

Analyst/Investor Presentation

1H 2014



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Agenda

1. Overview
2. Operating Environment
3. Performance Review
4. Outlook
5. Appendix



Overview



Sterling Bank at a glance

Company	Sterling Bank is a full service national commercial Bank
Accounting	International Financial Reporting Standards (IFRS)
Auditors	Ernst & Young
Listing	Nigerian Stock Exchange
Focus Segments	Retail, Corporate and Institutional clients
Active Customers	> 1,000,000
Headcount	3,006 professional employees
Channels	168 business offices; 440 ATMs; and over 5,000 POS terminals

Ratings Agency	Short Term	Long Term	Outlook
DataPro	A2	BBB ⁺	Stable
GCR	A3	BBB	Stable

Operating Environment

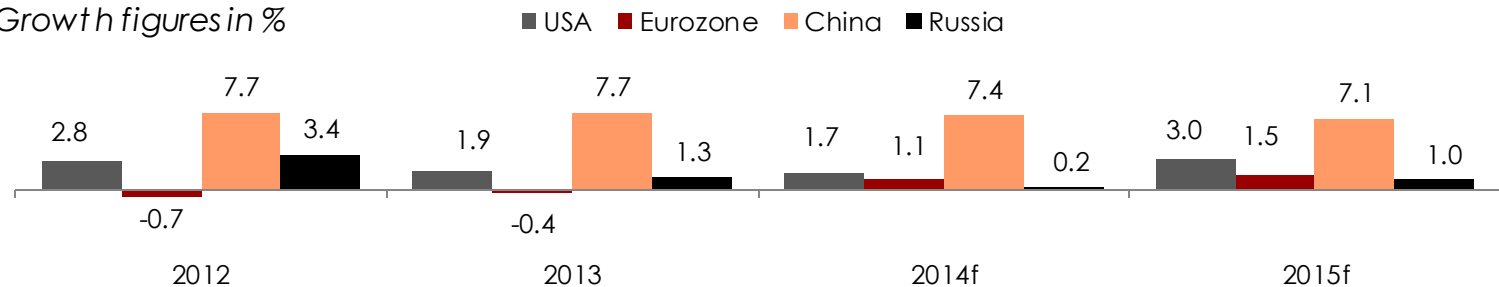


Operating Environment.../1

Global

- Global growth in the first half of the year 2014 was largely uneven across major economies
- While the US economy rebounded from its Q1 slump with a 4% y-o-y growth in Q2, prices in the Eurozone continue to decline, increasing the threat of deflation in the region
- The biggest emerging economy (China) on the other hand, expanded by 7.5% in Q2 - 10 basis points higher than the 7.4% recorded in Q1
- The slowing growth in other emerging economies was further compounded by political tension in the Middle-East and diplomatic crisis between Russia and Ukraine
- Consequently, the IMF reviewed its global growth forecast for the year to 2.8%, down from 3.2%

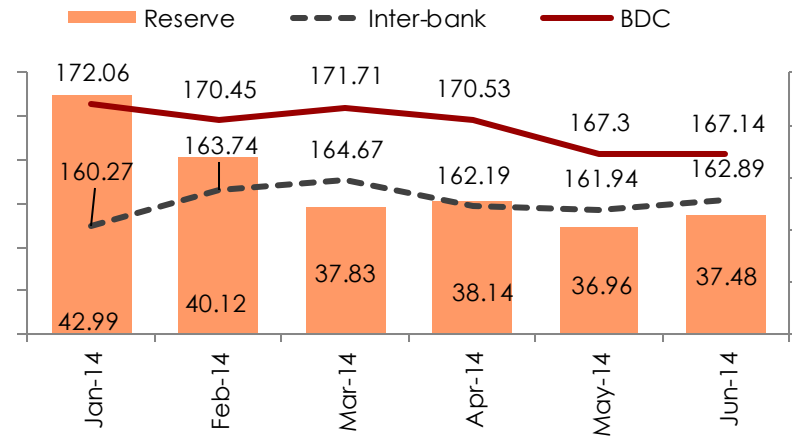
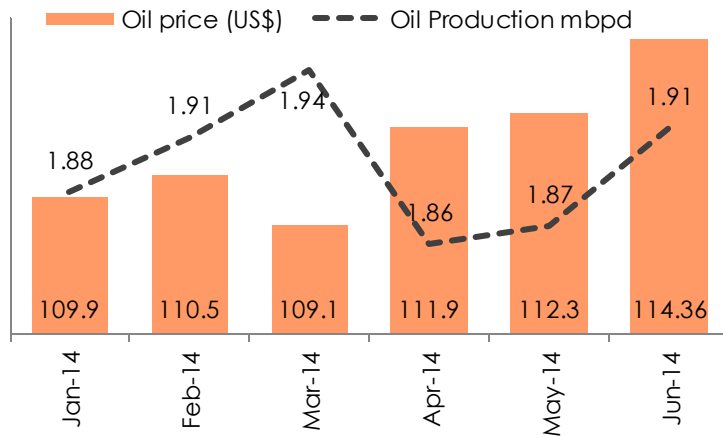
Growth figures in %



Operating Environment.../2

Domestic

- The Nigerian economy grew by 6.21% in the first quarter of the year on the back of growth in the non-oil sector
- The Naira remained relatively stable at the official market but depreciated at the inter-bank market; closing at N155.73/US\$ and N161.85/US\$ respectively in June 2014
- Crude oil production improved at the end of June to average 1.91mbpd; oil prices also maintained an upward trend in the second quarter closing at US\$114.36/barrel, resulting in a gradual accretion in the nation's foreign reserves
- In order to sanitize the market and improve transparency, the CBN increased the minimum capital requirement for BDCs to N35m from N10m, with a July 31 deadline



Performance Review

- Highlights



Performance Highlights.../1

Income Statement

- Earnings rose 16.3% to N48.7bn (1H 2013: N41.9bn)
- Net interest income up 40.2% to N21.3bn (1H 2013: N15.2bn)
- Non-interest income up 4.5% to N11.3bn (1H 2013: N10.8bn)
- Net operating income up 21.6% to N30.1bn (1H 2013: N24.8bn)
- Operating expenses up 28.5% to N23.8bn (1H 2013: N18.5bn)
- Profit before tax up 1.0% to N6.34bn (1H 2013: N6.27bn)
- Profit after tax down 6.7% to N5.5bn (1H 2013: N5.9bn)

Performance Highlights.../2

Balance Sheet

- Net loans & advances stable at N321.8bn
- Customer deposits down 2.5% to N556.3bn (Dec. 2013: N570.5bn)
- Shareholders' funds up 0.6% to N63.8bn (Dec. 2013: N63.5bn)
- Total assets up 3.3% to N731.1bn (Dec. 2013: N707.8bn)

Key Financial Ratios

- Return on average equity of 17.4% (1H 2013: 24.8%)
- Return on average assets of 1.8% (1H 2013: 2.0%)
- Cost-to-income ratio of 73.2% (1H 2013: 71.4%)
- NPL ratio of 1.7% (Dec. 2013: 2.1%)

