

Sterling Bank Plc

Analyst/Investor Presentation

Q1 2015

Innovation
& Growth

A stylized lightbulb icon with a glowing effect, positioned between the words 'Innovation' and 'Growth' in the logo.

Important Information

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Agenda

1. Overview
2. Performance Review
3. Management Guidance



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, Commercial and Corporate clients
Active Customers	> 1,500,000
Headcount	> 3,000 professional employees
Channels	180 business offices; 630 ATMs; 3,200 POS

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

Performance Review

- Highlights



Income Statement

Items (N'millions)	Common Size		Common Size		Growth
	March 2015		March 2014		YoY
Gross Earnings	27,226	100%	24,714	100%	10%
Interest income	19,238	71%	18,659	75%	3%
Interest expense	(10,088)	37%	(8,397)	34%	20%
Net interest income	9,150	34%	10,262	42%	-11%
Fee and commission	5,007	18%	3,315	13%	51%
Trading income	2,211	8%	2,288	9%	-3%
Other operating income	770	3%	451	2%	71%
Operating income	17,139	63%	16,317	66%	5%
Net impairment charges	(934)	3%	(1,042)	4%	-10%
Personnel expenses	(2,979)	11%	(2,753)	11%	8%
Depreciation and amortisation	(936)	3%	(712)	3%	31%
Other operating expenses	(2,896)	11%	(3,042)	12%	-5%
General and administrative expenses	(3,985)	15%	(3,955)	16%	1%
Other property, plant and equipment cost	(1,367)	5%	(1,271)	5%	8%
Profit before income tax	4,042	15%	3,542	14%	14%
Income tax expense	(130)	0%	(405)	2%	-68%
Profit after tax	3,912	14%	3,137	13%	25%

Financial Position

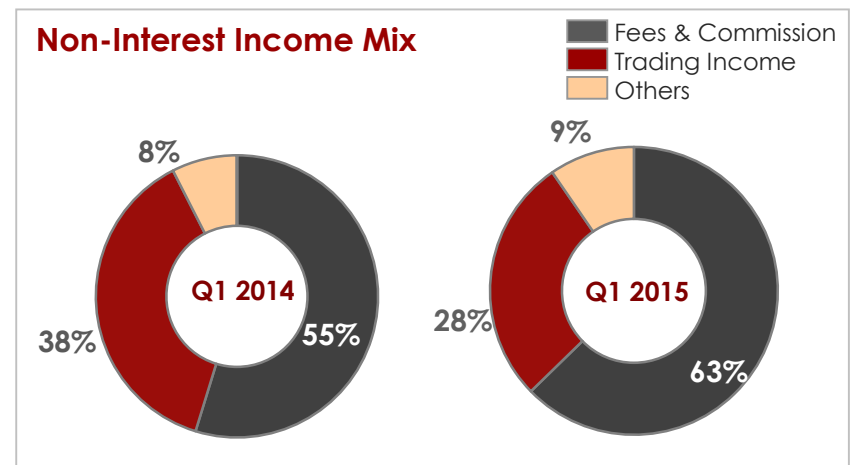
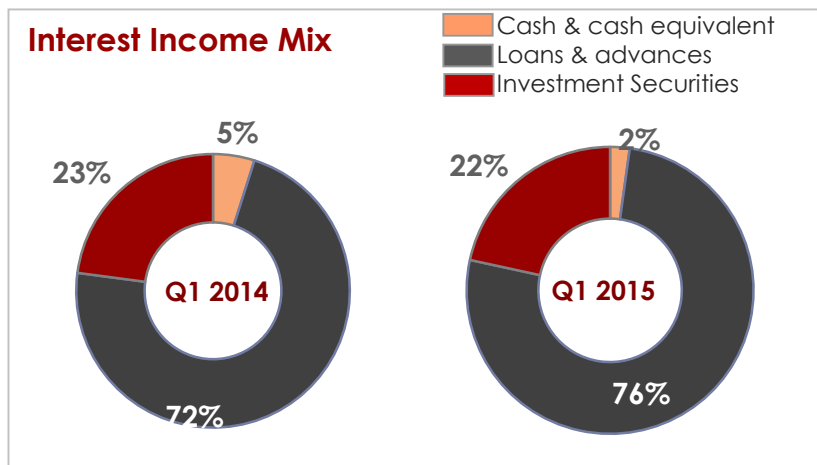
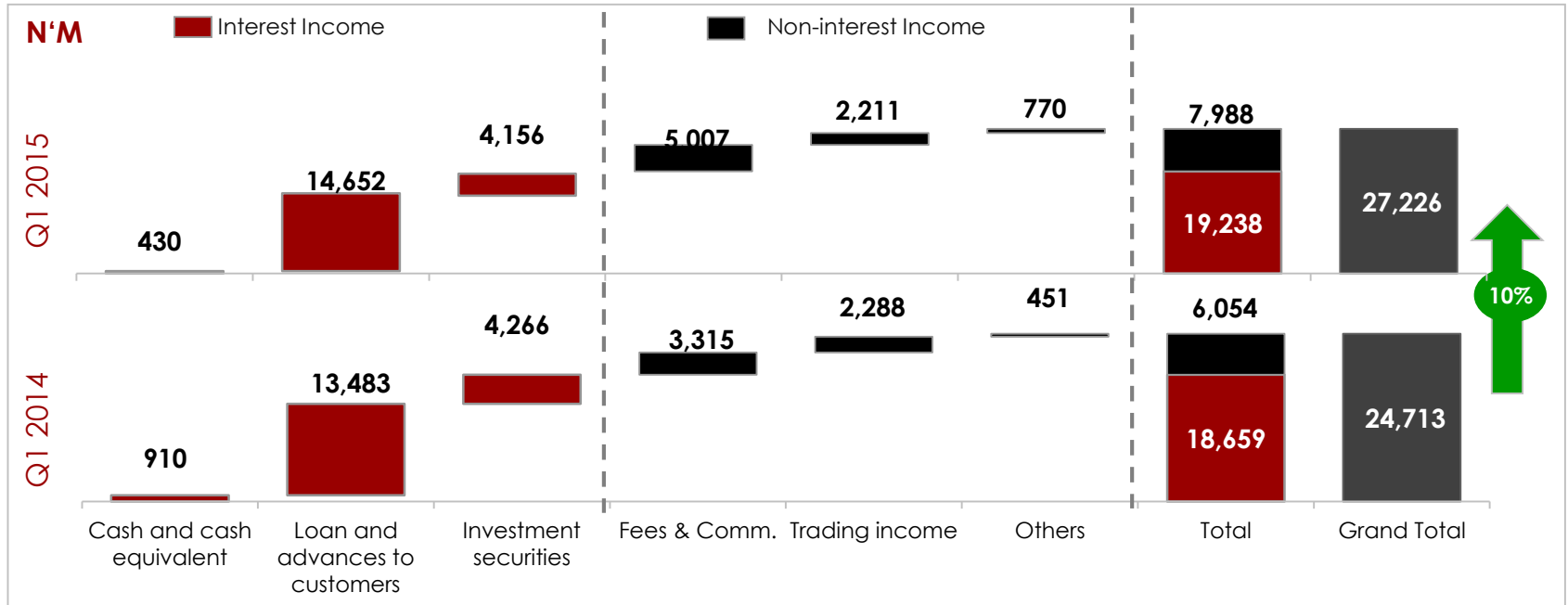
<i>Items (N'millions)</i>	Common Size		Common Size		Growth
	March 2015		December 2014		YTD
ASSETS					
Cash and balances	169,915	20%	174,760	21%	-3%
Due from banks	66,429	8%	67,330	8%	-1%
Pledged assets	84,167	10%	78,751	10%	7%
Loans and advances to Customers	392,407	47%	371,246	45%	6%
Investment in securities	86,718	10%	96,571	12%	-10%
Other assets	19,852	2%	14,137	2%	40%
Property, plant and equipment	14,382	2%	13,952	2%	3%
Intangible assets	1,059	0%	821	0%	29%
Deferred tax assets	6,971	1%	6,971	1%	0%
Total Assets	841,900	100%	824,539	100%	2%
LIABILITIES					
Deposits from Customers	622,188	74%	655,944	80%	-5%
Current income tax liabilities	1,932	0%	1,802	0%	7%
Other borrowed funds	59,989	7%	45,371	6%	32%
Debt securities in issue	4,708	1%	4,564	1%	3%
Other liabilities	64,692	8%	32,143	4%	101%
Total Liabilities	753,508	90%	739,824	90%	2%
Equity	88,393	10%	84,715	10%	4%
Total Liabilities and Equity	841,900	100%	824,539	100%	2%

