



Investor/Analyst Update Q3 2014



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Agenda

1. Overview
2. Operating Environment
3. Performance Review
4. Update on Strategic Initiatives

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	3,034 professional employees
Channels	174 business offices; 511 ATMs; and over 5,000 POS terminals

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



Sterling Bank

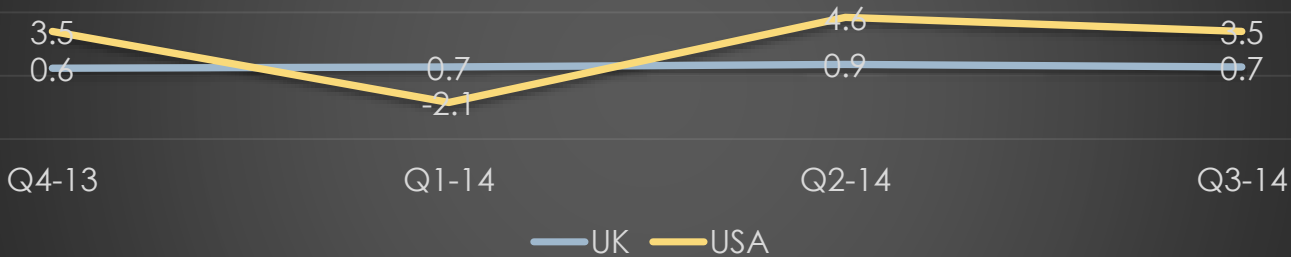
Operating Environment

Operating Environment.../1

Global

- Recovery remained strong in the US economy as it posted a third quarter growth of 3.5% q-o-q, down from the 4.6% growth in Q2
- Similarly, the UK economy expanded by 0.7% q-o-q; slower than the 0.9% posted in Q2
- However, the Eurozone narrowly escaped recession as it grew by 0.2% in Q3
- Emerging market giant, China, also continued to drag as it recorded a third quarter growth of 7.3%; its slowest in 5 years
- The oil market was volatile in the third quarter as it dipped from its June 2014 peak US\$115.91 to US\$78.61 as at mid-November 2014

% Q-o-Q GDP Growth



Operating Environment.../2

Domestic

- Growth in the Nigerian economy slowed to 6.23% in the third quarter from 6.54% in Q2 due to a drop in oil sector performance
- The falling price of crude-oil impacted federal revenues significantly, casting doubts on the ability of the apex bank to build buffers
- The Naira has suffered from the declining oil prices as it depreciated by 66kobo and N10.24kobo as at mid-November to close at N156.39/US\$ and N173.25/US\$ respectively
- In response, the CBN announced very robust measures:
 - Moved the mid-point of the exchange rate from N155/\$ to N168/\$
 - Increased the MPR by 100 basis points to 13%
 - Raised the CRR on private sector deposits by 500 basis points to 20%
- The CBN also intervened in the foreign exchange market by excluding the funding of certain items from the official market and redirected them to the interbank foreign exchange market
- The nation's foreign reserves remained relatively stable as it closed at US\$37.5bn as at mid-November
- Inflation averaged 8.37% inQ3, 0.34% points higher than the 8.03% average for the second quarter
- CBN similarly capped the deposit amounts that earn an interest at the standing deposit facility (SDF) window at NGN7.5bn per bank, putting downward pressure on securities and interbank rates



Performance Review

- Highlights

Performance Highlights..../1

Income Statement

- Earnings rose 41.3% to N73.0bn (Q3 2013: N65.1bn)
- Net interest income up 32.8% to N32.2bn (Q3 2013: N24.2bn)
- Non-interest income up 3.7% to N16.3bn (Q3 2013: N15.7bn)
- Net operating income up 28.4% to N45.0bn (Q3 2013: N35.1bn)
- Operating expenses up 25.7% to N36.5bn (Q3 2013: N29.1bn)
- Profit before tax up 41.3% to N8.54bn (Q3 2013: N6.0bn)
- Profit after tax down 39.2% to N7.1bn (Q3 2013: N5.1bn)

Performance Highlights..../2

Balance Sheet

- Net loans & advances up marginally by 1.0% to N325.0bn (Dec. 2013: N321.7bn)
- Customer deposits up 19.0% to N679.0bn (Dec. 2013: N570.5bn)
- Shareholders' funds up 2.5% to N65.1bn (Dec. 2013: N63.5bn)
- Total assets up 19.6% to N846.7bn (Dec. 2013: N707.8bn)

Key Financial Ratios

- Return on average equity of 14.7% (Q3 2013: 14.3%)
- Return on average assets of 1.5% (Q3 2013: 1.2%)
- Cost-to-income ratio of 75.4% (Q3 2013: 72.7%)
- Net interest margin of 8.6% (Q3 2013: 8.4%)
- NPL ratio of 2.1% (Dec. 2013: 2.1%)



