

Investor Presentation



November 2013

Important Information

Notice

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- 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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- 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 Goals

Strategy

Operating Environment

Performance Review

Key Take-aways

Appendix



Corporate Goals

Corporate Goals

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

Corporate Strategy

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,
Integrity,
Teamwork,
Excellence

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



- To be the financial institution of choice

- We deliver solutions that enhance stakeholders' value

Sterling Today

Relative Strength

Service	<ul style="list-style-type: none">▪ The bank retains a strong reputation for customer service	★★★
Leadership Team	<ul style="list-style-type: none">▪ Key leadership has worked together through numerous integrations and industry challenges for over ten years	★★★
Footprint	<ul style="list-style-type: none">▪ The Bank is present in key markets with room for expansion in branches and deepening of customer relationships	★★
Brand	<ul style="list-style-type: none">▪ The Bank's brand is still not widely familiar among retail customers as management would like	★
Operating Efficiency	<ul style="list-style-type: none">▪ The Bank has rationalization opportunities in operating costs in addition a key component of driving the CI ratio is additional scale	★
Capital	<ul style="list-style-type: none">▪ Capital has limited the Bank's ability to serve its best customers, and is a key requirement to execute the Bank's strategy	★

Key Issues to Address

Low Capital Base	<ul style="list-style-type: none">▪ Capital of N65bn is about 50% of peer group average
High Funding Costs	<ul style="list-style-type: none">▪ Weighted average cost of funds of 5.9% is 40 basis points above peer group average
Brand Presence	<ul style="list-style-type: none">▪ Brand is not fully established in target sectors
Operating Efficiency	<ul style="list-style-type: none">▪ Relatively high cost-to-income ratio of 83% compared to peer group average of 73%

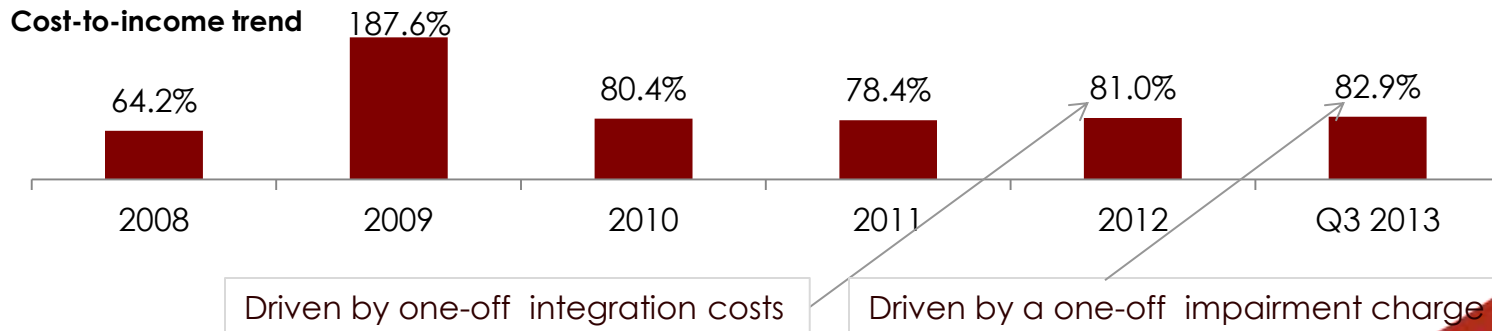
Increasing Brand Awareness

- We focus on providing customers with an easy and seamless interface in dealing with the bank through our various distribution points
- Restructured the service organization to support retail drive
- Deployed an expanded contact centre and virtual sales force to enhance service delivery at the retail end
- 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

- 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 depositors' reward, 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
- Existing manual processes are being automated to enable us free the workforce to focus on value adding, business enhancing tasks



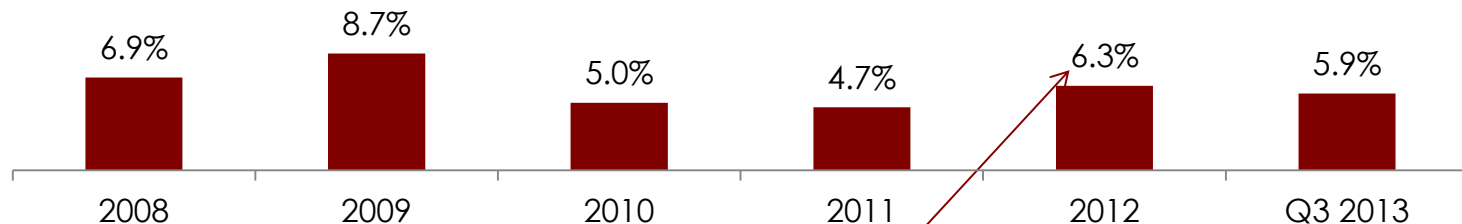
Reducing Cost of Funds

- We leveraged our strong customer service appeal to build a retail deposit base - mix of funding is being moved from wholesale to retail.
- Deposit mix from 60/40 Wholesale/Retail funding in 2009 to 35/65 Wholesale/Retail in 2012
- Customer acquisition costs have been brought down significantly from an average of N50,000.00 to an average of N9,500.00 per 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 fund 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.

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

Operating Environment

Operating Environment

Regulatory Policy Changes

- The CBN introduced further tightening measures in August by imposing an additional 38% CRR on public sector deposits (12% already exist on all deposits) resulting in a spike in money market rates

Sterling Bank: moderate exposure to this market; pricing was reviewed across loan book to maintain margins

- Review of bank charges resulting in the pegging of savings interest rate at 30% of the monetary policy rate (MPR), phased removal of commission on turnover (COT), among others

Sterling Bank: Overall impact – moderate

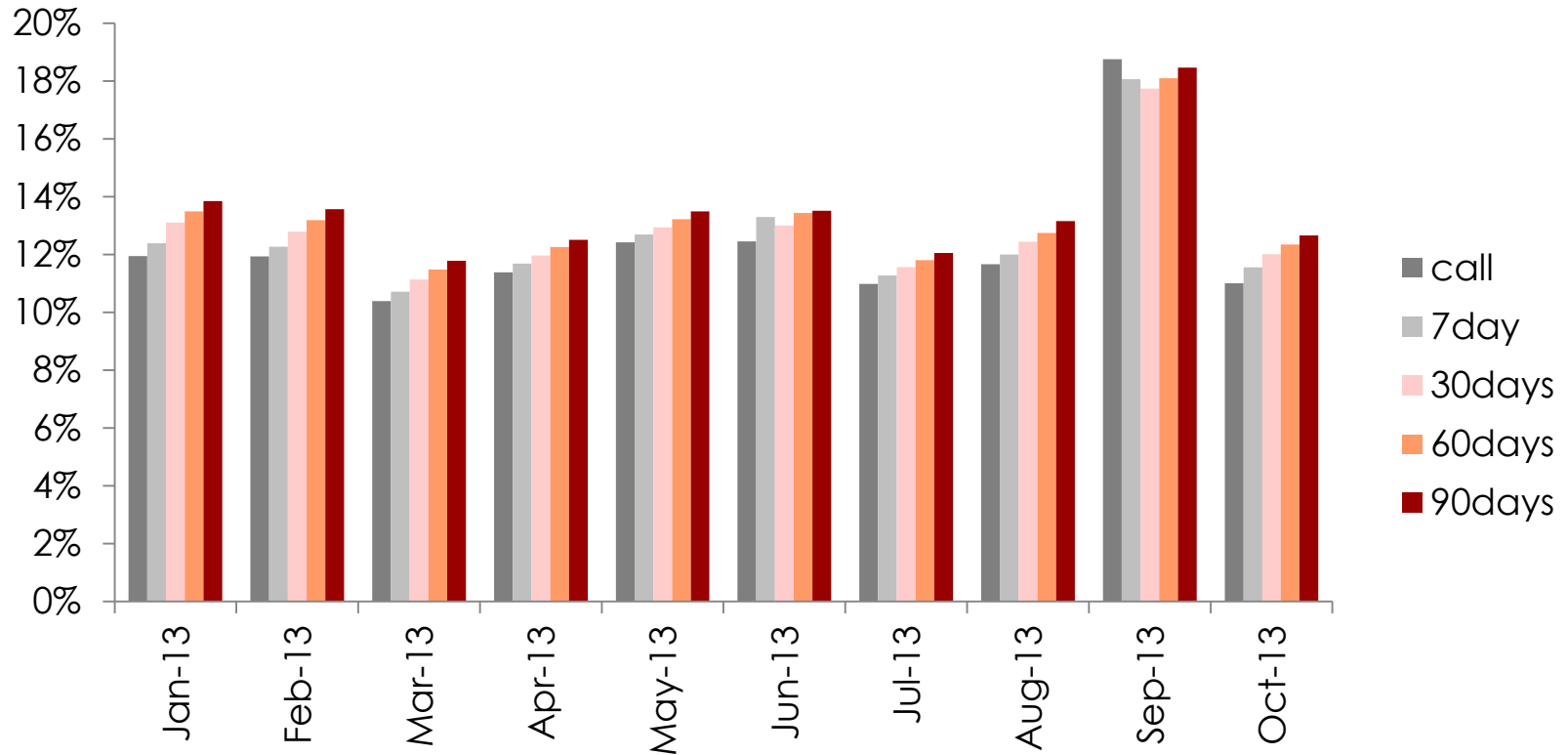
- Total savings account approximately 4% of deposits
- Pricing concessions previously approved on COT rates for a large number of clients

- Suspension of WDAS and the re-introduction of RDAS to maintain exchange rate stability

Sterling Bank: operational and documentary

Operating Environment (cont.)