Performance Review

- Earnings analysis



Revenue Sources

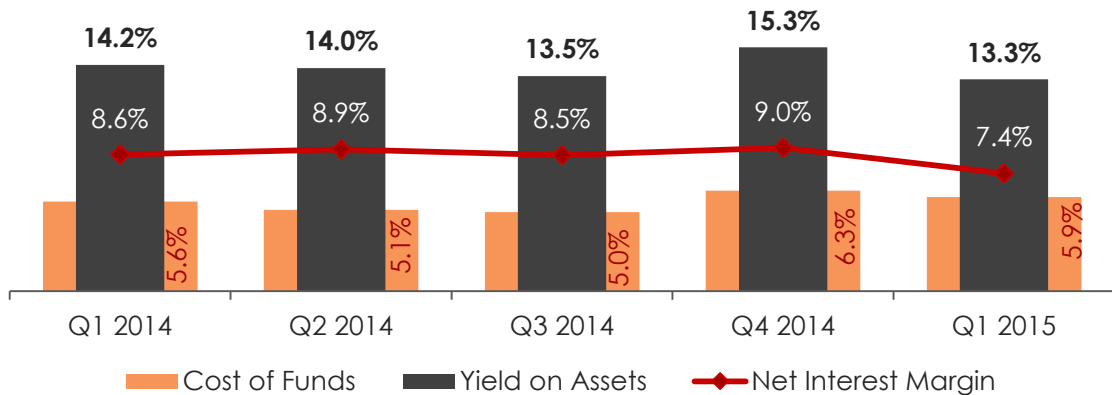
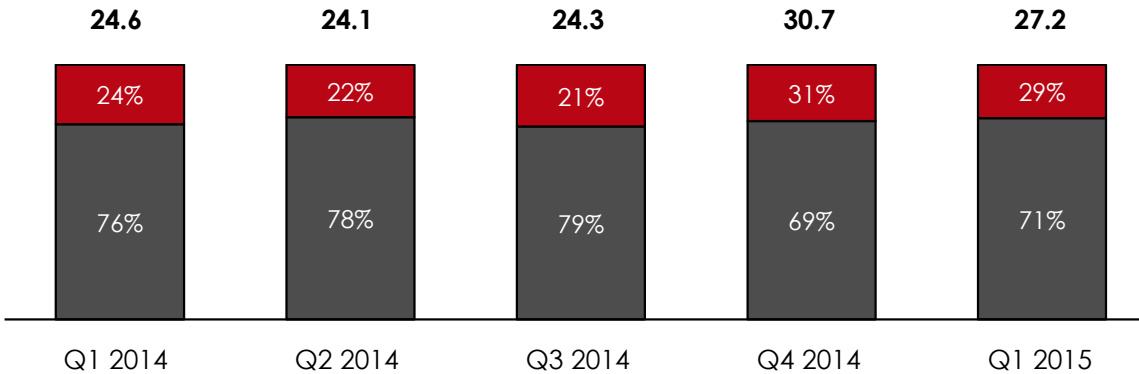