Performance Review

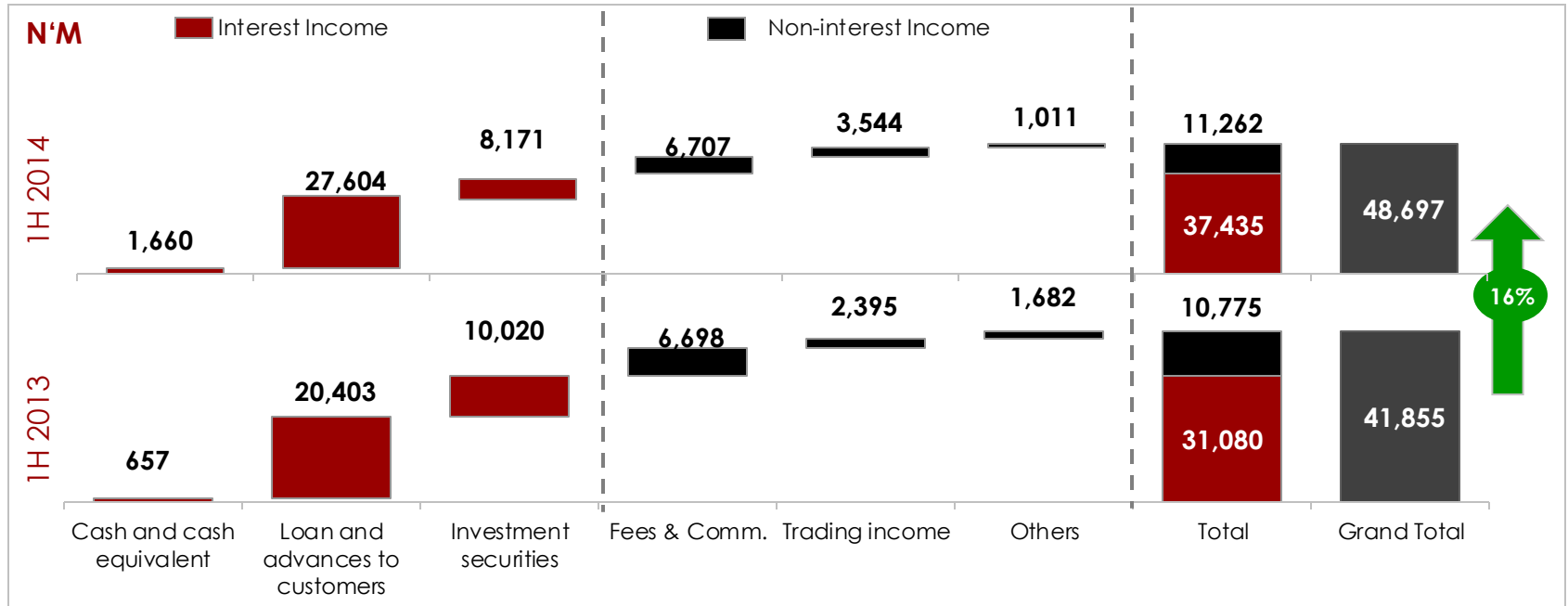
- Earnings analysis



Income Statement

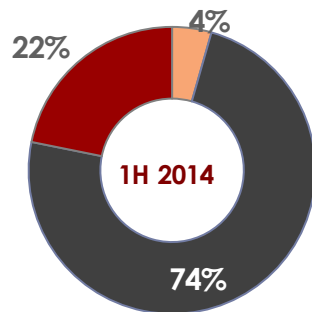
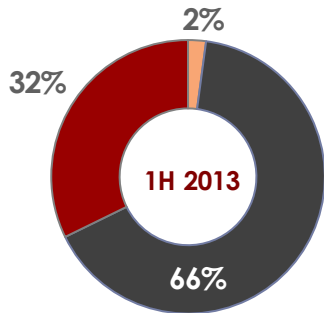
Items (N' Millions)	Common Size		Common Size		Growth YoY
	Jun-14		Jun-13		
Gross Earnings	48,697	100%	41,855	100%	16%
Interest income	37,435	77%	31,080	74%	20%
Interest expense	(16,154)	33%	(15,906)	38%	2%
Net interest income	21,281	44%	15,175	36%	40%
Net fee and commission	6,707	14%	6,698	16%	0%
Trading income	3,544	7%	2,395	6%	48%
Other operating income	1,011	2%	1,682	4%	-40%
Non-interest Income	11,262	23%	10,775	26%	5%
Operating income	32,543	67%	25,950	62%	25%
Net impairment charges	(2,394)	5%	(1,150)	3%	108%
Net Operating income	30,149	62%	24,800	59%	22%
Personnel expenses	(5,640)	12%	(4,608)	11%	22%
Depreciation and amortisation	(1,461)	3%	(1,290)	3%	13%
Other operating expenses	(16,710)	34%	(12,630)	30%	32%
Profit before income tax	6,337	13%	6,272	15%	1%
Income tax expense	(810)	2%	(350)	1%	131%
Profit after tax	5,528	11%	5,922	14%	-7%
				0%	
Total comprehensive income	5,769	12%	5,496	13%	5%

Revenue Sources



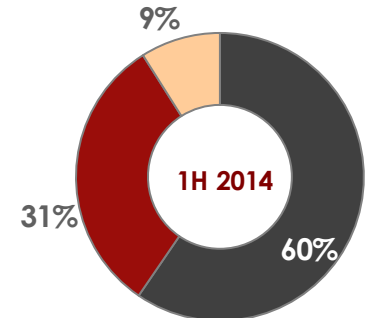
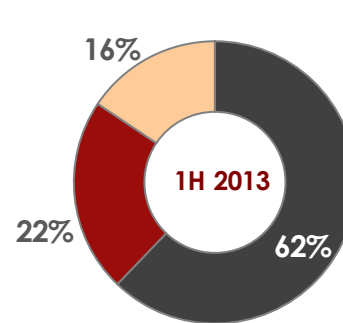
Interest Income Mix

- Cash & cash equivalent
- Loans & advances
- Investment Securities



Non-Interest Income Mix

- Fees & Commission
- Trading Income
- Others

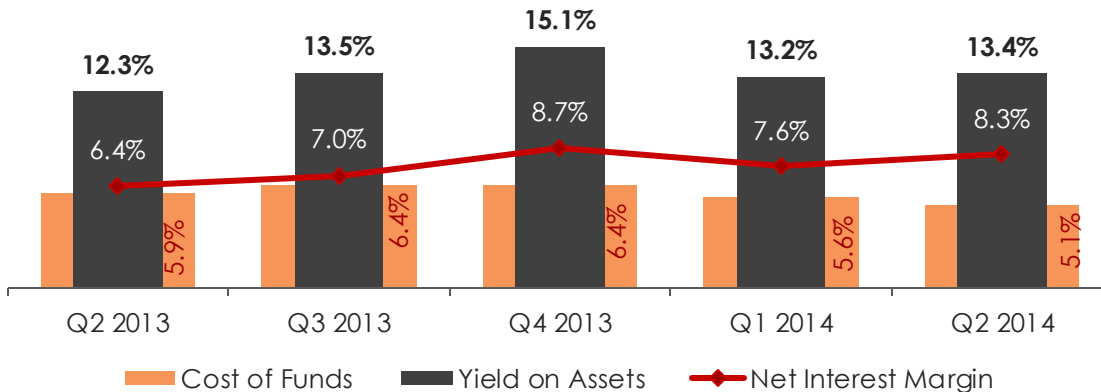
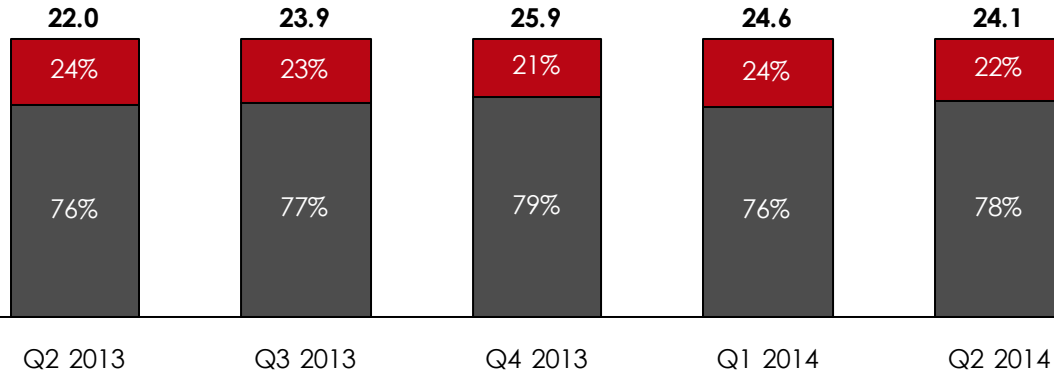