NIBOR Rates

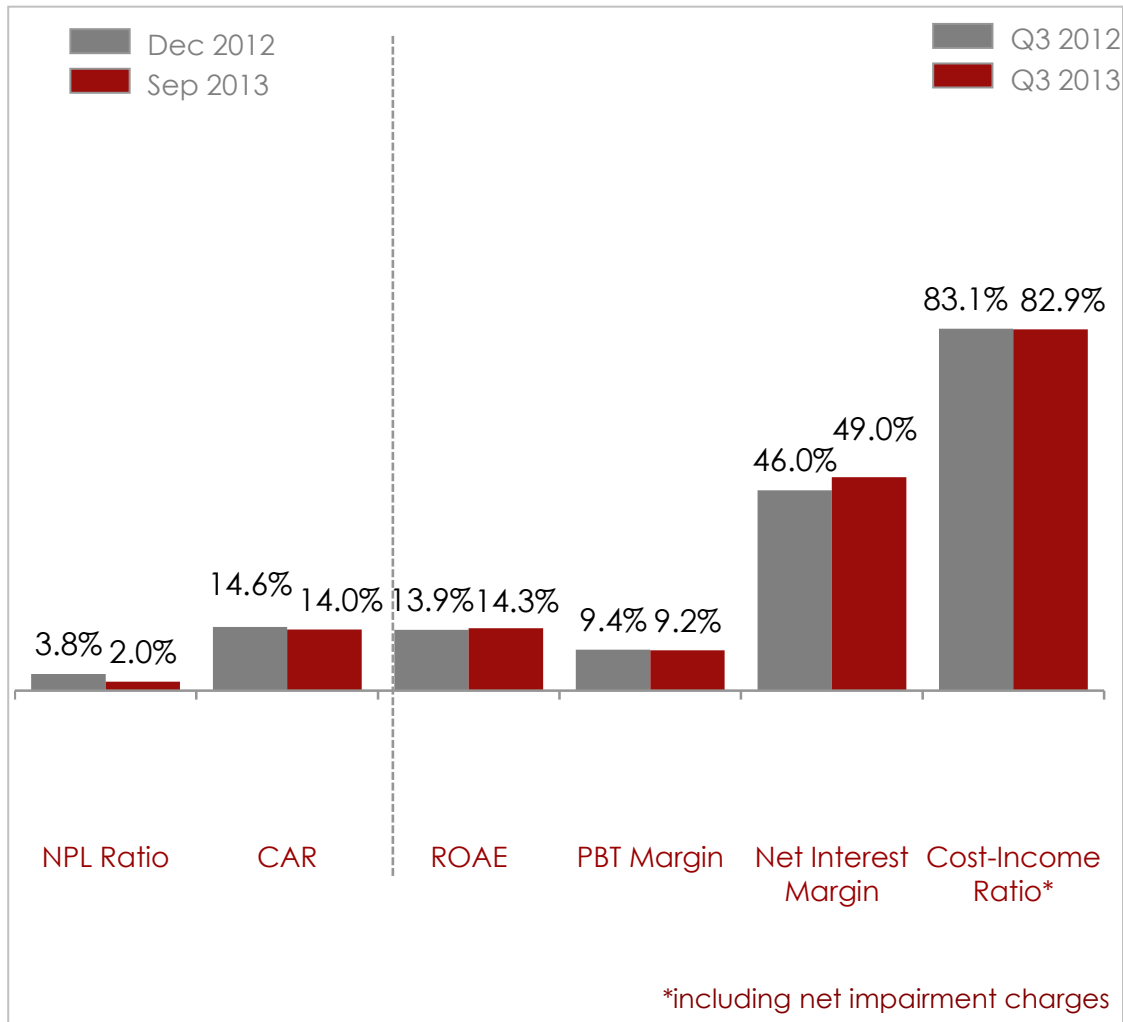


Spike in September across all tenor buckets post CRR debit on public sector funds

Performance Review

- Management Metrics
- Earnings Analysis
- Asset Mix
- Asset Quality
- Funding Mix
- Capital & Liquidity

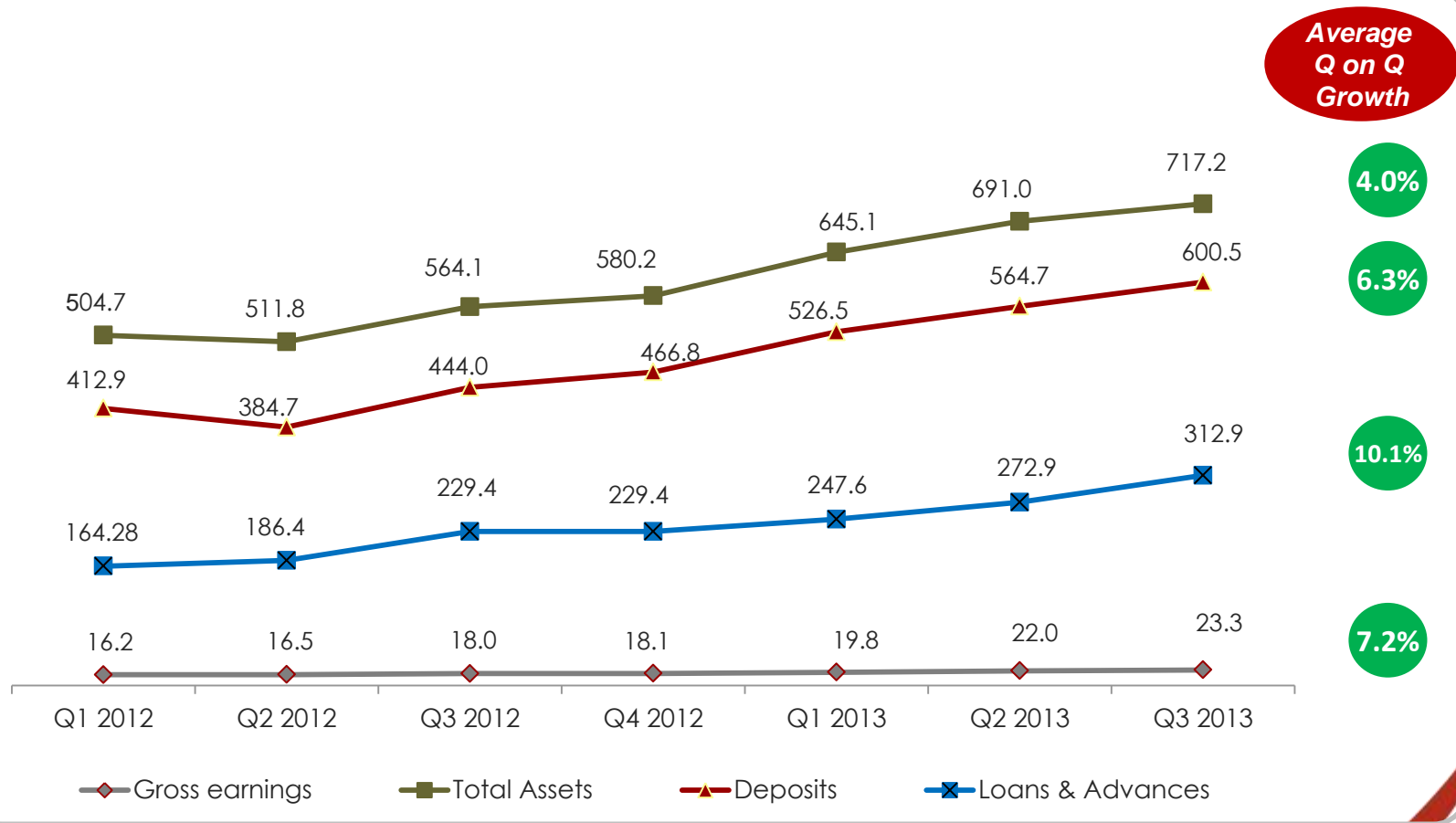
Financial Highlights



Comments

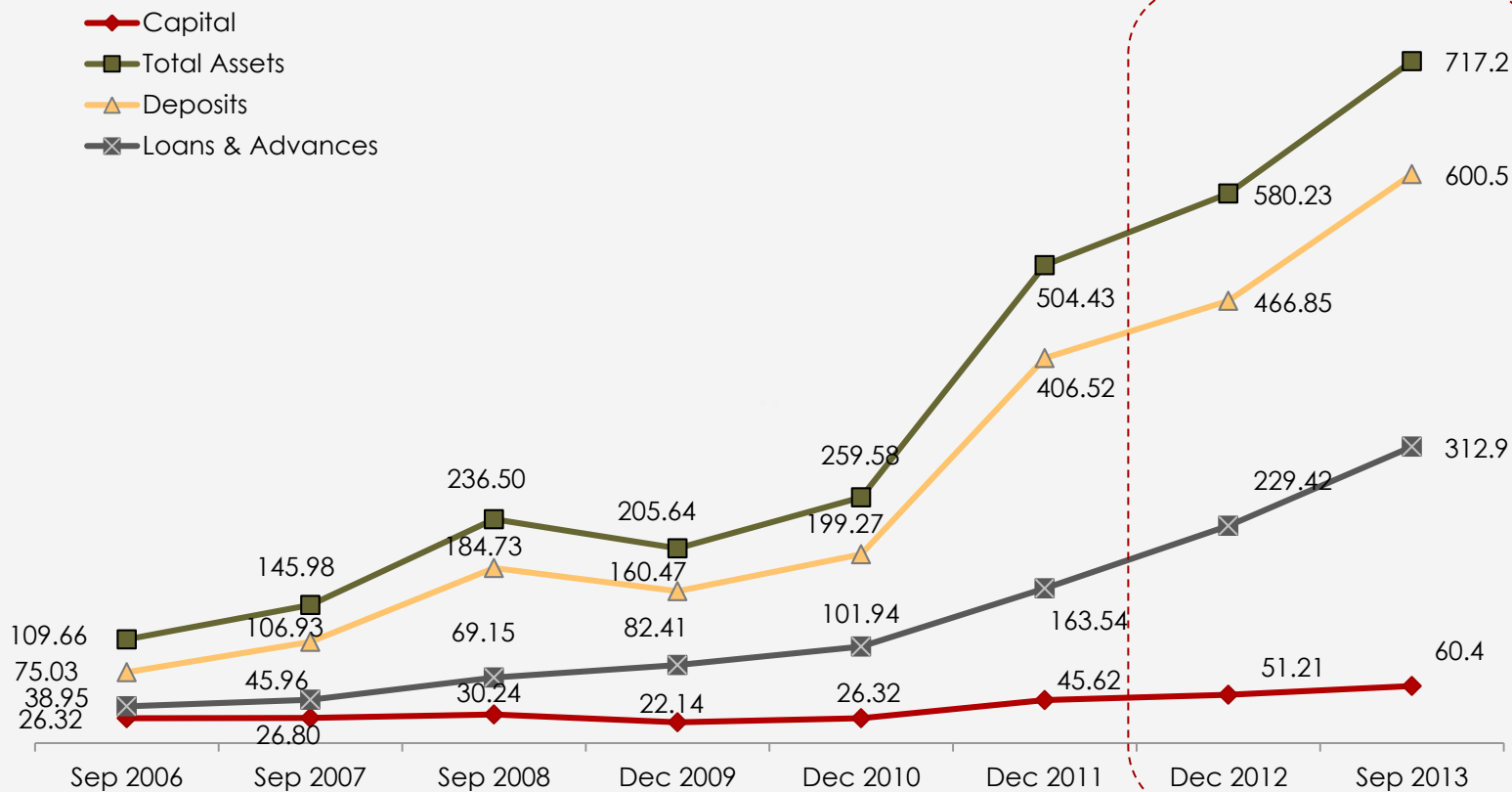
- Return on average equity of 14.3% in line with peer group average
- Despite a one-time impairment charge, cost-to-income ratio improved, though marginally
- Net interest margin of 49% resulting from a slower growth in interest expense relative to a 25% growth in interest income
- Improved asset quality with NPL ratio down to 2.0% from 3.8% in Dec. 2012.