Revenue Drivers

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Gross Earnings

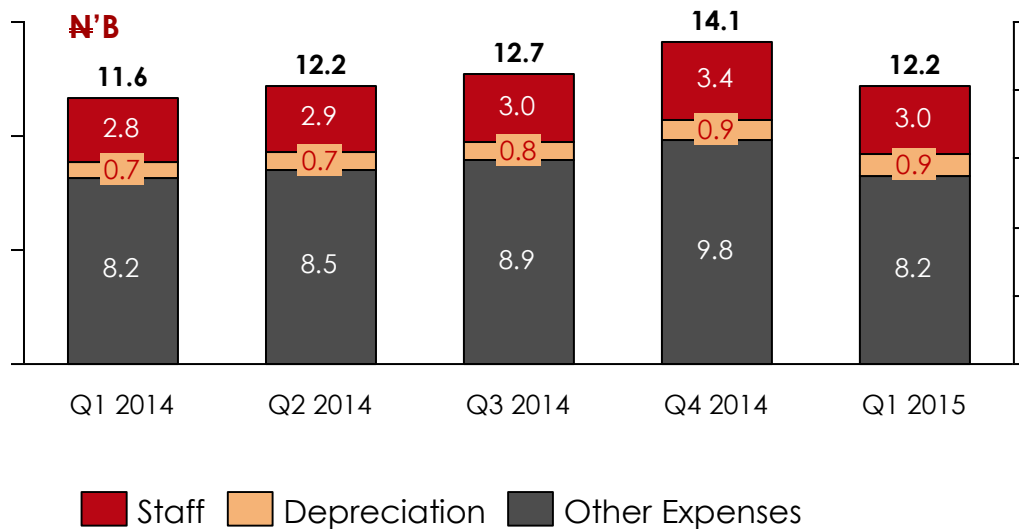
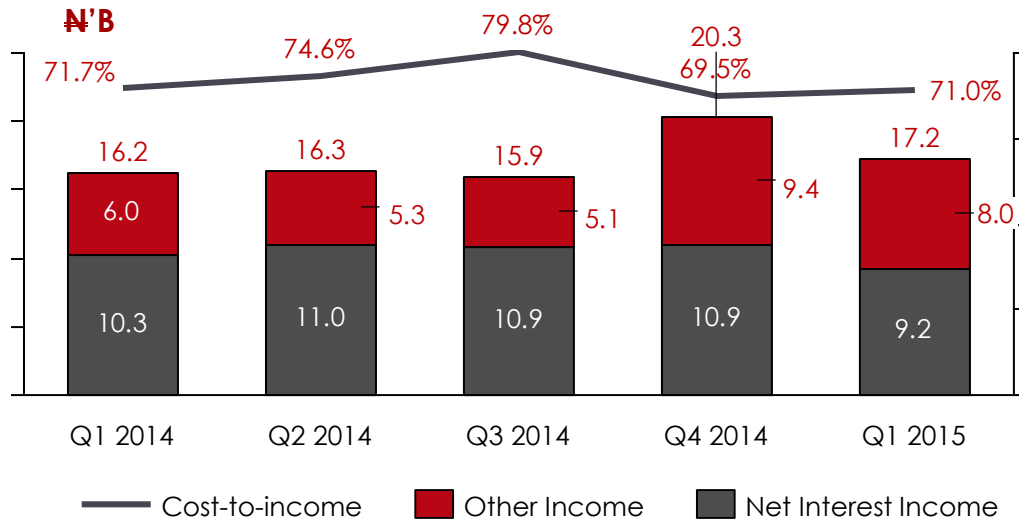
■ Non-interest income
■ Interest income



Comments

- Gross earnings rose by 10% YoY to N27.2 billion but declined by 11% QoQ due to pressures on earnings arising from regulatory policy changes
- Earnings growth was boosted by non-interest income which rose by 32% YoY to N8 billion, while interest income remained a major driver of earnings contributing 71% in Q1 2015
- Income from loans & advances rose by 9% YoY and accounted for 76% of interest income
- Net interest margin moderated by 120 basis point YoY to 7.4% due to a 90 basis points reduction in yield
- Yields came under pressure as a result of regulatory requirements on CRR

