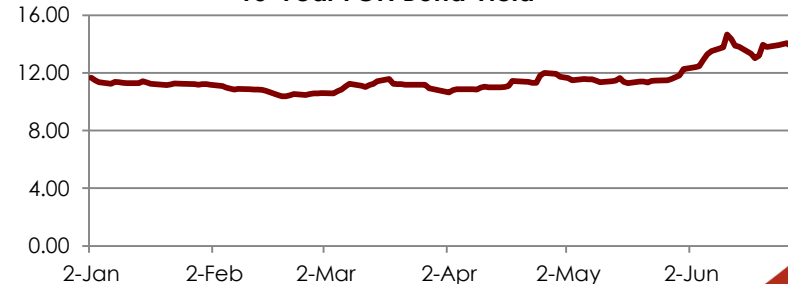
Regulatory Policy Changes

- The Central Bank of Nigeria introduced further tightening measures by imposing a 50% CRR on public sector deposits
- Introduction of tiered KYC to drive the financial inclusion initiative
- Review of bank charges resulting in the pegging of savings interest rate at 30% of MPR, phased removal of commission on turnover (COT), among others
- Extension of the cash-lite policy to Abuja and five other states – Abia, Anambra, Kano, Ogun, Rivers
- Interest rates remained largely stable despite significant reduction in FAAC, as maturing bills boosted financial system liquidity

