Sterling Bank
The one-customer bank.

Analyst/Investor Presentation

Q1 2016

Important Information

Notice

- This presentation has been prepared by Sterling Bank PLC. It is intended for an audience of professional and institutional investors who are aware of the risks of investing in the shares of publicly traded companies.

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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.

Overview

Sterling Bank at a glance

National Commercial Banking License

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

A3	*Short term rating*
BBB	*Long term rating*

DataPro Limited
...Preaching the Gospel of Compliance

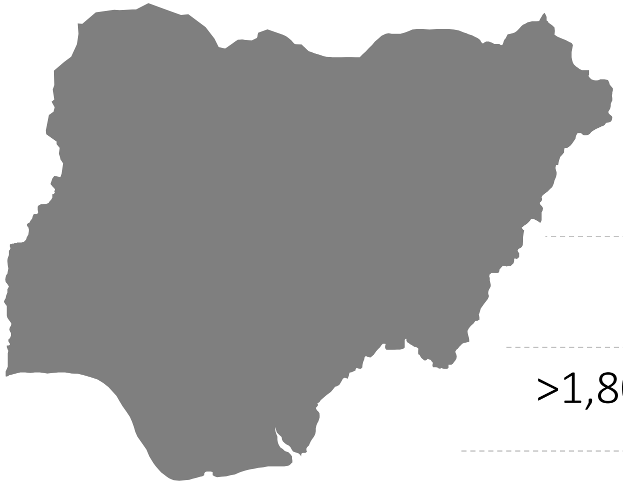
A2	*Short term rating*
BBB+	*Long term rating*

MOODY'S INVESTORS SERVICE

B2	*Long term rating*

★★★★ 2016
LAFFERTY *Bank Quality Ratings*

Branch Network



189
Branches

840
ATMs

>1,800,000
Customer base

>2,600
Professional Employees

Business Focus

Retail, Commercial & Corporate Clients

Milestone

2006 – 2010 The Birthing Process

Our Heritage

Sterling Bank Plc was born out of a merger of five other Nigerian banks in a bid to achieve compliance with the regulatory requirement mandating a N25 billion minimum capital base for Nigerian banks.

Magnum Trust Bank

NAL Bank Plc

Trust Bank of Africa Ltd.

Indo-Nigeria Merchant Bank

NBM Bank Ltd.

These banks were predominantly investment banks with little retail footprint. Given this fact, the business of commercial banking was somewhat new to Sterling Bank with challenges

The result of the low retail penetration was a high cost of funds which impaired growth and profitability.

Low Branch Network

Weak Customer Base

Low Brand Visibility

Deposit Book Concentration

Low Capital Base

We navigated through these years to:

Establish a foothold for better scale in the market

Integrate our people following from the M&A

Create a distinct brand identity.

Sustainable solutions to reposition us as a key competitor

Beef up capital to enable us achieve better scale.

Grow our retail footprint by investing in technology and service channel network growth i.e. branches, ATMs, internet and mobile banking, network upgrade and other technology infrastructure.

Adopt social media to deepen customer interactions

Enhance brand visibility for both our corporate and retail clients

Improve our technological capabilities to enable us segment and create unique experiences for our customers

Fund deposit book predominantly from the retail segment

Invest in our people by encouraging a learning and Knowledge driven organization

Milestone

2011 – 2015 The Growth Years

2011

In furtherance of the retail growth strategy, in 2011, the Bank consummated a business combination with Equitorial Trust Bank. This was to position the enlarged entity to benefit from the significant commercial opportunities in the emerging banking landscape and the Nigerian economy in general.

We re-launched our brand promise in 2009 with **'the one-customer bank'** slogan

As at the end of 2015, our capital base was about N100bn allowing us make the necessary investments for our growth plans

2015
Capital Base

N100b

Over the last five years we have received ISO certifications for our information assets

Although still navigating the tides in our current regulatory environment, we have a resilient model as we have been since the first merger.

Our capital adequacy ratio is currently **17.5%** above the regulatory benchmark of 10%.

Our capital programme raising plan commenced in 2013 at which point we had over N50bn.

2013
Capital Base

N68b

Received PCIDSS Certification for all our cards

We have publicly declared our ratings from internationally acclaimed rating agencies Moody's, Lafferty and GCR who have given external and independent validation of our journey and vision.

Our bank as well as its management have received local and global awards on innovation, leadership and service to the community.

Our journey has been eventful and fulfilling. As an institution we are committed to being the financial institution of choice and continue to navigate our way to deliver on this promise.

Our Strategy

- Build a sustainable and systemically important bank

Manage risk, balance sheet and capital to deliver superior returns to shareholders.

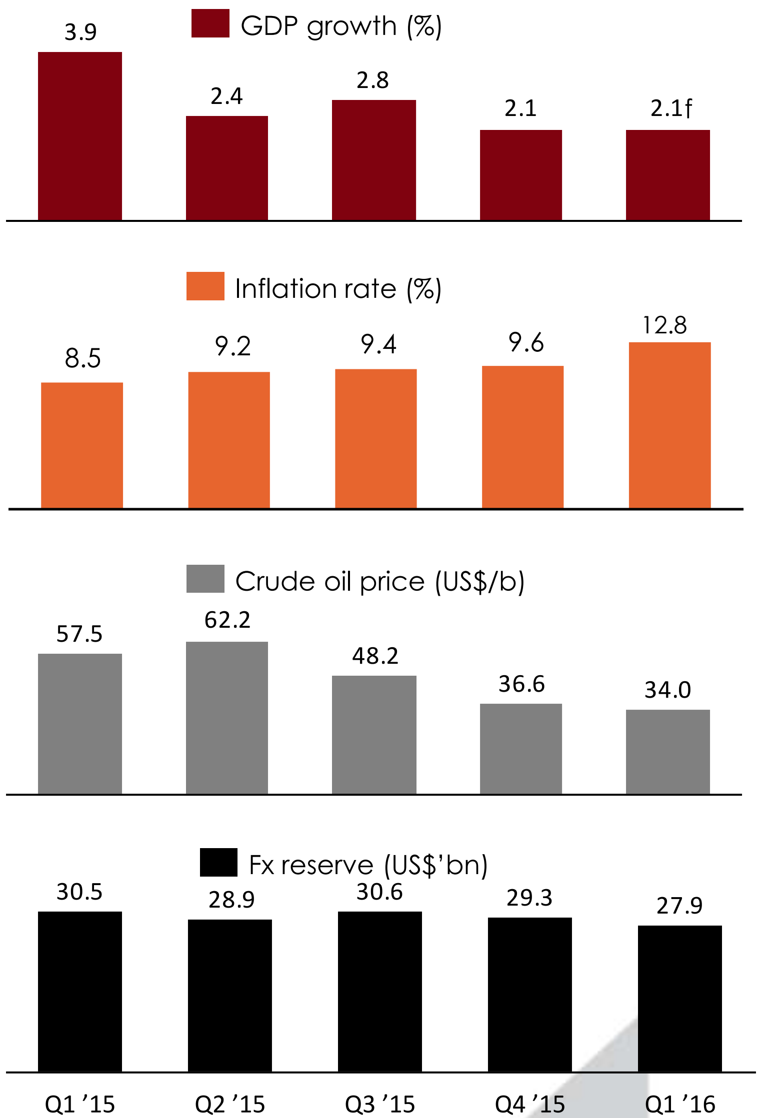
Create a learning organization to optimize productivity.