Operating Efficiency



Comments

- Operating income rose by 5% YoY to N17.2 billion on the back of the 32% growth in non-interest income
- Operating expenses increased marginally by 3.7% YoY to N12.2 billion
- Personnel costs and depreciated accounted for 24% and 8% respectively, while other expenses (including general admin expenses - 48%, property & equipment cost - 17%, AMCON surcharge - 13%) accounted for 68%
- Growth in net operating income at 6% far outweighed the increase in costs resulting in a 60 basis points improvement in cost-to-income ratio YoY to 71%

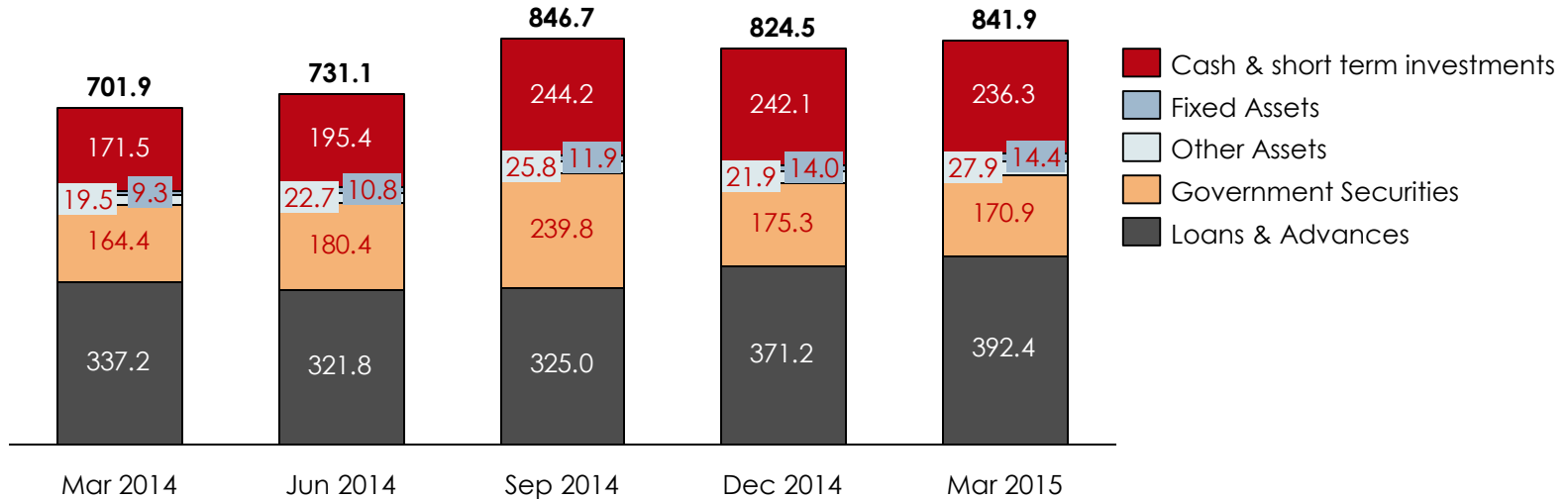
Performance Review

- Balance sheet analysis



Assets Growth Trend

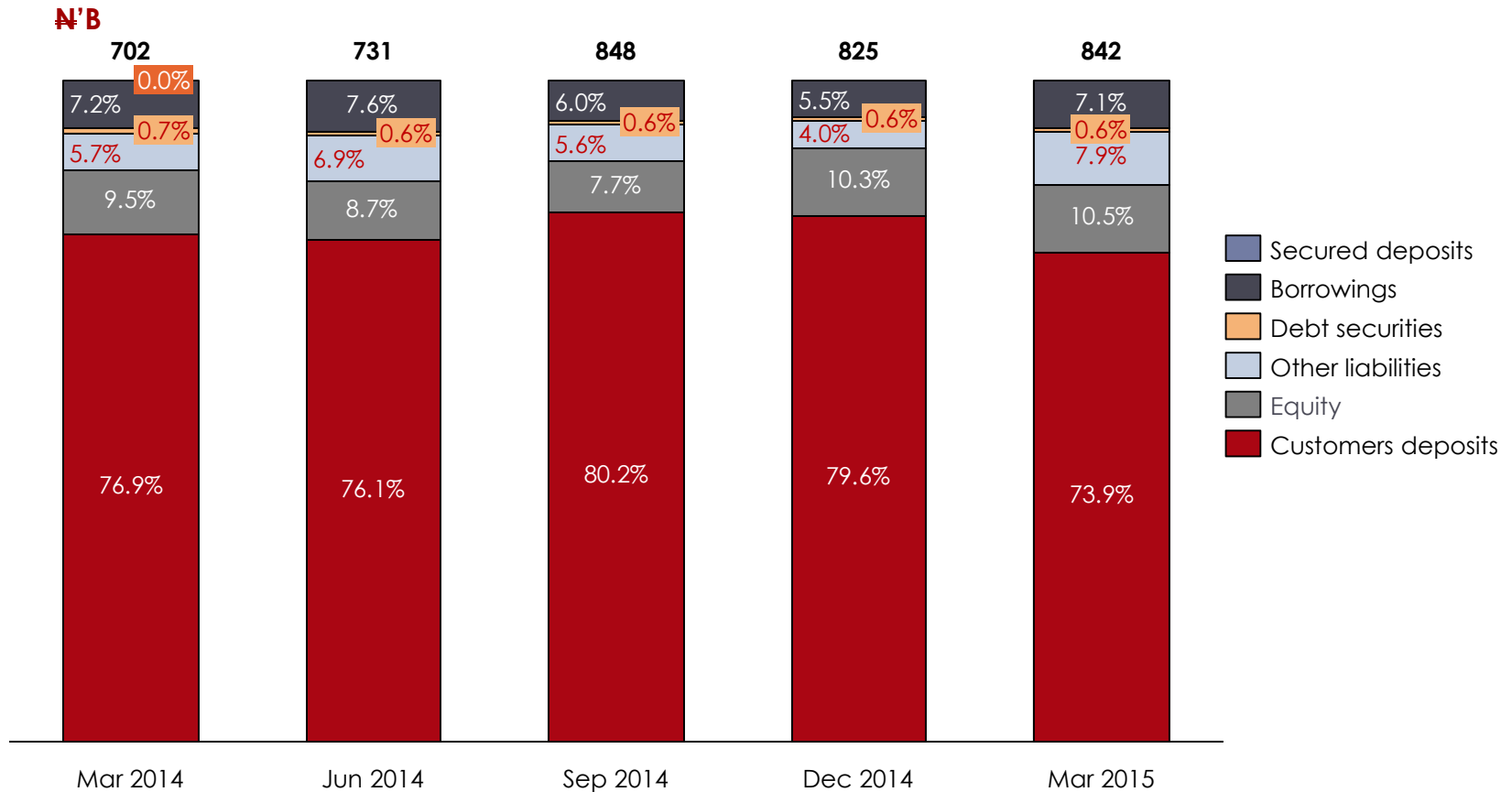
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Comments

