Sterling Bank Plc

Analyst/Investor Presentation

Q3 2015

Innovation & Growth

Important Information

Notice

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- 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, 2014. 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

1. Overview

2. Performance review

    - Earnings Analysis
    - Balance sheet analysis

3. Outlook

Sterling Bank
The one-customer bank.

Overview

Innovation & Growth

Timeline

1960
Commenced operations as Nigeria Acceptances Limited (NAL) Bank – the pioneer merchant bank in Nigeria

2000
Fully privatised following Government's sale of its residual interest

2001
Became a universal bank

2006
Merged with Indo-Nigeria Merchant Bank (INMB), Magnum Trust Bank, NBM and Trust Bank of Africa to form Sterling Bank Plc

2008
Raised $95 million from Citibank; Launched our 'One Customer' proposition

2011
Sold non-core businesses following the repeal of universal banking by the CBN; Acquired Equitorial Trust Bank (ETB)

2012
Completed the integration of ETB in six months and launched retail banking

2013
Raised N12.1 billion through a Rights Issue; Obtained non-interest banking license and Launched Agent Banking

2014
Raised US$120 million (N19.1 billion) through Private Placement

Sterling Bank at a glance

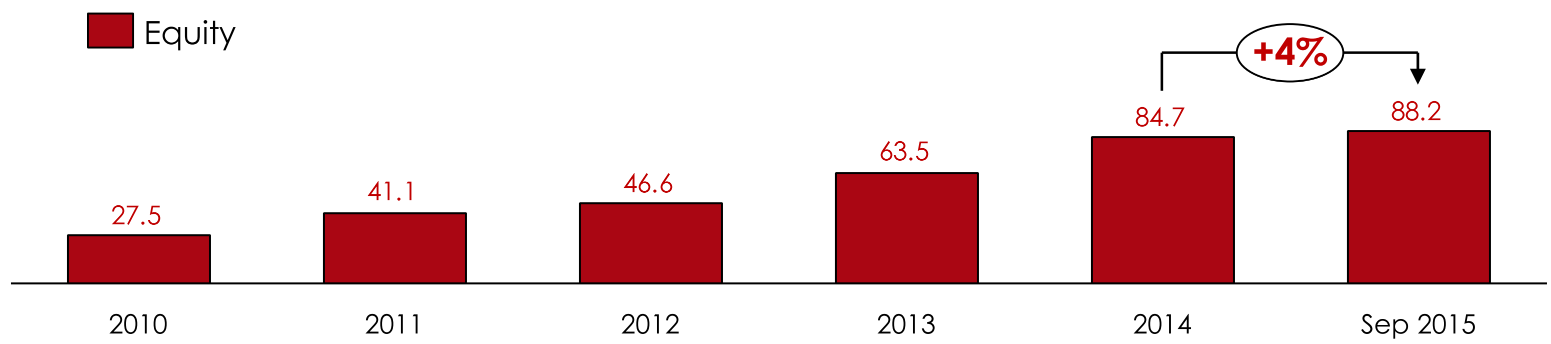
Company	Sterling Bank is a full service national commercial Bank
Accounting	International Financial Reporting Standards (IFRS)
Auditors	Ernst & Young
Listing	Nigerian Stock Exchange
Focus segments	Retail, Commercial and Corporate clients
Active Customers	> 1,400,000
Headcount	> 3,000 professional employees
Channels	185 business offices and 801 ATMs

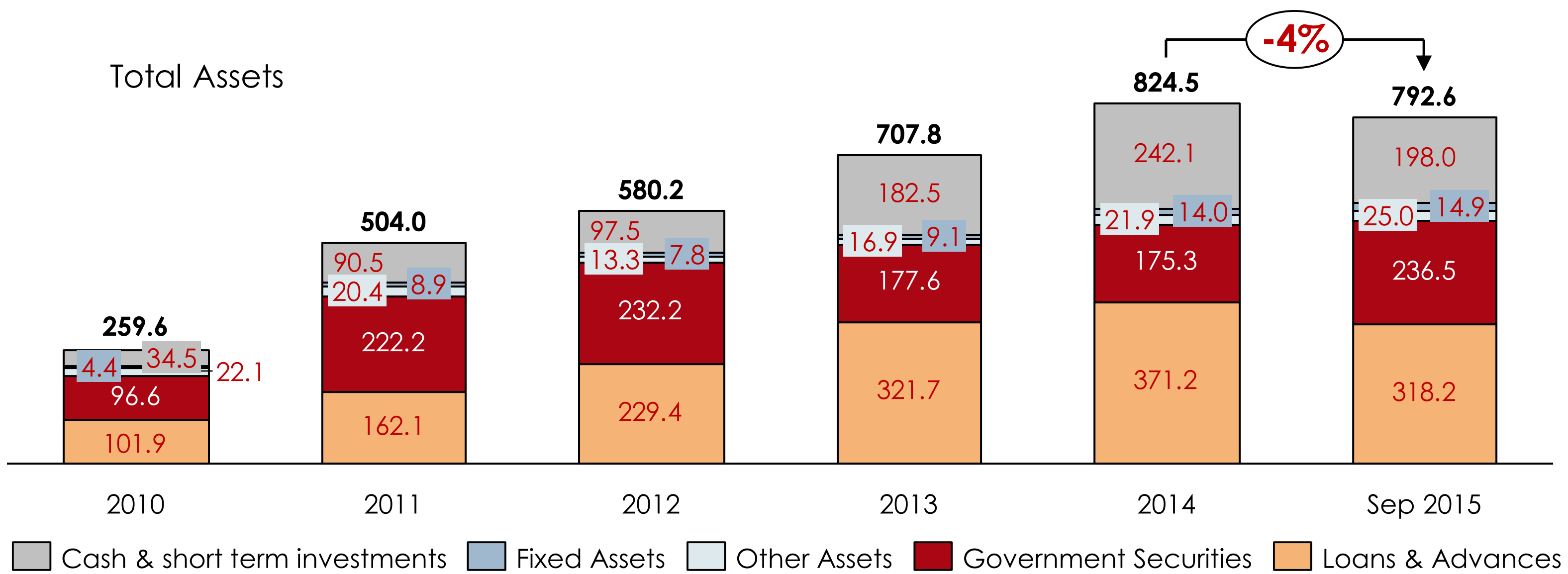
Ratings

Moody's	
Long-term Local Currency and Foreign Currency Deposit ratings	B2 (Stable Outlook)
Short-term Local Currency and Foreign Currency Deposit ratings	Not prime
Long-term Local Currency and Foreign Currency Issuer ratings	B2 (Stable Outlook)
Short-term Local Currency and Foreign Currency Issuer ratings	Not prime
Baseline Credit Assessment	B3
Adjusted Baseline Credit Assessment	B3
Counterparty Risk Assessment	B1(cr)