Key Trends: Q on Q Analysis



Growth Trends: Year-on-Year Review

N'B



Organic growth post ETB merger

Income Statement Highlights

Items	Sep 2013		Sep 2012		% Growth
	N'mn	% of Gross Earnings	N'mn	% of Gross Earnings	
Gross Earnings	65,120.7	100.0%	49,559.2	100.0%	31.4%
Interest income	49,384.9	75.8%	38,684.1	78.1%	27.7%
Interest expense	25,161.6	-38.6%	21,782.0	-44.0%	15.5%
Net interest income	24,223.3	37.2%	16,902.1	34.1%	43.3%
Other Income	15,735.7	24.1%	10,875.1	21.9%	44.7%
Net impairment charges	(4,885.5)	-7.5%	86.1	0.2%	na
Net operating income	35,073.5	53.9%	27,863.3	56.2%	25.9%
Personnel expenses	7,321.5	-11.2%	6,689.8	-13.5%	9.4%
Depreciation	1,997.0	-3.1%	1,984.9	-4.0%	0.6%
Other expenses	19,738.3	-30.3%	14,418.9	-29.1%	36.9%
Total expenses	(29,056.9)	-44.6%	(23,093.6)	-46.6%	25.8%
Profit before income tax	6,016.6	9.2%	4,769.8	9.6%	26.1%
Income tax expense	(942.2)	-1.4%	(276.5)	-0.6%	240.8%
Profit after tax	5,074.4	7.8%	4,493.2	9.1%	12.9%

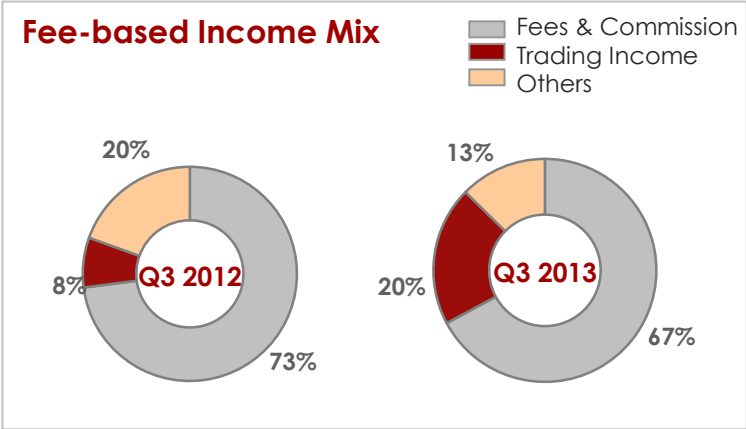
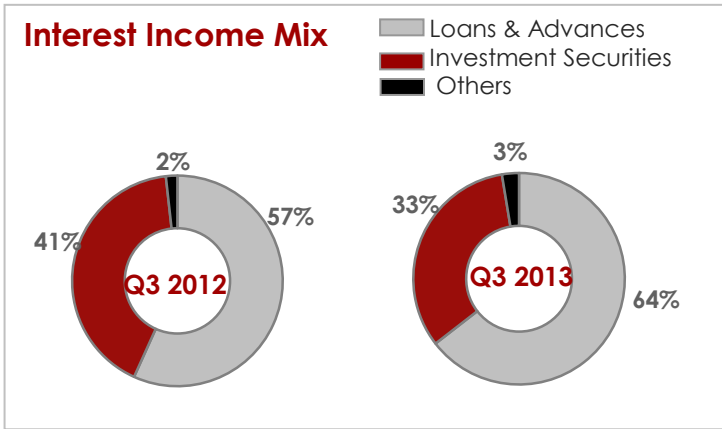
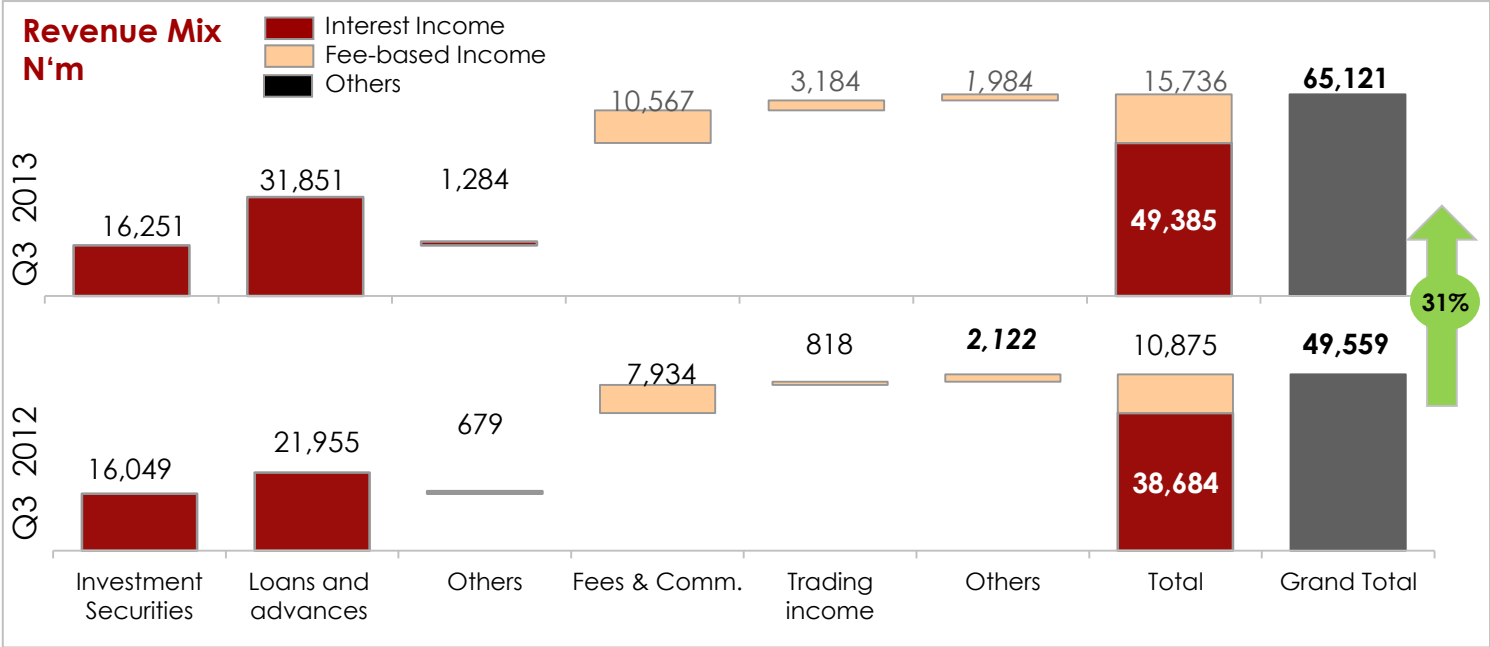
Statement of Financial Position

Items	Sep 2013		Dec 2012		% Growth
	N'mn	% of Total Assets	N'mn	% of Total Assets	
ASSETS					
Cash and balances with CBN	102,592.1	14.3%	63,622.0	11.0%	61.3%
Due from banks	25,272.7	3.5%	33,878.7	5.8%	-25.4%
Pledged assets	101,724.4	14.2%	57,412.1	9.9%	77.2%
Loans and advances to Customers	312,855.3	43.6%	229,420.9	39.5%	36.4%
- Held for Trading	2,853.5	0.4%	1,998.9	0.3%	42.8%
- Available for Sale	14,014.4	2.0%	16,857.6	2.9%	-16.9%
- Held to Maturity	126,496.8	17.6%	155,936.0	26.9%	-18.9%
Investment in securities	143,364.7	20.0%	174,792.4	30.1%	-18.0%
Other assets	15,359.4	2.1%	6,132.6	2.3%	150.5%
Property, plant and equipment	8,633.1	1.2%	7,793.3	1.3%	10.8%
TOTAL ASSETS	717,248.4	100.0%	580,225.9	100.0%	23.6%
LIABILITIES					
Deposits from Customers	555,352.0	77.4%	463,726.3	79.9%	18.0%
Secured borrowing	45,136.5	6.3%	3,118.8	0.5%	1347.0%
Other borrowed funds	35,240.5	4.9%	30,356.0	5.2%	16.1%
Debt securities in issue	4,717.8	0.7%	4,563.6	0.8%	3.4%
Other liabilities	27,303.6	3.8%	31,818.8	5.5%	-14.2%
Shareholders' Funds	48,309.6	6.7%	46,642.4	8.0%	3.6%
TOTAL LIABILITIES AND EQUITY	717,248.4	100.0%	580,225.9	100.0%	23.6%