Revenue Drivers

N'B

Gross Earnings

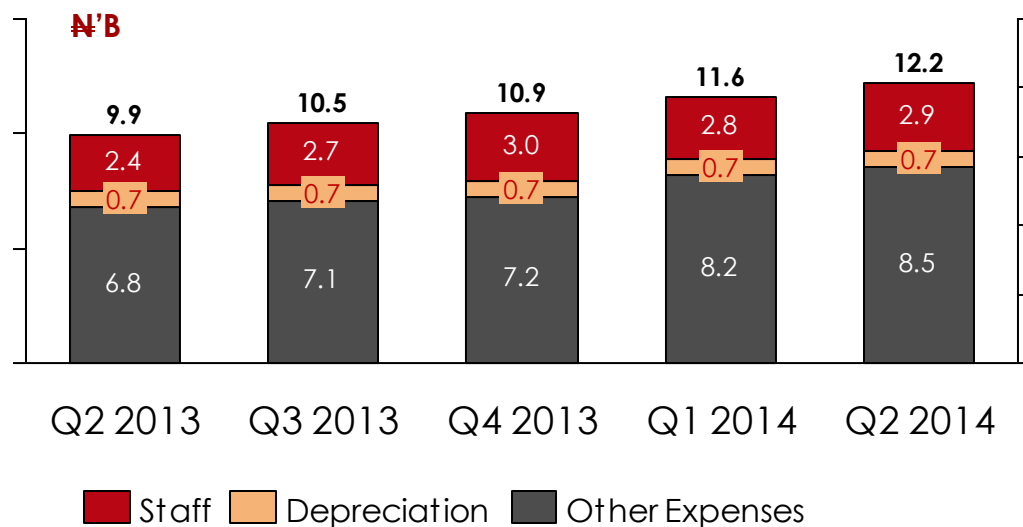
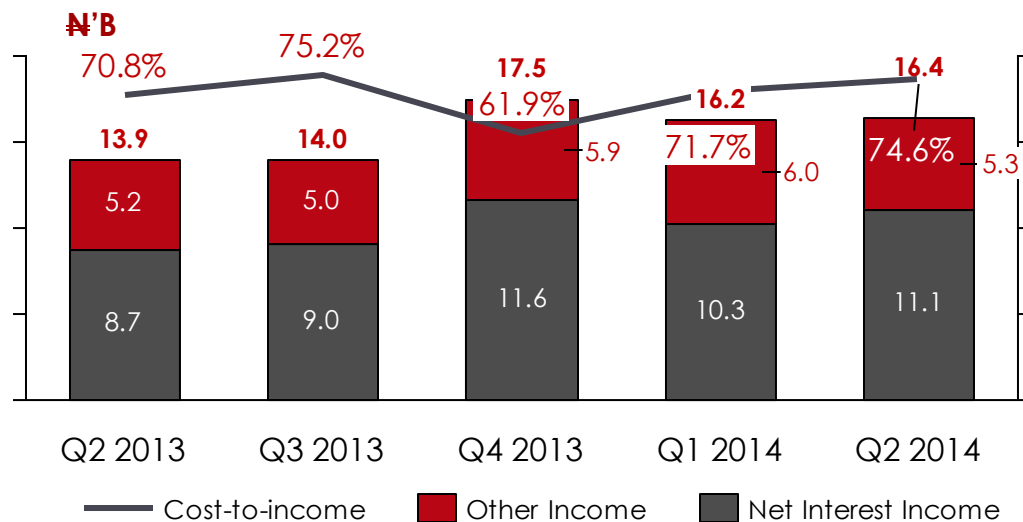
■ Non-interest income
■ Interest income



Comments

- Earnings were driven by interest income, which contributed 78% in Q2 2014 (1H 2014: 77%)
- Income from loans & advances rose by 5% QoQ (1H 2014: 38%) and accounted for 75% of interest income
- Net interest margin increased by 70 basis points to 8.3% QoQ (1H 2014: 8.0%) on the back of an improved asset yield and a decline in funding costs to 5.1%
- Our retail deposit drive has continued to sustain our ability to manage pressures arising from the CBN's tight monetary policy measures

Operating Efficiency



Comments

- Operating income recorded a marginal increase QoQ to N16.4 billion, but rose 25% YoY to N32.5 billion in 1H 2014
- Operating expenses increased by 5% QoQ to N12.2 billion and rose 29% YoY to N23.8 billion; resulting in a 180 basis points increase in cost-to-income ratio to 73% YoY
- Growth in operating expenses reflects on-going investments in branch refits and expansion, and rollout of alternative channels
- We completed eight new branches while thirteen others are at various stages of completion. We also remodeled several of our existing branches and deployed 168 additional Automated Teller Machines (ATMs) during the period

