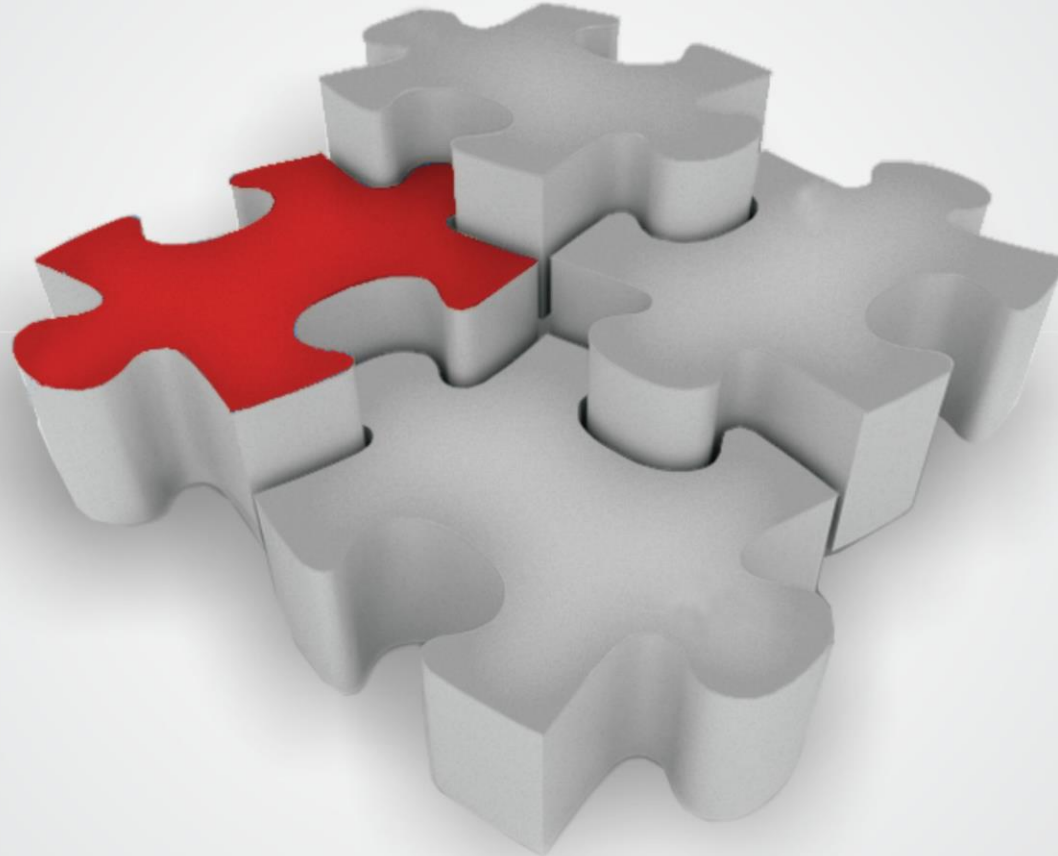


Sterling Bank Plc

Analyst/Investor Presentation

H1 2016



Important Information

Notice

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Overview



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

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



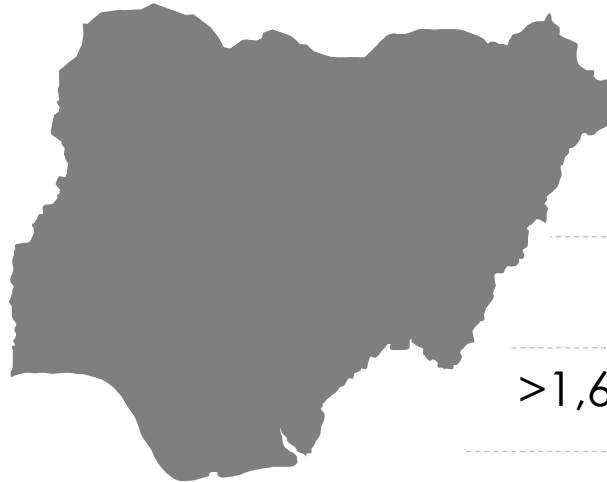
MOODY'S
INVESTORS SERVICE

B2 Long term rating

★★★★ 2016

LAFFERTY Bank Quality Ratings

Branch Network



187
Branches

840
ATMs

>1,600,000
Customer base

>2,600
Professional Employees

Business Focus

Retail, Commercial & Corporate Clients

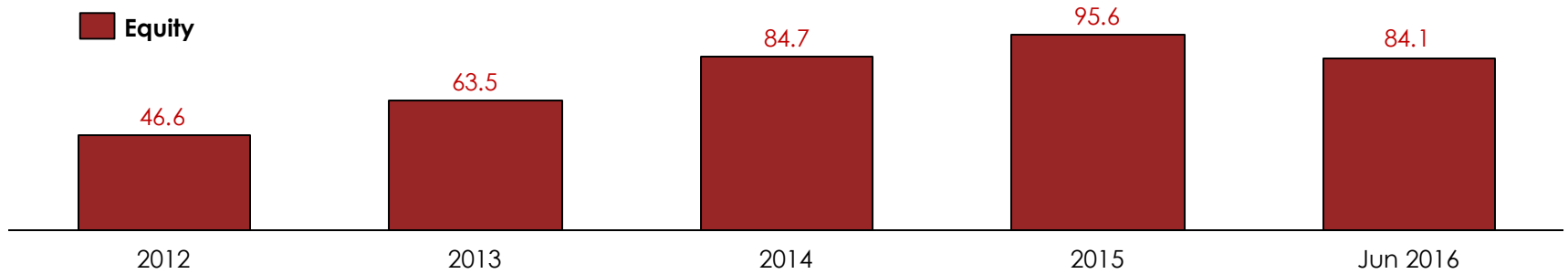
Key developments

- Successful migration to a world-class CORE banking application – TEMENOS (T24)
- The re-affirmation of our ratings by both Moody's and GCR
- Continuous expansion of our retail footprint across various channels to further drive customer acquisition and enhance service delivery
- Continuous upgrade across all our touchpoints to further enhance the Banks image and improve service delivery
- We have taken steps to improve staff productivity by introducing a flexible work environment to achieve our goal of building a great place to work