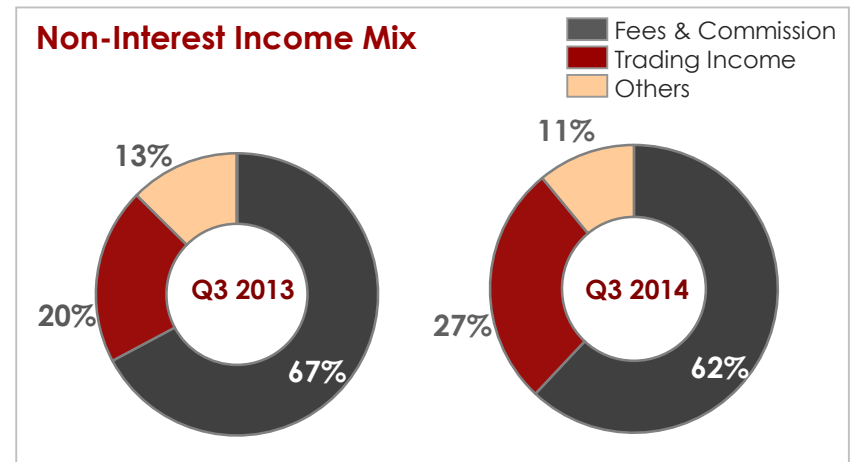
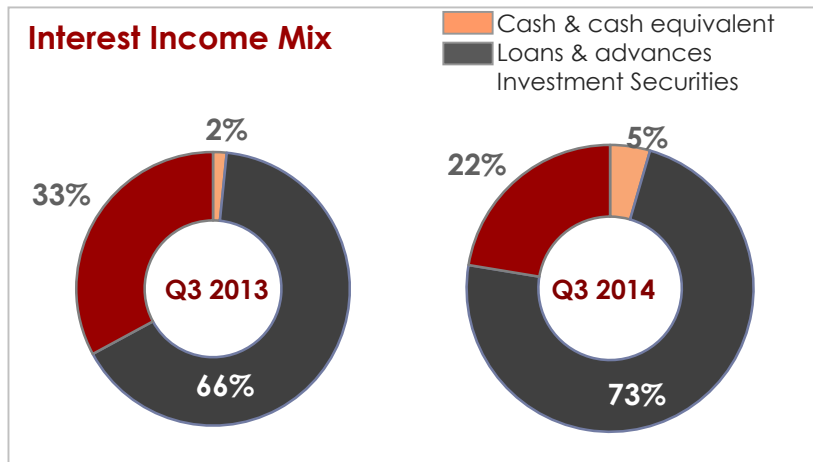
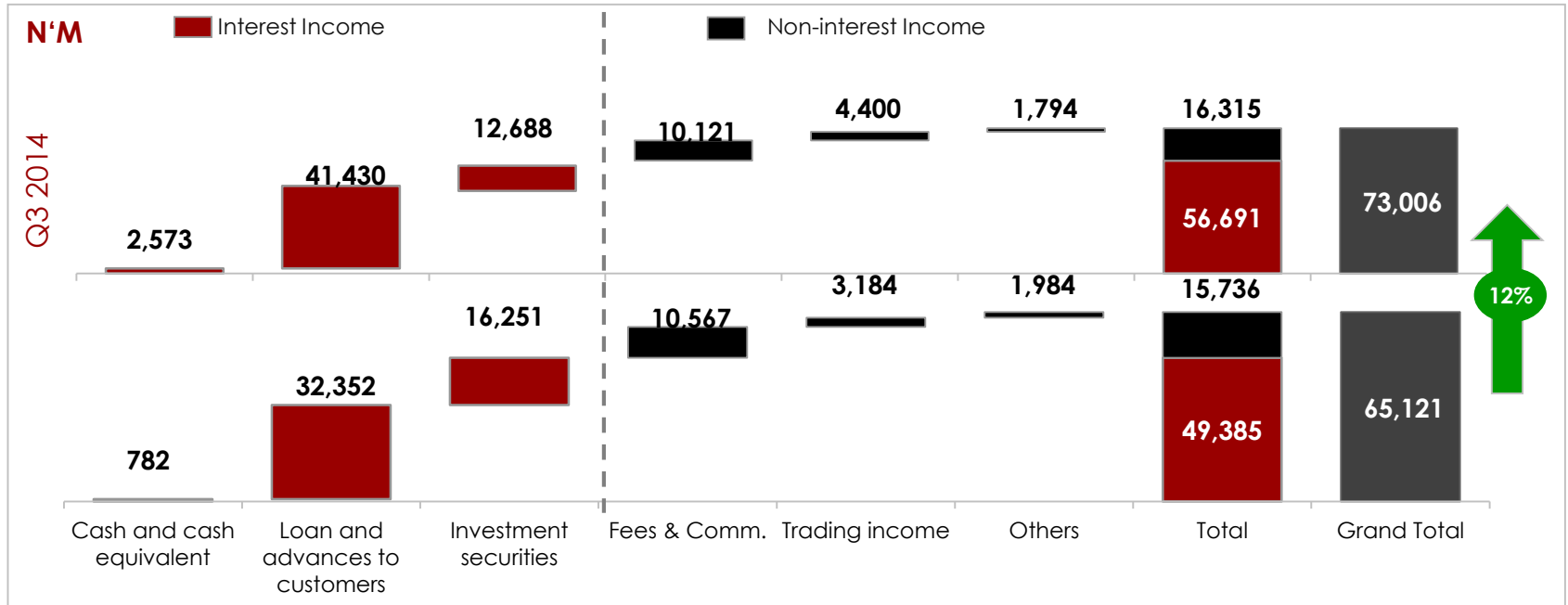
Performance Review

- Earnings analysis

Income Statement

Items (N' Millions)	Common Size		Common Size		Growth YoY
	Sep-14		Sep-13		
Gross earnings	73,006	100%	65,121	100%	12%
Interest income	56,691	78%	49,385	76%	15%
Interest expense	(24,534)	34%	(25,162)	39%	-2%
Net interest income	32,157	44%	24,223	37%	33%
Fees and commission income	10,121	14%	10,567	16%	-4%
Net Trading income	4,400	6%	3,184	5%	38%
Other operating income	1,794	2%	1,984	3%	-10%
Non-interest income	16,315	22%	15,736	24%	4%
Operating income	48,472	66%	39,959	61%	21%
Impairment charges	(3,439)	5%	(4,886)	8%	-30%
Net operating income	45,032	62%	35,073	54%	28%
Personnel expenses	(8,607)	12%	(7,322)	11%	18%
Depreciation and amortisation	(2,263)	3%	(1,997)	3%	13%
Other operating expenses	(25,659)	35%	(19,738)	30%	30%
Profit before income tax	8,503	12%	6,017	9%	41%
Income tax expense	(1,440)	2%	(942)	1%	53%
Profit for the period	7,063	10%	5,074	8%	39%
Other comprehensive income	(67)	0%	(266)	0%	-75%
Total comprehensive income	6,996	10%	4,808	7%	46%

Revenue Sources

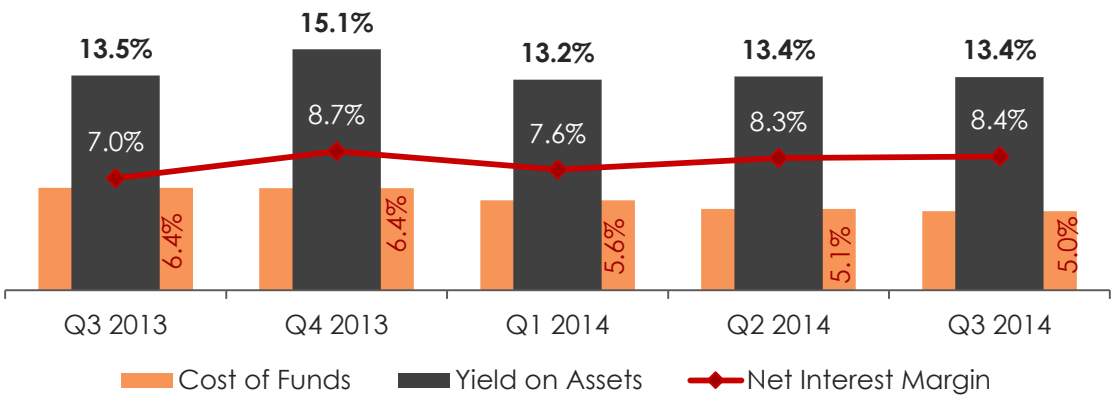
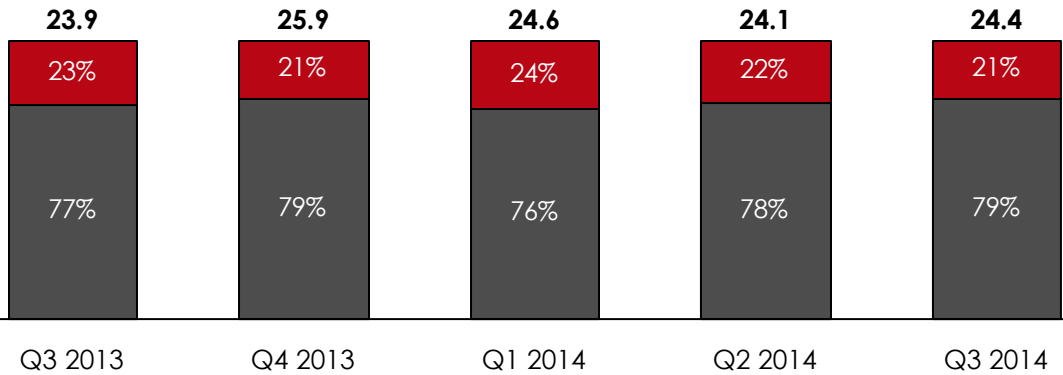