Performance Review

- Balance sheet analysis

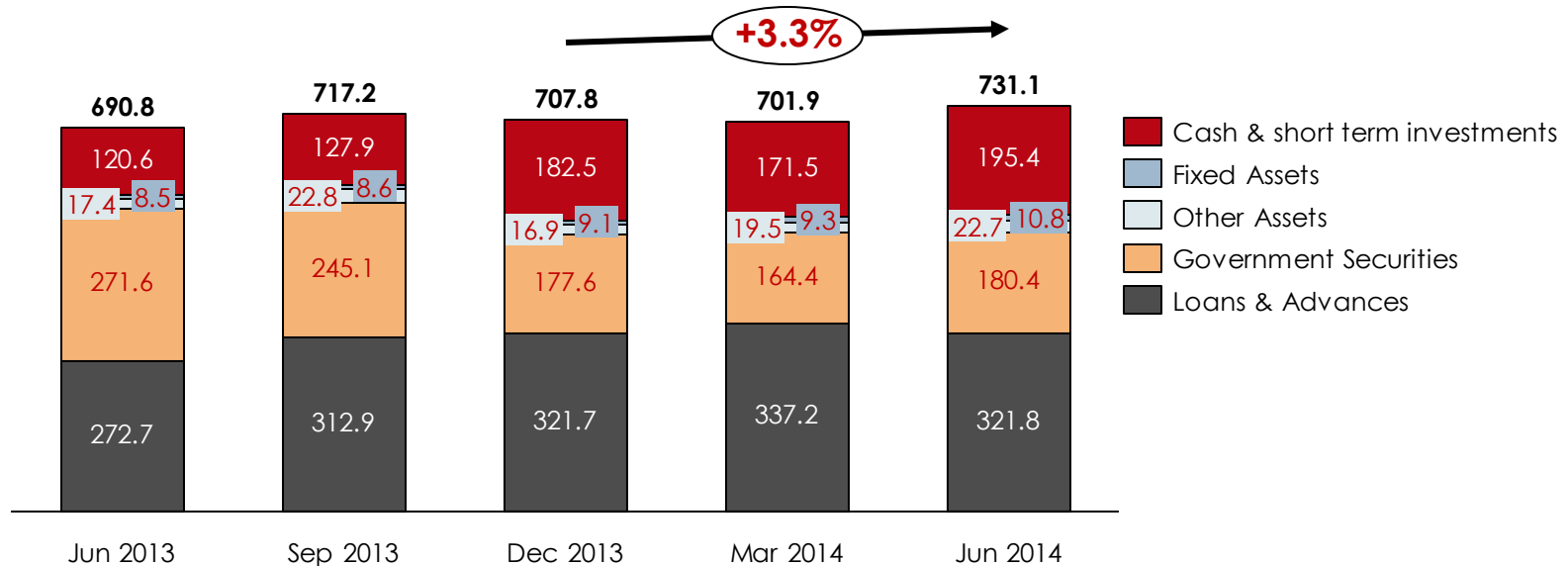


Financial Position

Items (N' Millions)	Common Size Jun-14		Common Size Dec-13		Growth
ASSETS					
Cash and balances with CBN	126,755	17%	96,901	14%	31%
Due from banks	68,601	9%	85,601	12%	-20%
Pledged assets	99,809	14%	79,772	11%	25%
Loans and advances	321,806	44%	321,744	45%	0%
Investment in securities	80,608	11%	97,821	14%	-18%
Other assets	15,106	2%	9,317	1%	62%
Property, plant and equipment	10,772	1%	9,069	1%	19%
Intangible assets	669	0%	601	0%	11%
Deferred tax assets	6,971	1%	6,971	1%	0%
TOTAL ASSETS	731,096	100%	707,797	100%	3%
LIABILITIES					
Deposits from Customers	556,280	76%	570,511	81%	-2%
Other borrowed funds	55,710	8%	38,795	5%	44%
Debt securities in issue	4,562	1%	4,564	1%	0%
Other liabilities	50,716	7%	30,470	4%	66%
TOTAL LIABILITIES	667,268	91%	644,340	91%	4%
Equity	63,829	9%	63,458	9%	1%
TOTAL LIABILITIES AND EQUITY	731,096	100%	707,798	100%	3%

Assets Growth Trend

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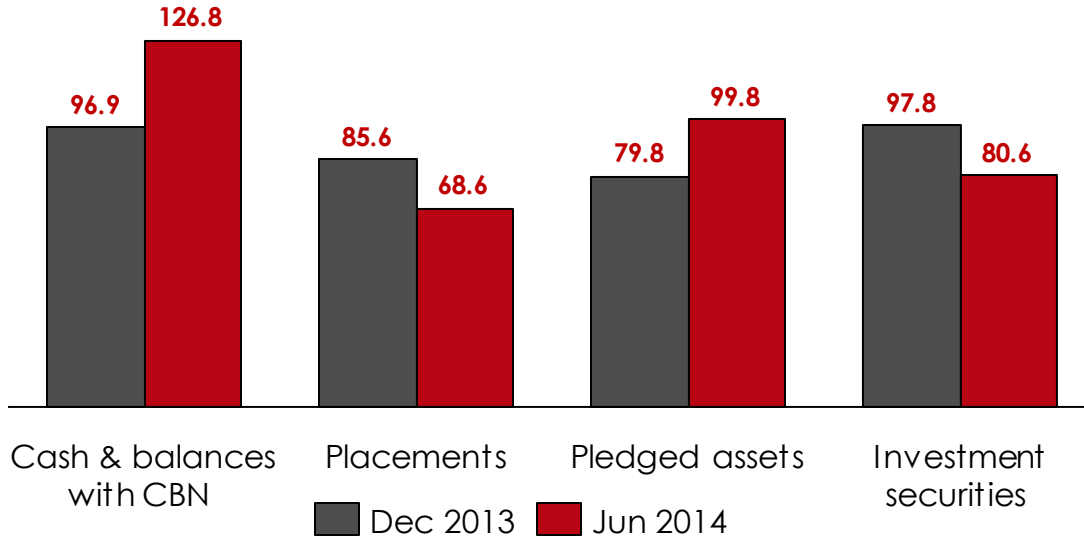


Comments

- Total assets rose by 3% year-to-date, while earning assets declined by 2% to N570.8 billion due to an increase in cash reserve requirement
- The Bank was a net placer of funds with interbank placements of N69 billion representing 35% of cash and short term investments
- Increase in fixed assets by 19% to N10.8 billion reflecting investments in our physical infrastructure and the rollout of alternative channels

Liquid Assets

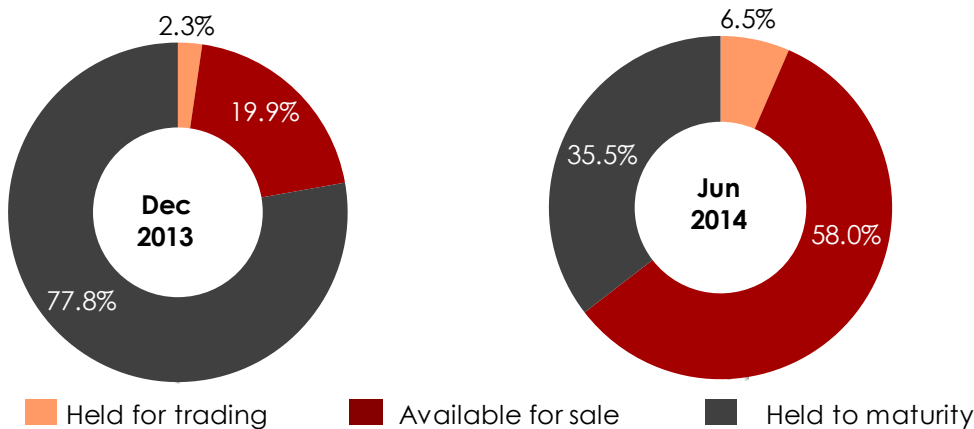
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Comments

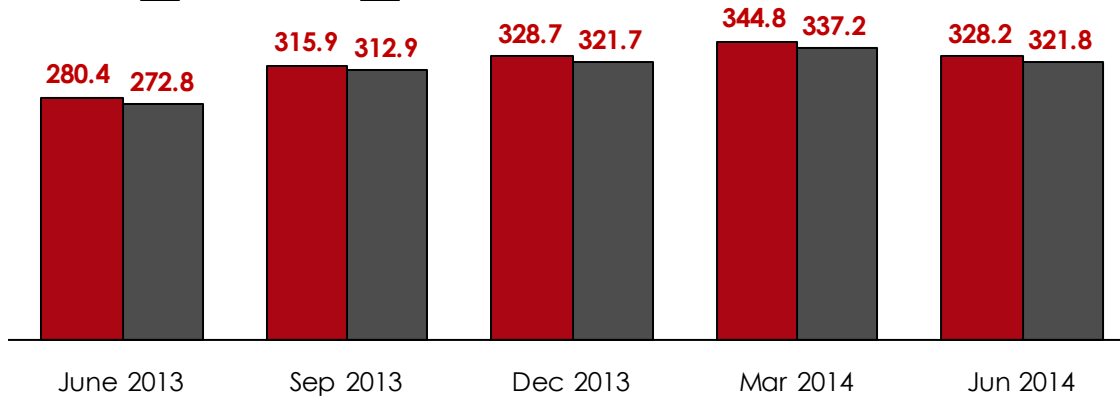
- Liquid assets increased by 4% to N375.8 billion and accounted for 51% of total assets (Dec 2013: 51%)
- Investment securities made up of Treasury Bills and Bonds accounted for 22% of liquid assets (Dec. 2013: 27%)
- Pledged assets accounting for 27% of liquid assets (Dec. 2013: 22%) represent collateral for clearing activities, facilities from foreign banks and Bank of Industry, as well as letters of credit transactions
- Cash and balances with CBN rose by 31% and accounted for 34% of liquid assets (Dec. 2013: 27%) due to the increase in CRR on public and private sector deposits to 75% and 15% respectively