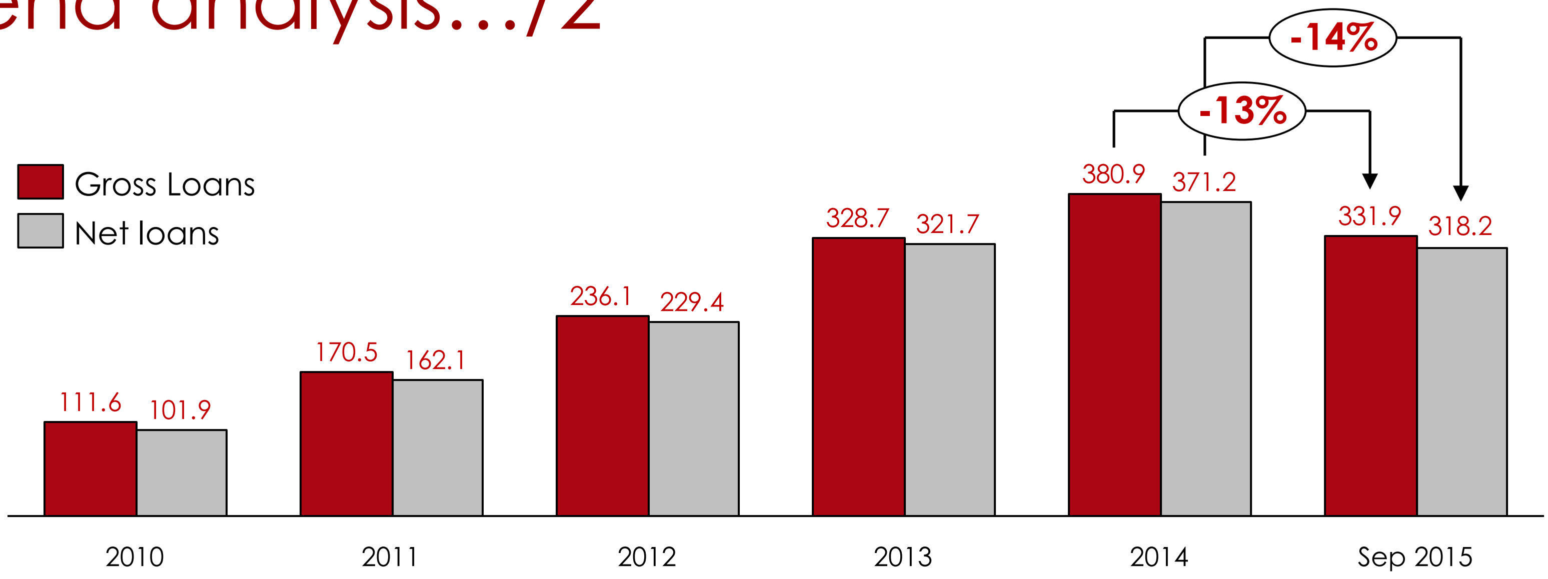
Ratings Agency	Short Term	Long Term	Outlook
GCR	A3	BBB	Stable
DATAPRO LIMITED	A2	BBB+	Stable