Revenue Drivers

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Gross Earnings

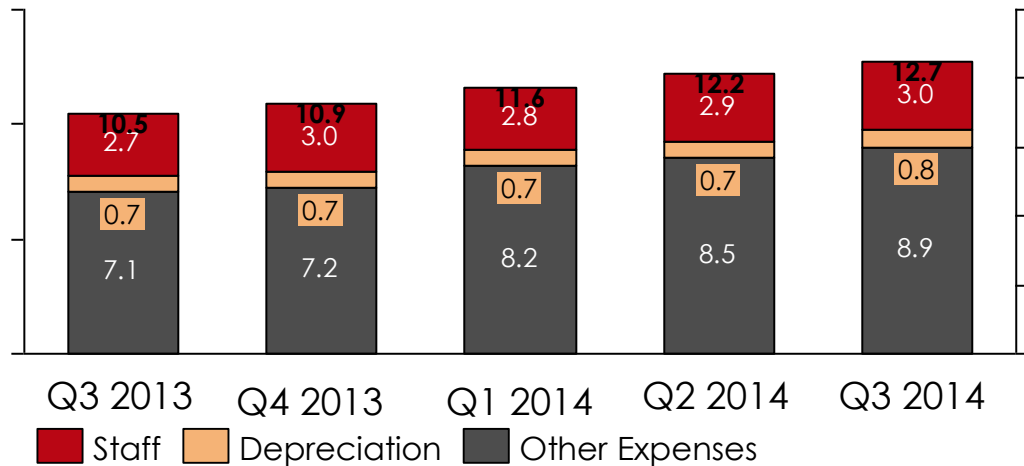
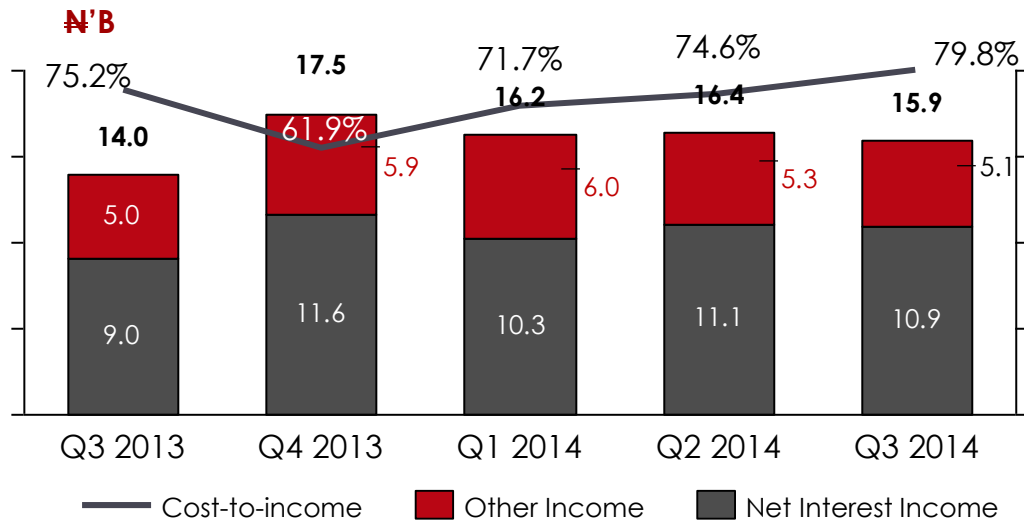
- Non-interest income
- Interest income



Comments

- Gross earnings rose by 12% YoY to N73billion but increased marginally by 1% to N24.4 billion QoQ
- Earnings were driven by interest income, which rose 15% YoY and contributed an average of 78% in the last three quarters of 2014
- Non-interest income was boosted by revenues from trading activities, which rose by 38% YoY
- Income from loans & advances rose by 28% YoY and accounted for 73% of interest income
- Net interest margin increased by 10 basis points to 8.4% QoQ (Q3 2013: 7.0%) on the back of a decline in funding costs to 5.0% in Q3 2014

Operating Efficiency



Comments

- Operating income rose by 21% YoY to N48.5billion but declined 2.4% QoQ to N15.9billion due to a 5% decline in non-interest income QoQ
- Operating expenses increased by 7% QoQ to N12.7billion and rose 26% YoY to N36.5billion; resulting in a 270 basis points increase in cost-to-income ratio to 75% YoY
- Growth in operating expenses reflects inflationary pressures, on-going investments in branch refits and expansion, rollout of alternative channels and the resulting scale expansion



