

STERLING BANK PLC REPORTS UNAUDITED RESULTS FOR THIRD QUARTER

Sustains Second Quarter Earnings Momentum, Posts Profit before Tax of N5.7B

Third Quarter Highlights for 9 months ended September 30, 2010

- Profit after Tax for the nine months rose to N5.3 billion from a loss of N6.2 billion in September 2009.
- Gross Earnings declined 13% to N23.1 billion from N26.6 billion in September 2009 on the back of a lower interest rate regime.
- Funding costs declined 38% to N8.1 billion from N13.0 billion in the comparable period of 2009 feeding through a 20% improvement in Net Interest Margins.
- Operating Expenses remained stable at N11.9 billion.
- Cost-to-income ratio (including allowances for risk assets) dropped 59% from 151% to 62% as a result of improvement in interest margins and loan recoveries.
- Allowances for Risk Assets stood in the positive region of N2.5 billion in contrast to N(8.9)billion in the prior period demonstrating performance improvement in loan assets and progress in loan recovery efforts.
- Balance Sheet size grew 26% from N221.3 billion in December 2009 to N279.3 billion spurred by moderately favourable economic conditions.
- Deposits grew 21% from N161.3 billion in December 2009 to N195.7 billion.
- Net Loans and Advances (including Advances under Finance Lease) increased 9% to N90.5 billion from N82.9 billion recorded in December 2009.
- Liquidity ratio was 42.9%, Capital Adequacy Ratio (unaudited) was 15%, while Annualized Return on Average Equity was 30%.
- Earnings Per Share (EPS) was 43k compared to (54)k in the prior period.



Lagos, October 27, 2010 – Sterling Bank Plc (NSE: STERLNBANK/ Reuters STBP.LG – the “Bank”) today released its unaudited financial results for the period ended September 30, 2010.

In the third quarter, Sterling Bank maintained its healthy performance of the first six months supported by a boost in earnings from steady growth in interest margins and writeback from credit provisions. During the year, the Bank's strategy built on careful asset selection, loan recovery and discretionary cost containment have delivered consistently attractive results.

Speaking of the Bank's performance, Mallam Garba Imam, Sterling Bank's Executive Director said:

We are justifiably gratified by our performance in the first nine months of the year. As the transition in the Nigerian banking sector unfolds, both on the regulatory and business sides, Sterling Bank's size gives us the advantage of making changes quickly across board where necessary and seizing emerging opportunities as they appear. I am proud to say that we have successfully ticked off most checkboxes for our goals this year.

MANAGEMENT COMMENTARY

Business Environment

The first nine months of 2010 were marked by the Central Bank of Nigeria's efforts at supporting economic reflation through its policies on low interest rates and quantitative easing. Together, these have tightened margins on money market securities and increased the supply of fixed income securities.

During the third quarter, the Central Bank of Nigeria deemed it prudent to address inflationary concerns likely to arise from collateral government spending in an election year and the liquidity implications of the purchase of non-performing loans (NPLs) by the Asset Management Company of Nigeria (AMCON). However, the apex bank's decision to raise the Monetary Policy Rate (MPR) by 25 basis points to 6.25 percent came at the tail end of the quarter and has not influenced rates affecting Sterling Bank's income.

Notwithstanding leaner lending margins, Sterling Bank grew net Loans and advances by 9%, which is in sharp contrast to a decline of 10% in the second quarter. Credit expansion was directed at the SMEs segment while banking relationships with corporate clients were deepened.

While scale has become imperative under the emerging banking dispensation, Sterling Bank emphasis on efficiency and profitability has been the cornerstone of its performance in the third quarter. Discretionary costs have been kept in tight check and new processes brought on stream at the beginning of the year continue to show expected results.

After a temporary slowdown in customer deposit-taking in the first six months due to prevailing economic considerations, Sterling Bank grew customer deposits by 22% in the third quarter.

On the customer mandate side, the Bank was appointed as a primary lending institution (PLI) under the Cabotage Vessel Financing Index (CVFI) scheme by the Nigerian Maritime Administration and Safety Agency (NIMASA).

According to Mr. Lanre Adesanya, Sterling Bank's Executive Director,

Our third quarter results are in line with expectations. Sterling Bank's business fundamentals provide reassurance on the validity of our business model and execution capabilities of the strategy, albeit tempered by exogenous factors including low interest rates and lower asset yields.

Outlook

In its second quarter Management Commentary, Sterling Bank had anticipated an interest rate rise in the third quarter. At the end of its Monetary Policy Committee meeting of September 21, 2010, the CBN, in response to inflationary pressures, raised the Monetary Policy Rate (MPR) by 25 basis points to 6.25%, resumed active Open Market Operations and increased the Standing Deposit Facility by 200 basis points from 1% to 3.25%.

The combined effect of these monetary policy measures would be an increase in interest rates, with the attendant pressure on margins.

Sterling Bank also expects better clarity on institutional realignments in the sector as new owners of controlling stakes in the Central Bank of Nigeria-rescued banks are announced in the fourth quarter. Sterling Bank does not see any adverse material impact of such sector rearrangements on its strategic focus.

In compliance with the CBN's new guidelines on banking licenses, Sterling Bank will make an announcement before year end on its structure and subsidiaries. The Bank's decision will be guided by wider global trends that seek to balance the obvious benefits of financial supermarkets against the pros of specialized financial institutions.