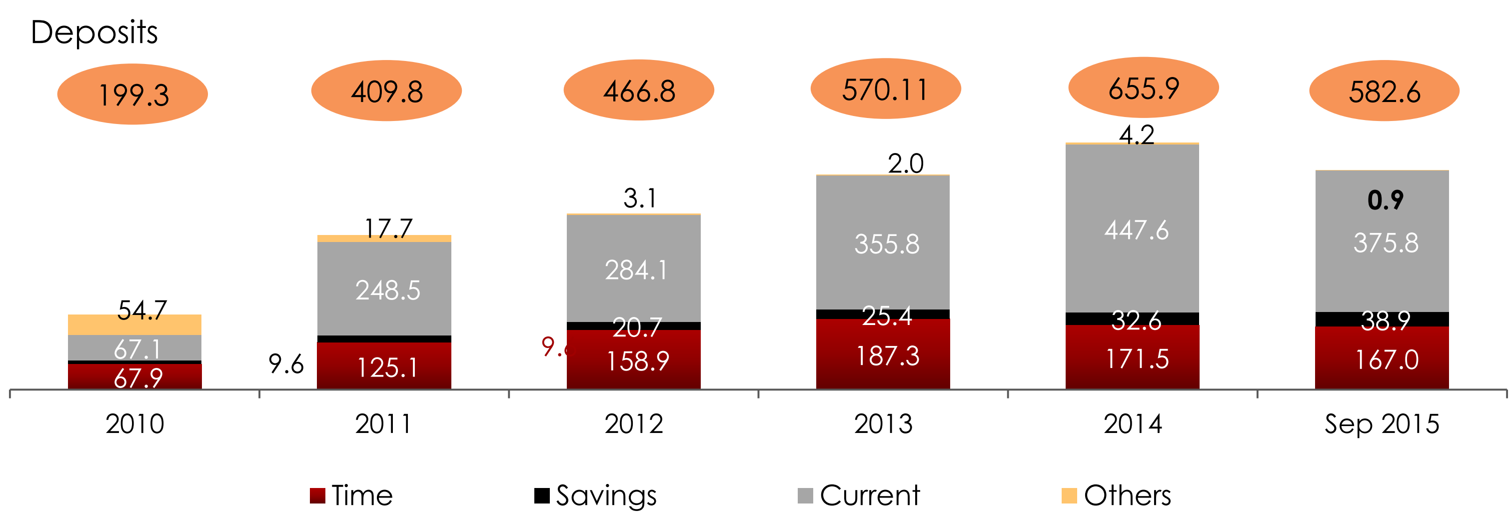
Trend analysis…/1





Trend analysis…/2





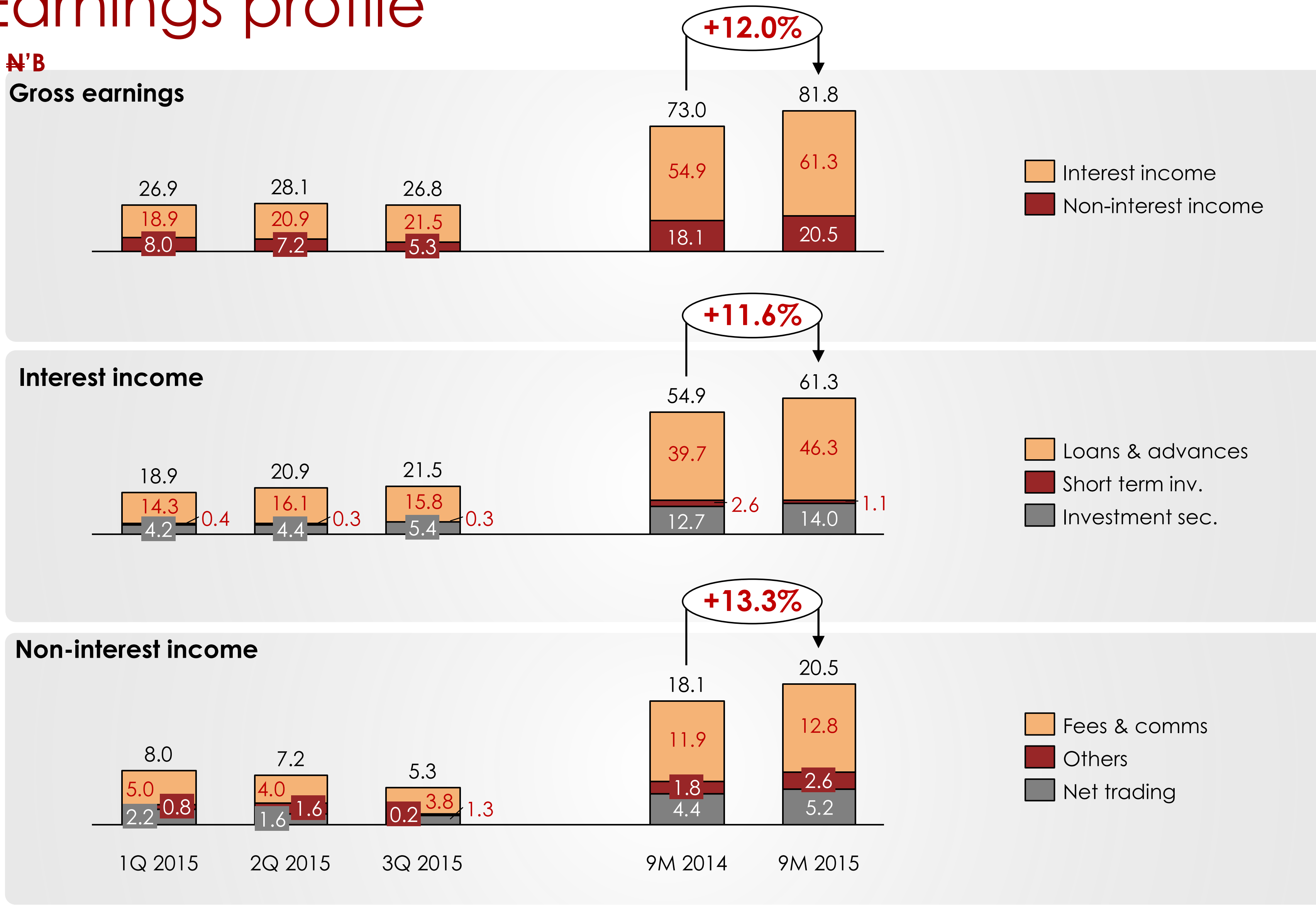
Performance Review

- Earnings analysis

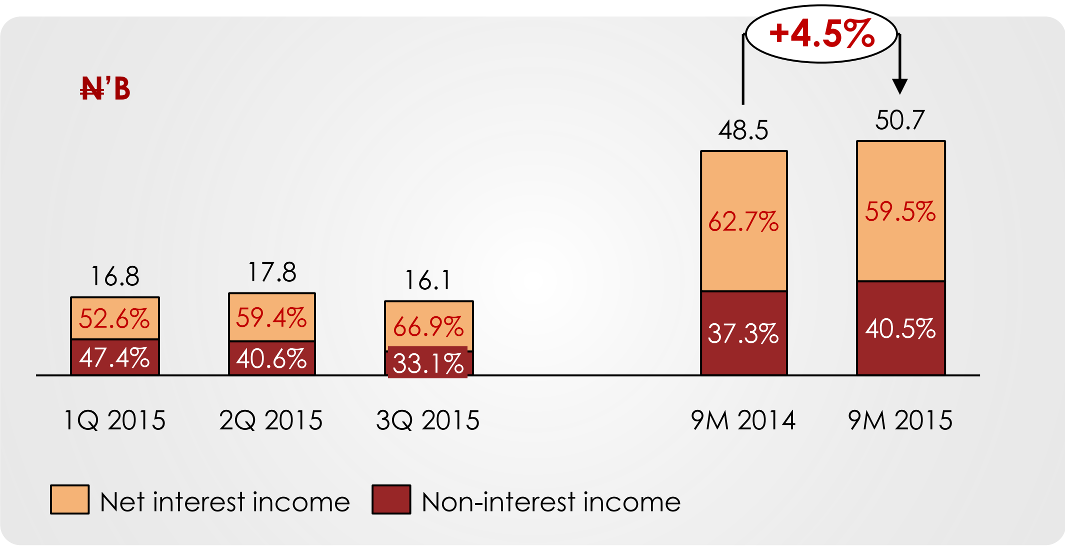
Income statement highlights

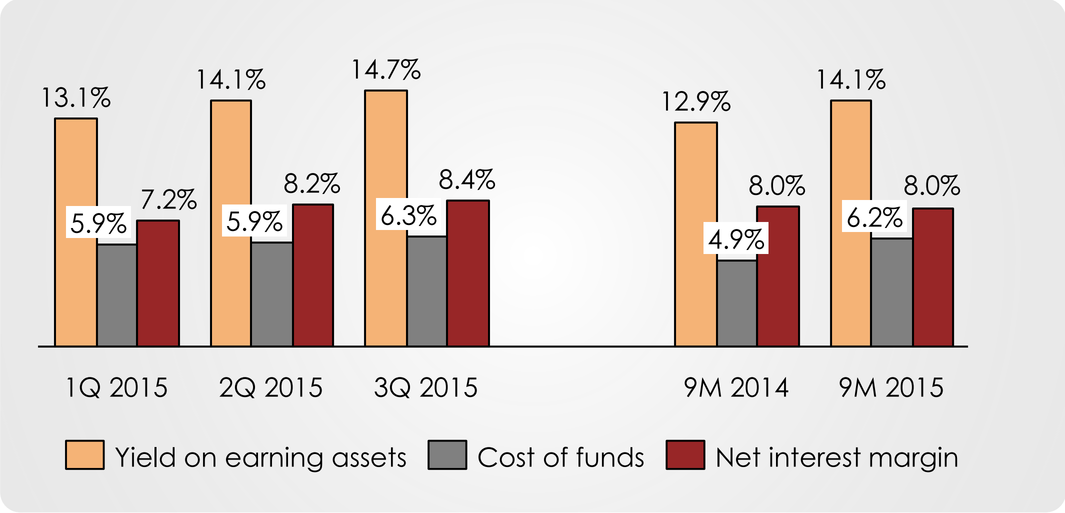
Items (N'mn)	9M 2015	% of Earnings	9M 2014	% of Earnings	YoY Growth
Gross earnings	**81,811.6**	**100.0%**	**73,032.8**	**100.0%**	**12.0%**
Interest income	61,293.8	74.9%	54,927.6	75.2%	11.6%
Interest expense	(31,124.1)	38.0%	(24,534.2)	33.6%	26.9%
Net interest income	**30,169.7**	**36.9%**	**30,393.4**	**41.6%**	**-0.7%**
Fees and commission income	12,782.3	15.6%	11,891.5	16.3%	7.5%
Net Trading income	5,154.7	6.3%	4,399.8	6.0%	17.2%
Other operating income	2,580.8	3.2%	1,813.9	2.5%	42.3%
Non-interest income	**20,517.8**	**25.1%**	**18,105.2**	**24.8%**	**13.3%**
Operating income	50,687.5	62.0%	48,498.6	66.4%	4.5%
Impairment charges	(5,237.9)	6.4%	(3,482.0)	4.8%	50.4%
Net operating income after impairment	**45,449.6**	**55.6%**	**45,016.6**	**61.6%**	**1.0%**
	-		-		
Personnel expenses	(8,722.4)	10.7%	(8,635.1)	11.8%	1.0%
Other operating expenses	(8,939.1)	10.9%	(7,266.4)	9.9%	23.0%
General and administative expenses	(12,393.4)	15.1%	(14,320.7)	19.6%	-13.5%
Other property, plant and equipment cost	(4,229.2)	5.2%	(4,028.5)	5.5%	5.0%
Depreciation and amortisation	(2,861.4)	3.5%	(2,263.2)	3.1%	26.4%
Total expenses	**(37,145.5)**	**45.4%**	**(36,513.9)**	**50.0%**	**1.7%**
Profit before income tax	**8,304.1**	**10.2%**	**8,502.7**	**11.6%**	**-2.3%**
Income tax expense	(756.5)	0.9%	(1,439.6)	2.0%	-47.4%
Profit for the period	**7,547.6**	**9.2%**	**7,063.1**	**9.7%**	**6.9%**