Performance Review

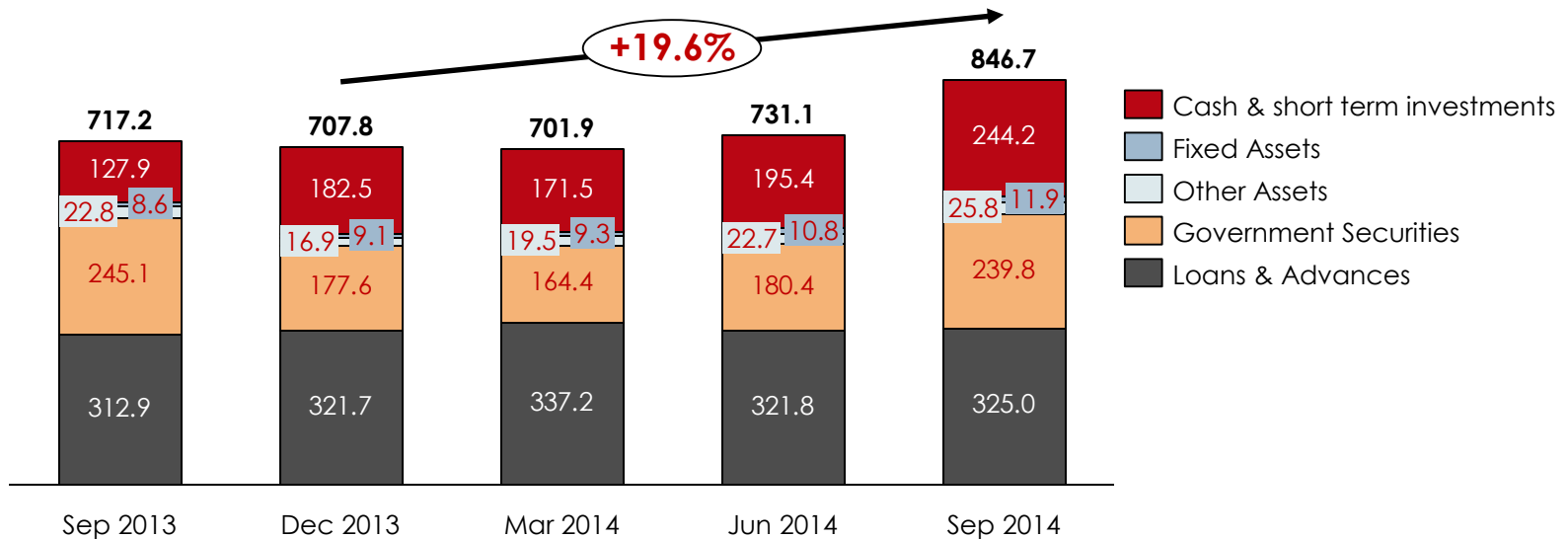
- Balance sheet analysis

Financial Position

Items (N' Millions)	Common Size Sep-14		Common Size Dec-13		Growth
ASSETS					
Cash and balances with CBN	124,568	15%	96,901	14%	29%
Due from banks	119,664	14%	85,601	12%	40%
Pledged assets	92,224	11%	79,772	11%	16%
Loans and advances	325,030	38%	321,744	45%	1%
Investment in securities	147,542	17%	97,821	14%	51%
Other assets	18,127	2%	9,317	1%	95%
Property, plant and equipment	11,913	1%	9,069	1%	31%
Intangible assets	693	0%	601	0%	15%
Deferred tax assets	6,971	1%	6,971	1%	0%
TOTAL ASSETS	846,733	100%	707,797	100%	20%
LIABILITIES					
Deposits from Customers	678,983	80%	570,511	81%	19%
Other borrowed funds	50,812	6%	38,795	5%	31%
Debt securities in issue	4,709	1%	4,564	1%	3%
Other liabilities	47,174	6%	30,470	4%	55%
TOTAL LIABILITIES	781,678	92%	644,339	91%	21%
Equity	65,055	8%	63,458	9%	3%
TOTAL LIABILITIES AND EQUITY	846,733	100%	707,797	100%	20%

Assets Growth Trend

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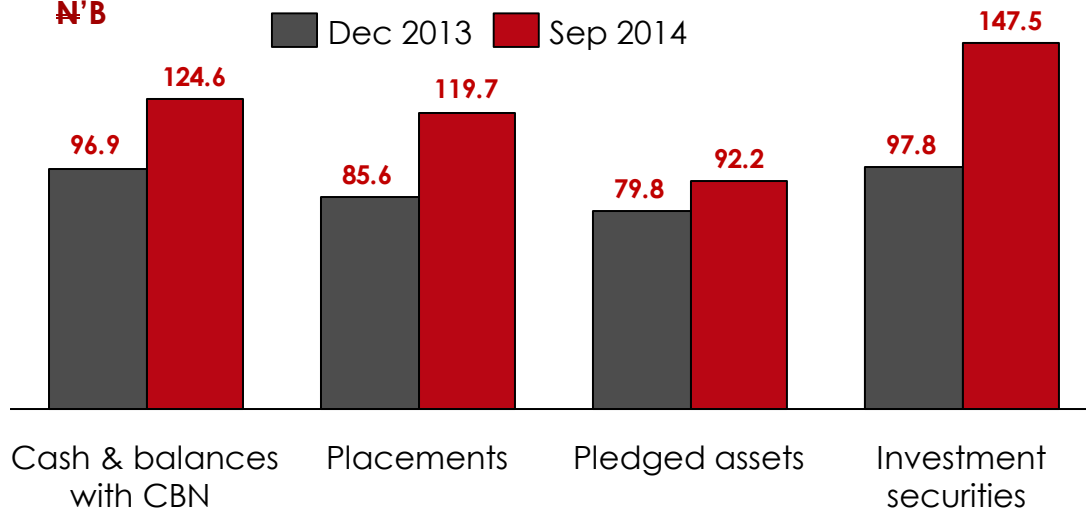
Comments

- Total assets rose by 20% year-to-date, while earning assets increased by 12% to N610.1 billion and accounted for 72% due to increase in investments in Government securities and interbank placements
- The Bank was a net placer of funds with interbank placements of N119.7 billion, representing 49% of cash and short term investments
- Increase in fixed assets by 31% to N11.9 billion reflecting investments in our physical infrastructure and the rollout of alternative channels

Liquid Assets

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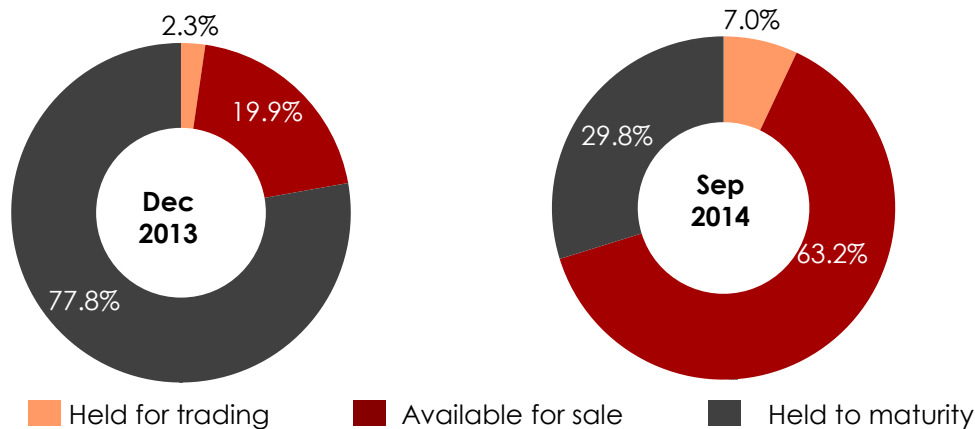
■ Dec 2013 ■ Sep 2014