Interbank Rates



10-Year FGN Bond Yield



Sources: FDHL



Financial Highlights

Financial Highlights

Gross Earnings

N41.9bn; +28%

1H'12: N32.7bn

Net Interest Income

N15.2bn; +27%

1H'12: N12.0bn

Non-interest income

N10.8bn; +70%

1H'12: N6.3bn

Profit Before Tax

N6.3bn; +93%

1H'12: N3.2bn

Total Assets

N690.8bn; +19%

FY'12: N580.2bn

Loans & Advances

N272.8bn; +19%

FY'12: N229.4bn

Deposits

N564.9bn; +21%

FY'12: N466.8bn

Shareholders' Funds

N49.0bn; +5%

FY'12: N46.6bn

ROAE

24.8%

1H'12: 13.7%

Cost-to-income

74.7%

1H'12: 82.2%

Earnings per Share

38 kobo

1H'12: 19 kobo

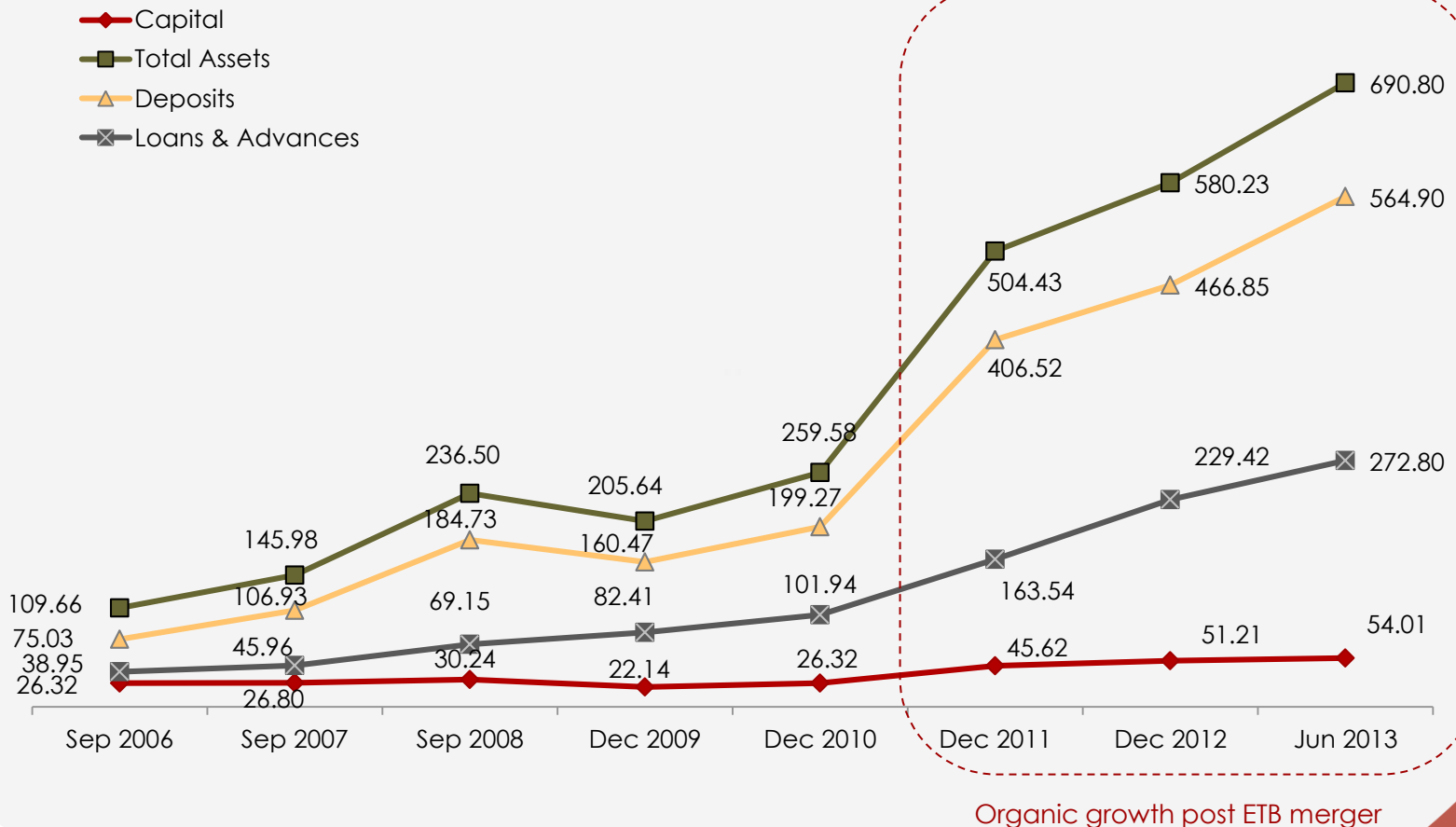
NPL Ratio

2.7%

1H'12: 3.0%

Growth Trends: Year-on-Year Review

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Earnings Analysis

Income Statement

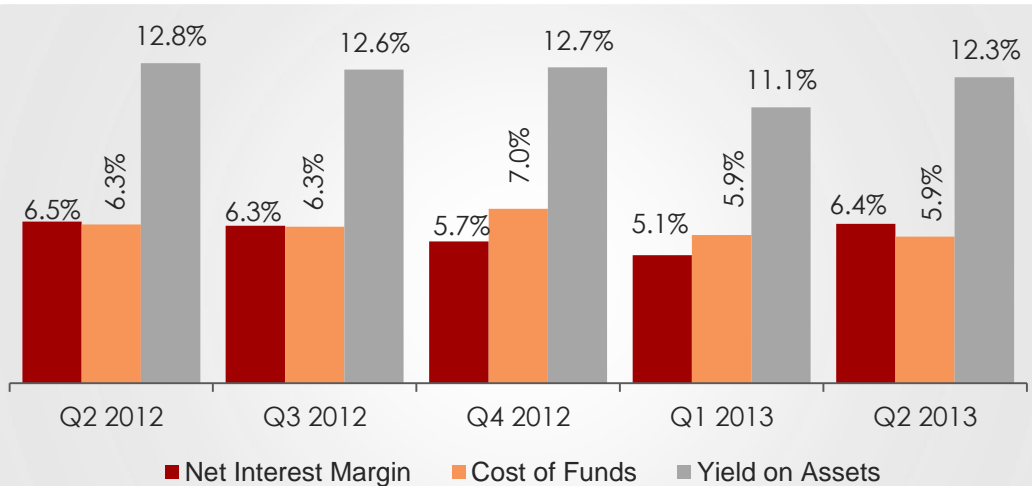
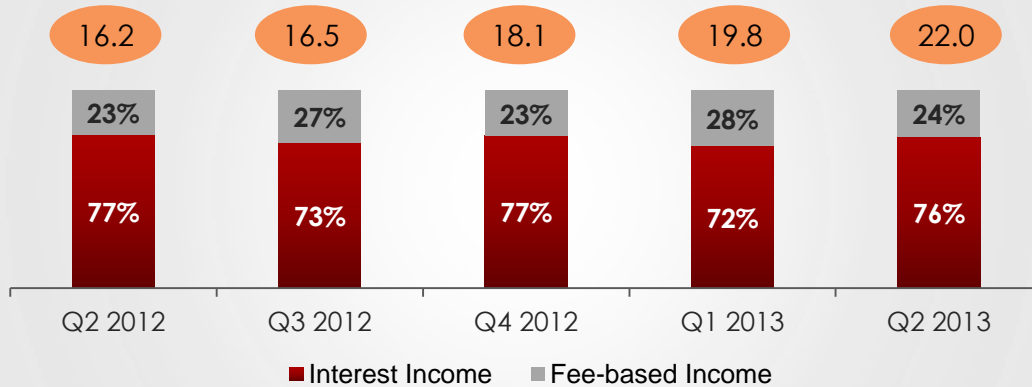
Items	June 2013		June 2012		Growth
	N'mn	% of Gross Earnings	N'mn	% of Gross Earnings	
Gross Earnings	41,855.2	100%	32,683.6	100%	28%
Interest income	31,080.4	74%	26,340.3	81%	18%
Interest expense	(15,905.6)	-38%	(14,378.4)	-44%	11%
Net interest income	15,174.7	36%	11,962.0	37%	27%
Other Income	10,774.8	26%	6,342.3	19%	70%
Net impairment charges	(1,149.7)	-3%	(102.1)	0%	1026%
Net operating income	24,799.8	59%	18,202.1	56%	36%
Personnel expenses	(4,608.0)	-11%	(4,402.6)	-13%	5%
Depreciation	(1,289.7)	-3%	(1,340.3)	-4%	-4%
Other expenses	(12,629.9)	-30%	(9,214.4)	-28%	37%
Total expenses	(18,527.6)	-44%	(14,957.4)	-46%	24%
Profit before income tax	6,272.2	15%	3,244.8	10%	93%
Income tax expense	(350.2)	-1%	(239.1)	-1%	46%
Profit after tax	5,922.0	14%	3,005.7	9%	97%

Revenue Sources



Revenue Drivers

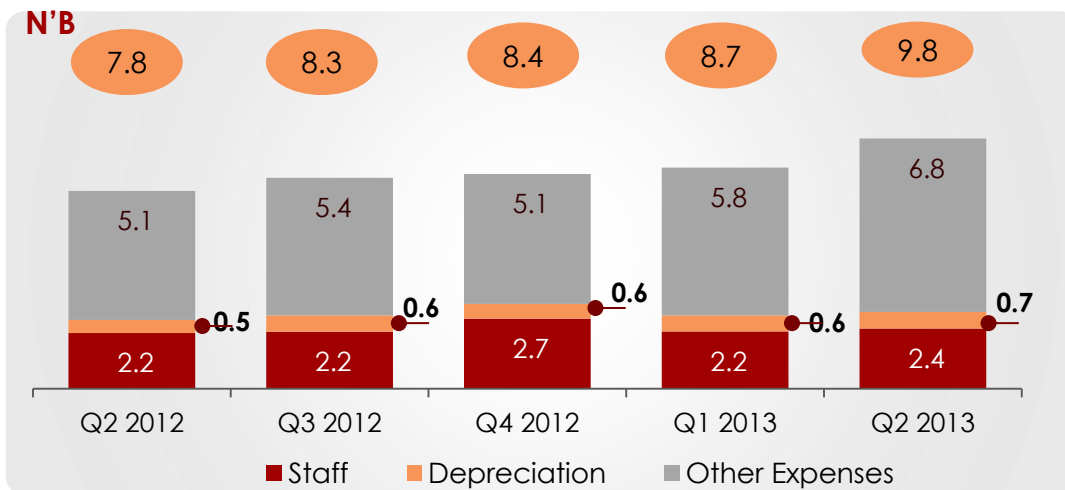
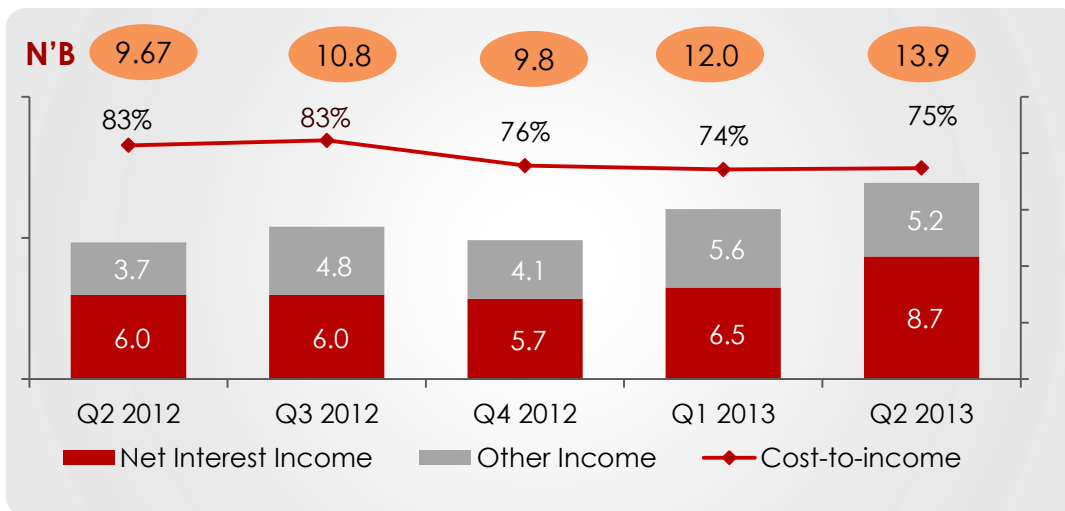
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Comments