Investment Securities' Split



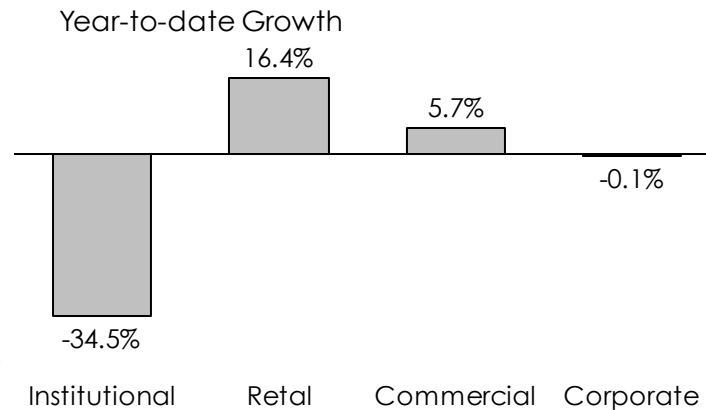
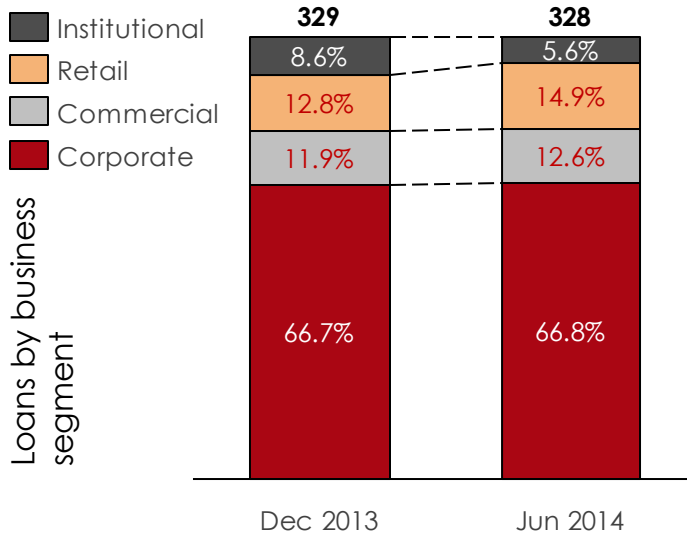
Loans and Advances

₦'B ■ Gross Loans ■ Net loans

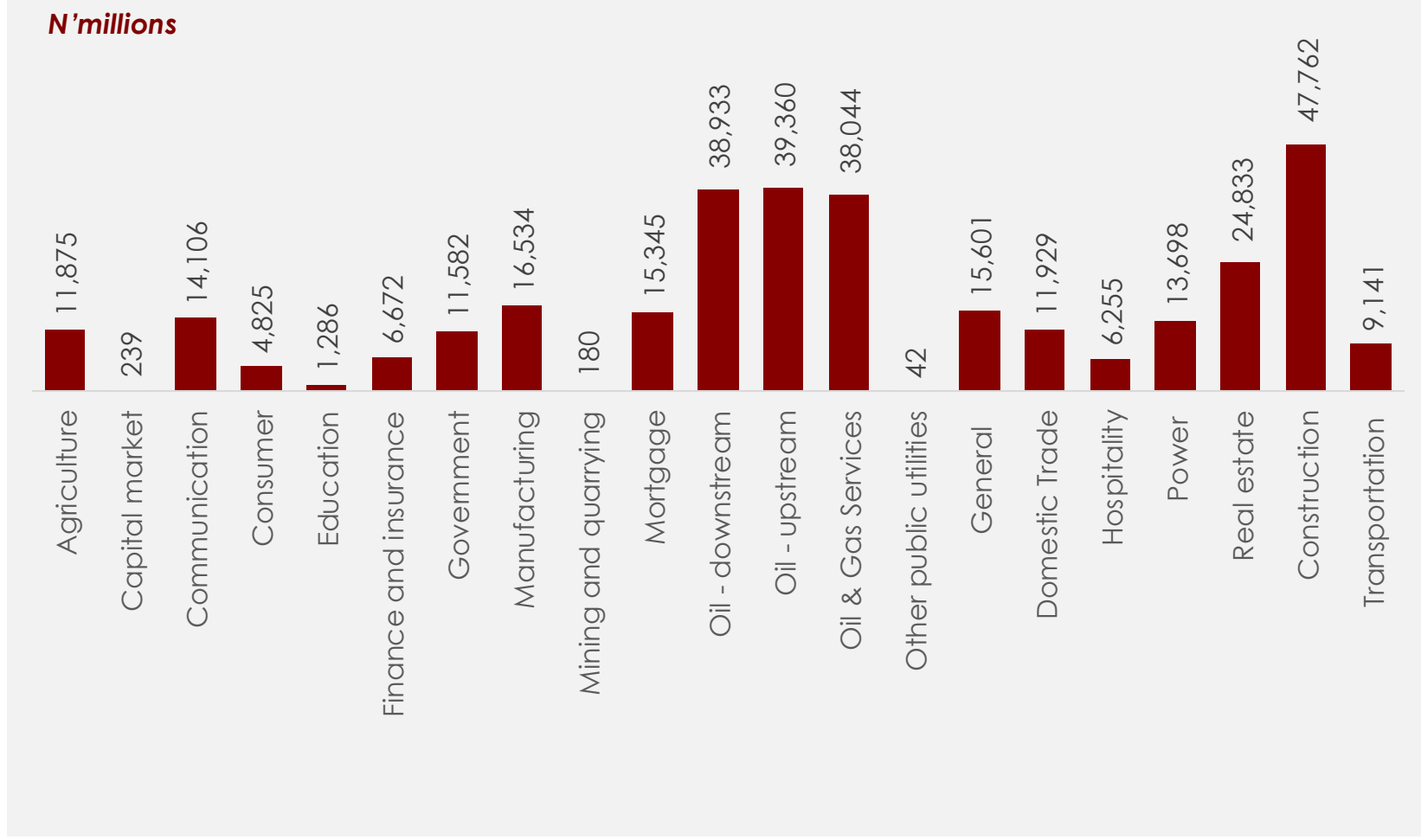


Comments

- Loans and advances remained relatively stable year-to-date but declined QoQ due to pay-down of existing facilities
- Corporate lending accounted for 67% of total loans, while retail and commercial lending accounted for 15% and 13% respectively