Optimize operations and technology to drive better control, manage costs, complexity and risk

Deliver excellent customer service and drive efficiency and sales through robust digital and payments capability

Macro Profile

- GDP growth rate in Q4 2015 was 2.1% y-o-y (Q4 2014 5.9%), but expected to remain flat q-o-q at 2.1% in Q1 2016 given low oil prices and the attendant slowdown in economic activities
- Bonny Light declined 7% q-o-q to average US$34pb in Q1 2016 from an average price of US$36.6 in Q4 2015
- Foreign reserves was down 15.6% to US$29.1 in December 2015 from US$34.5bn as at December 2014; and fell further to US$27.9bn in March 2016
- Headline inflation rate trended upward to close the year at 9.6% in December 2015 and 12.8% in March 2016; 380 basis points above CBN's target of 9%
- The CBN retained exchange rate at N197/US$ in the official market and implemented various foreign exchange policies to reduce demand pressure on the Naira; however, the Naira traded at about N320/US$ in the parallel market in Q1 2016
- The CBN introduced tighter monetary policy measures with a 100 basis points increase in the MPR to 12% and a 225 basis points increase in the CRR to 22.5%



Performance Review
- Earnings analysis

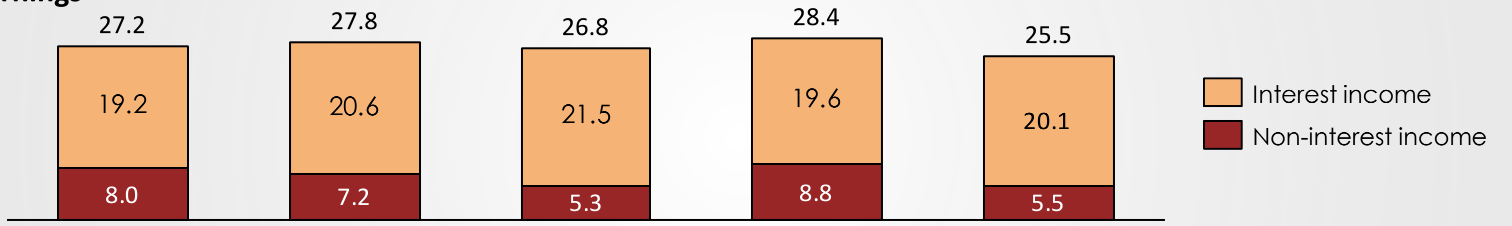
Q1 2016 Earnings Highlights

	2016		2015		
	Q1 2016	% of Gross Earnings	Q1 2015	% of Gross Earnings	Growth
Gross Earnings	**25,504,746**	**100.0%**	**27,226,310**	**100.0%**	**-6.3%**
Interest income	20,053,391	78.6%	19,237,806	70.7%	4.2%
Interest expense	(8,639,000)	33.9%	(10,087,642)	37.1%	-14.4%
Net interest income	**11,414,391**	**44.8%**	**9,150,164**	**33.6%**	**24.7%**
Fee and commission	3,674,765	14.4%	5,006,762	18.4%	-26.6%
Trading income	1,537,205	6.0%	2,211,431	8.1%	-30.5%
Other operating income	239,385	0.9%	770,311	2.8%	-68.9%
Non-interest income	**5,451,355**	**21.4%**	**7,988,504**	**29.3%**	**-31.8%**
Operating income	**16,865,746**	**66.1%**	**17,138,668**	**62.9%**	**-1.6%**
Net impairment charges	(1,440,310)	5.6%	(933,748)	3.4%	54.3%
Net operating income	**15,425,436**	**60.5%**	**16,204,920**	**59.5%**	**-4.8%**
Personnel expenses	(2,828,653)	11.1%	(2,978,959)	10.9%	-5.0%
Depreciation and amortisation	(1,017,589)	4.0%	(936,371)	3.4%	8.7%
Other operating expenses	(3,052,553)	12.0%	(2,841,139)	10.4%	7.4%
General and administative expenses	(4,332,920)	17.0%	(4,040,043)	14.8%	7.2%
Other property, plant and equipment	(1,386,999)	5.4%	(1,366,540)	5.0%	1.5%
Operating Expenses	**(12,618,714)**	**49.5%**	**(12,163,052)**	**44.7%**	**3.7%**
Profit before income tax	**2,806,722**	**11.0%**	**4,041,868**	**14.8%**	**-30.6%**
Income tax expense	(263,626)	1.0%	(129,557)	0.5%	103.5%
Profit after tax	**2,543,096**	**10.0%**	**3,912,311**	**14.4%**	**-35.0%**