- Total assets increased by 2% year-to-date Mar. 2015, while earning assets increased by 3% to N595.6 billion and accounted for 71% due to increase in lending activities
- The Bank was a net placer of funds with interbank placements of N32 billion representing 14% of cash and short term investments
- Increase in fixed assets by 3% to N14.4 billion reflecting on-going investments in our physical infrastructure and the rollout of alternative channels

Funding Mix



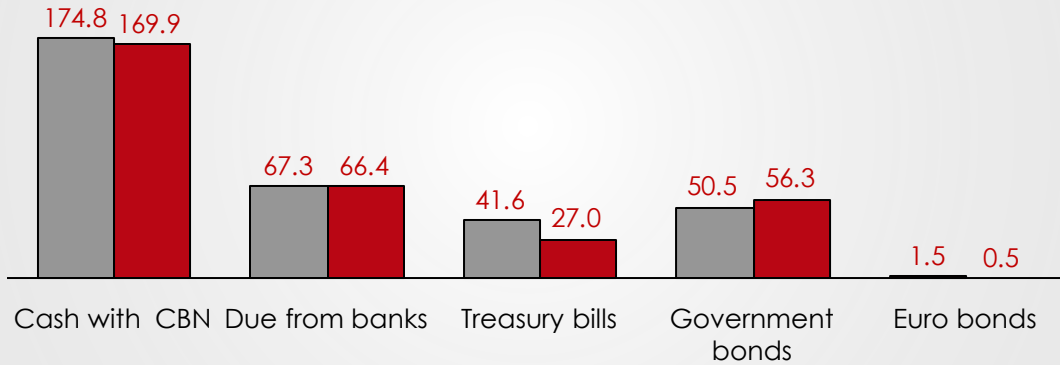
- Deposits remained the major source of funding at 74% of total assets (Dec. 2014: 80%)
- Reduction in deposits funding due to an increase in borrowings from foreign banks largely for dollar trade finance

Liquidity

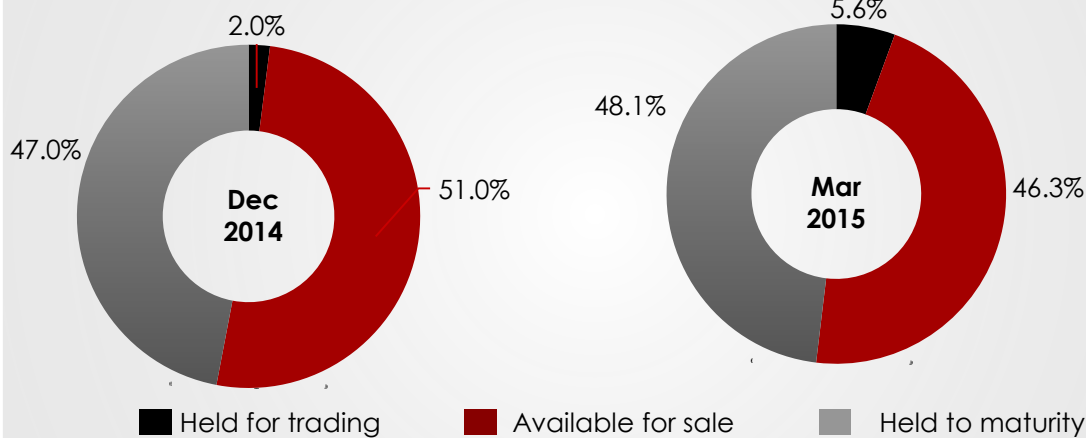
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Dec 2014