Earnings profile



Operating income

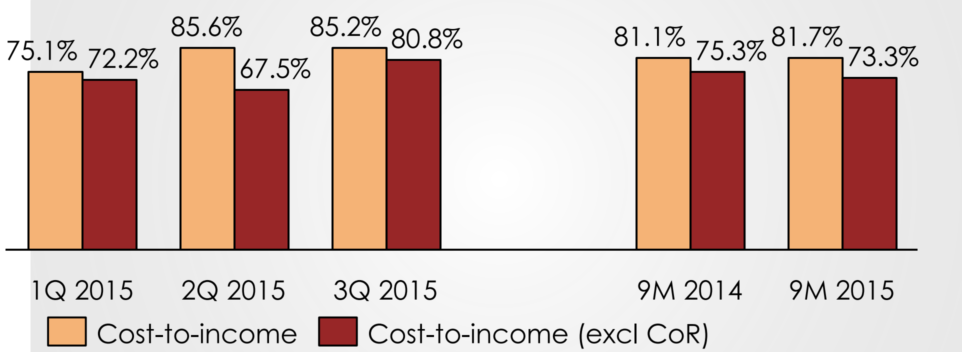




Comments

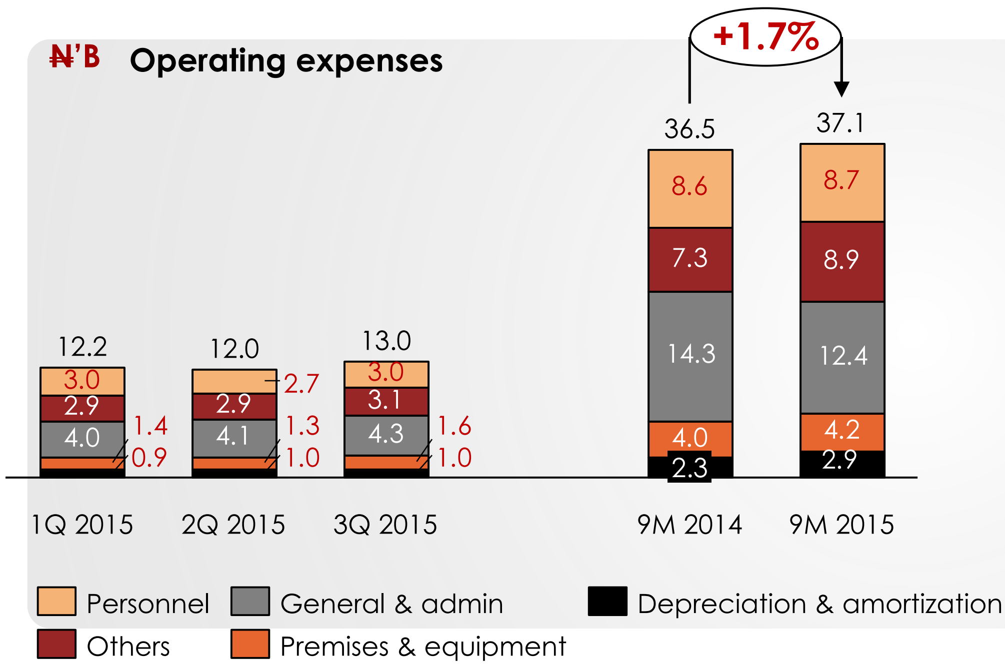
- Earnings grew by 12% to N81.8 billion spurred by growth in interest and non-interest income by 11.6% and 13.3% respectively
- Growth in operating income grew by 4.5% to N50.7 billion arising from improvements in non-interest income which was boosted by a 17% growth in net trading income
- Yield on earning assets rose by 124 basis points, while cost of funds increased by 128 basis points due to tighter monetary policy measures
- However, net interest margin remained relatively at 8.0%
- We do not expect further deterioration in margins given current drive to boost retail deposits and moderate funding costs

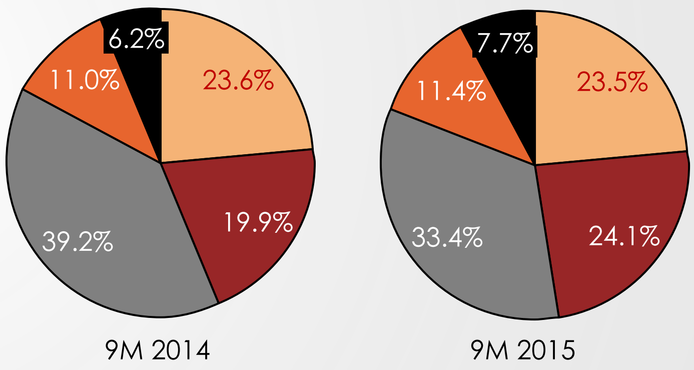
Operating Efficiency



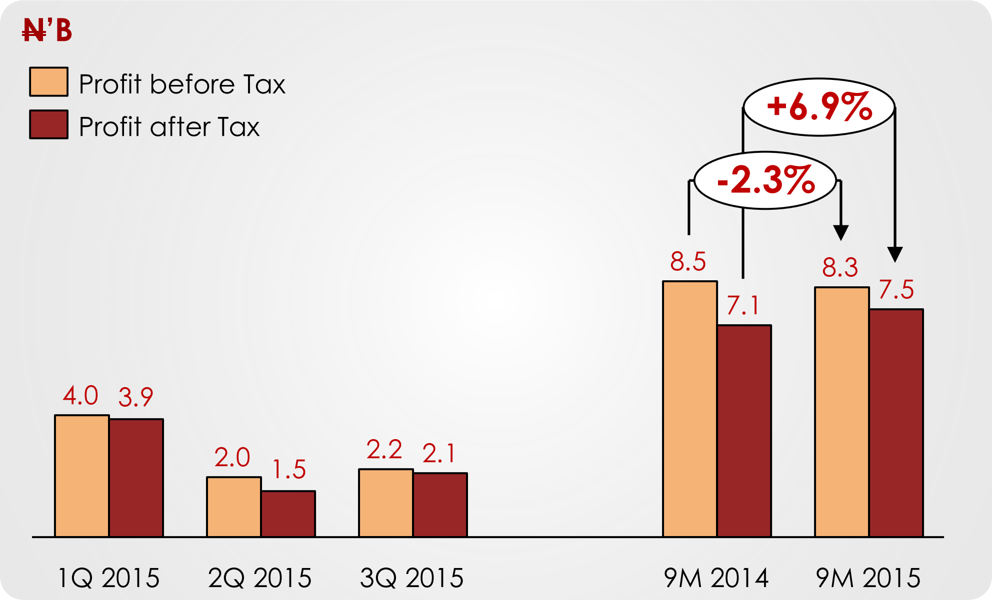
Comments

- 9M 2015 cost-to-income ratio improved by 210 basis points to 73.3% due to performance optimization and operational efficiency
- 9M 2015 opex grew marginally by 1.7% to N37.2 billion
- General admin expenses which accounted for a third of opex declined by 13.5% on the back of the on-going cost management initiatives being implemented