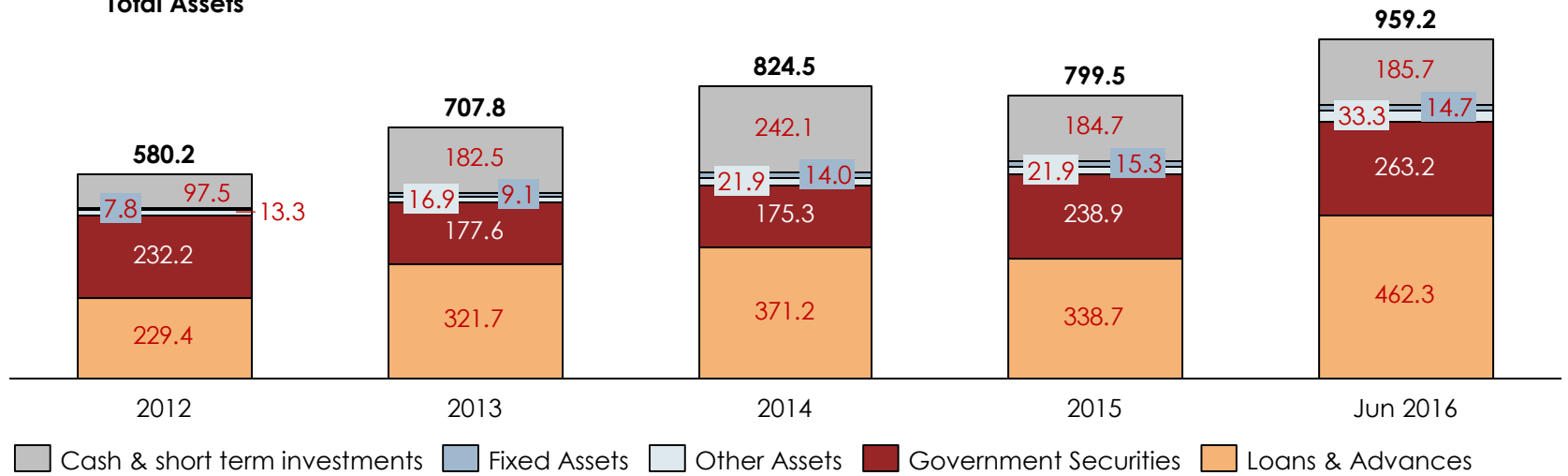
Trend analysis.../1

N'bn

Equity

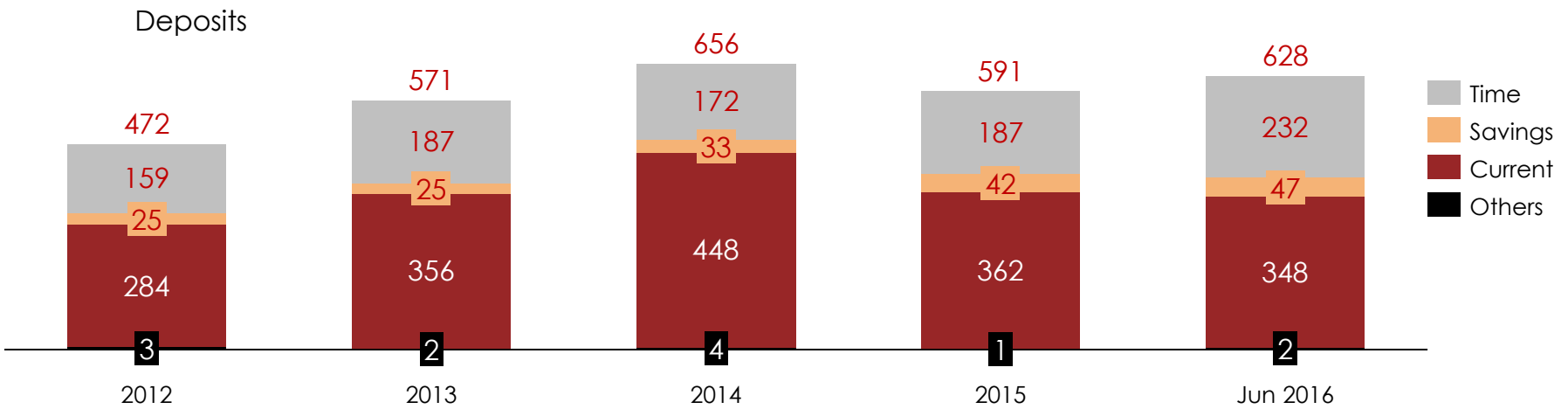
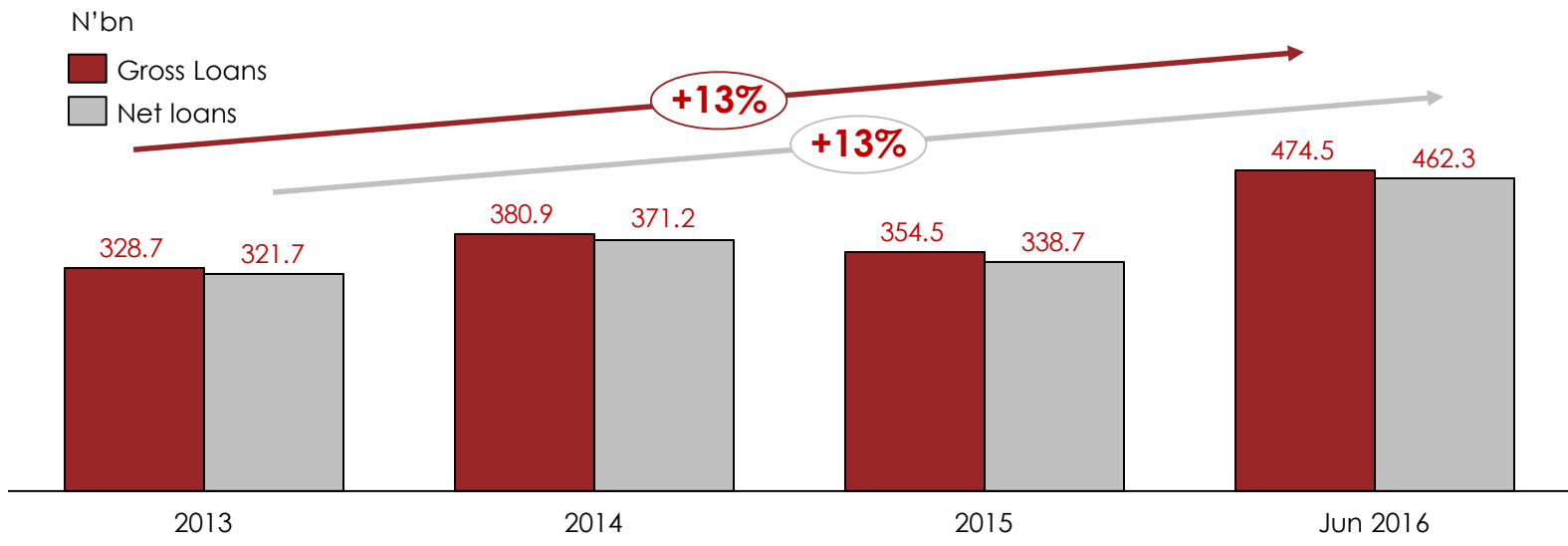


Total Assets



Cash & short term investments
 Fixed Assets
 Other Assets
 Government Securities
 Loans & Advances