Performance Review

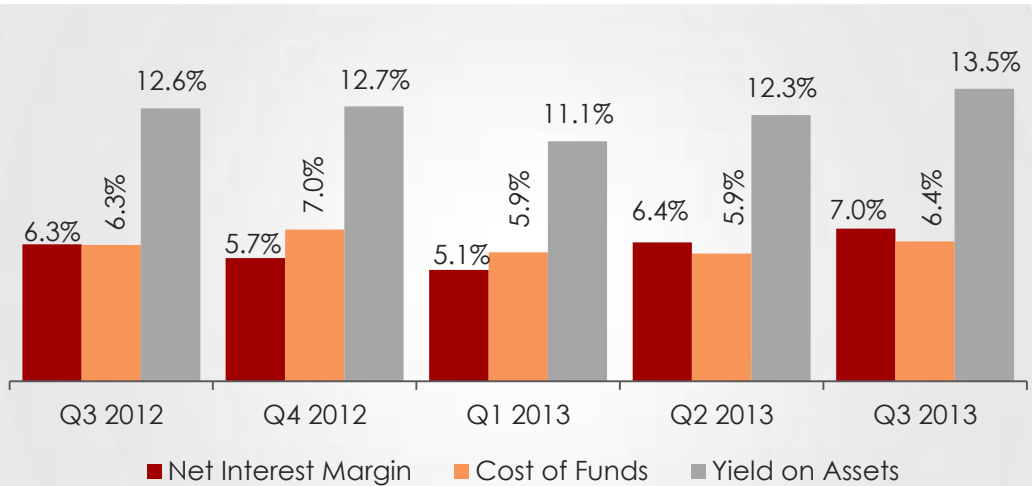
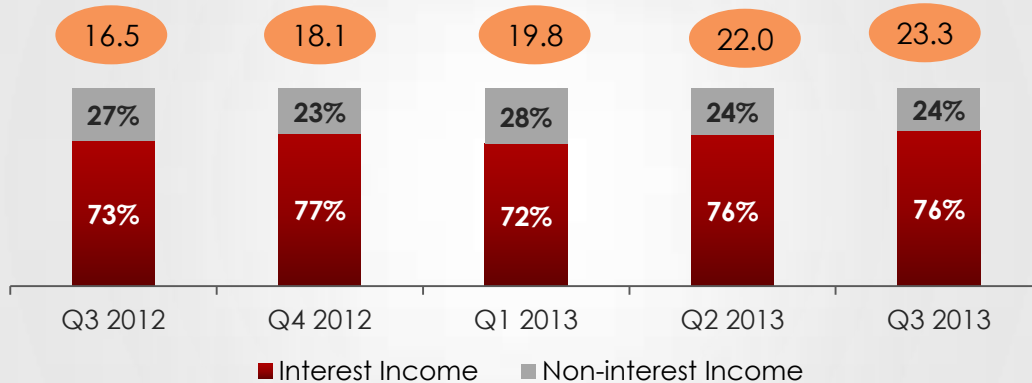
- Management Metrics
- Earnings Analysis
- Asset Mix
- Capital & Liquidity

Revenue Sources



Revenue Drivers

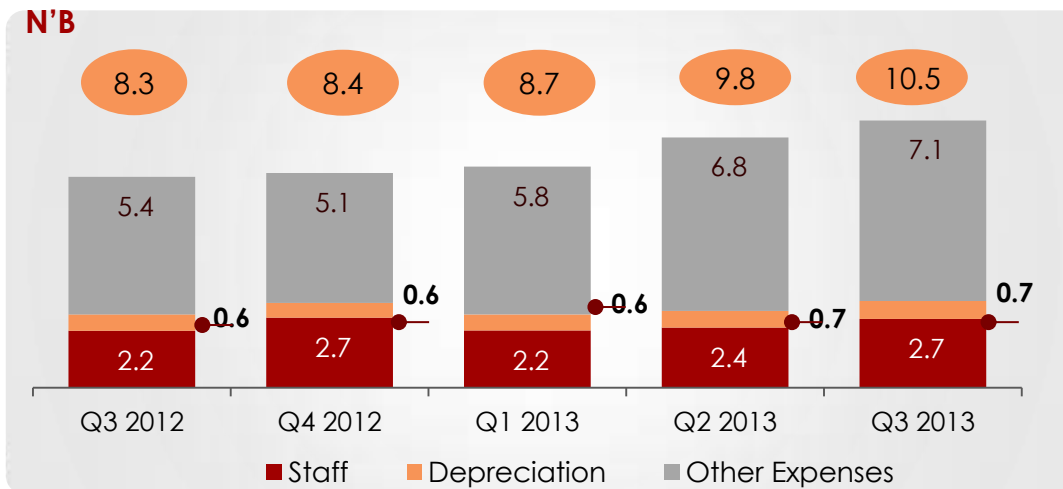
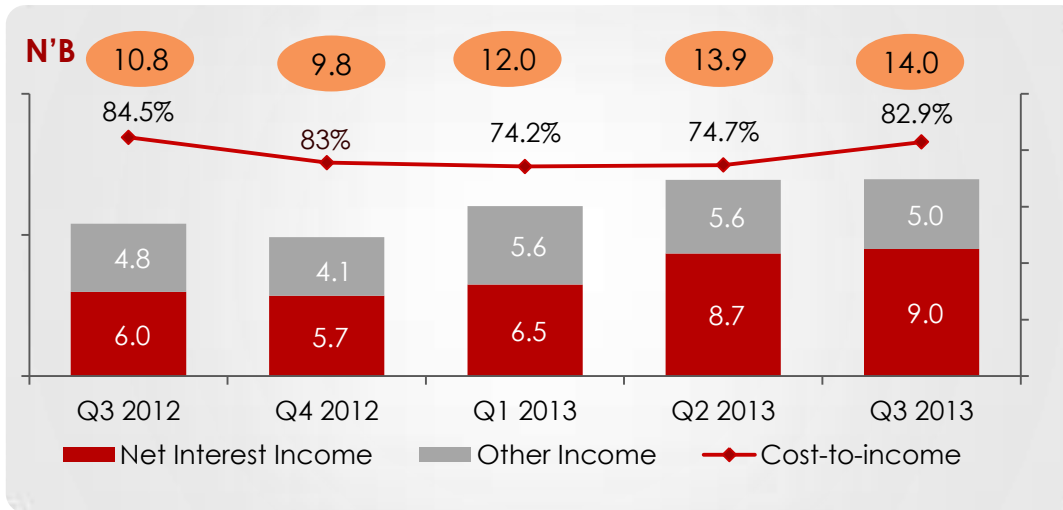
N'B



Comments

- Earnings rose by 31% YoY to N65.1 billion and 8% QoQ
- Interest income remained a major driver of earnings with 76% contribution in Q3 2013 of which income from loans & advances accounted for 66%
- Cost of funds declined by 30 basis points YoY to 5.9% from 6.2% in Q3 2012. On a QoQ basis, it increased by 50 basis points due to the tight monetary policy measures during the quarter
- Yield on assets rose by 120 basis points to 13.5% QoQ and has maintained a steady quarterly increase in 2013
- Margins rose 60 basis points QoQ to 7.0% on the back of an improved asset yield

Operating Efficiency

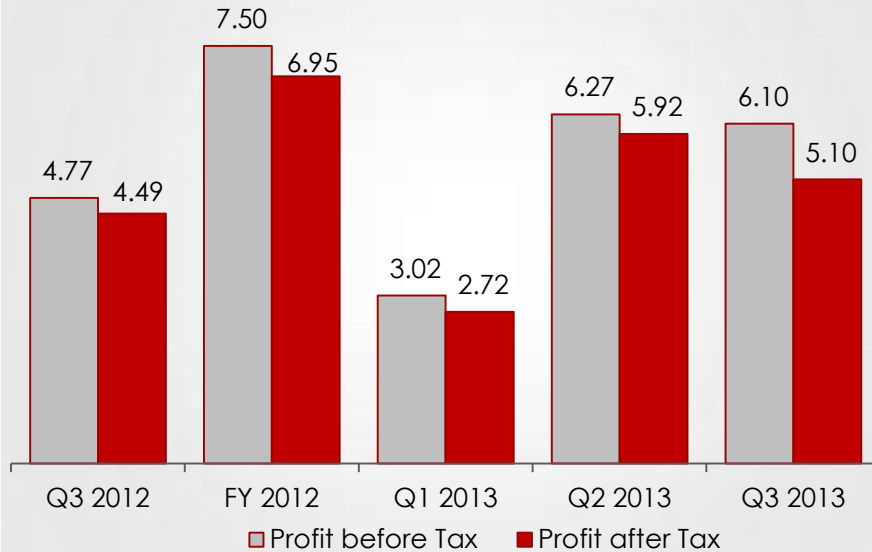


Comments

- Operating income rose 44% YoY to N40.0 billion, while net operating income rose 26% to N35.1 billion
- Increase in cost-to-income ratio due to a one-off impairment charge arising from an interbank exposure
- Growth in operating expenses due to an increase in AMCON surcharge to 0.5% and the ongoing investments in our retail business

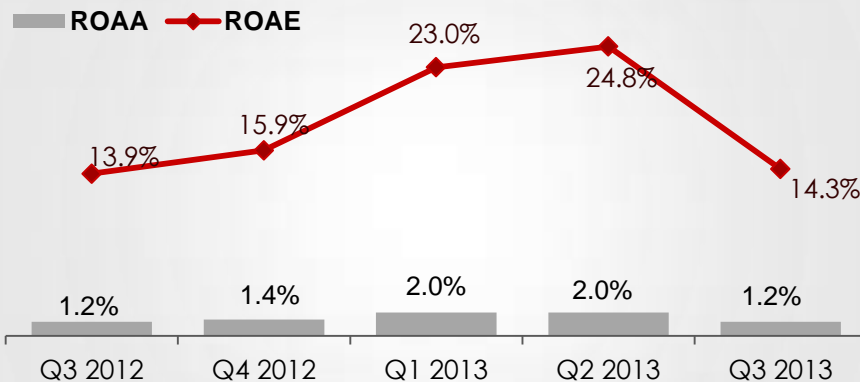
Profitability

N'B

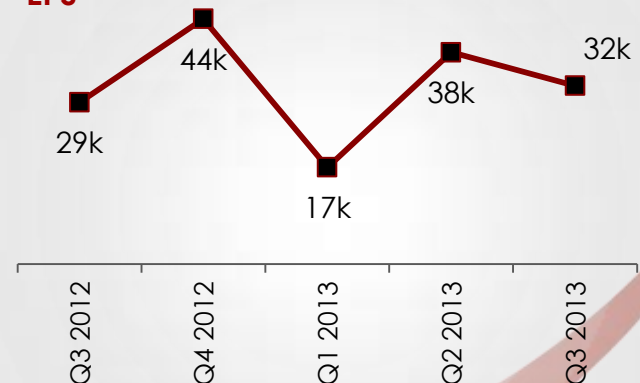


Comments

- Profit growth momentum slowed in Q3 2013 due to the one-time impairment charge
- On a year-to-date basis, PBT was N6.0 billion, while PAT was N5.1 billion representing 26% and 13% YoY growth respectively
- Annualized ROE and ROA were 14.3% and 1.2% respectively