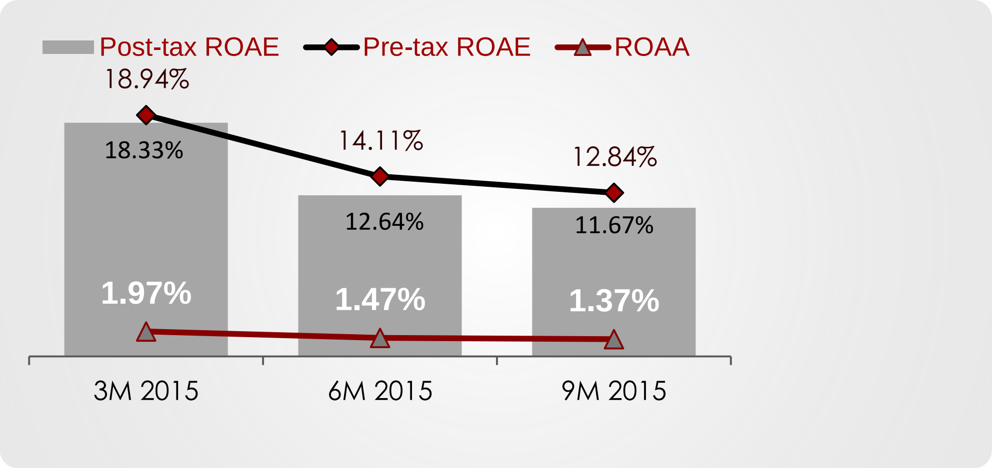


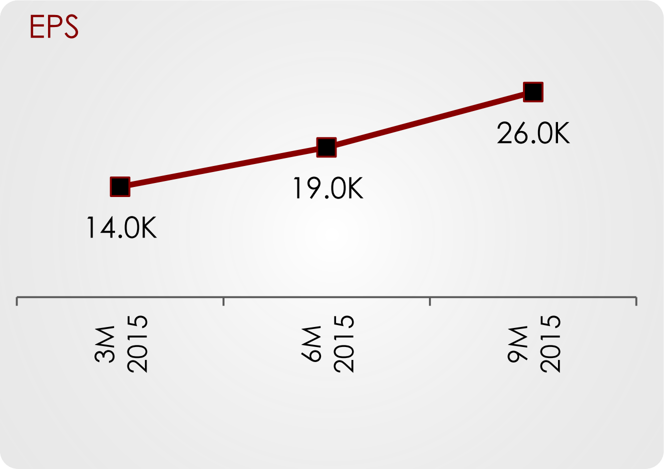
Profitability



Comments

- Earnings came under pressure due to weak macro economic conditions and regulatory headwinds
- Impairment charges increased by 50% to N5.2 billion
- 9M PBT declined by 2.3% to N8.3 billion, while PAT rose by 6.9% to N7.5 billion
- Pre-tax ROAE remained competitive at 12.8% (post-tax 11.7%)





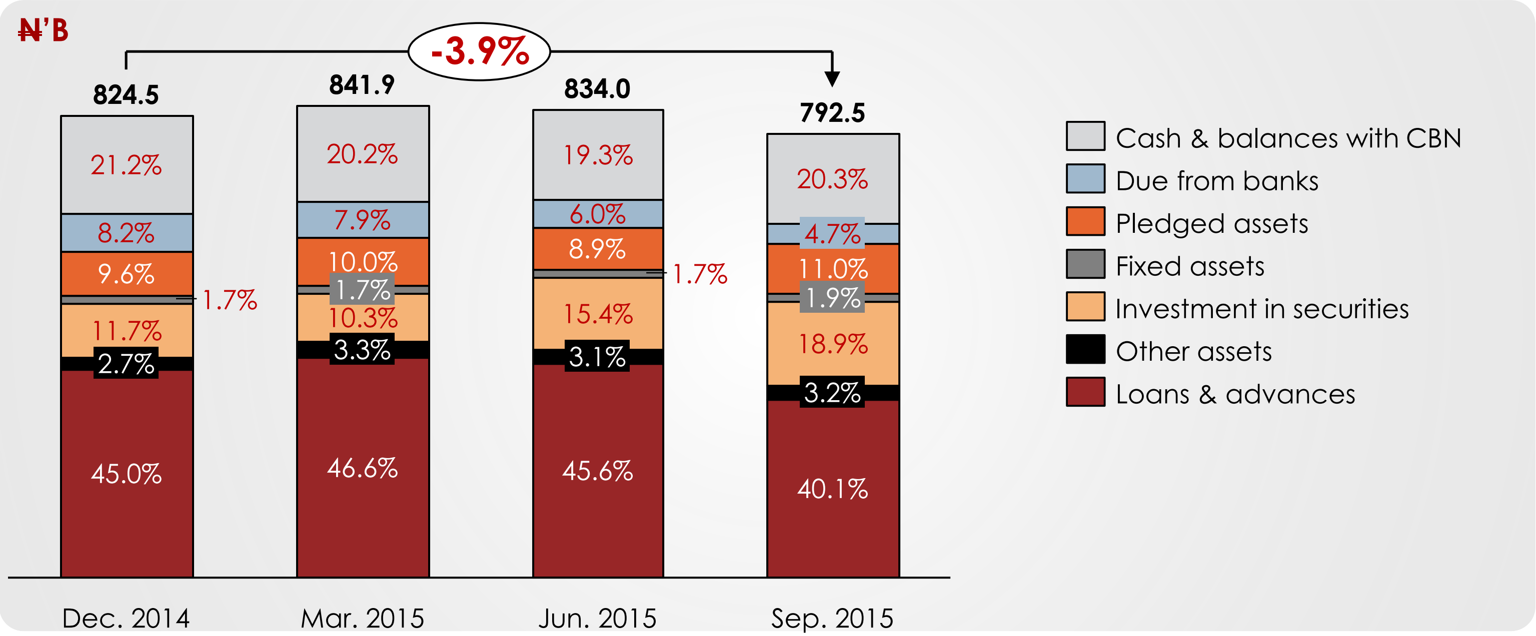
Performance Review
- Balance sheet analysis

Highlights of financial position

Items (N'mn)	Sep 2015	% of Total Assets	Dec 2014	% of Total Assets	Growth
Assets					
Cash and balances	160,687.7	20.3%	174,760.0	21.2%	-8.1%
Due from banks	37,270.6	4.7%	67,330.1	8.2%	-44.6%
Pledged financial assets	86,897.6	11.0%	78,750.9	9.6%	10.3%
Loans and advances to Customers	318,190.8	40.1%	371,246.3	45.0%	-14.3%
Investment securities:	149,637.4	18.9%	96,570.7	11.7%	55.0%
- Held for trading	3,607.1	0.5%	1,949.5	0.2%	85.0%
- Available-for-sale	107,945.6	13.6%	49,039.4	5.9%	120.1%
- Held to maturity	38,084.7	4.8%	45,581.8	5.5%	-16.4%
Other assets	16,920.7	2.1%	14,137.0	1.7%	19.7%
Property, plant and equipment	14,894.8	1.9%	13,952.0	1.7%	6.8%
Intangible assets	1,077.8	0.1%	821.5	0.1%	31.2%
Deferred tax assets	6,971.1	0.9%	6,971.1	0.8%	0.0%
Total Assets	**792,548.6**	**100.0%**	**824,539.4**	**100.0%**	-3.9%
Liabilities					
Deposits from Customers	582,631.8	73.5%	655,944.1	79.6%	-11.2%
Current income tax liabilities	1,062.5	0.1%	1,802.2	0.2%	-41.0%
Other borrowed funds	52,774.4	6.7%	45,371.1	5.5%	16.3%
Debt securities issue	4,709.1	0.6%	4,563.6	0.6%	3.2%
Other liabilities	63,168.4	8.0%	32,143.1	3.9%	96.5%
Total Liabilities	**704,346.2**	**88.9%**	**739,824.1**	**89.7%**	-4.8%
Total equity	**88,202.4**	**11.1%**	**84,715.3**	**10.3%**	4.1%
Total liabilities and equity	**792,548.6**	**100.0%**	**824,539.4**	**100.0%**	-3.9%