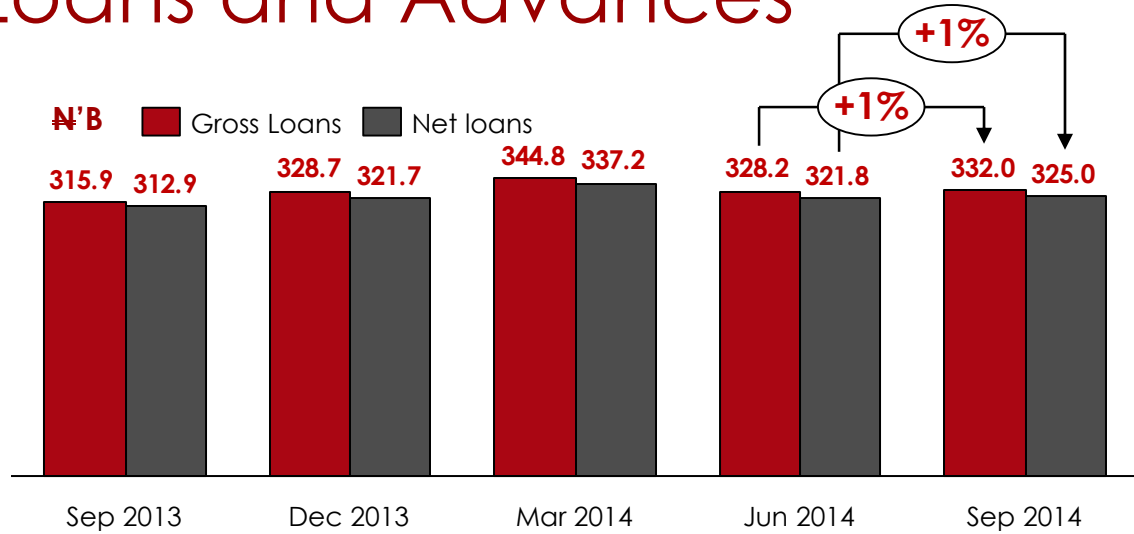
Comments

- Liquid assets increased by 34% to N484billion and accounted for 57% of total assets (Dec 2013: 51%)
- Investment securities made up of Treasury Bills and Bonds accounted for 30% of liquid assets (Dec. 2013: 27%)
- Pledged assets accounted for 19% of liquid assets (Dec. 2013: 22%) representing 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 29% and accounted for 26% 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



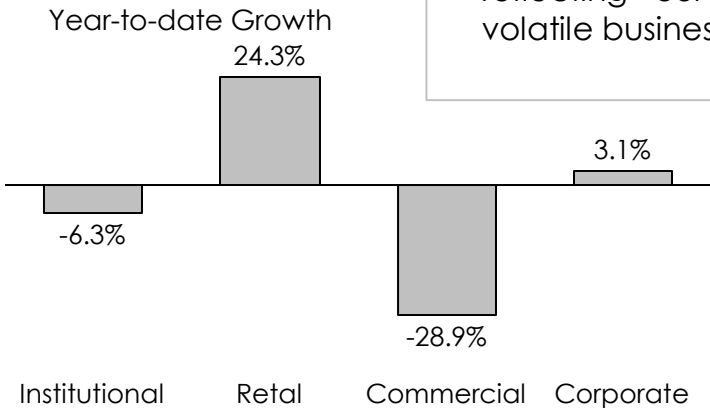
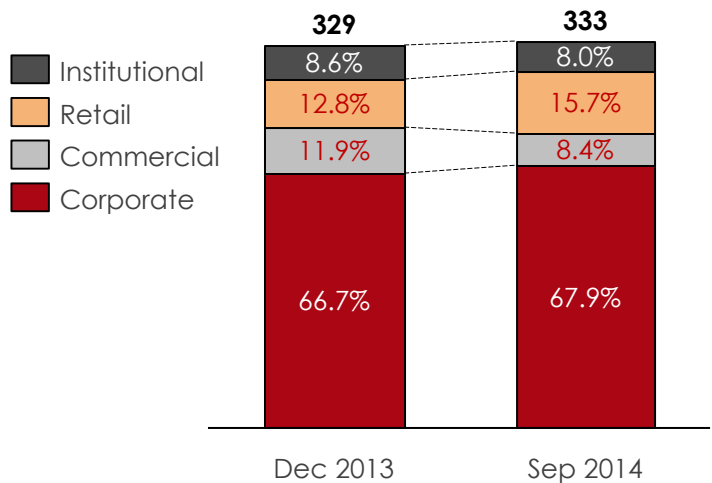
Loans and Advances