Sharing his outlook for the fourth quarter, Mr. Yemi Adeola, Sterling Bank's Managing Director/CEO said:

In view of the rising interest rate regime expected to shape activities in the last quarter, Sterling Bank plans to accelerate cheap deposit mobilization, increase the pace of loan growth, and intensify loan recovery efforts, which together should consolidate the gains of the first nine months. The Bank is also exploring a number of strategic options to raise capital, which will be announced in due course.

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Contacts

Investor Contacts

Yemi Odubiyi

Chief Strategy Officer

M: +234 803 535 0991

E: yemi.odubiyi@sterlingbankng.com

Shina Atilola

Head, Strategic Planning

M: +234 802 342 3011

E: shina.atilola@sterlingbankng.com

Media Contact

Abimbola Sowemimo

Head, Brand Management & Communications

M: +234 803 306 9033

E: abimbola.sowemimo@sterlingbankng.com

About Sterling Bank

Sterling Bank PLC is the preeminent investment banking establishment in Nigeria. It commenced operations as NAL Bank in 1960. Today, with over N300 billion in assets and 100 branches nationwide, Sterling Bank has grown into a major financial supermarket offering investment banking, commercial banking, asset management, stock broking, insurance and registrar services. The Bank prides itself as the 'One Customer Bank' that celebrates each customer a unique individual. For further information, please visit <http://www.sterlingbankng.com>

Forward-Looking Statements

This release may contain 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. Accordingly, there are or will 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, 2009. 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.

Sterling Bank PLC

Sterling Towers

20, Marina

Lagos

T: + 234 1 2600420-9, 2600850-9

W: <http://www.sterlingbankng.com>

STATEMENT TO THE NIGERIAN STOCK EXCHANGE AND SHAREHOLDERS ON THE UNAUDITED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

The Board of Sterling Bank Plc presents the Group's unaudited results for the third quarter ended September 30, 2010.

BALANCE SHEETS

	Group (Unaudited) Sept. 2010 N'000	Group (Audited) Dec. 2009 N'000	Bank (Unaudited) Sept. 2010 N'000	Bank (Audited) Dec. 2009 N'000
ASSETS				
Cash in hand and balances with CBN	6,037,464	8,573,674	6,037,189	8,573,233
Treasury bills	4,938,632	9,607,738	4,938,632	9,607,738
Due from other banks	48,139,048	57,833,221	41,372,024	56,592,146
Loans and advances to customers	87,095,629	78,385,834	91,250,372	78,490,097
Advances under finance lease	3,444,940	4,548,758	2,924,266	3,917,489
Investment securities	104,183,721	40,133,467	90,646,729	28,526,230
Other assets	20,783,416	17,022,602	14,254,652	14,844,696
Property and equipment	4,698,314	5,212,873	4,602,282	5,089,200
	279,321,164	221,318,167	256,026,146	205,640,829
LIABILITIES				
Customers' deposits	195,720,561	161,276,895	196,162,380	160,470,382
Due to other banks	14,420,085	2,650,000	12,234,263	150,000
Current income tax payable	1,104,501	1,026,117	503,789	393,405
Other liabilities	27,457,799	21,090,043	6,204,295	8,283,497
Long-term borrowing	14,201,550	14,201,550	14,201,550	14,201,550
	252,904,496	200,244,605	229,306,277	183,498,834
CAPITAL AND RESERVES				
Ordinary share capital	6,281,545	6,281,545	6,281,545	6,281,545
Reserve	20,135,123	14,792,017	20,438,324	15,860,450
TOTAL EQUITY	26,416,668	21,073,562	26,719,869	22,141,995
Attributable to equity holders of the Bank	26,416,668	21,073,562	26,719,869	22,141,995
	26,416,668	21,073,562	26,719,869	22,141,995
Guarantees and other commitments on behalf of customers	43,078,259	25,198,318	43,078,259	25,198,318

PROFIT AND LOSS ACCOUNTS

	Group (Unaudited) Sept. 2010 N'000	Group (Unaudited) Sept. 2009 N'000	Bank (Unaudited) Sept. 2010 N'000	Bank (Unaudited) Sept. 2009 N'000
GROSS EARNINGS	23,145,399	26,617,578	20,579,886	24,610,459
Interest and similar income	16,568,491	20,016,417	15,291,579	19,598,234
Interest and similar expenses	(8,094,812)	(12,953,307)	(6,986,893)	(12,184,768)
Net interest margin	8,473,679	7,063,110	8,304,686	7,413,466
Other income	6,576,908	6,601,161	5,288,307	5,012,225
Operating expenses	(11,882,183)	(11,818,638)	(11,289,658)	(10,886,237)
Loan loss expenses	2,070,058	(7,416,807)	2,070,058	(7,000,980)
Diminution in value of other risk assets	435,667	(1,453,382)	435,667	(399,496)
Exceptional income	-	509,158.00	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5,674,129	(6,515,398)	4,809,060	(5,861,022)
Taxation	(331,023)	(239,212)	(231,186)	(231,020)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	5,343,106	(6,754,610)	4,577,874	(6,092,042)
Non-controlling interest	-	558,612	-	-
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	5,343,106	(6,195,998)	4,577,874	(6,092,042)
Key Ratio				
Earnings per share (kobo) - Basic	43k	-54k	36k	-48k
Earnings per share (kobo) - Diluted	43k	-54k	36k	-48k

The Board of Directors is confident that barring unforeseen circumstances, this trend would be improved upon considerably in the remaining period of the financial year.

BY ORDER OF THE BOARD

Dated : 25 October 2010

Justina Lewa
Company Secretary