Mar 2015



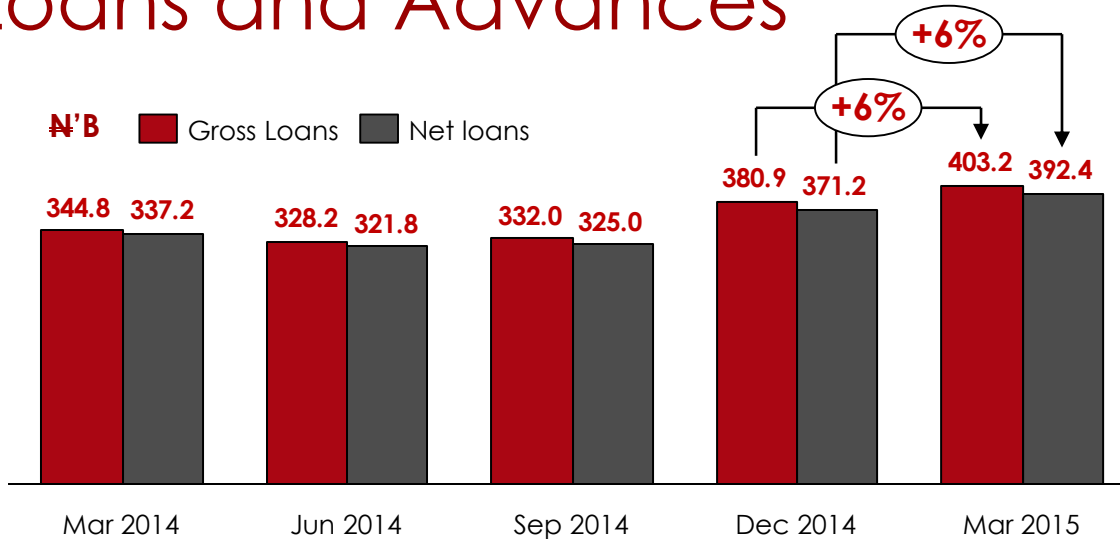
Investment Securities' Split



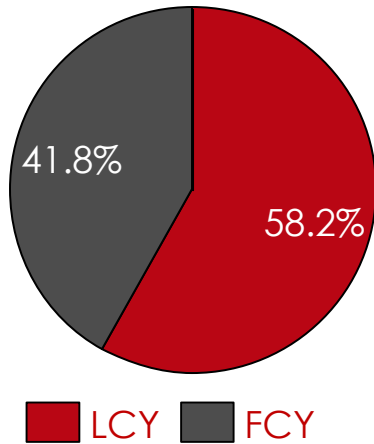
Comments

- Liquid assets (excluding Pledged) accounted for 38% of total assets (Dec 2014: 41%)
- Government securities (Treasury Bills and Bonds) accounted for 10% of liquid assets while cash and balances with the CBN accounted for 53%
- Investment securities declined by 10% to N86.6 billion and accounted for 27% of liquid assets
- Overall, we achieved liquidity ratio above regulatory benchmark of 30%

Loans and Advances



Gross Loans by Currency Gross Loans by Geography



Comments

- Loans and advances increased by 6% year-to-date due to a moderate growth in lending activities and the impact of currency devaluation
- Loans were well spread across the key sectors of the economy
- Oil & gas recorded the highest sectorial contribution to gross loans but spread across the key sub-sectors
- Despite oil price and exchange rate volatility, we have maintained a healthy portfolio within the sector

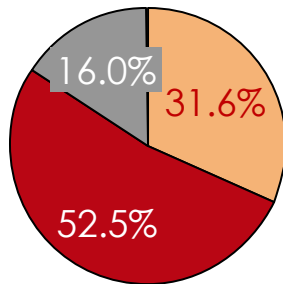
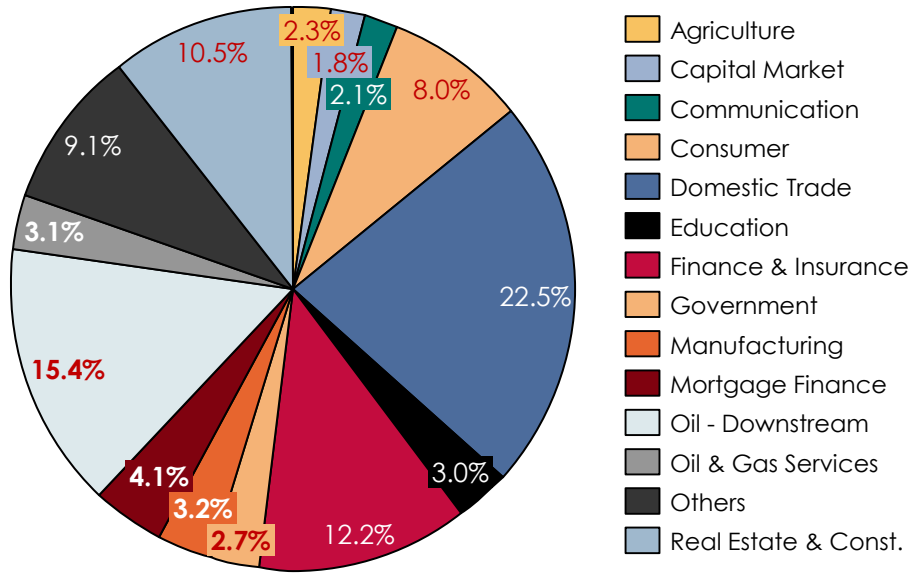
Loans and Advances by Sector