- Earnings rose by 28% YoY to N41.9 billion and 11% QoQ
- Interest income remained a major driver of earnings with 76% contribution in Q2 2013 of which income from loans & advances accounted for 64%
- Cost of funds improved by 40 basis points YoY reflecting progress in our retail deposit drive but remained flat QoQ
- Yield on assets rose by 120 basis points QoQ resulting in a strong improvement in net interest margin to 6.4% in Q2
- Our retail deposit drive has sustained our ability to manage pressures arising from the CBN's tight monetary policy measures

Operating Efficiency

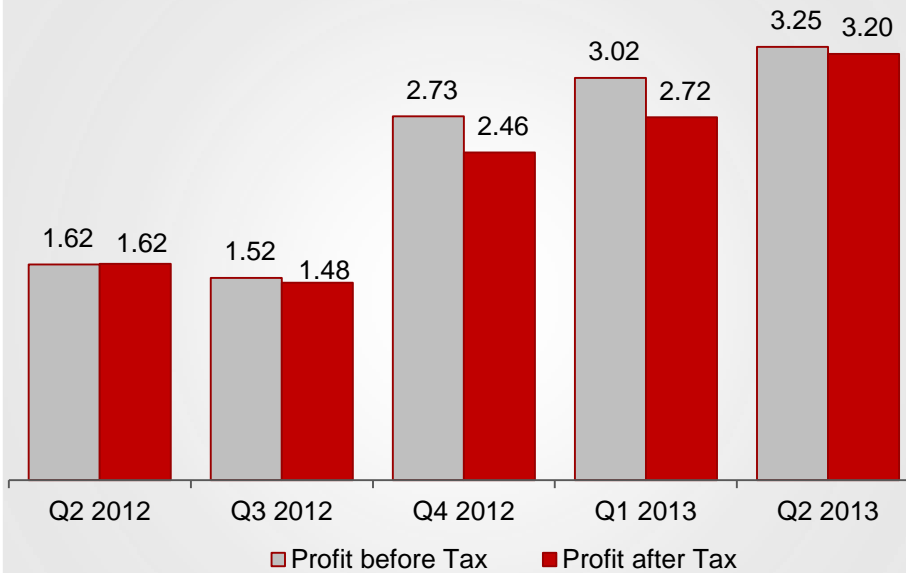


Comments

- Operating income rose 42% YoY to N26.0 billion, while net operating income rose 36% to N24.8 billion
- Additional provisions of N816 million in Q2 2013 driven by an increase in loans and advances and the resulting collective impairment charge
- Net operating income rose 12% compared to 13% growth in operating expenses resulting in about 70 basis points rise in cost-to-income ratio to 74.7% QoQ
- Growth in operating expenses reflected an increase in AMCON surcharge (which rose by 126%) and inflationary pressures

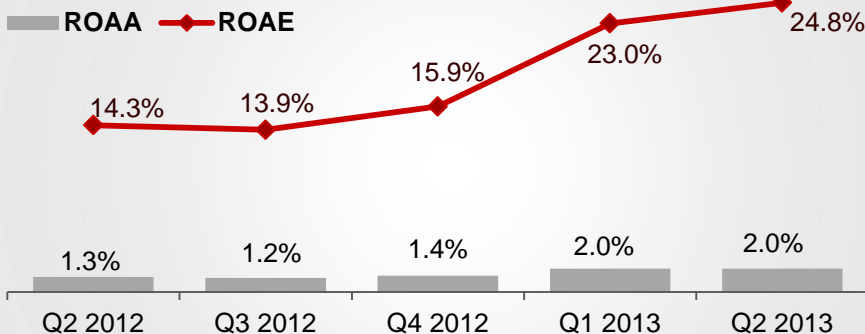
Profitability

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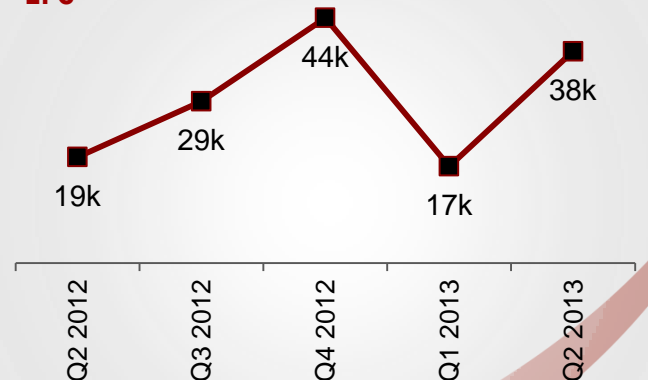


Comments

- The Bank recorded strong growth in profitability reflecting improvements in operating efficiency
- PBT rose 93% to N6.3 billion, while PAT rose 97% to N5.9 billion YoY
- ROAE and ROAA of 24.8% and 2.1% respectively are in line with our medium term goals
- Earnings per share doubled YoY to 38 kobo in Q2 2013



EPS



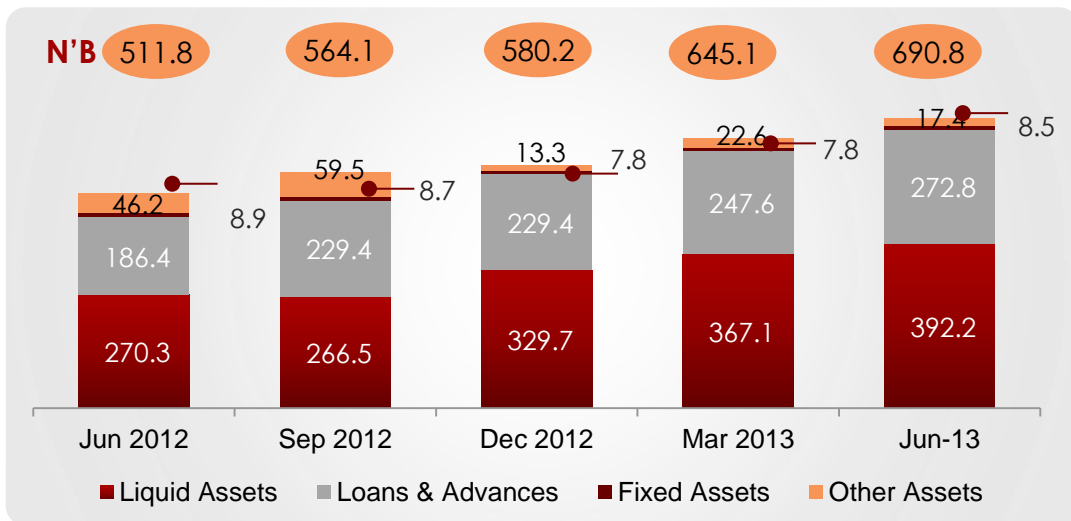
The background features a blurred financial data table with various numerical values and a line graph showing an upward trend. A large red graphic element is in the top-left corner, and a red curved line is in the bottom-right corner.