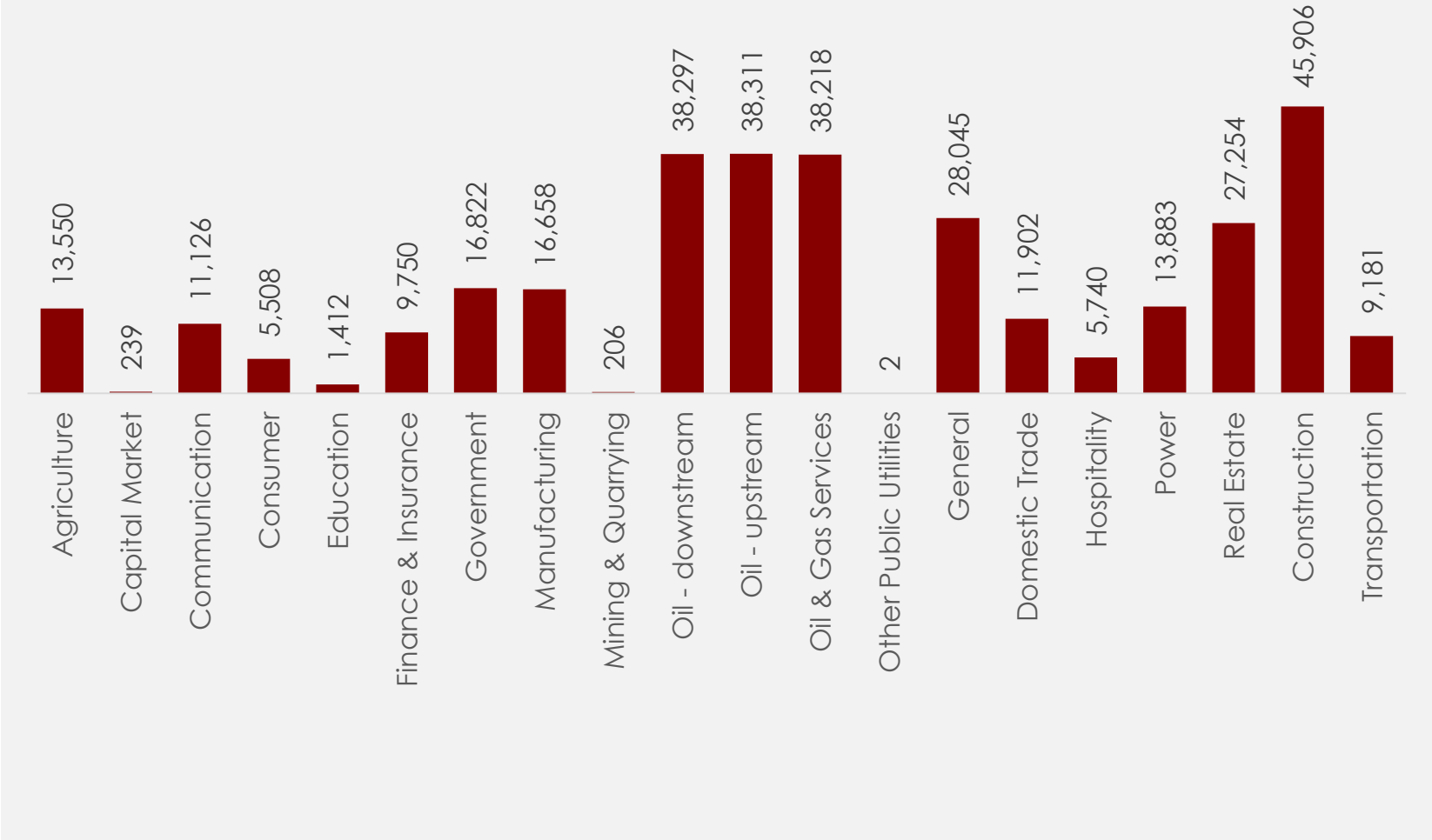
Comments

- Loans and advances remained relatively stable year-to-date due to capital constraints arising
- Corporate lending accounted for 68% of total loans, while retail and commercial lending accounted for 16% and 8% respectively
- Share of commercial loans dropped from 12% to 8% reflecting our focus on less volatile business segments

Loans by Business Segment

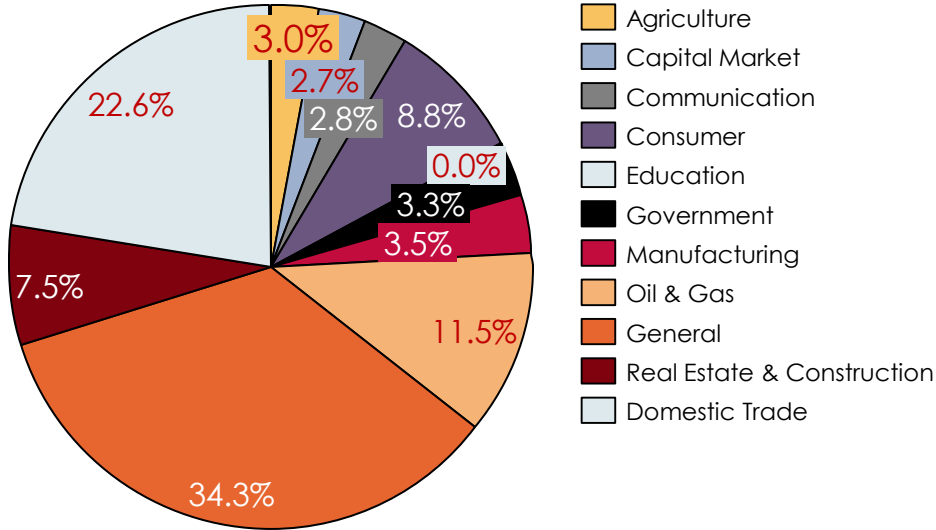


Loans and Advances by Sector .../1



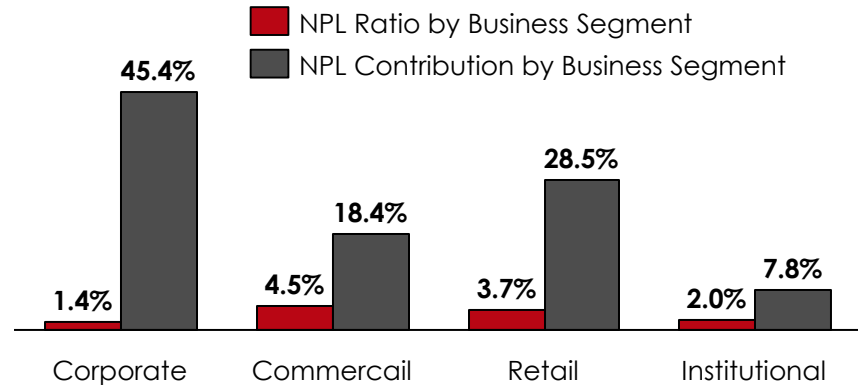
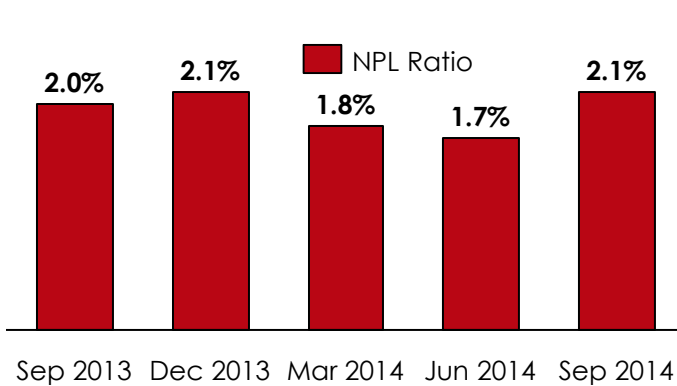
Asset Quality

NPLs: 100% = N6.7bn



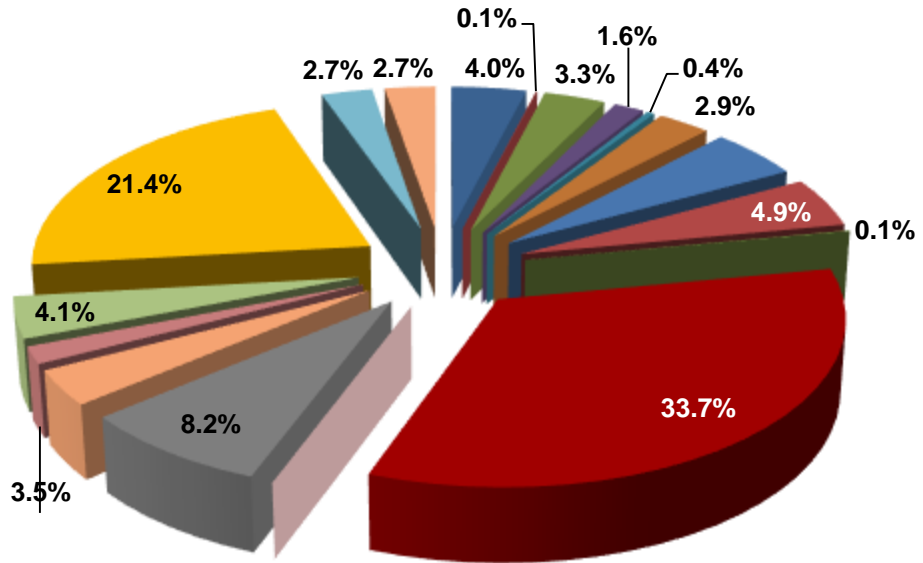
Comment

- NPL ratio of 2.1%, which is below the minimum requirement of 5% by the CBN; while cost of risk was 1.0%
- We recorded the lowest NPL ratio within the Corporate segment (1.4%) - the segment accounted for 68% of gross loans
- Loans classified as 'general' are largely individuals and small businesses, which are relatively volatile