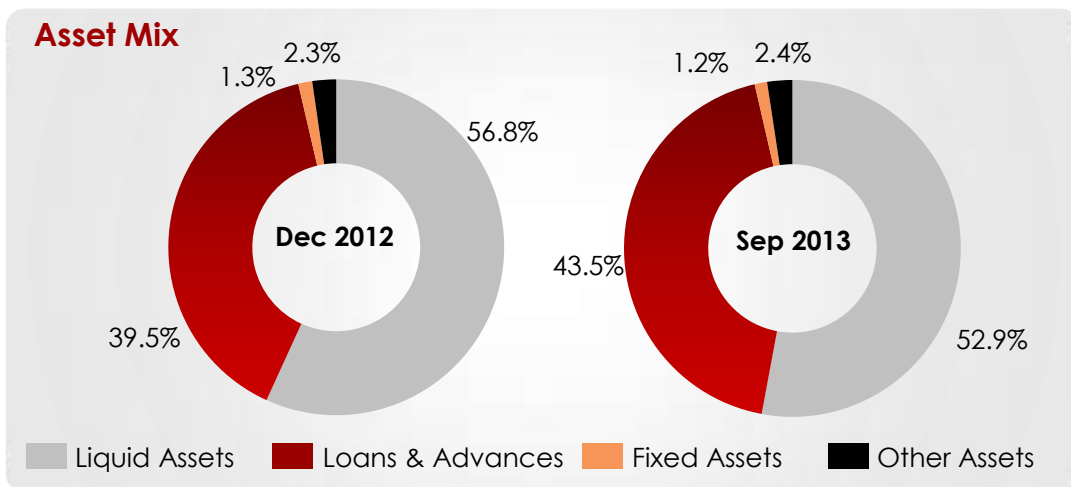
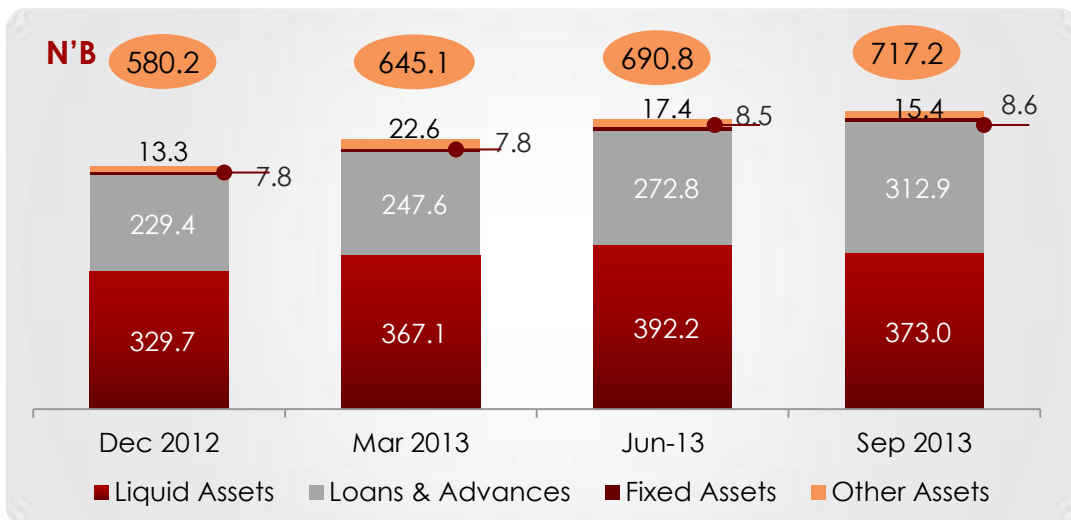
EPS



Performance Review

- Management Metrics
- Earnings Analysis
- **Asset Mix**
- Capital & Liquidity

Asset Decomposition

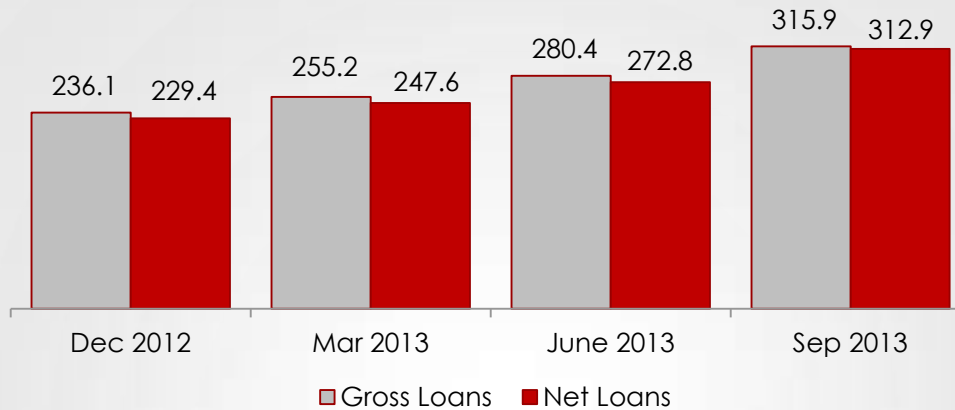


Comments

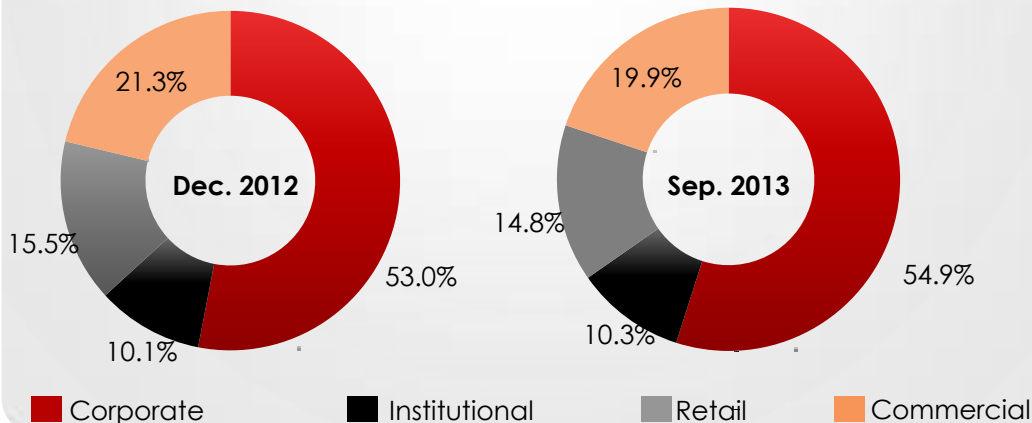
- Total assets grew by 24% Ytd and 4% QoQ
- Income generating assets increased by 16% Ytd to N584.0 billion and accounted for 81% of total assets
- Loan penetration was 44% leaving further room for loan growth
- Liquid assets, which were largely government securities (Treasury Bills and Bonds), accounted for 52% of total assets

Loans and Advances Trend

N'B



Loans by Business Segment

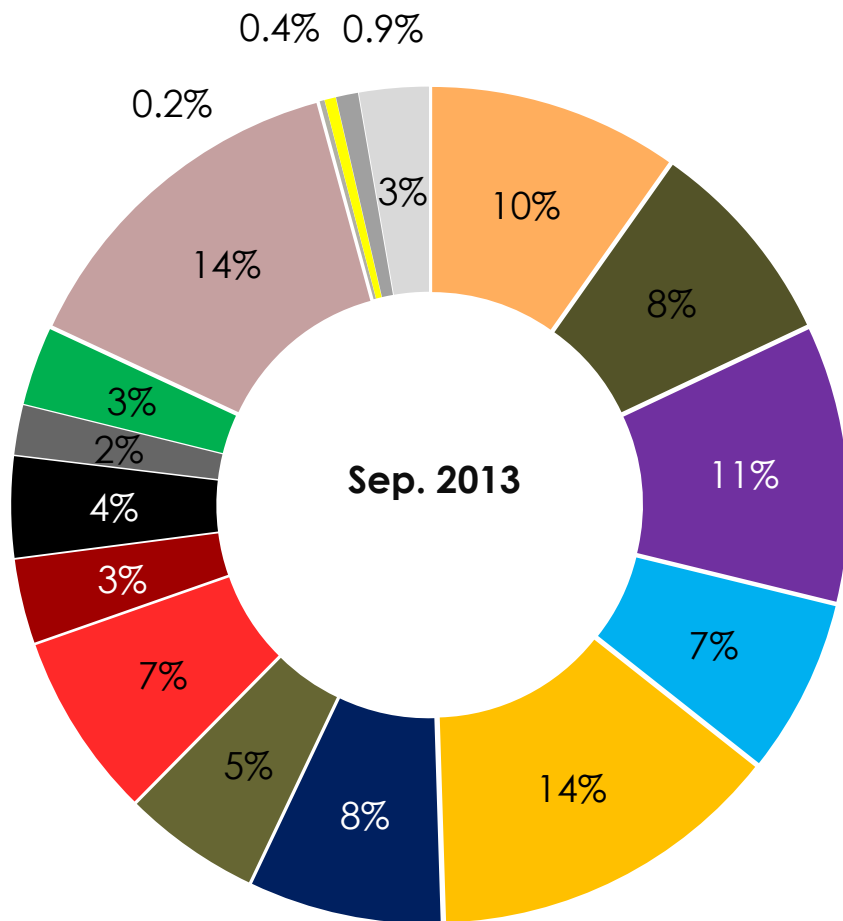


Comments

- Moderate growth in loans and advances by 36% in line with our target
- Growth was driven by exposure to the corporate banking segment, which accounted for 55% of total loans, while retail loans accounted for 15%
- Institutional loans include financial institutions and Government, while retail loans include individual and small businesses