N'millions

IFRS Sector Class	Local Currency		Foreign Currency		Total Loans	
	N'mn	% of Total	N'mn	% of Total	N'mn	% of Total
Agriculture	8,632	3.7%	-	0.0%	8,632	2.1%
Capital Market	239	0.1%	-	0.0%	239	0.1%
Communication	288	0.1%	13,125	7.8%	13,413	3.3%
Consumer	7,494	3.2%	0	0.0%	7,494	1.9%
Domestic Trade	11,333	4.8%	(20)	0.0%	11,313	2.8%
Education	794	0.3%	-	0.0%	794	0.2%
Finance & Insurance	9,936	4.2%	7,322	4.3%	17,259	4.3%
Government	42,889	18.3%	-	0.0%	42,889	10.6%
Manufacturing	15,701	6.7%	50	0.0%	15,751	3.9%
Mortgage Finance	9,565	4.1%	640	0.4%	10,204	2.5%
Oil - Downstream	45,660	19.5%	4,362	2.6%	50,022	12.4%
Oil - Upstream	3,563	1.5%	73,185	43.4%	76,748	19.0%
Oil & Gas Services	10,849	4.6%	25,154	14.9%	36,003	8.9%
Others	14,720	6.3%	668	0.4%	15,388	3.8%
Power	-	0.0%	15,798	9.4%	15,798	3.9%
Public Utilities	429	0.2%	-	0.0%	429	0.1%
Real Estate & Construction	51,891	22.1%	16,462	9.8%	68,353	17.0%
Transport	681	0.3%	11,794	7.0%	12,475	3.1%
Grand Total	234,664	100.0%	168,541	100.0%	403,206	100.0%

Asset Quality

Impaired assets: 100% = N13.3bn



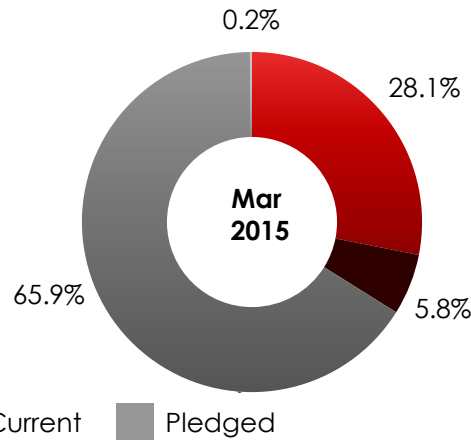
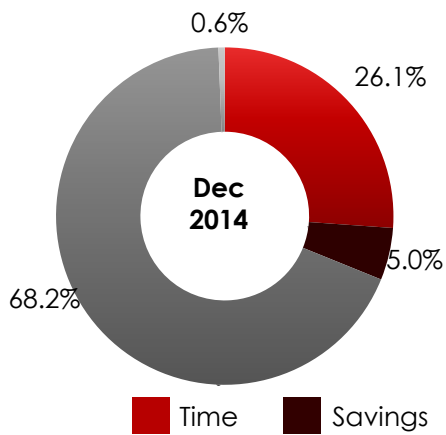
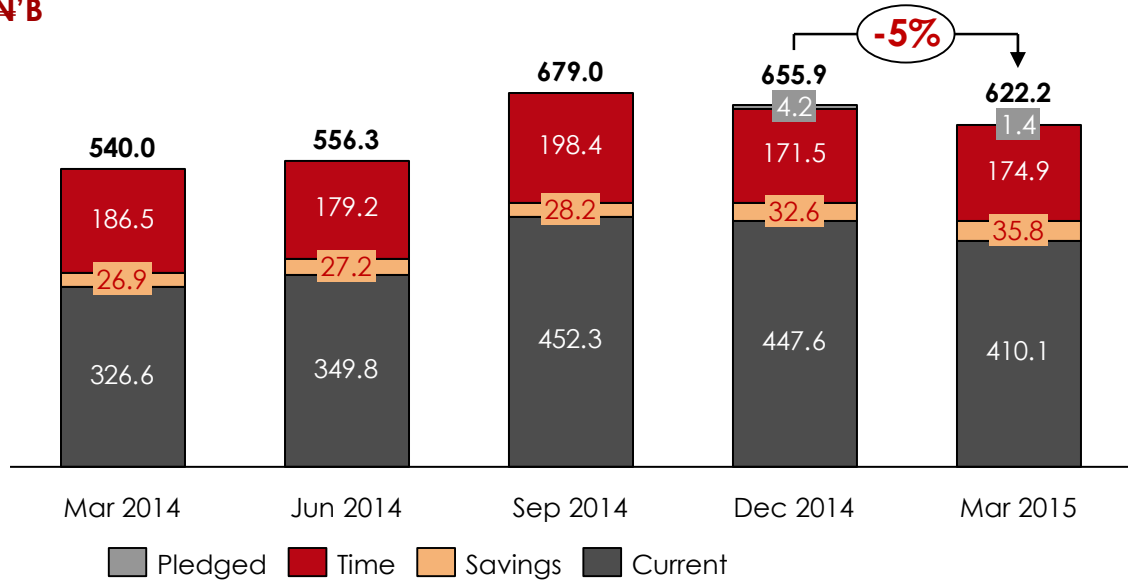
Sub-standard
 Doubtful
 Lost