Sterling Bank
The one-customer bank

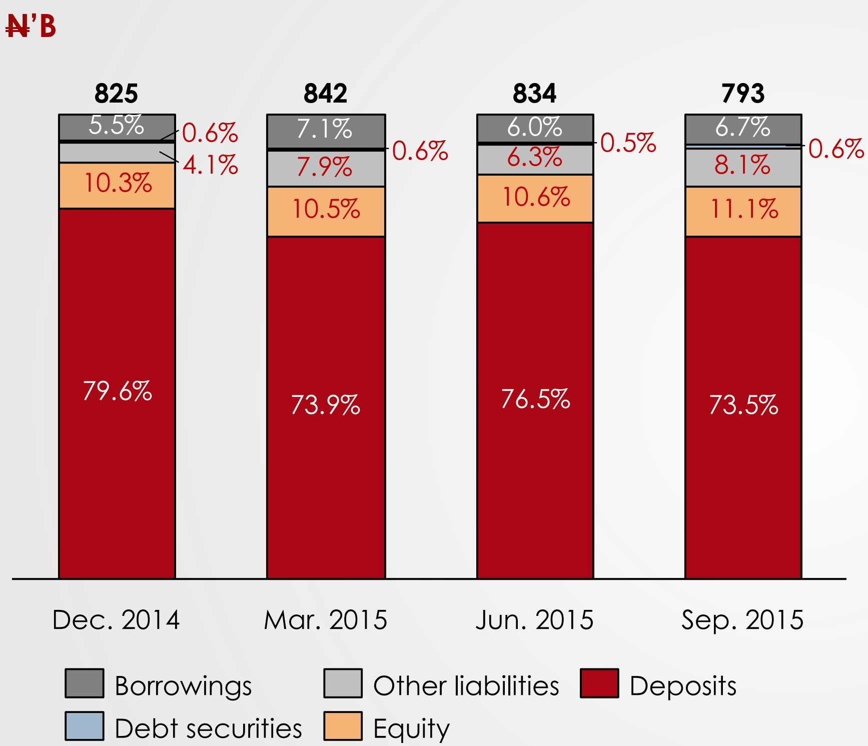
Assets growth trend

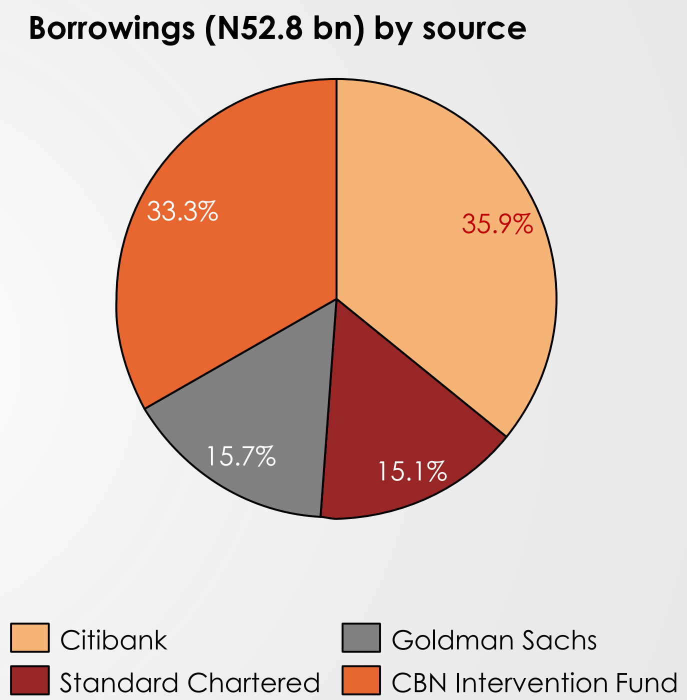


Comments

- Total assets declined by 3.9 % to N792.5 billion as we continued to prioritize efficiency in the management of our balance sheet in response to a difficult operating environment
- Loans and advances recorded the highest contribution with 40.1% penetration level
- Cash and balances with CBN declined by 8.1% driven mainly by the decline in deposits and accounted for 20.3% of total assets
- We remained focused on balance sheet optimization in order to maximize asset yield