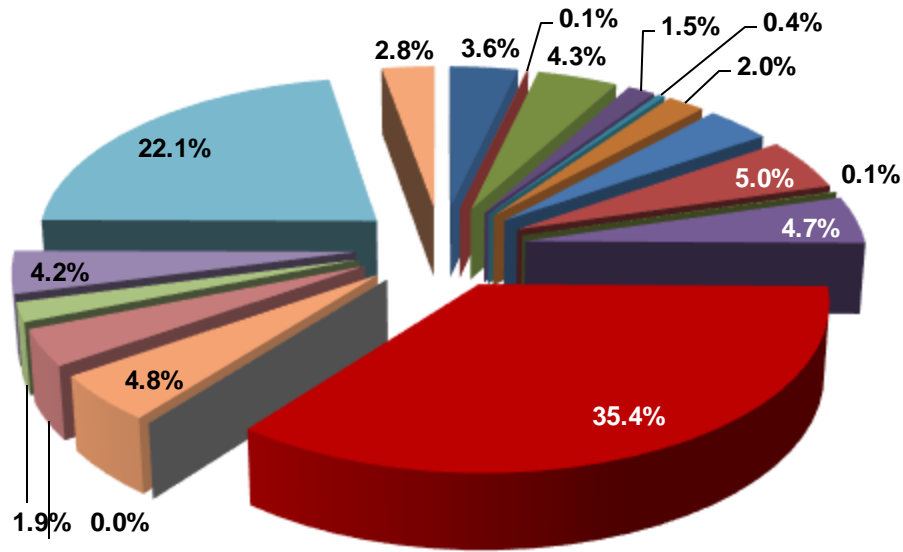


Loans and Advances by Sector .../1



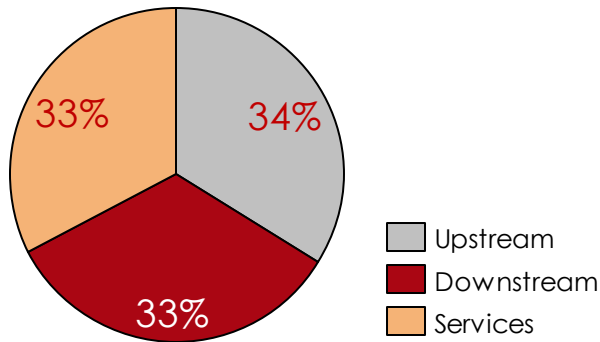
Loans and Advances by Sector .../2

June 2014



- Agriculture (2013, 3.8%)
- Capital Market (2013, 0.1%)
- Communication (2013, 3.1%)
- Consumer (2013, 2%)
- Education (2013, 0.4%)
- Finance & Ins. (2013, 3%)
- Government (2013, 5.6%)
- Manufacturing (2013, 5.8%)
- Mining & Quarrying (2013, 0.1%)
- Mortgage (2013, 3.6%)
- Oil & Gas (2013, 30.3%)
- Other Public Utilities (2013, 0.6%)
- General (2013, 6.5%)
- Domestic Trade (2013, 4.6%)
- Hospitality (2013, 2.1%)
- Power (2013, 2.5%)
- Real Estate & Const. (2013, 21.9%)
- Transportation (2013, 4%)

Oil & gas exposures

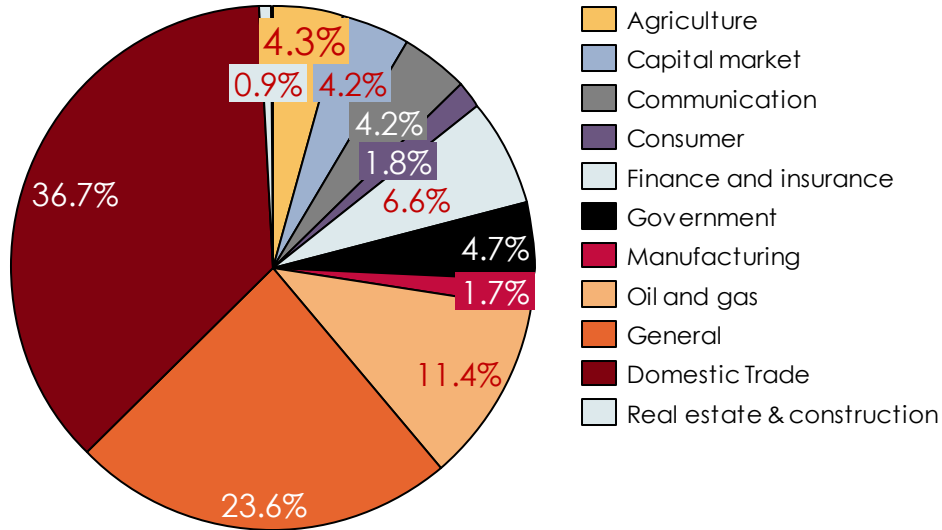


Comments

- Well diversified loan book
- Construction activities accounted for 66% of exposures to real estate & construction sector

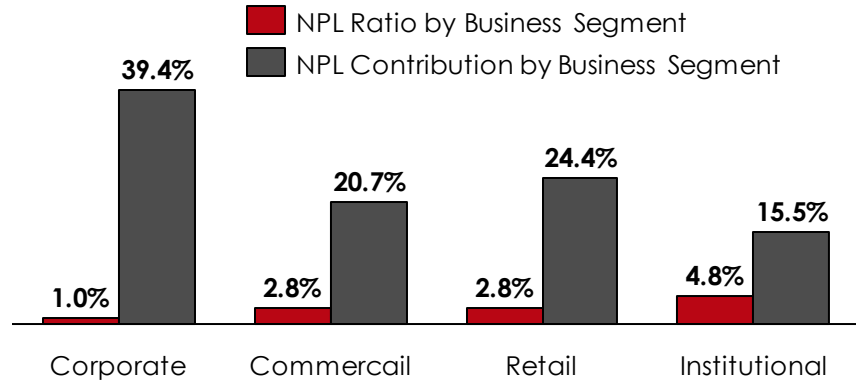
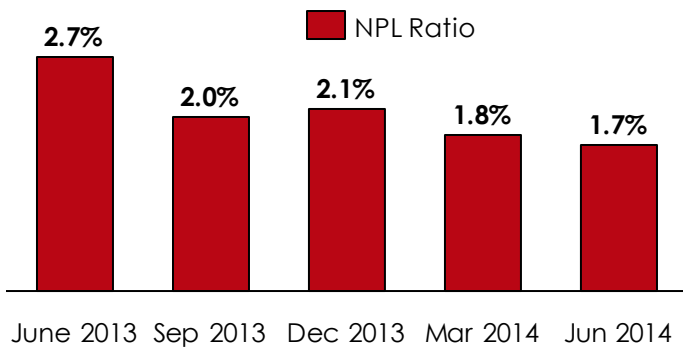
Asset Quality