Gross Loans by Sector

100% = N312.9bn

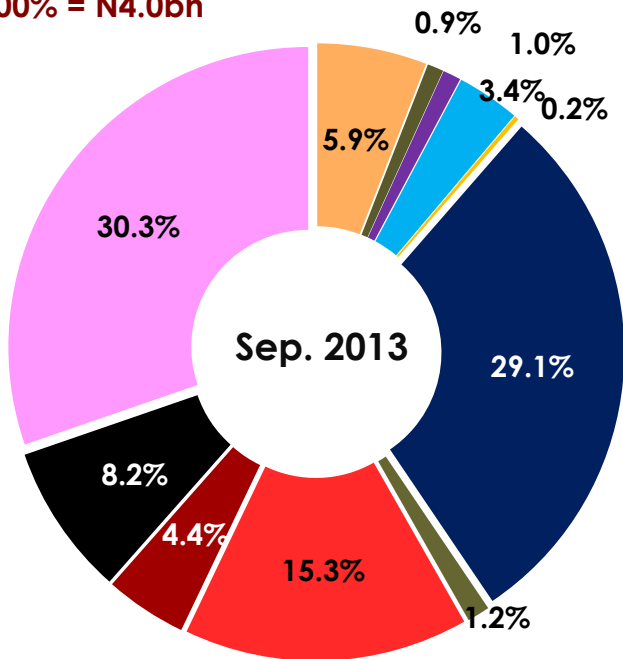


- Downstream
- Upstream
- Services
- Wholesale & Retail
- Individuals & Small Buz
- Real Estate
- Manufacturing
- Government
- Finance & Insurance
- Transport
- Communications
- Agriculture
- Construction
- Admin & Support Serv.
- Education
- Professional Activities
- Power

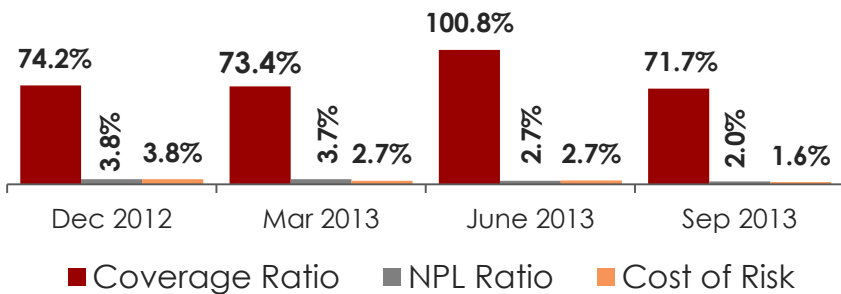
Well diversified loan portfolio covering key sectors of the economy

Asset Quality

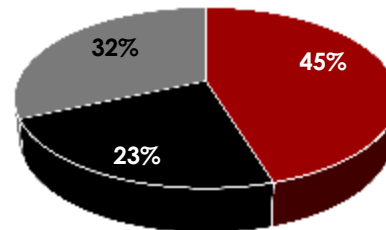
100% = N4.0bn



- Capital Market Operators
- Construction
- Finance & Insurance
- General/Others
- Government & Public Utilities
- Individuals & Professionals
- Manufacturing
- Oil - downstream
- Oil & Gas Services
- Telecoms & Transportation
- Trading & General Commerce