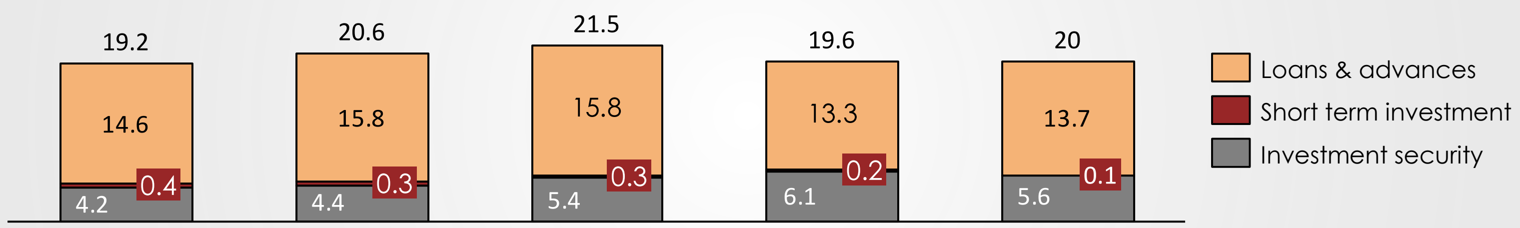
Earnings Profile

₦'B

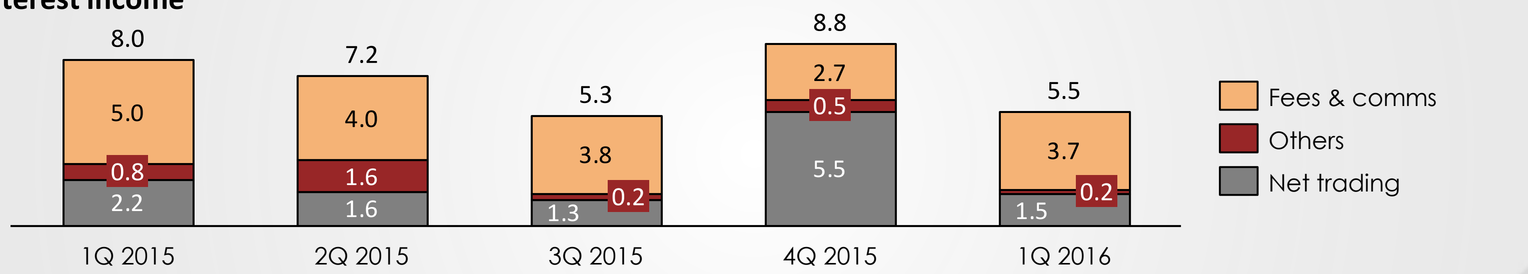
Gross earnings



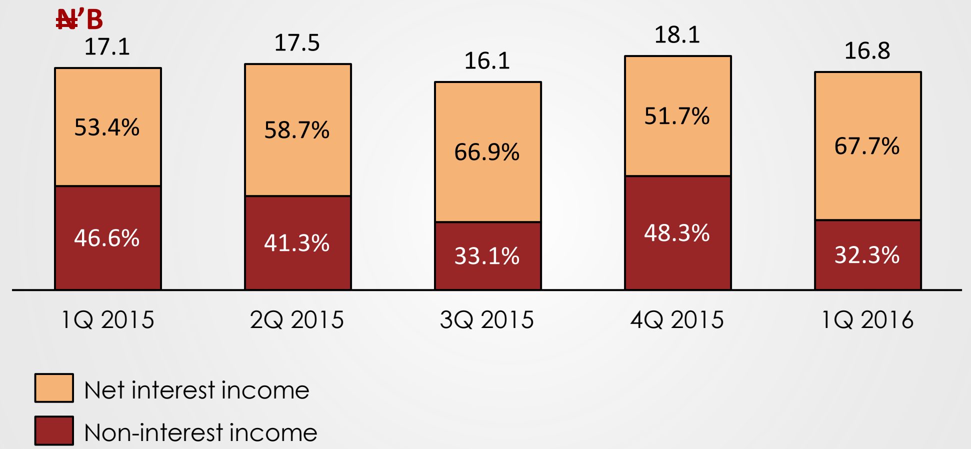
Interest income

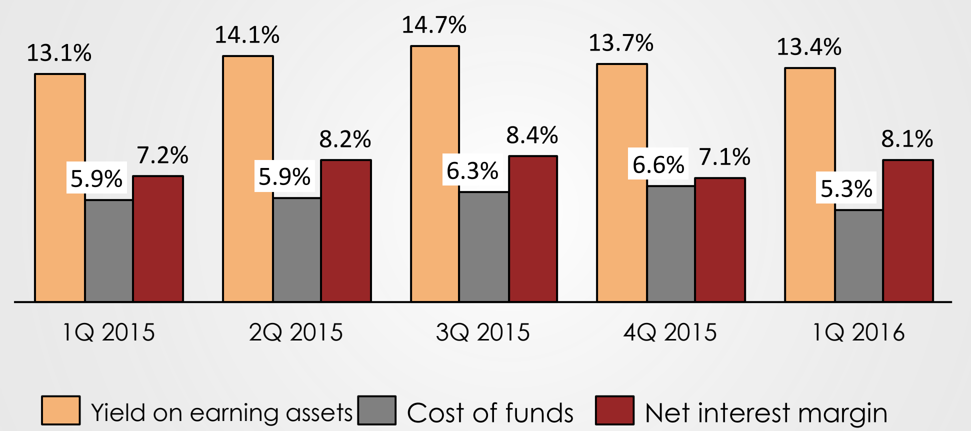


Non-interest income



Operating income

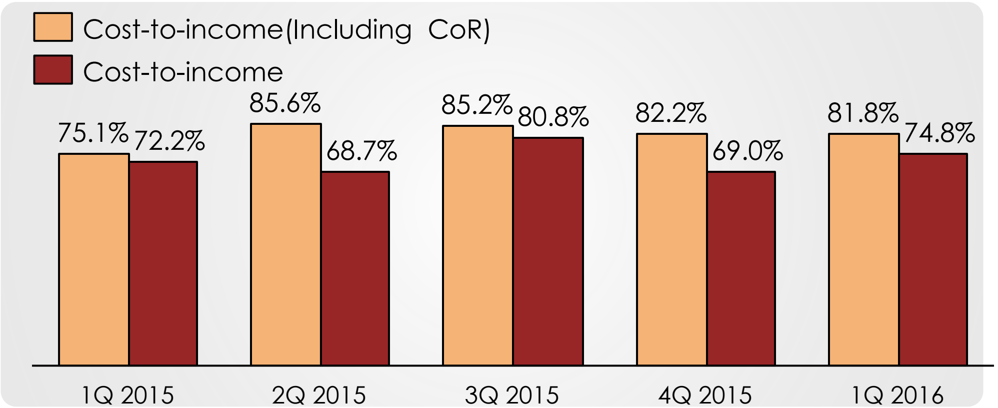




Comments

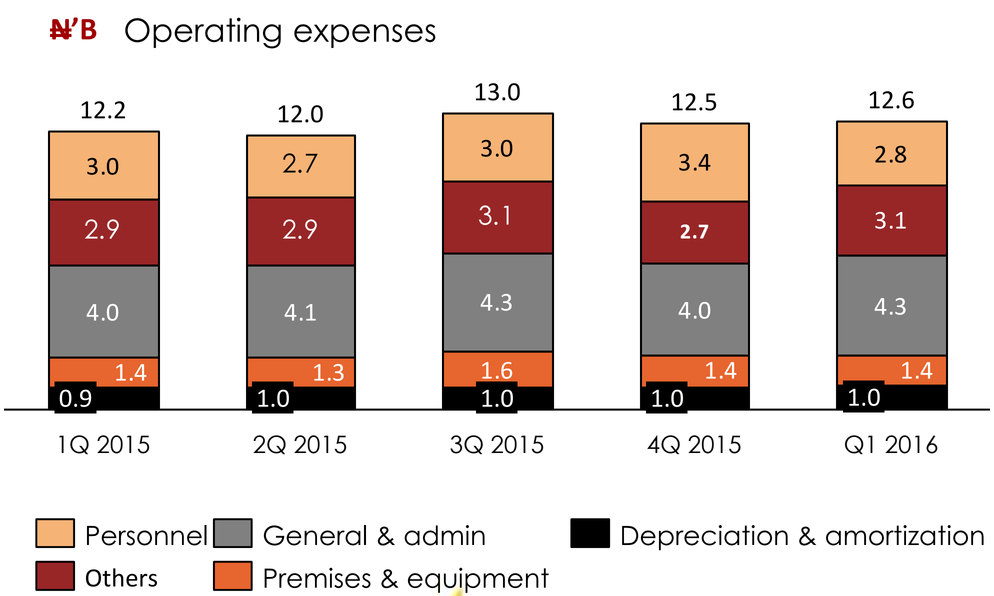
- Gross earnings declined by 6.3% y-o-y to N25.5 billion in Q1 2016 (10.2% decline q-o-q)
- Earnings were driven by interest income which rose by 4.2% but was offset by a 31.8% decline y-o-y in non-interest income to N5.5 billion (18.5% decline adjusted for non-recurring items)
- Net interest income rose by 24.7% feeding from a 4.2% rise in interest income supported by a 14.4% reduction in interest expense
- Operating income declined by 1.6% y-o-y to N16.8 billion, supported by the improvement in net interest income