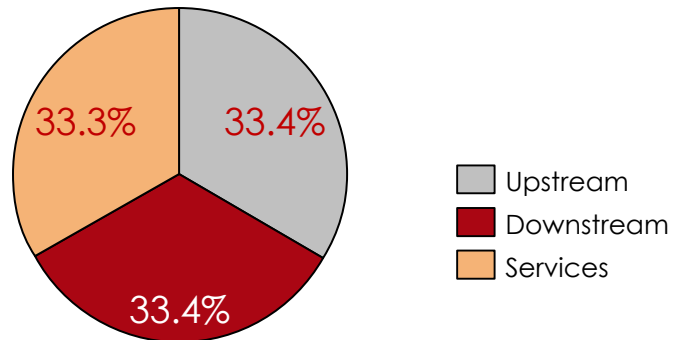
Loans and Advances by Sector .../2

Sep 2014



- Agriculture (4%)
- Capital Market (0.1%)
- Communication (3.3%)
- Consumer (1.6%)
- Education (0.4%)
- Finance & Insurance (2.9%)
- Government (4.9%)
- Manufacturing (4.9%)
- Mining & Quarrying (0.1%)
- Oil & Gas (33.7%)
- Other Public Utilities (0%)
- General (8.2%)
- Domestic Trade (3.5%)
- Hospitality (1.7%)
- Power (4.1%)
- Real Estate & Construction (21.4%)
- Transportation (2.7%)