Comments

- NPL ratio of 3.6% (Dec. 2014: 3.1%) which is below the minimum requirement of 5% by the CBN; while cost of risk was 1.9%
- Total impaired loans stood at N13.3 billion out of which only 16% is in the lost category
- Domestic trade recorded the highest sectorial contribution to NPLs; we have set up a specialized team within our retail business to manage our exposures to the MSME segment

Deposits

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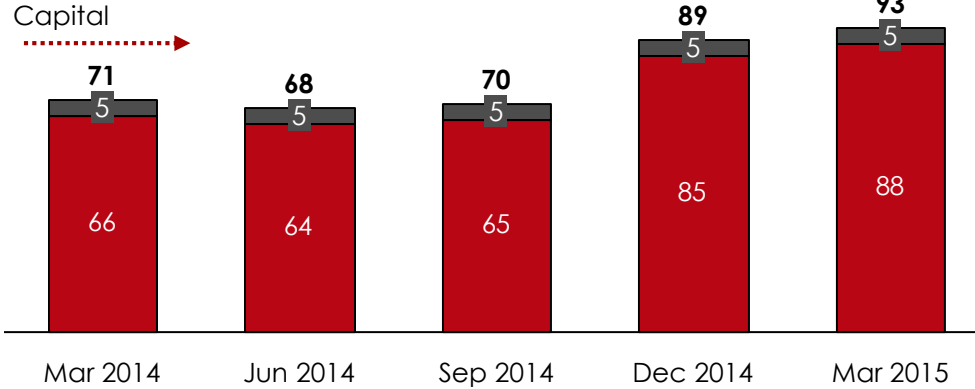
Comments

- Deposits declined by 5% year-to-date to N622 billion due to a reduction in current account balances
- Low cost funds (savings and current account balances) accounted for 71% (Dec. 2014: 73%) of deposits, while wholesale funds accounted for 29%
- Deposits funded 74% of total assets (Dec. 2014: 80%), while cost of fund was 5.9%

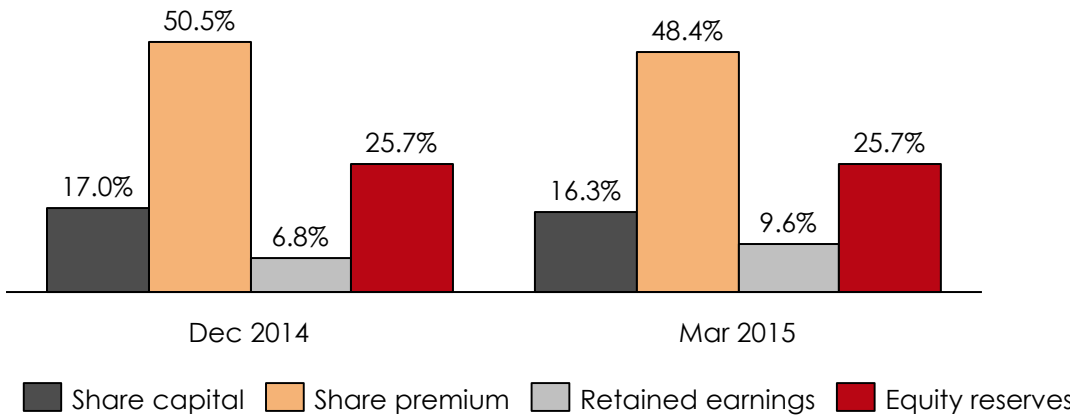
Capital

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- Equity
- Debt



Equity Composition



Comments

- Total capital grew by 4% to N93 billion of which 95% was equity
- Growth was due to profit accretion
- Capital adequacy ratio was 14% (based on Basel II)
- We plan to raise additional tier 2 capital of US\$200 million by way of multi-currency subordinated debt

Financial Ratios

Indicator	Q1 2014	1H 2014	Q3 2014	FY 2014	Q1 2015
Pre Tax Return on Average Equity (annualized)	22.6%	20.0%	17.6%	16.6%	18.9%
Post Tax Return on Average Equity (annualized)	20.0%	17.4%	14.7%	13.9%	18.3%
Return on Average Assets (annualized)	2.0%	1.8%	1.5%	1.4%	2.0%
Earnings per Share	15k	26k	33k	42k	14k
Yield on Earning Assets	13.2%	13.0%	13.5%	14.2%	13.3%
Cost of Funds	5.6%	5.3%	4.9%	5.3%	5.9%
Net Interest Margin	7.6%	7.7%	8.6%	8.9%	7.4%
Cost to Income	71.7%	73.2%	75.4%	73.6%	71.0%
NPL Ratio	1.8%	1.7%	2.1%	3.1%	3.6%
Capital Adequacy Ratio	14.0%	14.6%	10.0%	14.0%	12.7%
Loan to Deposit Ratio	62.4%	57.8%	47.9%	56.6%	63.1%

Outlook



FY 2015 guidance

- Double digit growth in earnings > 20%
- ROAE > 15%
- Cost-to-income ratio < 72%
- Loan growth > 15%
- Deposit growth > 20%

Thank you