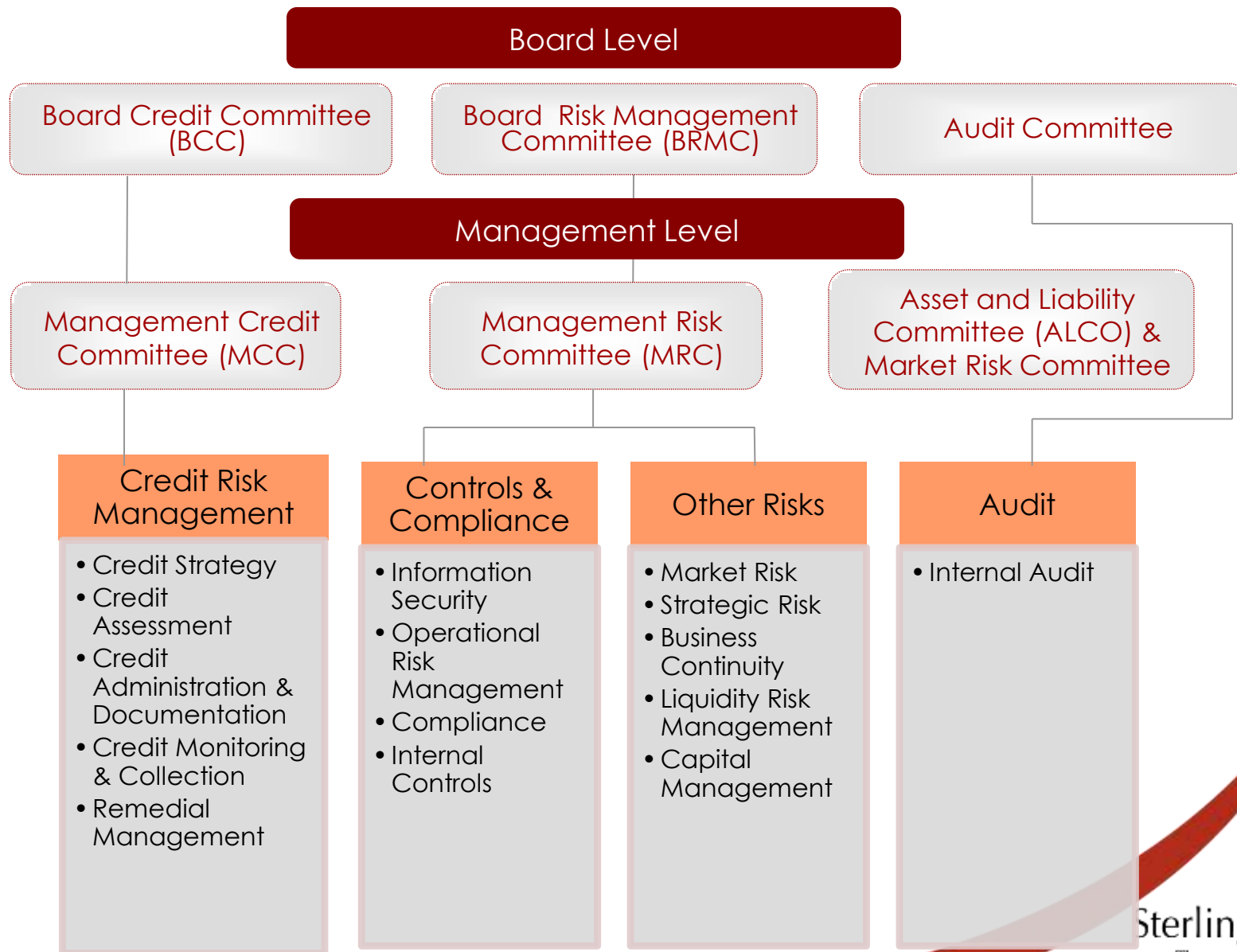


NPL Classification



- Sub-standard
- Doubtful
- Lost

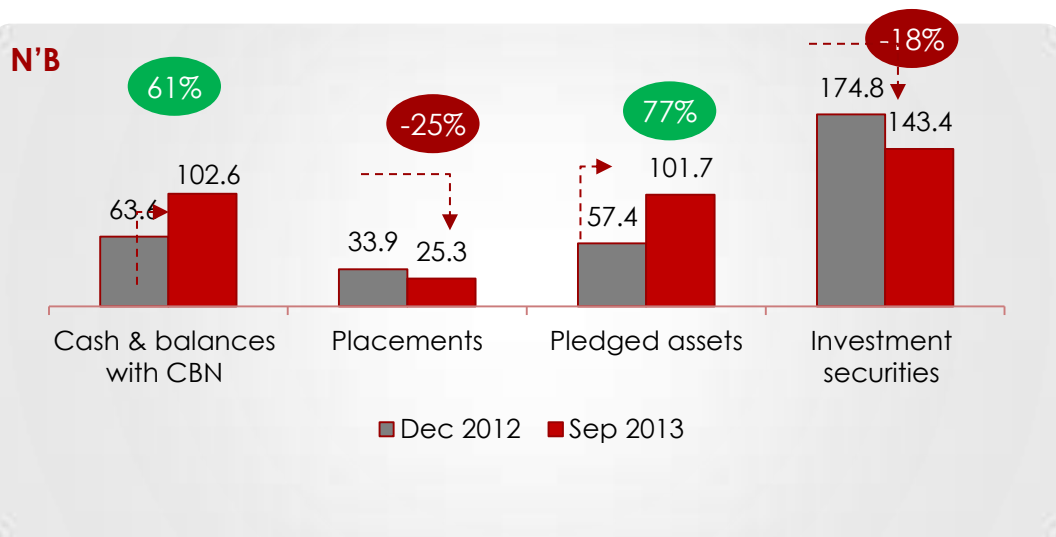
Risk and Control



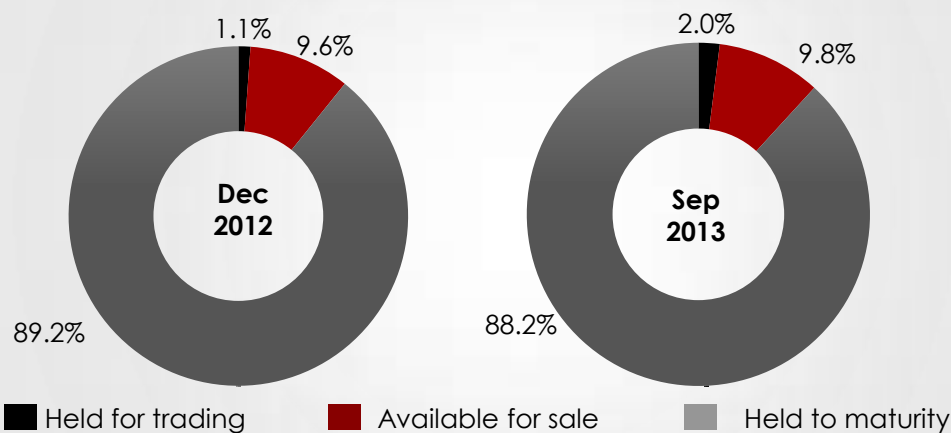
Performance Review

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Liquid Assets



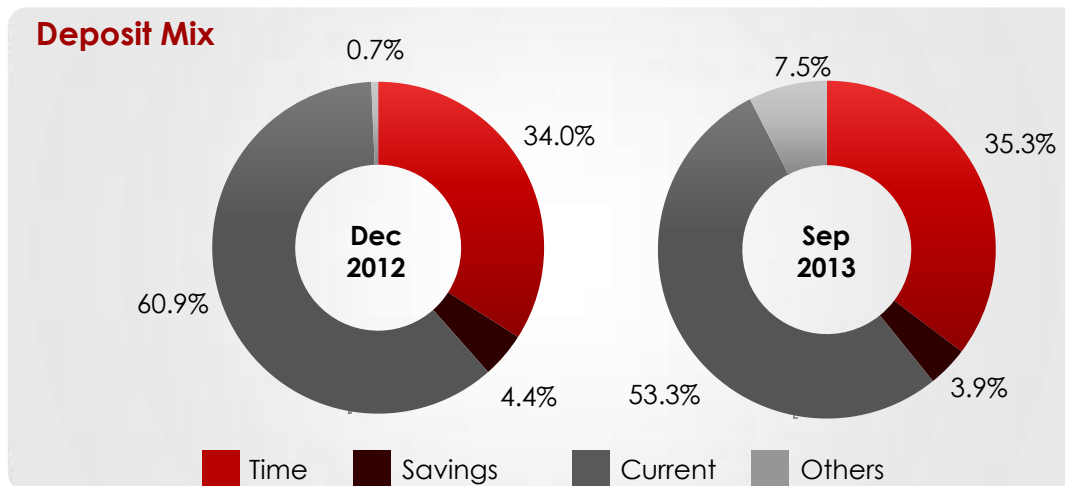
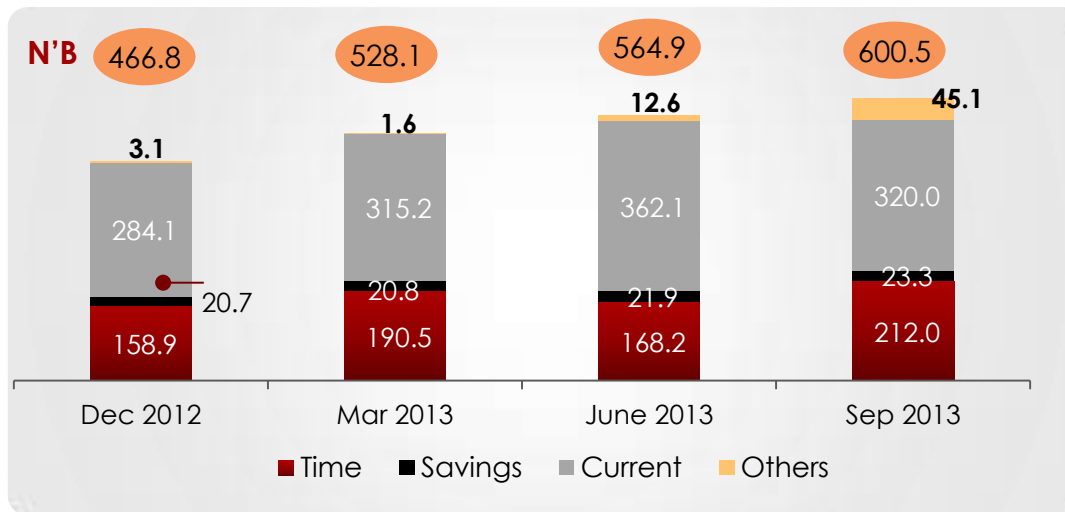
Investment Securities' Split



Comments

- Liquid assets accounted for 52% of total assets (Dec 2012: 57%) and stood at N373.0bn as at Sep. 2013
- Investment securities (TBs & Bonds) accounted for 38% of liquid assets
- TBs and Bonds held to maturity accounted for 88% of investment securities
- Pledged assets accounting for 27% of liquid assets represent collateral for clearing activities, facilities from Citibank and Bank of Industry, as well as letters of credit transactions

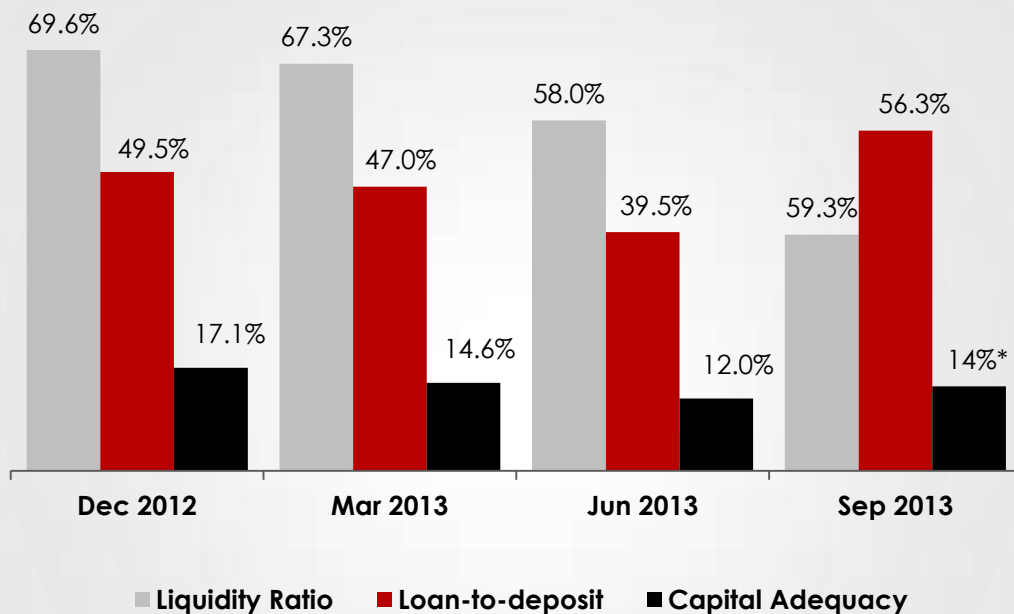
Deposits



Comments

- Deposits grew by 29% year-to-date to N600.5 billion driven by growth in current account balances
- Customer deposits accounted for 92%, while others representing secured borrowings accounted for 8%
- Cost of funds improved by 30 basis points to 5.9% from 6.2% in Q3 2012 despite tight monetary policy measures
- We plan to further reduce our funding costs as we consolidate on our evolving retail strategy

Capital and Liquidity Ratios



*adjusted for expected rights issue proceeds

Comments

- Capital adequacy and liquidity ratios were above the regulatory benchmarks of 10% and 30% respectively
- CRR increased by an additional N39 billion as a result of the requirement for public sector deposits
- Loan-to-deposit ratio increased from 50% in Dec. 2012 to 56% on the back of growth in loans and advances

Capital Position

Current Position

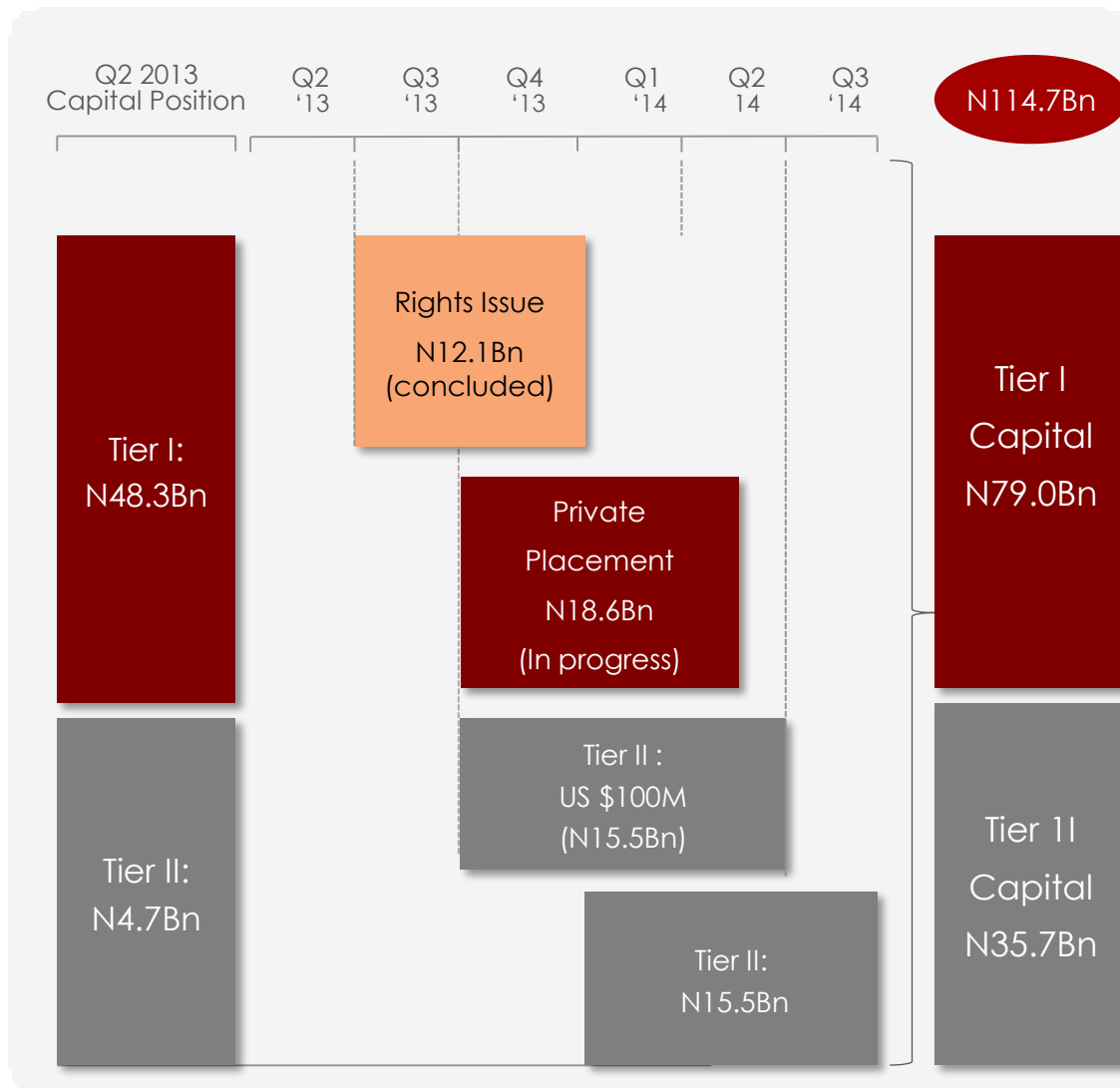
- ¹N60.4bn in tier 1 capital
- N4.7bn in tier 2 capital
- 14.0% capital adequacy ratio

Post Capital Raising Program

- N79.0bn in tier 1 capital
- N35.7bn in tier 2 capital
- 20% capital adequacy ratio

¹ Includes expected proceeds of the equity issuance by way of rights to existing shareholders, which was concluded in August 2013; regulatory approval is being finalized

Capital Plan



Comments

- Sterling has successfully completed equity issuance by way of rights to existing shareholders with an expected net proceeds of N12.1 billion
- We are in the process of concluding the private placement of N18.6 billion (US\$120 million) to further support our capital position
- We also plan to raise multi-currency subordinated debt of N31.0 billion (US\$200 million)
- The process will be completed by Q3 2014
- At the completion of the exercise, we anticipate CAR > 20%

¹ US\$ = N155

Fund Utilization

IT Infrastructure	\$30m
Distribution ¹	\$60m
Working Capital	\$310m
Total	\$400m

¹Store re-fits, expansion of distribution outlets and investment in alternative channels

Finally

Key Take-aways

- 1) Sterling Bank is in a strong growth phase
- 2) Earnings are strong - double digit growth YoY
- 3) Asset quality is excellent -2.0% NPL ratio
- 4) Strong capital position – CAR of 14% above regulatory benchmark
- 5) Customer base is growing – achieved 1 million customer base
- 6) Strong service culture – rated top ten in the market (KPMG BICSS)
- 7) Strong compliance culture and structure
- 8) Conservative management approach focused on sustainable growth

Appendix

About Sterling Bank ...