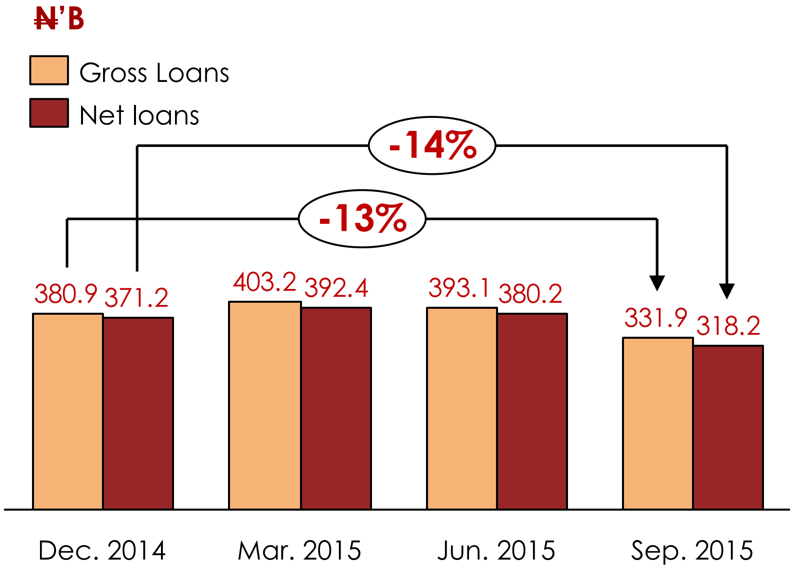
Funding mix

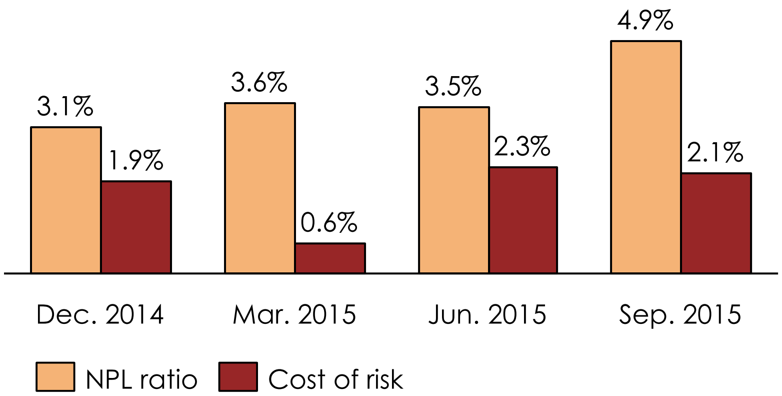




- Deposits remained the major source of funding at 73.5% of total assets

Asset quality

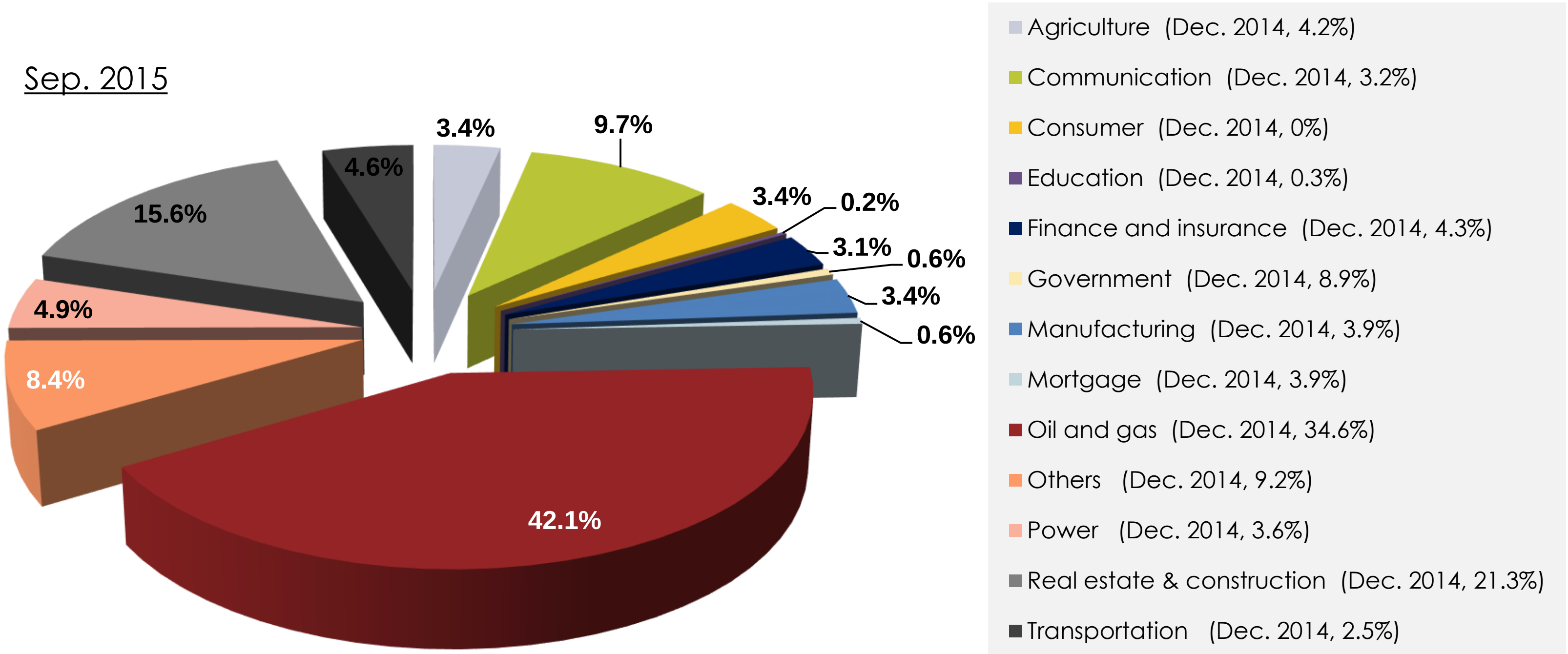


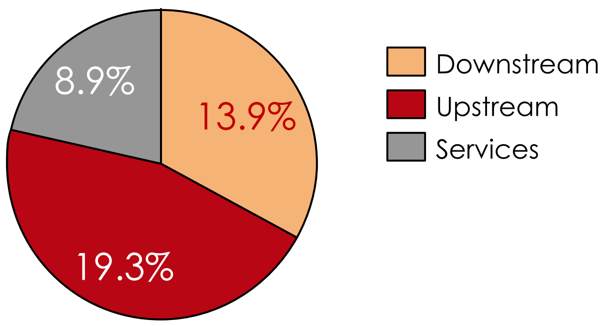


Comments

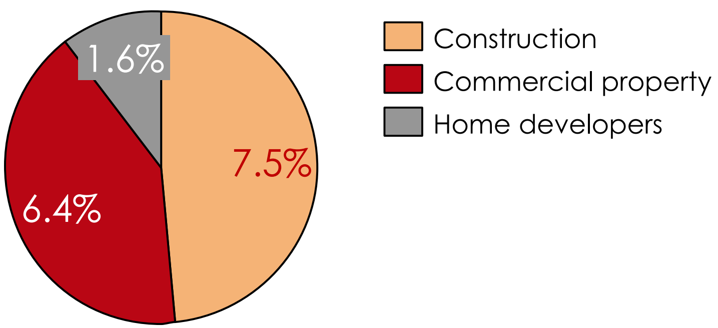
- Gross loans increased by 14% and net loans by 13% to N331.9 billion and N318.2 billion respectively year-to-date due to the liquidation of state government loans
- Non-performing loans to gross loans (NPL ratio) rose to 4.9% from 3.1% in Dec. 2014 due to the reduction in loan book arising from the re-purchase of state government loans by the central government
- Cost of risk increased by 30 basis points to 2.1% year-to-date but declined 20 basis points QoQ
- NPLs were adequately covered at 98%
- Net loan-to-deposit ratio declined by 200 basis points to 54.6% resulting from the decline in net loans which far offset the decline in total deposits

Gross loans by sector…/1





Oil & gas loan split

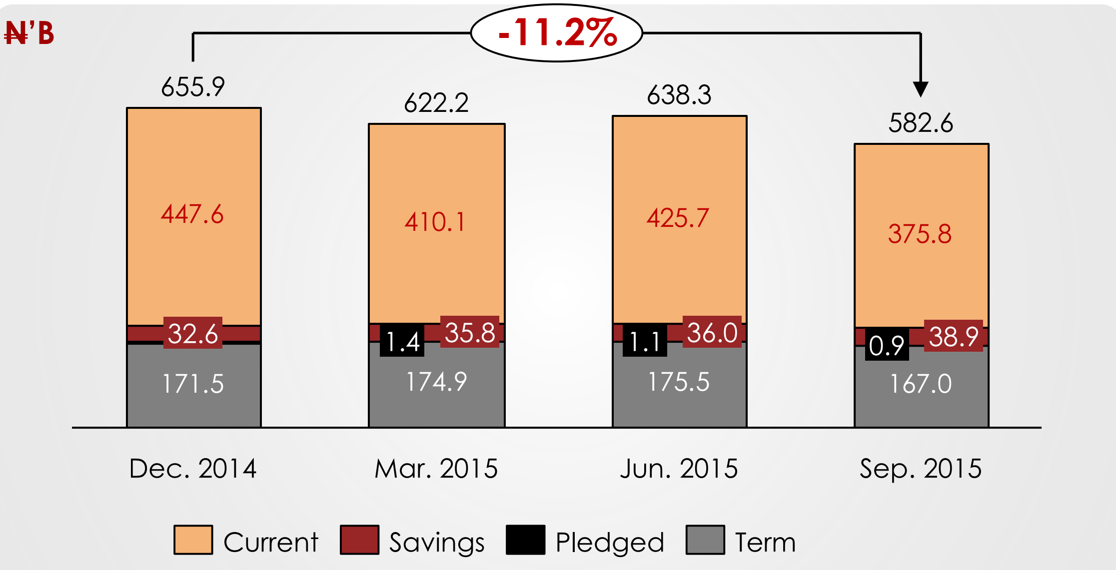


Real estate & construction loan split

Gross loans by sector…/2

Sectors (N'mn)	Sep 2015	% of Gross Loans	Dec 2014	% of Gross Loans	Growth
Agriculture	11,314	3.4%	16,123	4.2%	-29.8%
Communication	32,154	9.7%	12,101	3.2%	165.7%
Consumer	11,414	3.4%	8	0.0%	150147.7%
Education	826	0.2%	1,298	0.3%	-36.4%
Finance & Insurance	10,213	3.1%	16,450	4.3%	-37.9%
Government	2,107	0.6%	33,981	8.9%	-93.8%
Manufacturing	11,152	3.4%	14,740	3.9%	-24.3%
Mortgage	1,933	0.6%	14,789	3.9%	-86.9%
Oil & Gas	139,493	42.1%	131,877	34.6%	5.8%
Others	27,847	8.4%	34,995	9.2%	-20.4%
Power	16,128	4.9%	13,743	3.6%	17.4%
Real Estate & Construction	51,598	15.6%	81,202	21.3%	-36.5%
Transportation	15,404	4.6%	9,578	2.5%	60.8%
Grand Total	**331,583**	**100.0%**	**380,885**	**100.0%**	**-12.9%**