Balance Sheet Analysis

Statement of Financial Position

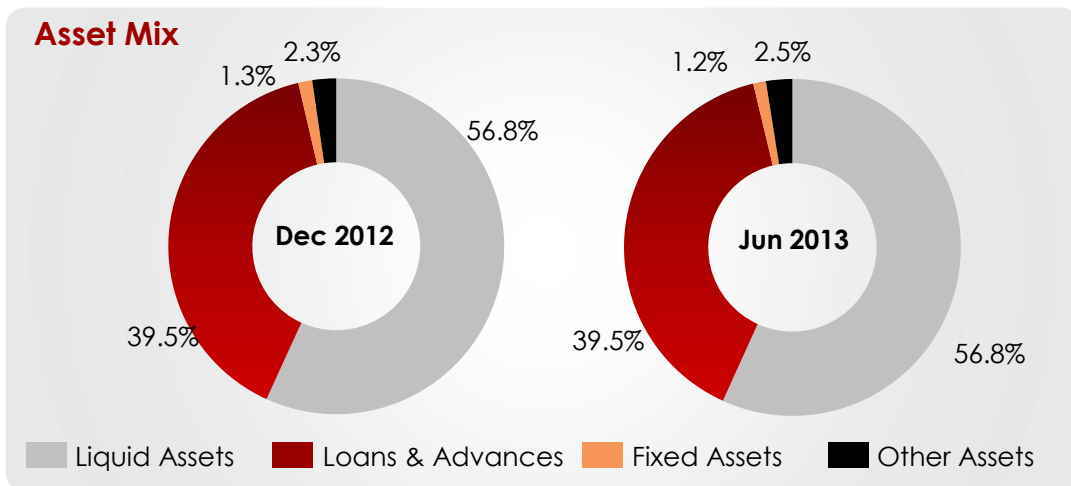
Items	June 2013		December 2012		Growth
	N'mn	% of Total Assets	N'mn	% of Total Assets	
ASSETS					
Cash and balances with CBN	61,311	9%	63,622	11%	-4%
Due from banks	59,318	9%	33,879	6%	75%
Pledged assets	72,779	11%	57,412	10%	27%
Loans and advances to Customers	272,750	39%	229,421	40%	19%
- Held for Trading	6,359	1%	1,999	0%	218%
- Available for Sale	9,188	1%	16,858	3%	-45%
- Held to Maturity	183,263	27%	155,936	27%	18%
Investment in securities	198,810	29%	174,792	30%	14%
Other assets	17,413	3%	13,307	2%	31%
Property, plant and equipment	8,457	1%	7,793	1%	9%
TOTAL ASSETS	690,838	100%	580,226	100%	19%
LIABILITIES					
Deposits from Banks	12,643	2%	3,119	1%	305%
Deposits from Customers	552,288	80%	463,726	80%	19%
Other borrowed funds	36,739	5%	30,356	5%	21%
Debt securities in issue	4,562	1%	4,564	1%	0%
Other liabilities	35,608	5%	31,819	5%	12%
Shareholders' Funds	48,997	7%	46,642	8%	5%
TOTAL LIABILITIES AND EQUITY	690,838	100%	580,226	100%	19%

Asset Decomposition



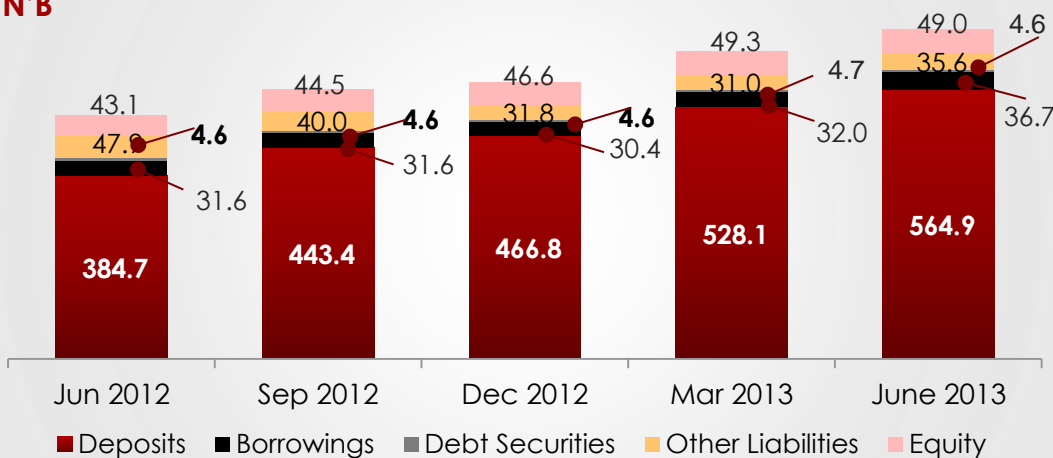
Comments

- Total assets grew 19% Ytd and 7% QoQ
- Income generating assets increased by 22% Ytd and accounted for 87% of total assets
- Loan penetration was 39% leaving further room for loan growth
- Liquid assets, which were largely government securities (Treasury Bills and Bonds), accounted for 57% of total assets



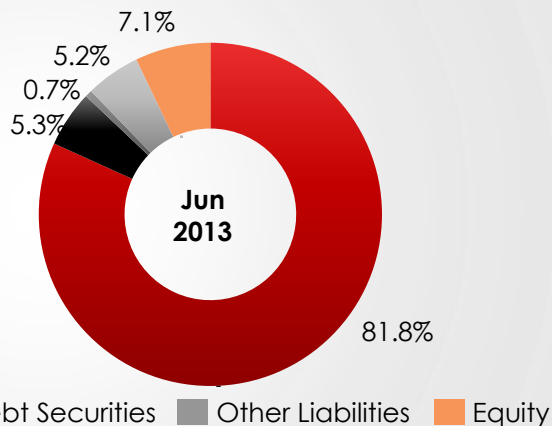
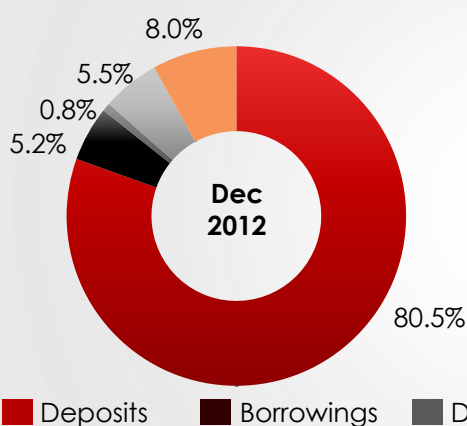
Assets Funding Mix