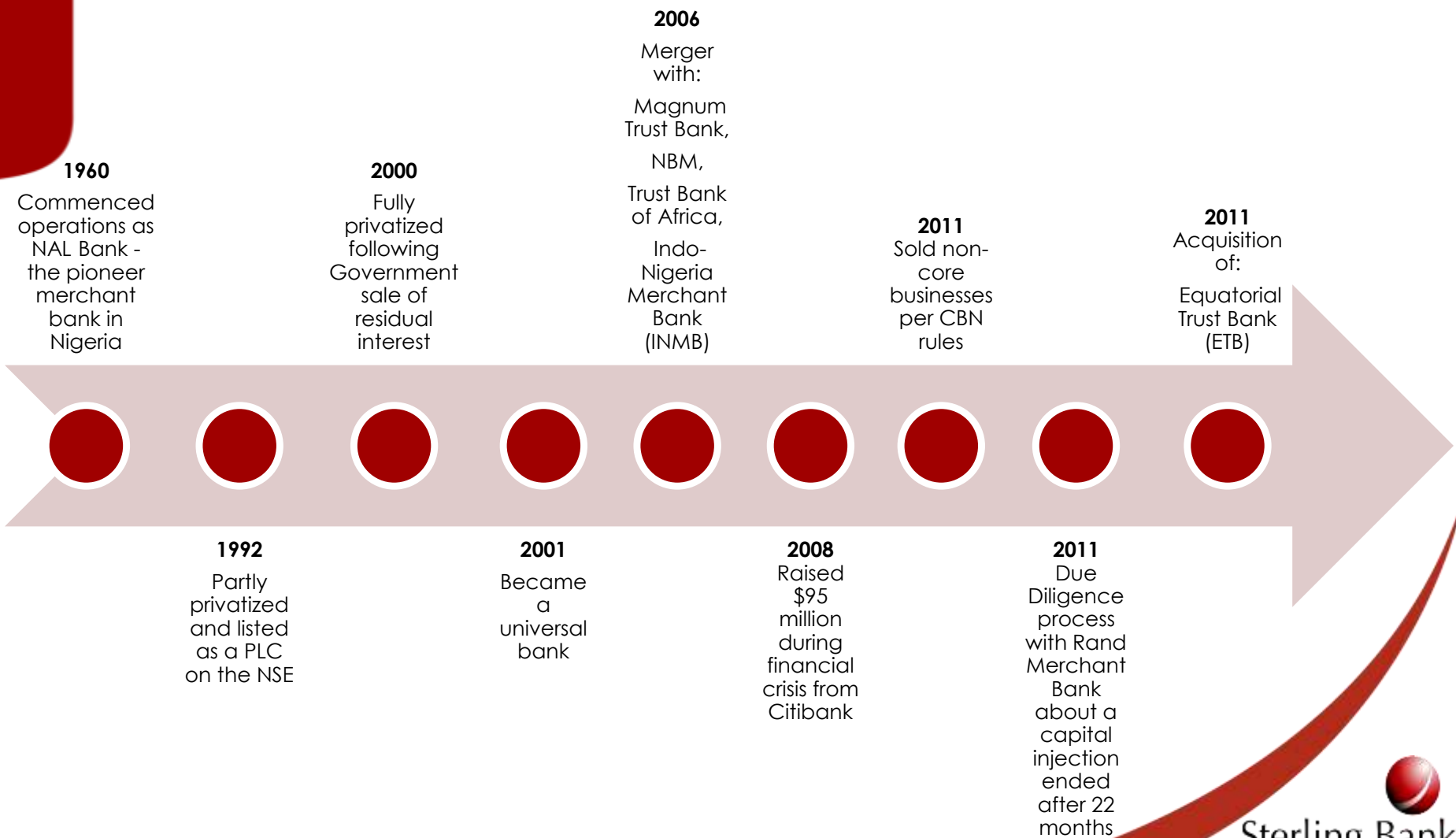
Our History

Sterling Bank Plc “the one-customer bank” is a full service national commercial bank in Nigeria with asset base above \$4.6 billion (N720 billion) and shareholders’ funds in excess of \$406m (N63billion).

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.

Timeline

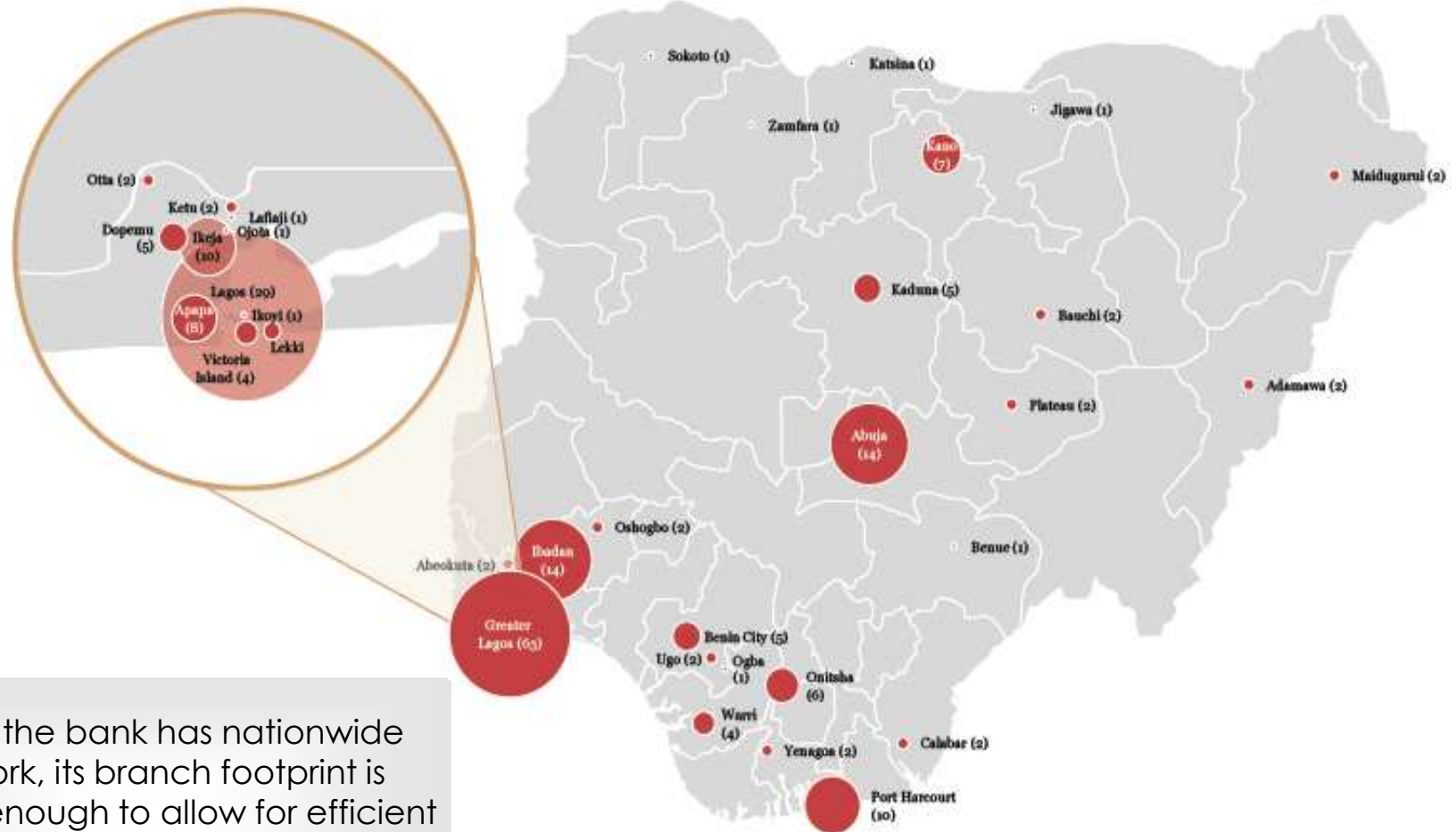


About Sterling Bank

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

Our Branches are located in the major cities of Nigeria



- While the bank has nationwide network, its branch footprint is light enough to allow for efficient growth without excessive real estate costs

Senior Management Profile

Mr. Yemi Razack Adeola

Chief Executive Officer/MD

- Over 25 years professional experience spanning banking, finance, law, corporate consulting and the 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), and successfully leading strategic business regions in the country.

Mr. Devendra Nath Puri

Executive Director Lagos

Representative of State Bank of India (SBI) with 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 Bank Plc, Sterling Capital Markets Limited and Intercontinental Bank Plc

Senior Management Profile....

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.

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

- Mudathir 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. Tunde Adeola **General Manager, Lagos Mainland Division**

Tunde has over 23 years professional experience spanning banking and discount house operations. Prior to his current role, he was responsible for the Bank's Lagos Island 2 Regional business. A lawyer by training, he has worked variously at the erstwhile Liberty Bank Plc, Kakawa Discount House Limited and the Trust Bank of Africa, which merged with four other banks to form Sterling Bank Plc.

Thank you