- Yield on earning assets increased by 30 basis points y-o-y, while cost of funds declined by 60 basis points to 5.3% (120 basis points reduction q-o-q from 6.6% in Q4 2015)
- Consequently net interest margin rose by 90 basis points y-o-y to 8.1%

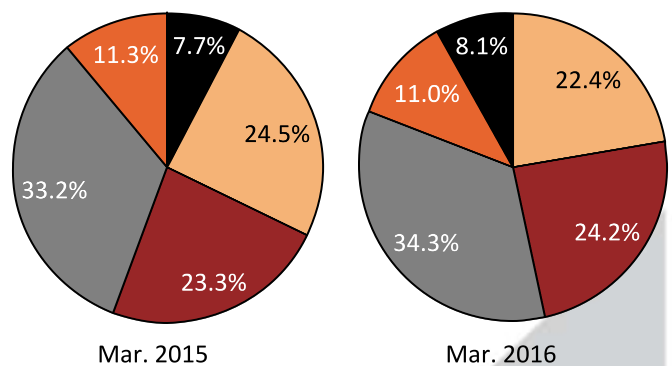
Operating Efficiency



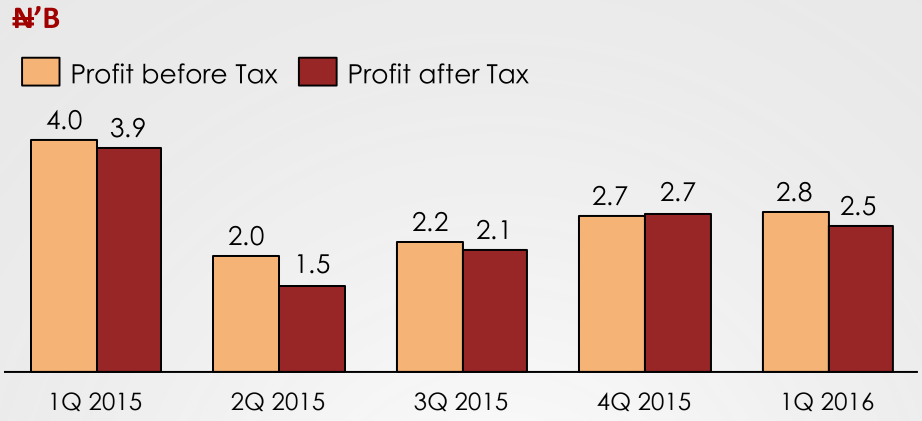
Comments

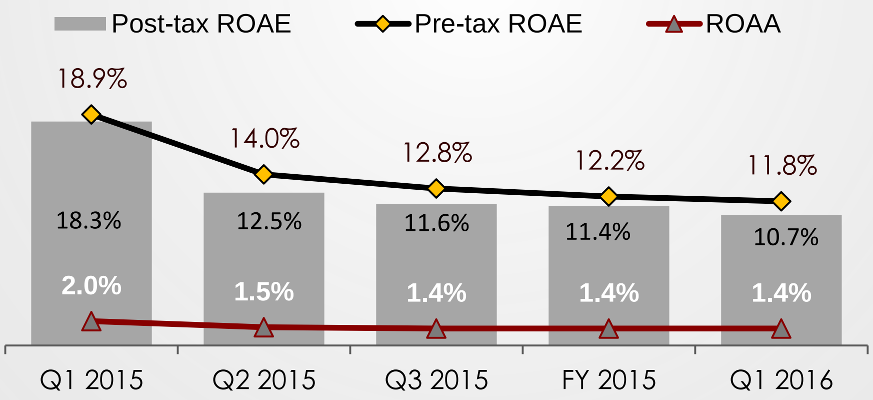
- Operating expenses increased by 3.7% y-o-y to N12.6 billion but increased marginally q-o-q by 0.8%
- Growth was largely driven by inflationary pressures during the period
- Personnel cost declined by 5% due to the deployment of outsourced services
- Depreciation and amortization increased by 8.7% y-o-y due to the on-going investments in a number of technology-led service improvement initiatives across core and subsidiary systems, and channels optimization.