NPLs: 100% = N5.7bn



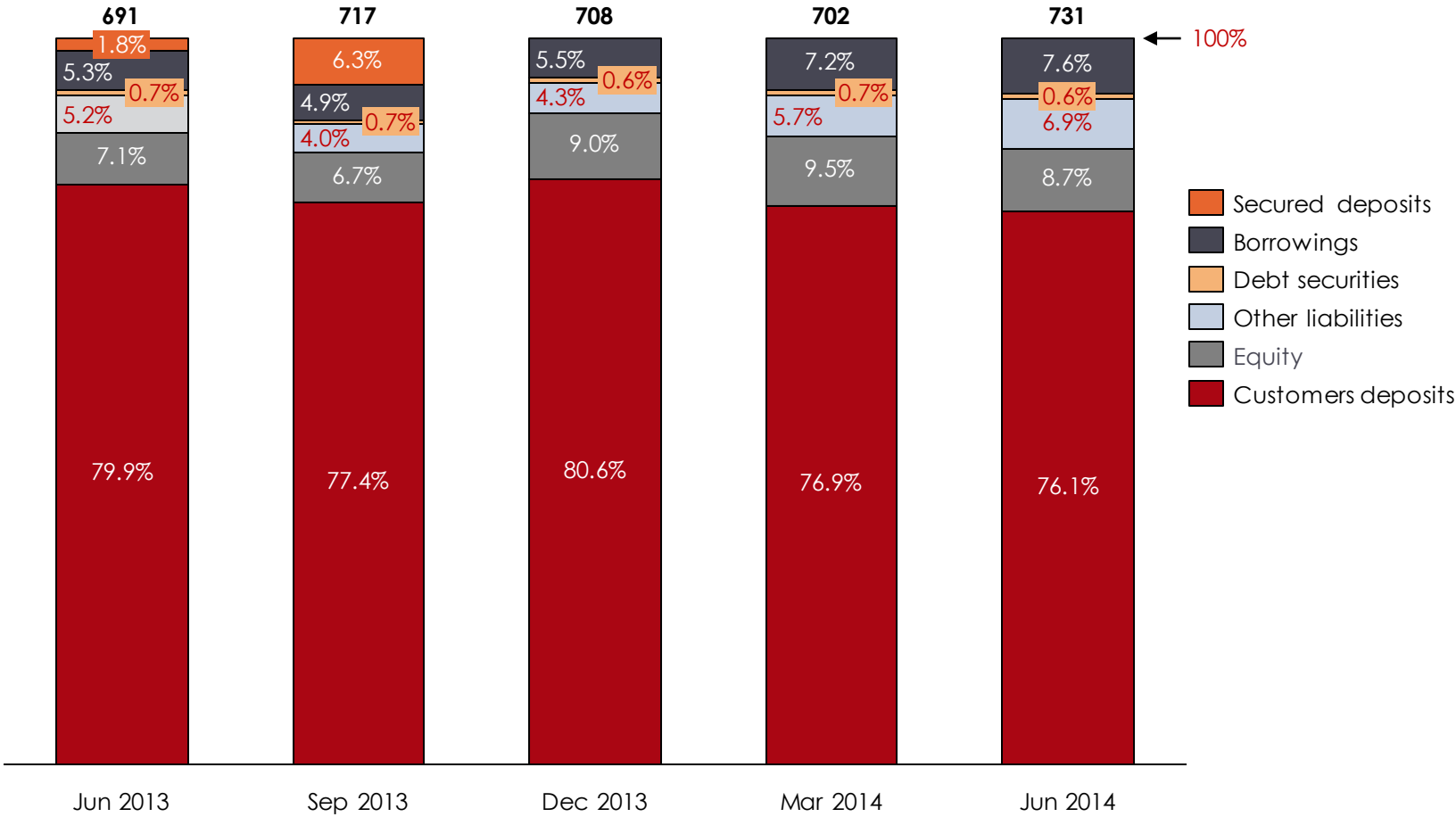
Comment

- Good asset quality with steady decline in NPL ratio from 2.1% in Dec. 2013 to 1.7%, while cost of risk stood at 0.7%
- Loans classified as 'general' are largely individuals and small businesses, which are relatively volatile



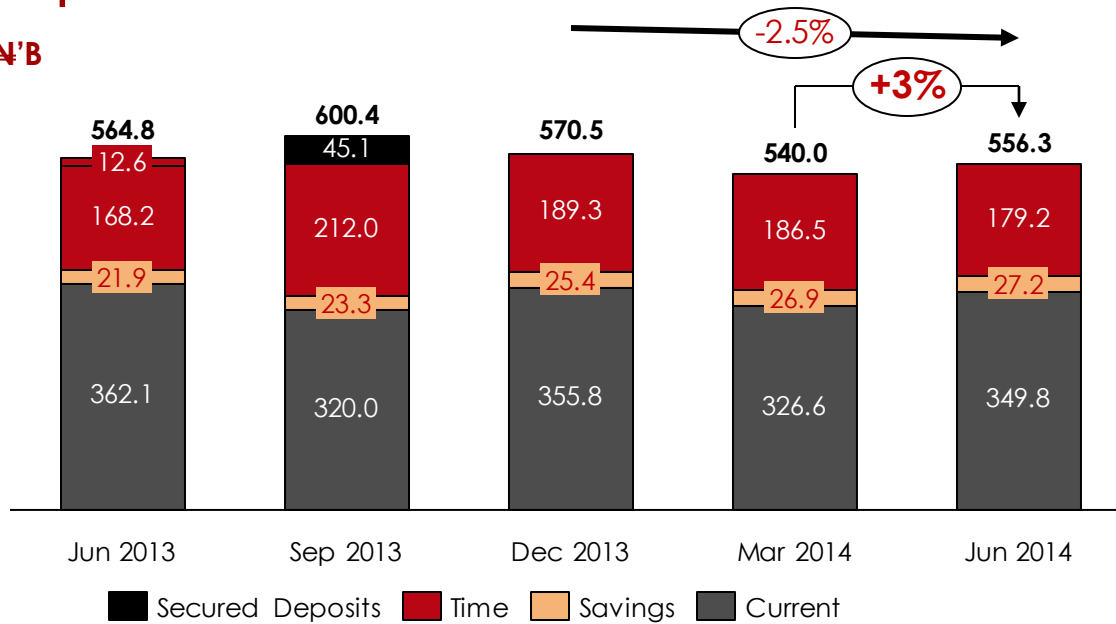
Funding Mix

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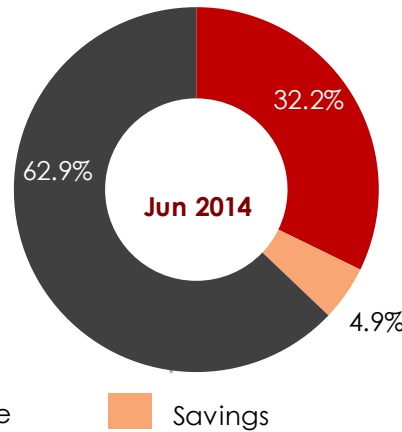
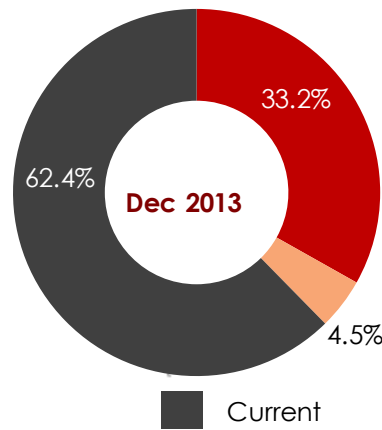
Deposits

₦'B



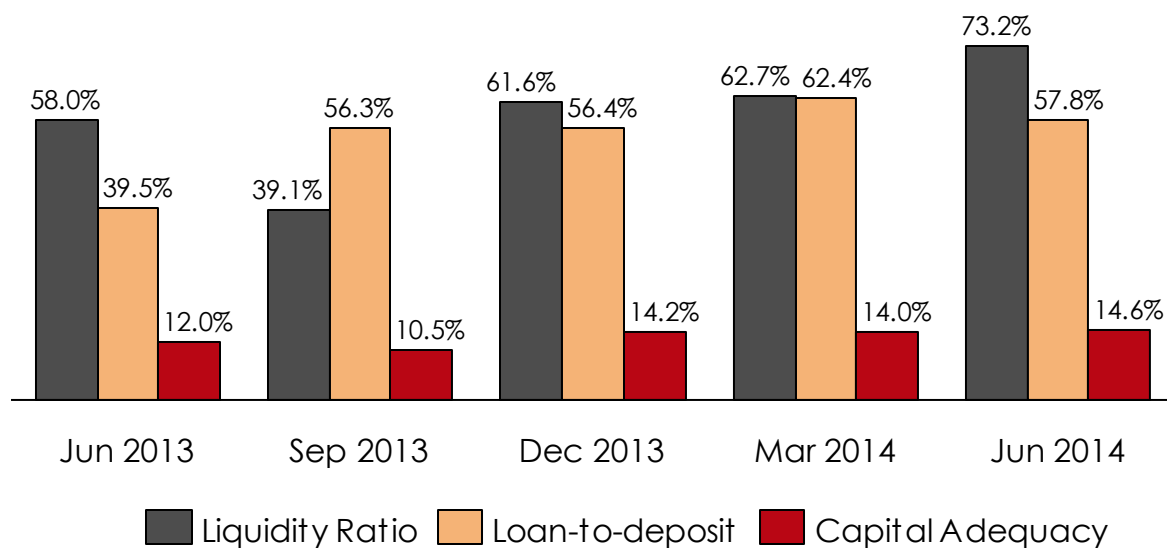
Comments

- Deposits declined by 2.5% year-to-date but increased by 3% QoQ to N556.3 billion
- Retail deposits accounted for 68% (2013: 67%) of deposits, while wholesale funds accounted for 32%
- Improved cost of funds by 100 basis points from 6.1% in Dec. 2013 to 5.1% in June 2014