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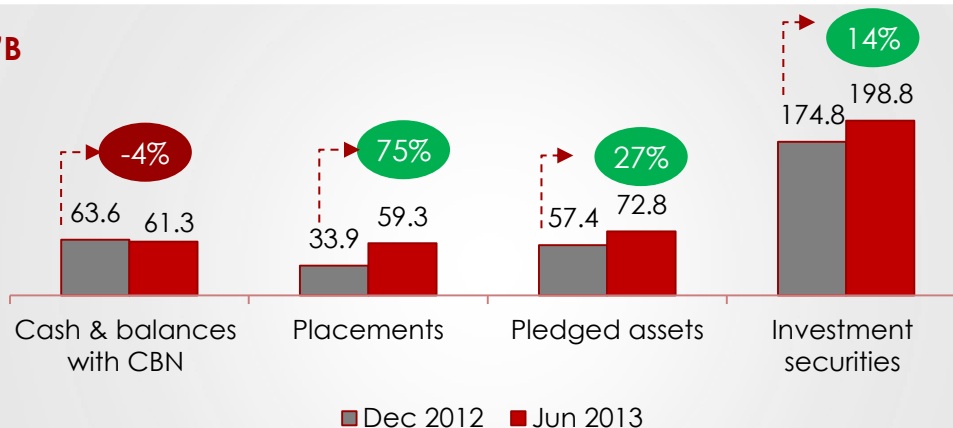
Comments

- Diversified funding base with deposits as the major funding source
- Deposits funded 82% of total assets (Dec. 2012: 81%)
- Growth in deposits was driven by low cost deposits resulting in improved funding costs
- 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 (7-year unsecured debenture stock at 13%)

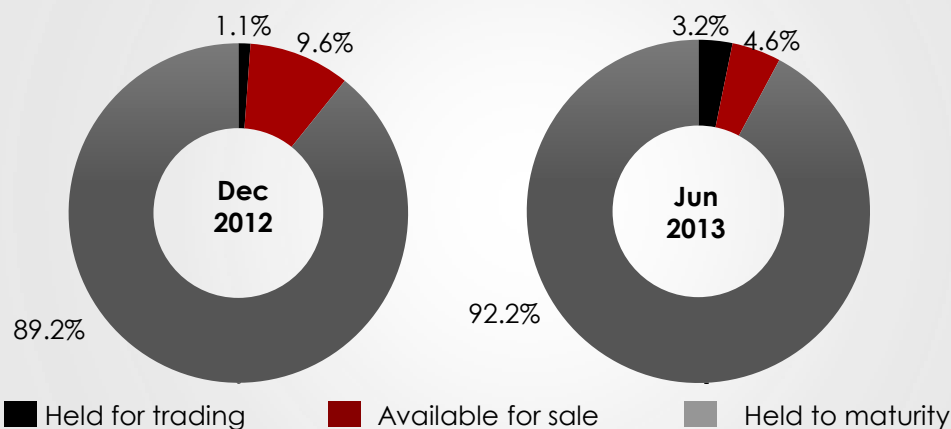


Liquid Assets

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Investment Securities Split



Comments

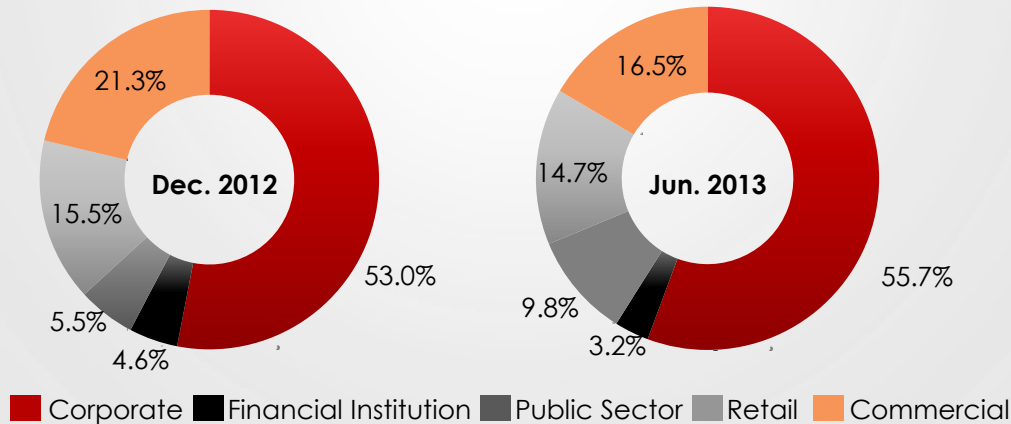
- Liquid assets accounted for 57% of total assets and stood at N392.3bn as at Jun. 2013
- Investment securities (TBs & Bonds) accounted for 51% of liquid assets
- Pledged assets accounting for 19% of liquid assets represent collateral for clearing activities, facilities from Citibank and Bank of Industry, and letters of credit transactions
- Cash reserve requirements accounted for 89% of cash & balances with the CBN

Loans and Advances Trend

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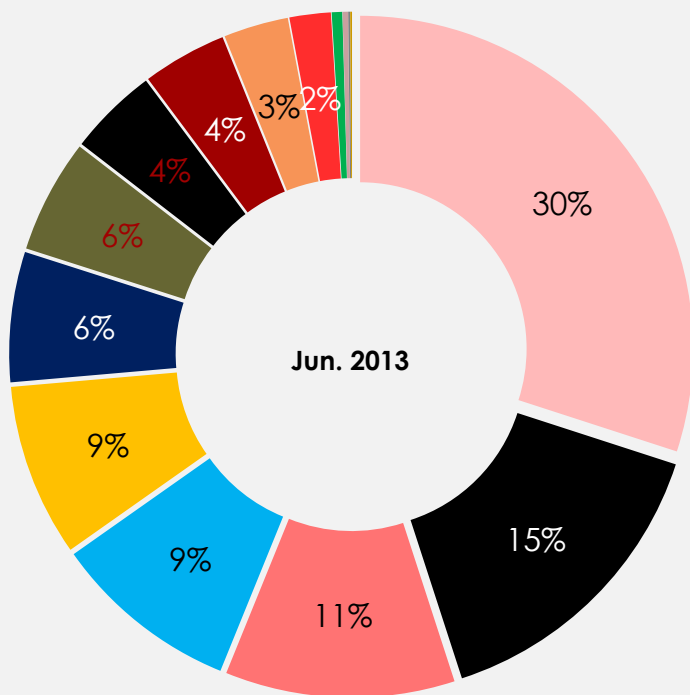
Loans by Business Segment