Profitability





Comments

- Profit before tax declined by 30.6% to N2.8 billion (Q1 2015: ₦4.0 billion / N2.7 billion adjusting for non-recurring items)
- The 2016 PBT figure represents a 3% increase over Q4 2015 and a 2.4% improvement over the same period last year (adjusting for non-recurring items)
- Profit after tax declined by 35.0% to ₦2.5 billion (Q1 2015: ₦3.9 billion / N2.6 billion adjusting for non-recurring items).
- Impairment charges increased 54.3% to N1.4 billion putting downward pressure on net operating income to N15.4 billion

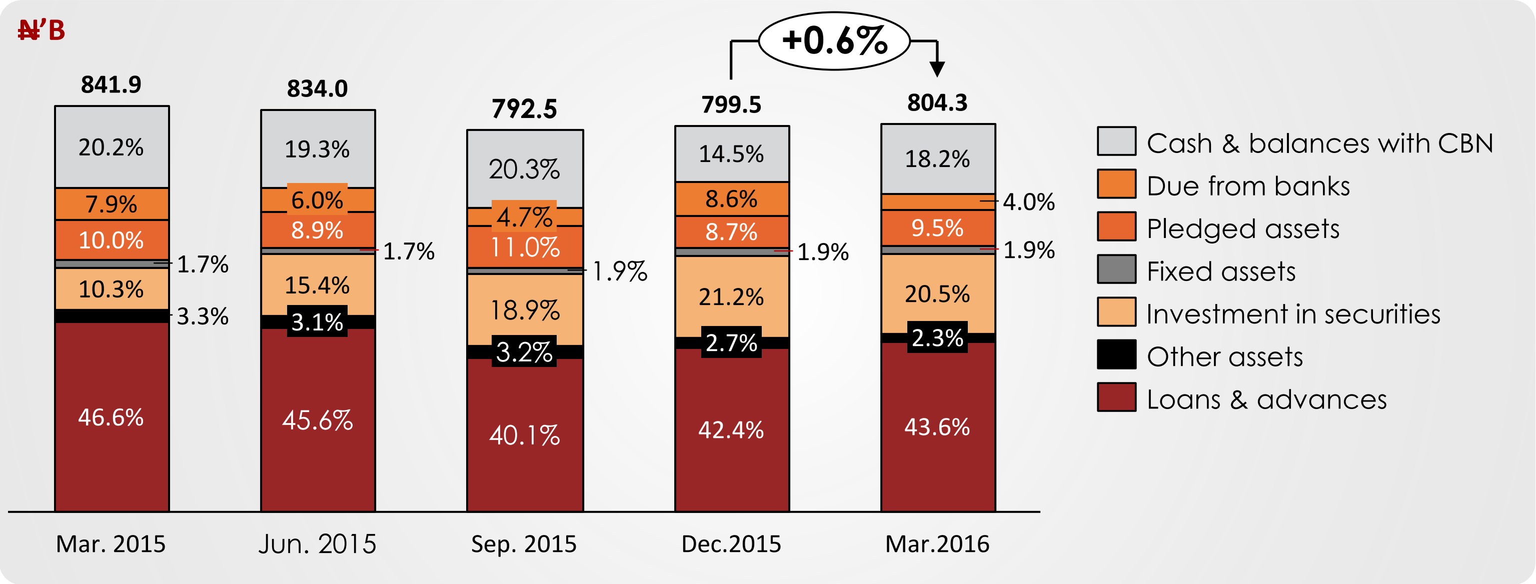
Performance Review

- Balance sheet analysis

Highlights of financial position

In Millions of Naira		Common Size			
Assets	**Q1 2016**		**FY 2015**		**Growth**
Cash and balances with CBN	146,726	18.2%	115,924	14.5%	26.6%
Due from banks	31,773	4.0%	68,799	8.6%	-53.8%
Pledged financial assets	76,130	9.5%	69,338	8.7%	9.8%
Loans and advances to Customers	350,890	43.6%	338,726	42.4%	3.6%
Investment securities	164,968	20.5%	169,532	21.2%	-2.7%
Other assets	10,996	1.4%	13,903	1.7%	-20.9%
Property, plant and equipment	14,941	1.9%	15,258	1.9%	-2.1%
Intangible assets	923	0.1%	1,000	0.1%	-7.7%
Deferred tax assets	6,971	0.9%	6,971	0.9%	0.0%
Total Assets	**804,316**	**100.0%**	**799,451**	**100.0%**	**0.6%**
Liabilities					
Deposits from Banks	12,498	1.6%	-	0.0%	
Deposits from Customers	565,333	70.3%	590,889	73.9%	-4.3%
Current income tax liabilities	1,044	0.1%	780	0.1%	33.8%
Other borrowed funds	70,157	8.7%	60,286	7.5%	16.4%
Debt securities issue	4,709	0.6%	4,564	0.6%	3.2%
Other liabilities	56,141	7.0%	47,367	5.9%	18.5%
Total Liabilities	**709,882**	**88.3%**	**703,886**	**88.0%**	**0.9%**
Total equity	94,434	11.7%	95,566	12.0%	-1.2%
Total liabilities and equity	**804,316**	**100.0%**	**799,451**	**100.0%**	**0.6%**

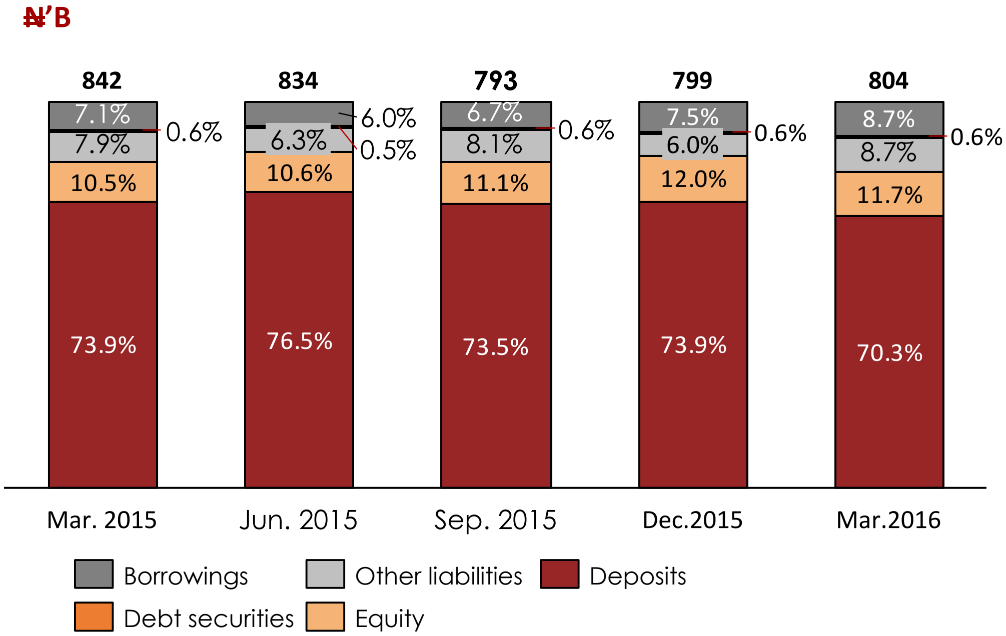
Assets Growth Trend



Comments

- Total assets grew marginally by 0.6% to N804.3 billion as we continued prioritized balance sheet efficiency
- We maintained a very liquid balance sheet position despite the implementation of the Treasury Single Account (TSA) by the FGN with liquid assets accounting for over 40% of total assets
- Increase in cash & balances with CBN arising from the 225 basis points increase in Cash Reserve Requirement (CRR) to 22.5%