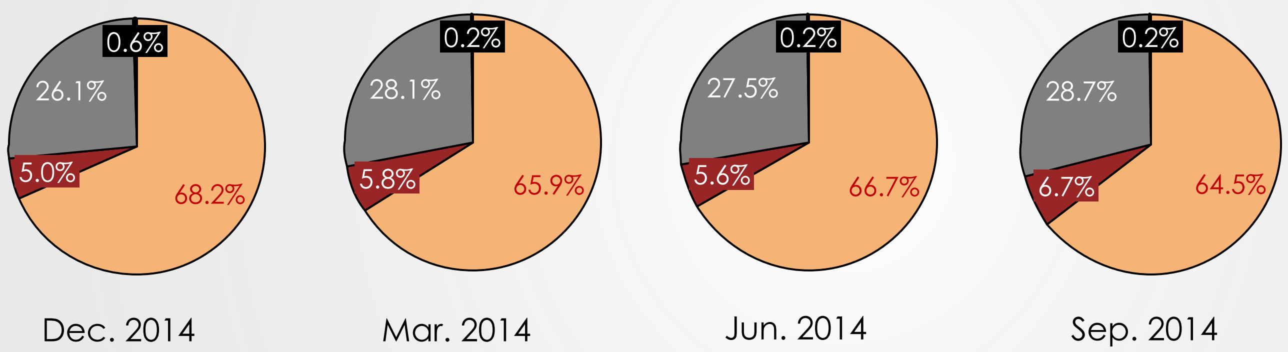
Deposits



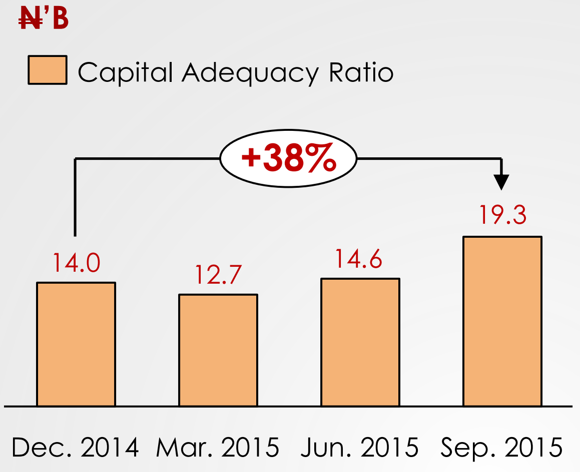
Comments

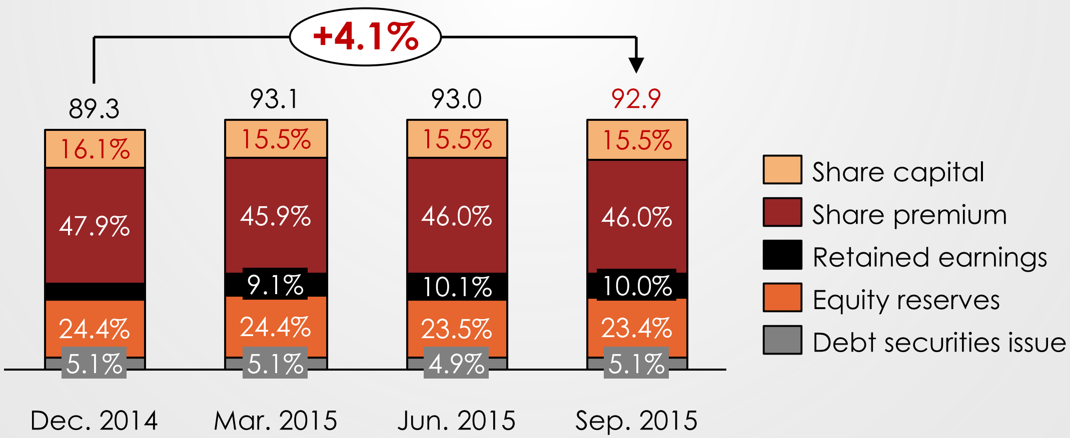
- Deposits declined by 11.2% N582.6 billion, resulting from the implementation of the Treasury Single Account (TSA) policy
- Low cost deposits accounted for 71% (Dec. 2014: 73%) of total deposits, while wholesale funds accounted for 29%
- Savings deposits rose by 19% and accounted by 6.7% of total deposits (Dec. 2014: 5.0%) re-affirming the benefits of our retail drive

Deposit Mix



Capital





Comments

- Capital adequacy ratio reached an all-time high of 19.3%, driven by asset substitution arising from the liquidation of the sub-sovereign loans
- Liquidity ratio improved substantially to 47.8% from 33.6% in Dec 2014, further improving our buffers in a very difficult environment
- Total capital (including debt) increased by 4.1% to N92.9 billion, driven by profit accretion
- We remain confident that we will complete the final tranche of our capital program in order to build additional resilience in the current difficult macro-economic conditions, while also strengthening earnings capacity

Financial ratios

Indicators	9M 2014	FY 2014	9M 2015
Pre Tax Return on Average Equity (annualized)	17.6%	16.6%	12.8%
Post Tax Return on Average Equity (annualized)	14.7%	13.9%	11.6%
Return on Average Assets (annualized)	1.5%	1.4%	1.4%
Earnings per Share	33k	42k	26k
Yield on Earning Assets	12.9%	14.2%	14.1%
Cost of Funds	4.9%	5.3%	6.2%
Net Interest Margin	8.0%	8.9%	7.9%
Cost to Income	75.4%	73.6%	73.3%
NPL Ratio	2.1%	3.1%	4.9%
Capital Adequacy Ratio	10.02%	13.8%	19.3%
Liquidity Ratio	37.2%	33.6%	47.8%
Loan to Deposit Ratio	47.9%	56.6%	54.6%

Sterling Bank
The one-customer bank.

Outlook

Innovation & Growth

Key initiatives

- Implementation of numerous technology-led service improvement initiatives across core and subsidiary systems in order to improve operating efficiency and employee productivity
- Finalize our capital program in order to build additional resilience under the current difficult macro-economic conditions, while also strengthening earnings capacity
- Continue the expansion of our retail footprint across various channels to further drive customer acquisition and enhance service delivery
- Continue the upgrade of the *look and feel* of our existing branch infrastructure
- As part of our increasing focus on cost optimization, we have set up a strategic cost management unit to sustain the improvements in cost-income relationship

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Innovation & Growth