Comments

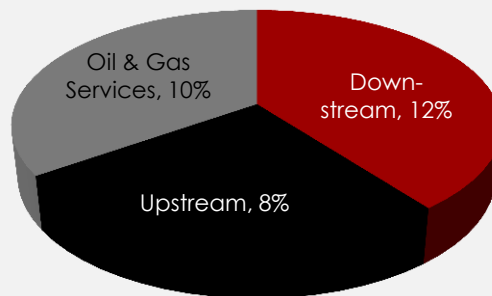
- Net loans and advances rose by 19% Ytd and 10% QoQ to N272.8 billion
- Growth was driven by exposures to the corporate banking segment, which rose 22% and accounted for 56% of total loans, while retail loans accounted for 15%
- Loan book was well diversified to capture growth sectors
- Oil & gas sector recorded the largest sectoral allocation (29.9%) spread across the various sub-sectors; upstream (25.6%), downstream (39.6%) and services (34.8%)

Gross Loans by Sector

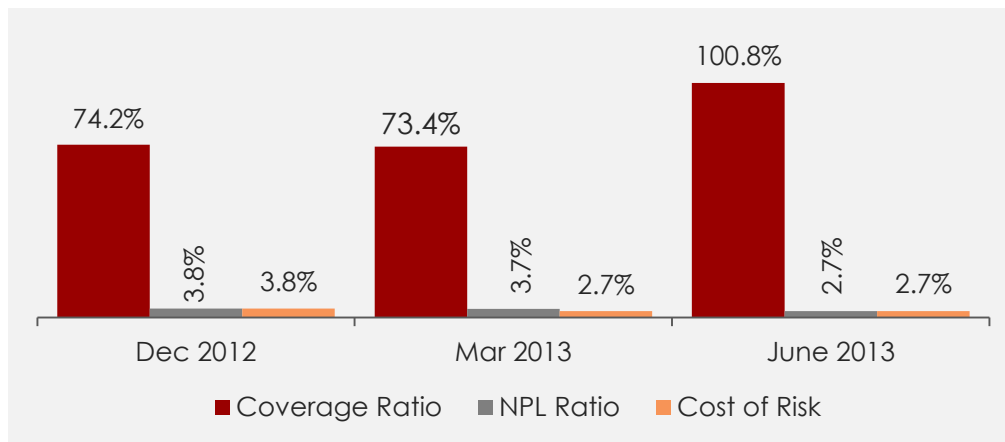


- Oil & Gas ; 29.99%; N82.64bn
- Construction ; 15.01%; N41.36bn
- Government ; 11.15%; N30.71bn
- General Commerce ; 9.08%; N25.03bn
- Real Estate Activities ; 8.38%; N23.1bn
- Agriculture; 6.32%; N17.4bn
- Capital Market ; 5.53%; N15.24bn
- Education ; 4.34%; N11.95bn
- Finance & Insurance ; 4.1%; N11.28bn
- Information & Communication ; 3.15%; N8.67bn
- Others; 2%; N5.52bn
- Manufacturing ; 0.51%; N1.4bn
- Power & Energy ; 0.26%; N0.73bn
- Public Utilities ; 0.09%; N0.26bn
- Transportation & Storage ; 0.09%; N0.24bn

Oil & Gas Sector Split



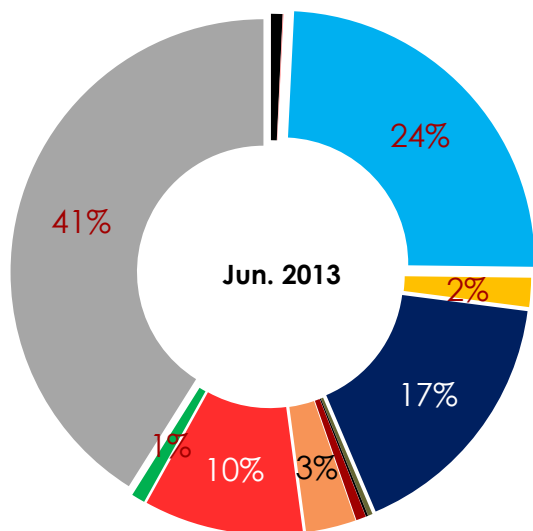
Loan Quality Ratios



Comments

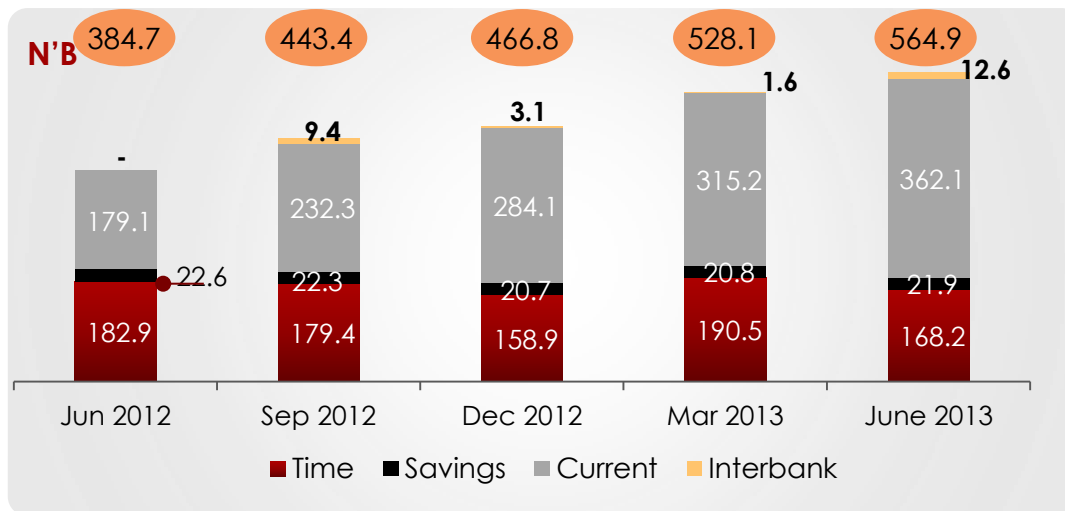
- Continuous improvement in asset quality QoQ
- NPL ratio reduced by 100 basis points to 2.7% from 3.7% in March 2013
- Non-performing loans coverage ratio increased to 101%, while cost of risk was 2.7%
- Loans classified as 'others' are largely individuals and small businesses, which are relatively volatile
- We have set up a retail directorate to manage existing relationships and drive our retail penetration strategy