Funding mix

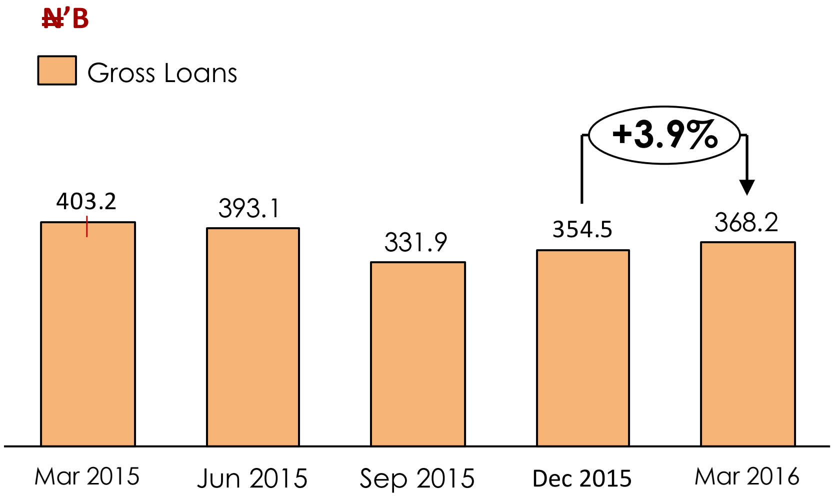


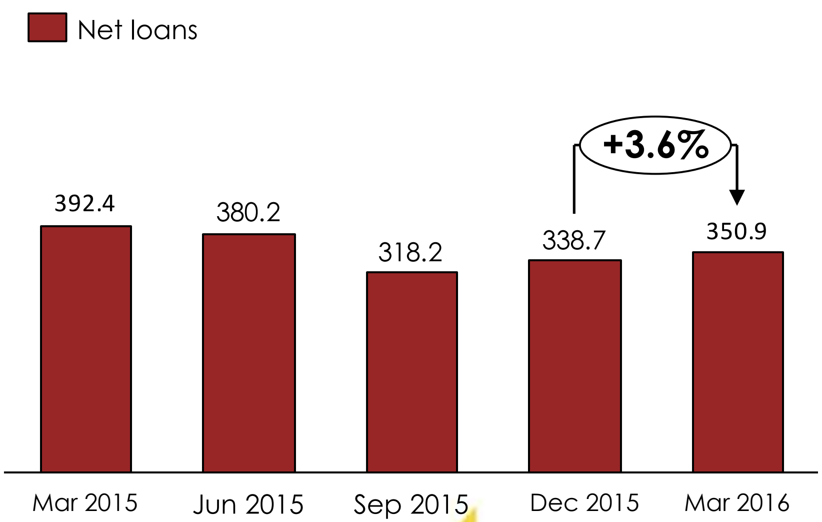
Comments

- Deposits remained the major source of funding at 70% of total assets; reduction in deposit contribution due to the implementation of TSA
- Increase in other liabilities due to interbank takings, while increase in borrowings was driven by funding from the CBN under the intervention fund for agriculture
- Foreign currency funding accounted for 52% of borrowings while local currency accounted for 48%

	2016		2015		
Borrowings (N'mn)	**Mar 2016**	**% of total**	**Dec 2015**	**% of total**	**Growth**
Citibank	18,928	27.0%	19,138	31.7%	-1.1%
Standard Chartered	-	na	4,867	8.1%	na
AFREXIM	3,040	4.3%	2,966	4.9%	2.5%
Goldman Sachs International	8,265	11.8%	8,261	13.7%	0.0%
Islamic Corp. Development Bank	6,125	8.7%	5,972	9.9%	2.6%
Bank of Industry	3,772	5.4%	4,197	7.0%	-10.1%
CBN-Agric Fund	29,186	41.6%	14,750	24.5%	97.9%
CBN-MSME Fund	840	1.2%	135	0.2%	521.4%
Total	**70,157**	**100.0%**	**60,286**	**100.0%**	**16.4%**

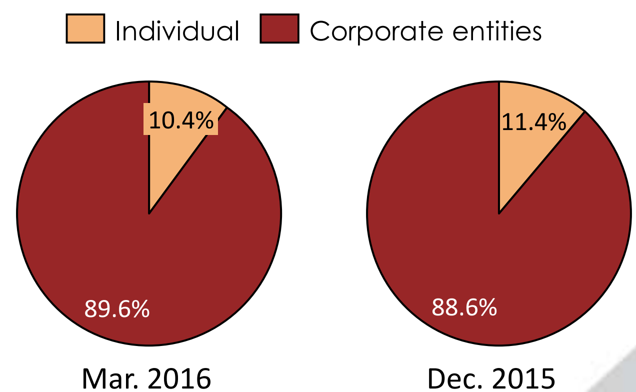
Asset Quality





Comments

- Gross loans increased by 3.9% and net loans by 3.6% to N368 billion and N351 billion respectively
- Moderate growth in loans and advances driven by our cautious approach to lending in view of the challenging operating environments
- Loans to individuals moderated by 5.2% and accounted for 10.4% of gross loans (Dec. 2015: 11.4%), while loans to corporate entities increased by 5.0% and accounted for 89.6% (Dec. 2015: 88.6%)
- Net loan-to-deposit ratio increased by 480 basis points to 62.1% resulting from the increase in net loans and a moderate decline in deposits.