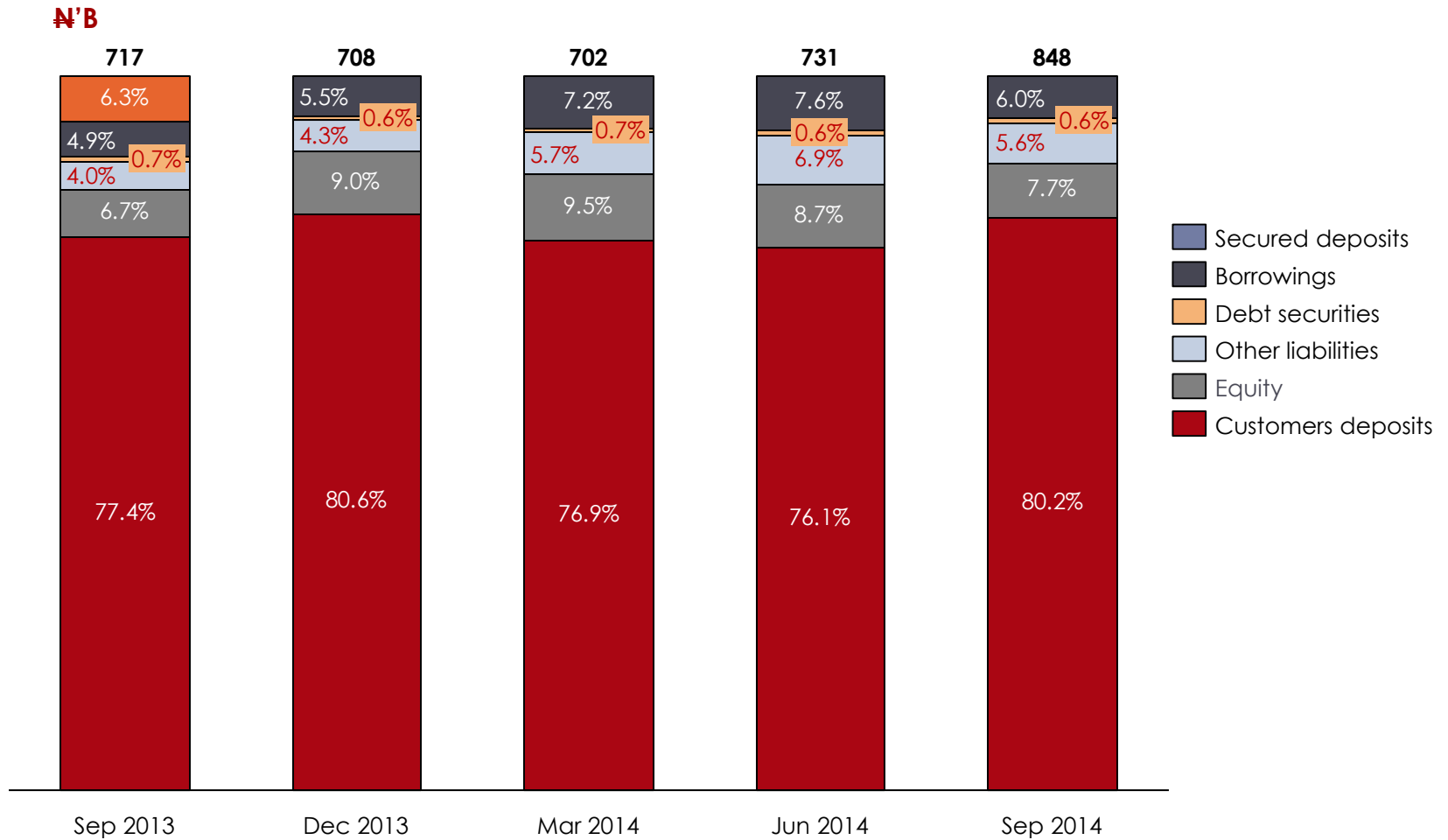
Oil & Gas Exposure Split



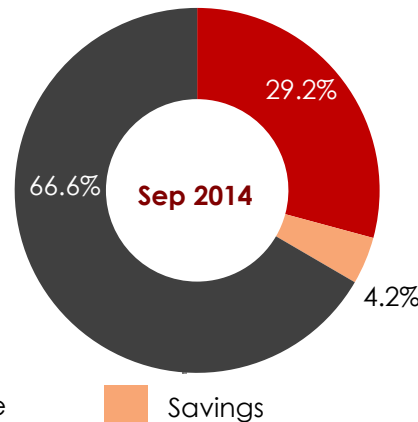
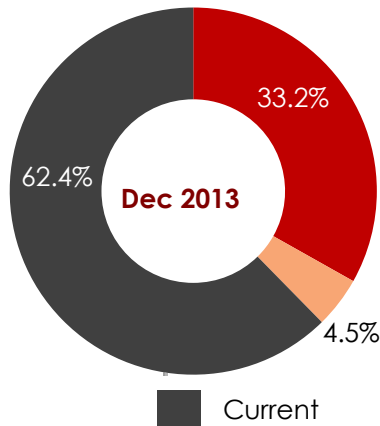
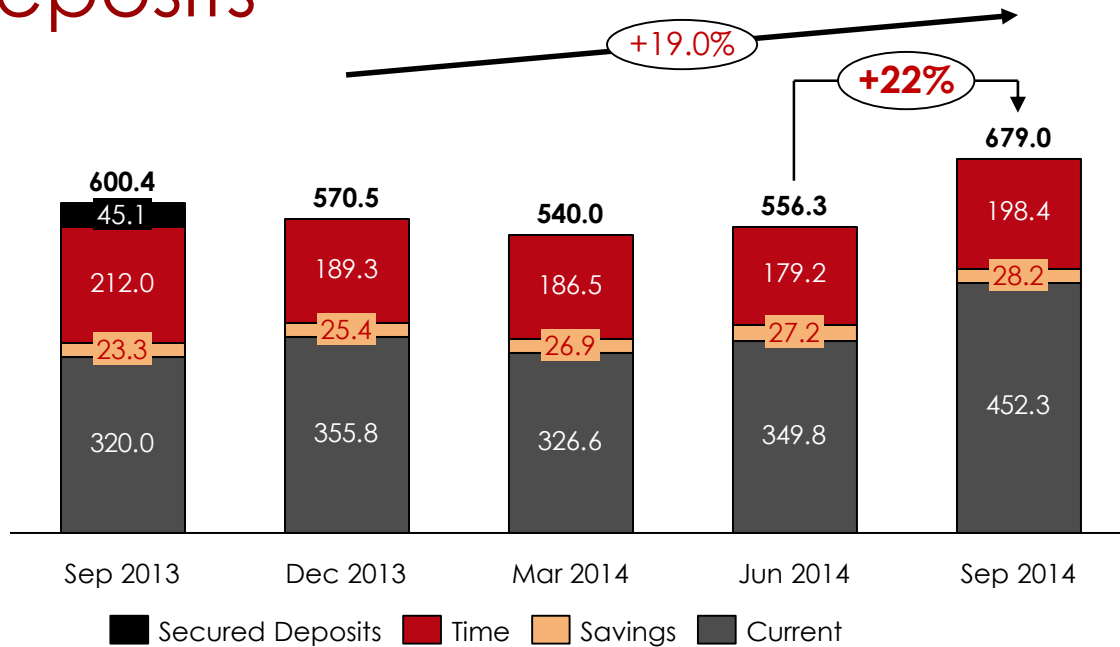
- ### Comments
- Well diversified loan book
 - Construction activities accounted for 63% of exposures to real estate & construction sector



Funding Mix



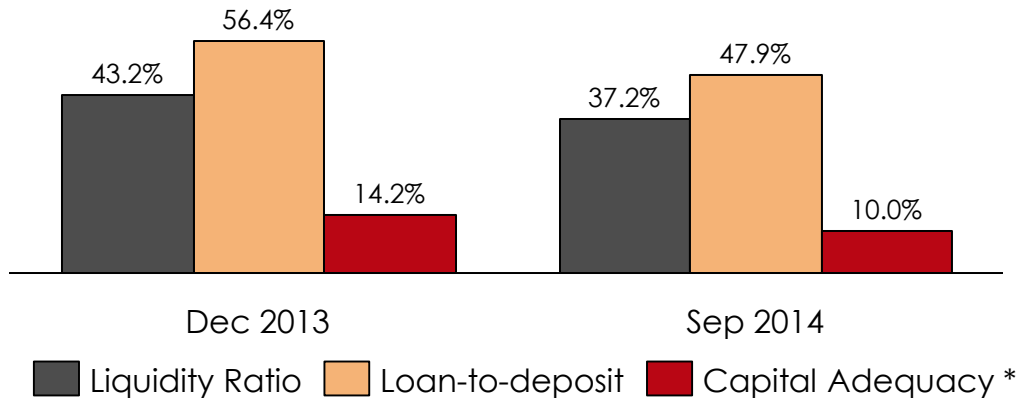
Deposits



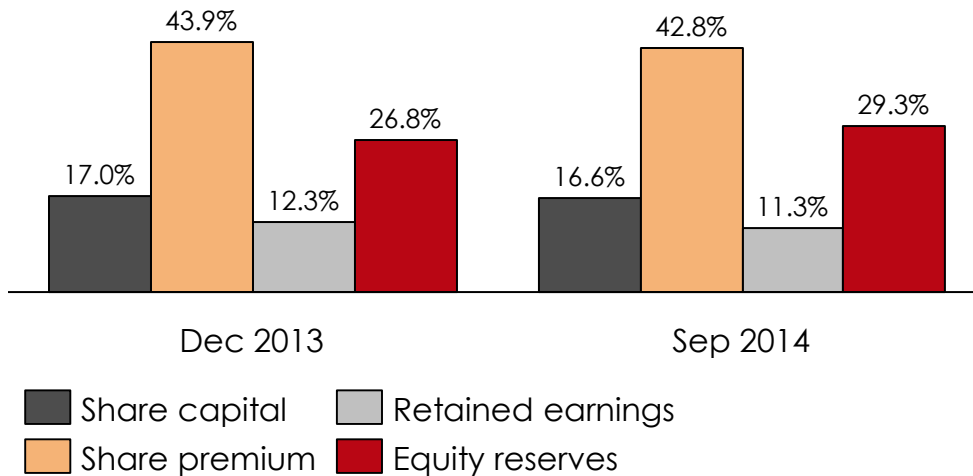
Comments

- Deposit liabilities grew by 19% year-to-date and 22% QoQ to N679 billion
- Growth was driven by current and savings account balances, which rose by 27% and 11% respectively
- Low cost funds accounted for 71% (2013: 67%) of deposits, while wholesale funds accounted for 29%
- Deposits funded 80% of total assets (Dec. 2013: 81%)
- Cost of funds reduced by 100 basis points to 4.9% as at Sep. 2014 from 5.9% as at Sep. 2013

Capital and Liquidity



Equity Composition



Comments

- Liquidity ratio of 37% stood above the regulatory minimum of 30%
- Capital adequacy ratio of 10% (based on Basel II)
- With the additional Tier I capital of N20 billion coming through in Dec. 2014, we expect to close with a CAR of c.15%, which is above the 10% statutory benchmark
- Loan-to-deposit ratio of 48% (Dec. 2013: 56%) providing headroom for loan growth with additional capital

* Sep. 2014 CAR based on Basel II



Strategic Initiatives

Update on Key strategic initiatives

Capital Injection	We are in the process of raising additional N20 billion Tier 1 capital by way of private placement. This is expected to come through before the end of the year (2014)
Branch Expansion and Upgrade	We have completed ten new branches, while eleven others are at various stages of completion. Several of our existing branches have been remodelled for a more retail brand appeal
Roll-out of Alternative Channels	We have rolled out 211 additional Automated Teller Machines (and replaced 100) bringing the total number within our network to 511. We have also signed-on over 200 merchants to drive our Agent Banking model for financial inclusion
Technology	We are in the process of changing our banking application, which is expected to be completed within the next 12-18 months
Corporate Re-alignment	We have re-aligned our business by market segments for a more focused market reach

THANK YOU