Non-Performing Loans by Sector



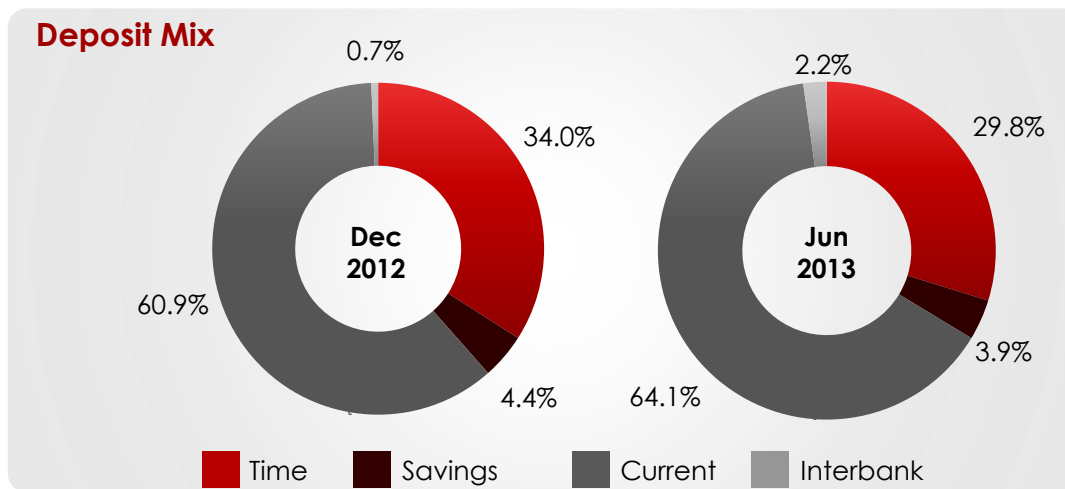
- Agriculture; 0%
- Manufacturing ; 0.74%
- Construction ; 0.04%
- General Commerce ; 24.41%
- Transport & Storage ; 1.86%
- Information & Comm.; 16.56%
- Finance & Insurance ; 0.3%
- Real Estate Activities ; 0.14%
- Education ; 0.63%
- Capital Market ; 3.2%
- Oil And Gas ; 10.19%
- Government ; 0.87%
- Others; 41.07%

Deposits

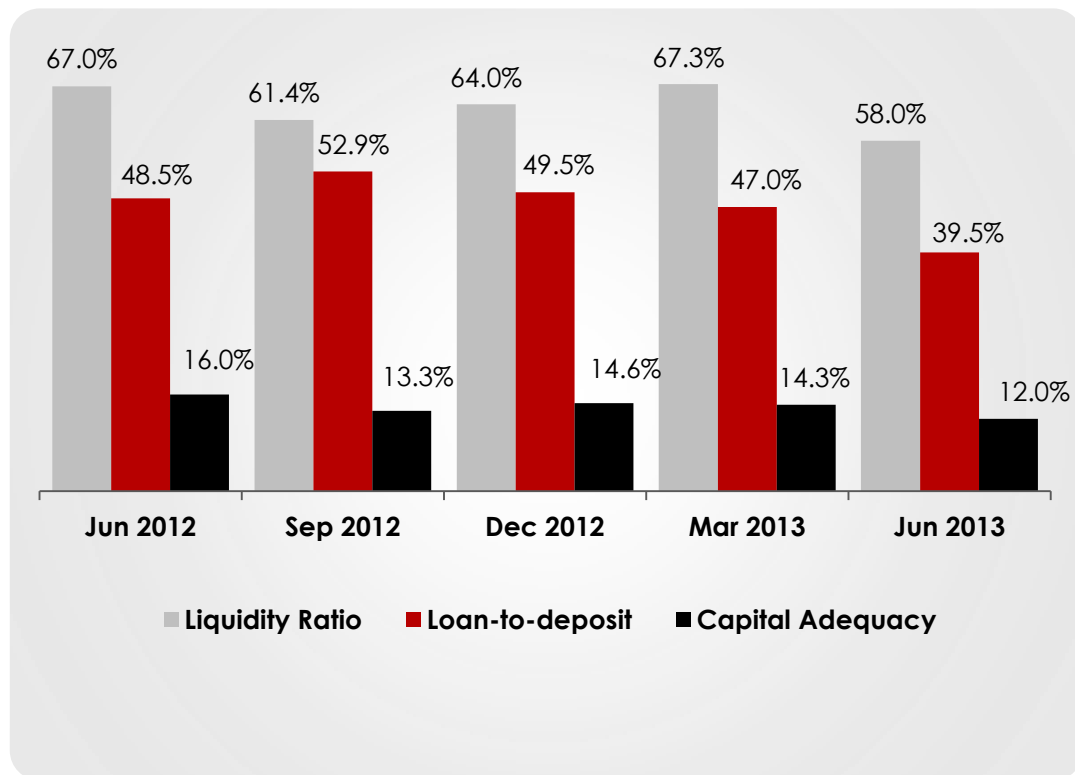


Comments

- Deposits grew 21% year-to-date to N565 billion driven by growth in current account balances
- Low cost deposits accounted for 68% of total deposits (wholesale, 32%) reflecting the benefits of our retail business
- Cost of funds declined by 110 basis points to 5.9% in Q2 2013 from 7% in Q4 2012
- We plan to further reduce our funding costs as we consolidate on our evolving retail strategy