Gross Loans by Sector

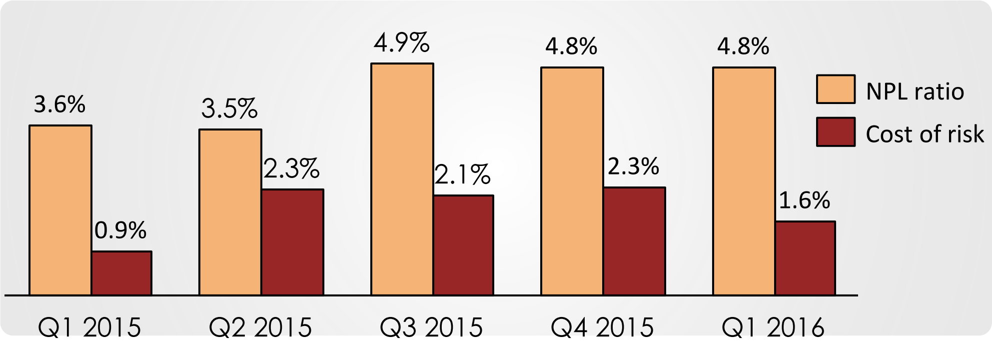
	2016		2015		
Sector (*N'millions*)	Mar. 2016	% of Total	Dec. 2015	% of Total	Growth
Agriculture	12,458	3.4%	13,146	3.7%	-5.2%
Capital Market	78	0.0%	79	0.0%	-1.3%
Communication	28,577	7.8%	29,314	8.3%	-2.5%
Consumer	6,478	1.8%	4606	1.3%	40.6%
Education	940	0.3%	941	0.3%	-0.1%
Finance & Insurance	13,012	3.5%	12770	3.6%	1.9%
Government	50,058	13.6%	35,023	9.9%	42.9%
Manufacturing	8,670	2.4%	8003	2.3%	8.3%
Mining & Quarrying	322	0.1%	353	0.1%	-8.8%
Mortgage	12,835	3.5%	12011	3.4%	6.9%
Oil& Gas - Upstream	65,334	17.7%	65,450	18.5%	-0.2%
Oil & Gas – Downstream	34,384	9.3%	43957	12.4%	-21.8%
Oil & Gas – Services	32,506	8.8%	32,277	9.1%	0.7%
Others	21,984	6.0%	24451	6.9%	-10.1%
Power	15,009	4.1%	14,920	4.2%	0.6%
Real Estate & Construction	47,918	13.0%	40217	11.3%	19.1%
Transportation	16,615	4.5%	16,480	4.6%	0.8%
Non-Interest Banking	1,045	0.3%	479	0.1%	118.2%
Total	**368,222**	**100.0%**	**354,475**	**100.0%**	3.9%

Loans and Advances by Currency

Sector (N'millions)	LCY	FCY		% of Sector Total Loans in FCY
Agriculture	12,458	-	12,458	0.0%
Capital Market	78	-	78	0.0%
Communication	8,176	20,401	28,577	71.4%
Consumer	6,447	31	6,478	0.5%
Education	940	-	940	0.0%
Finance & Insurance	13,012	0	13,012	0.0%
Government	50,058	-	50,058	0.0%
Manufacturing	8,656	14	8,670	0.2%
Mining & Quarrying	322	-	322	0.0%
Mortgage	12,556	279	12,835	2.2%
Oil& Gas - Upstream	5,199	60,134	65,334	92.0%
Oil & Gas – Downstream	27,879	6,505	34,384	18.9%
Oil & Gas – Services	12,179	20,327	32,506	62.5%
Others	19,959	2,025	21,984	9.2%
Power	485	14,523	15,009	96.8%
Real Estate & Construction	35,383	12,535	47,918	26.2%
Transportation	6,723	9,892	16,615	59.5%
Non-Interest Banking	1,045		1,045	0.0%
Total	**221,554**	**146,668**	**368,222**	**39.8%**

- Foreign currency (FCY) loans are largely concentrated in the following sectors – oil & gas, communications, transport and power

Asset quality

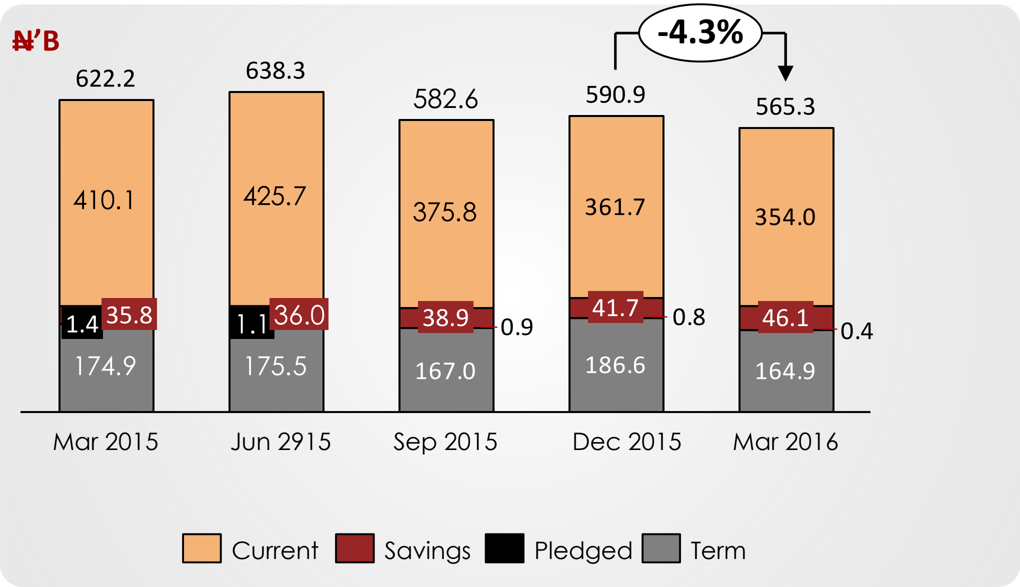


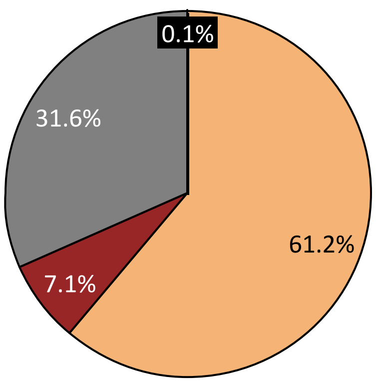
Sector	Impaired	% of Total
Agriculture	413	2.3%
Capital Market	1	0.0%
Communication	269	1.5%
Consumer	861	4.9%
Education	469	2.7%
Finance & Insurance	253	1.4%
Government	45	0.3%
Manufacturing	2,147	12.2%
Mortgage	635	3.6%
Oil & Gas – Downstream	5,624	31.9%
Oil & Gas – Services	378	2.1%
Others (General commerce)	3,511	19.9%
Real Estate & Construction	2,802	15.9%
Transportation	235	1.3%
Grand Total	17,642	100.0%