Capital and Liquidity

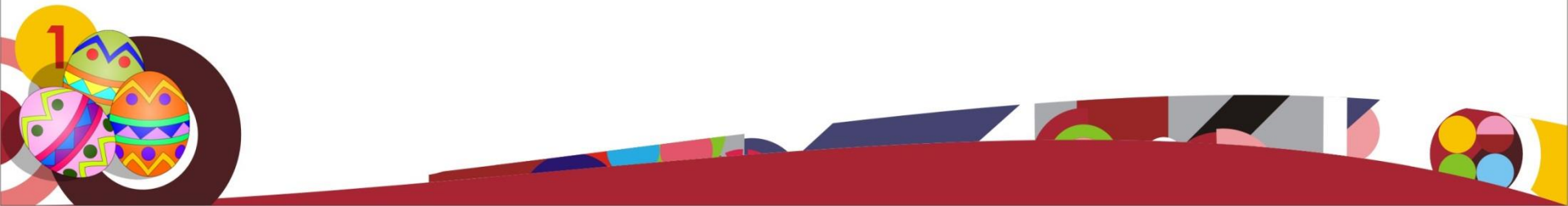
Items (N ¹ millions)	Jun-14	Dec-13	Growth
Tier 1 capital	56,707	55,839	1.6%
Tier 2 capital	8,380	7,740	8.3%
Total regulatory capital	65,087	63,579	2.4%
Risk-weighted assets	445,371	448,520	-0.7%
Tier 1 capital ratio	12.7%	12.4%	
Tier 2 capital ratio	1.9%	1.7%	
Capital Adequacy Ratio	14.6%	14.2%	



Comments

- Capital adequacy ratio of 15% and liquidity ratio of 73% (49% adjusted for CRR) as at June 2014
- Both ratios clearly above the regulatory benchmarks of 10% and 30% respectively
- Loan-to-deposit ratio of 58% (Dec. 2013: 56%) providing headroom for loan growth

Outlook



Key strategic initiatives

- Completion of the capital raising exercise
- Upgrade of our physical infrastructure to reflect a retail look and feel
- Rollout of conventional and alternative channels to deepen market penetration of our products
- Roll-out of Agent Banking model to drive financial inclusion
- Commencement of private banking business targeted at high net worth individuals
- Launch of the One-Education initiative targeted at the education sector
- Deployment of a new core banking application to fully enhance service delivery to our customers
- Strengthening of our performance management system for sales and back-office to improve staff productivity

Q & A

Appendix



About Sterling Bank ...

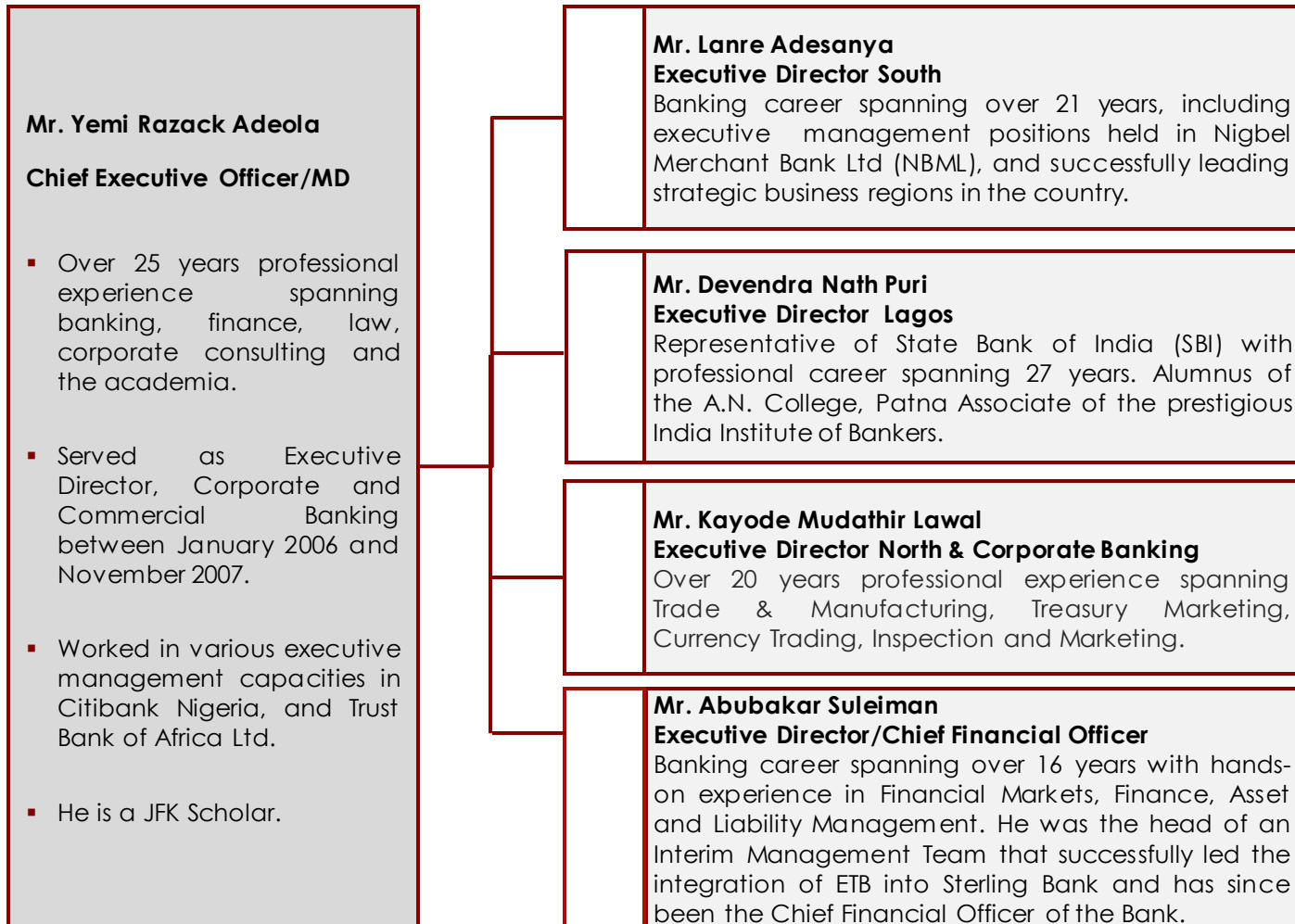
Our History

Sterling Bank Plc “the one-customer bank” is a full service national commercial bank in Nigeria with asset base above \$4.6 billion (N731 billion) and shareholders’ funds in excess of \$395m (N63 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.

Executive 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. Raheem Owodeyi

**Chief Compliance &
Control Officer**

- Raheem has over 15 years of banking experience. He joined Sterling Bank in 2014 as Chief Compliance and Control Officer to provide leadership for the establishment of sustainable compliance policies and processes as well as managing the overall Internal Control process. He has worked with Citibank Nigeria, BDO Stoy Hayward LLP, UK, Access Bank Plc and Aso Savings & Loans Plc. His banking experience spans Operations & Technology, Audit, Compliance and Internal Control.

Mrs. Toyin Olaiya

Chief Risk Officer

- Toyin's banking career spans over 22 years and she is currently a fellow of The Institute of Chartered Accountants of Nigeria. Prior to her current role as the bank's Chief Risk Officer, she served as the Bank's Chief Compliance Officer and Head Risk Management. She previously served as Head, Financial Control and Head Risk Management at Magnum Trust bank before its merger into Sterling Bank Plc in December 2005. She has also worked with KPMG and Abacus Merchant Bank. Her banking experience spans Operations, Internal Audit, Financial Control, Compliance and Risk Management.

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