Capital Adequacy and Liquidity



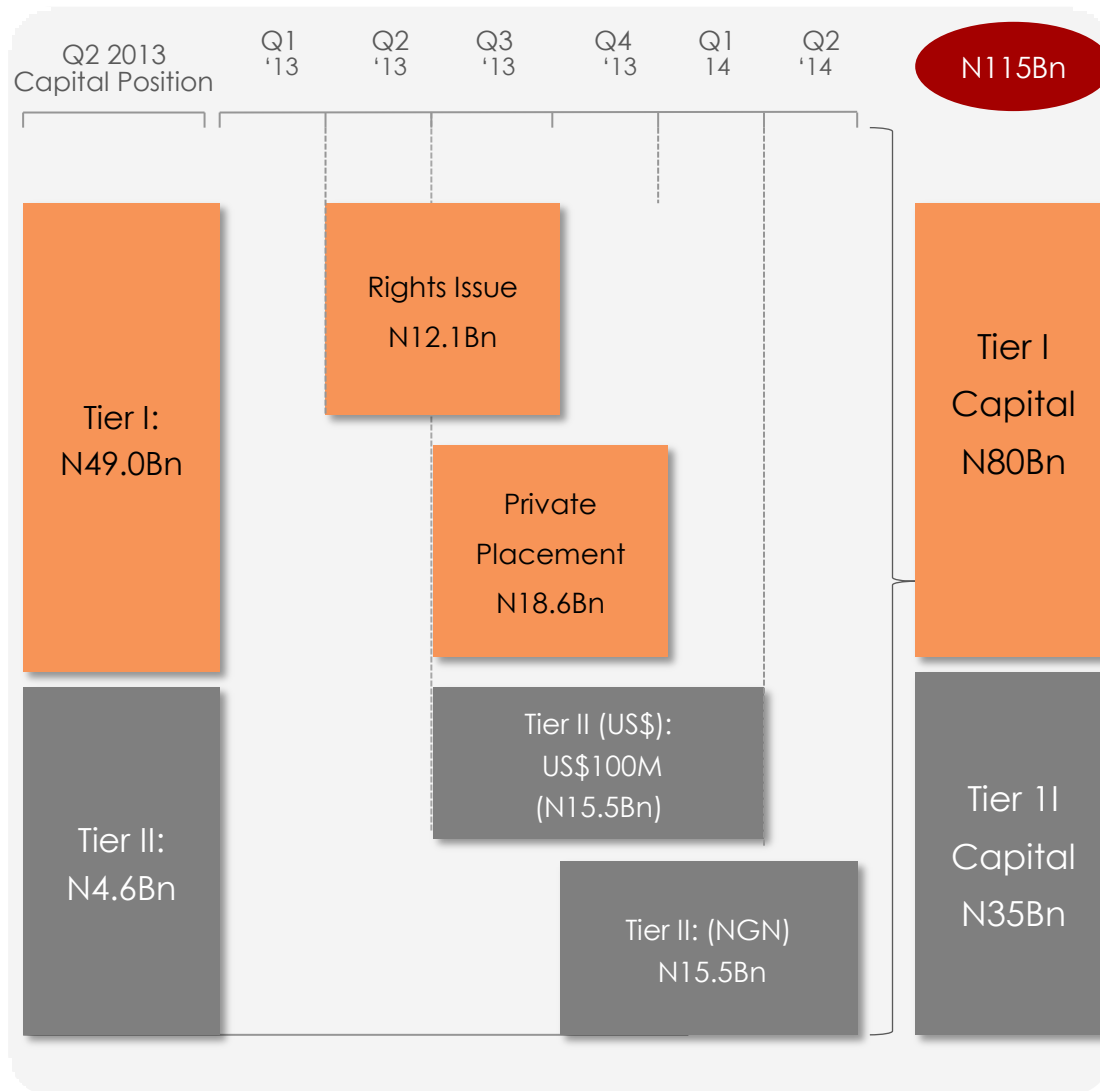
Comments

- Capital adequacy and liquidity ratios are above the regulatory benchmarks of 10% and 30% respectively
- However, decline in CAR was due to growth in risk weighted assets
- Reduction in loan-to-deposit ratio to 40% as deposit growth outpaced loan growth creating room for further loan growth
- We have commenced our capital raising programme with the on-going Rights Issue



Update on Capital Raising

Capital Raising Program



Comments

The Bank plans to raise additional capital in 2013 from both domestic and international sources. The capital raising programme is phased as follows:

Phase 1 - Tier I capital

- This is expected to be achieved through a Rights Issue of US\$80 million¹
- Private Placement of (US\$120million)
- The process commenced in Q1 2013

Phase 2 - Tier II capital

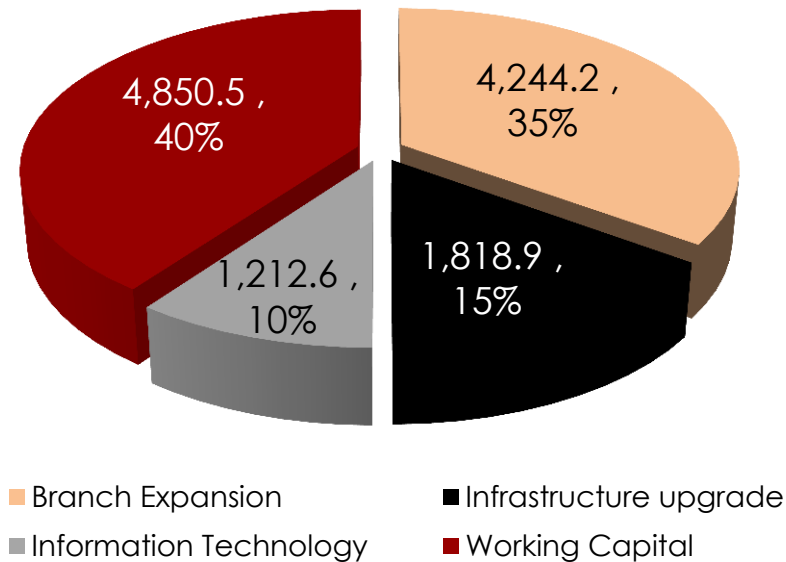
- The Bank plans to raise subordinated debt of N30 billion (US\$200 million) multi-currency
- The process will commence in Q3 2013 and will be completed by Q2 2014
- At the completion of the exercise, we anticipate a CAR of c. 20%

¹ US\$ = N155

Rights Issue

100% = N12,126.3 million (Net Proceeds)

Fund Utilization



Comments

- The Rights Issue commenced with overwhelming support from shareholders
- It is the first phase of our US\$400mn capital raising programme
- Issue size of N12.5bn and expected net proceeds of N12.1bn (97%)
- Allotment on the basis of three (3) new ordinary shares for every eight (8) ordinary shares of 50 kobo each held as at the close of business on May 20, 2013
- Issue price of N2.12 represented 47% discount to book value as at June 2013
- Offer closed July 31st 2013

Key Transaction Timelines

Date	Activity	Responsibility	Status
24-Jun-13	Acceptance list opens	Sterling Capital/Registrars	Done
31-Jul-13	Acceptance list closes	Sterling Capital/Registrars	Done
15-Aug-13	Receiving Agents make returns	Sterling Capital/Registrars	On-going
21-Aug-13	Forward allotment proposal and draft newspaper announcement to SEC	Sterling Capital	Not due
4-Sep-13	Receive SEC's clearance of Allotment Proposal	Sterling Capital	" "
6-Sep-13	Payment of net proceeds of the issues to Sterling Bank	Receiving Bank/Sterling Capital	" "
6-Sep-13	Allotment Announcement	Sterling Capital	" "
9-Sep-13	Return rejected application monies	Sterling Capital/Registrars	" "
10-Sep-13	Distribution of share certificates/credit CSCS accounts	Registrars	" "
17-Sep-13	Forward Declaration of Compliance to the Exchange	Stockbrokers	" "
23-Sep-13	Listing of new shares/trading Commences	Stockbrokers	" "
30-Sep-13	Forward summary report of Issue to SEC	Sterling Capital	" "



2013 Outlook

Medium-term Strategic Objectives

- 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

Retail Strategy

Sales Platforms

- Direct sales agents
- Third party acquirers
- Virtual sales force
- Agency banking
- Non-interest banking

Channels

- ATMs
- POS Terminals
- Spoke Branches
- Hub Branches
- Social Media
- E-banking

Customer Segments

- Mass market
- Affluent
- HNIs¹
- Micro enterprises
- SMEs²



¹ High Net-worth individuals
² Small & medium enterprises

FY 2013 Performance Guidance

- 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%

Investor Contact

Abubakar Suleiman

M: +234 803 535 1172

E: abubakar.suleiman@sterlingbankng.com

Chimaobi Nwaokoma

M: +234 803 406 6104

E: chimaobi.nwaokoma@sterlingbankng.com

Investor Relations Team

E: investor.relations@sterlingbankng.com

W: <http://investor.sterlingbankng.com/>

Twitter: [Sterlingbank IR](#)



Thank you



Sterling Bank

The one-customer bank.