Comments

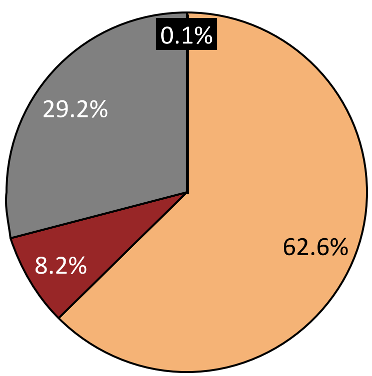
- Downstream accounted for the highest sector impairment at 31.9%; two customers accounted for about 70% of the impaired assets
- A single customer accounted for about 67% of non-performing loans in the manufacturing sector; however, the loans were past due but not impaired
- NPL ratio remained flat at 4.8%, while cost of risk improved by 70 basis points to 1.6%
- Non-performing loans are adequately covered at 122% coverage ratio as at March 2016
- Oil & gas upstream and services sub-sector loans are viable at current oil prices, however, we have restructured in most cases to accommodate pressure on cashflows arising from low oil prices

Deposits





Dec. 2015

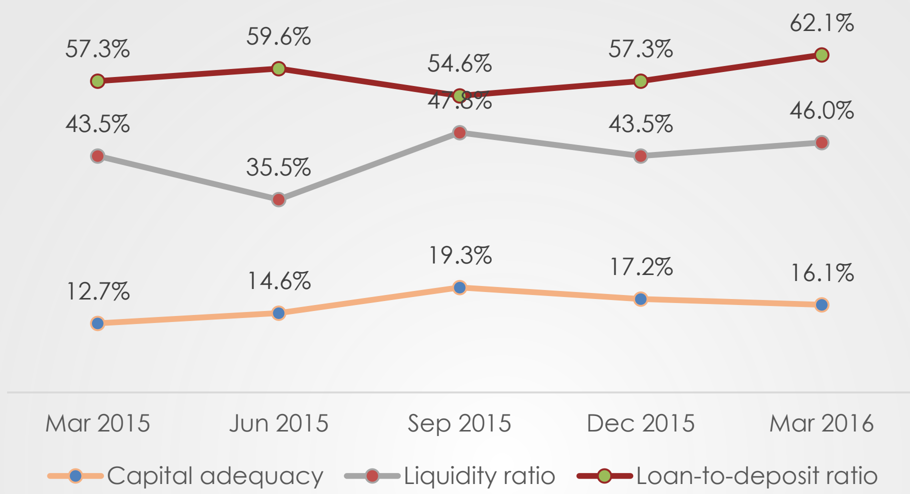


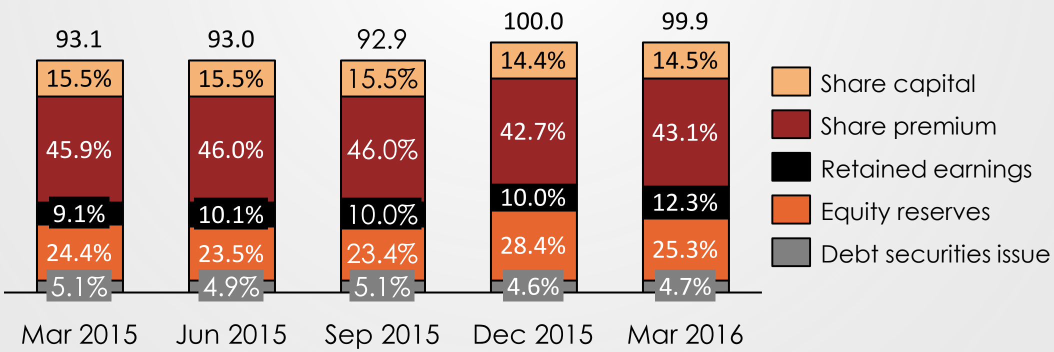
Mar. 2016

Comments

- Deposits declined by 4.3% to N563.3 billion, due to the implementation of the Treasury Single Account (TSA)
- Low cost deposits accounted for 71% (Dec. 2015: 68%) of total deposits, while wholesale funds accounted for 29%
- Savings deposits rose by 10% and accounted by 8.1% of total deposits (Dec. 2015: 7.1%) re-affirming the benefits of our retail drive
- Wholesale deposits declined by 11.6% as we returned expensive funds to improve margins
- Consequently, cost of funds improved by 60 basis points y-o-y to 5.3% in Q1 2016

Capital and Liquidity





Comments

- Capital adequacy ratio remain strong at 16.1%, 610 basis points above the regulatory requirement
- Liquidity ratio improved substantially to 46.0% from 43.9% in Dec 2015, further improving our buffers in a very difficult environment
- Capital (including debt) stood at N100 billion
- We remain confident that we will complete the final tranche of our capital program through a US$200 million multi-currency debt capital in order to build additional resilience in the current difficult macro-economic conditions, while also strengthening earnings capacity

Financial ratios

Indicator	Q1 2015	Q2 2015	Q3 2015	FY 2015	Q1 2016
Pre Tax Return on Average Equity	18.9%	14.0%	12.8%	12.2%	11.8%
Post Tax Return on Average Equity	18.3%	12.5%	11.6%	11.4%	10.7%
Return of Average Assets	2.0%	1.5%	1.4%	1.4%	1.4%
Earnings per Share	14k	19K	26K	36k	9k
Yield on Assets	13.3%	13.5%	14.1%	13.7%	13.4%
Cost of Funds	5.9%	5.8%	6.2%	6.6%	5.3%
NIM	7.4%	7.7%	7.9%	7.1%	8.1%
Cost-to-income Ratio	71.0%	69.8%	73.3%	72.2%	74.8%
Non-performing Loan Ratio	4.8%	3.5%	4.9%	4.8%	4.8%
Capital Adequacy Ratio (Basel 2)	12.7%	15.0%	19.3%	17.5%	16.1%
Liquidity Ratio	43.5%	35.5%	47.8%	43.5%	46.0%
Loan to Deposit Ratio (Net)	57.3%	59.6%	54.6%	57.3%	62.1%

THANK YOU