Trend analysis.../2

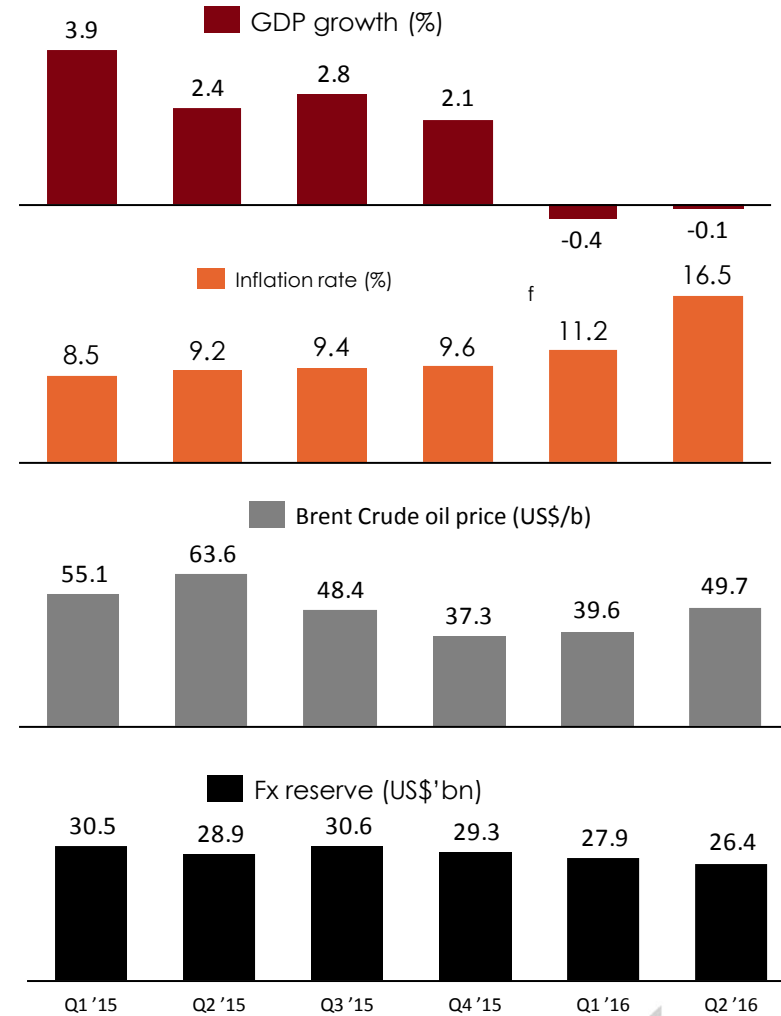


Operating Environment



Macro Profile

- GDP growth rate in Q1 2016 was negative at -0.36% y-o-y (Q1 2015 3.9%), and expected to contract further at -1% in Q2 2016 given the slowdown in economic activities
- Brent crude price has recorded a steady increase from US\$37.3pb in Dec. 2015 to US\$49.7pb as at end of Jun. 2016
- Foreign reserves was down by 9.9% to US\$26.4 in Jun. 2016 from US\$29.3bn as at Dec. 2015
- Headline inflation rate also recorded a steady increase to 16.5% in June 2016 representing 750 basis points above CBN's target of 9%
- Exchange rate depreciated by 43.9% to 282/US\$ in June 2016 following the liberalization of the foreign exchange market
- The CBN sustained its monetary policy tightening measures in response to macroeconomic headwinds



Operating Environment

Policy Changes	Effective Date	Rationale
<ul style="list-style-type: none">• Introduction of Account Maintenance Fee of 1 per mill.	January 2016	<ul style="list-style-type: none">• Substitute for elimination of CoT
<ul style="list-style-type: none">• Introduction of Compulsory Stamp Duty	January 2016	<ul style="list-style-type: none">• Revenue generation drive by federal government
<ul style="list-style-type: none">• Increase in CRR to 22.5%	March 2016	<ul style="list-style-type: none">• To defend the Naira and manage systemic liquidity
<ul style="list-style-type: none">• Reduced MPR by 100 basis points to 12% and later to 14% in July 2016	March 2016	<ul style="list-style-type: none">• To defend the Naira and manage systemic liquidity
<ul style="list-style-type: none">• Introduction of Flexible Inter-Bank Exchange Rate Market	June 2016	<ul style="list-style-type: none">• To allow market forces determine the fair value of the Naira and attract foreign portfolio investment
<ul style="list-style-type: none">• Introduction of Naira-settled OTC FX Futures	June 2016	<ul style="list-style-type: none">• Create transparency and FX liquidity management

Performance Review

- Earnings analysis



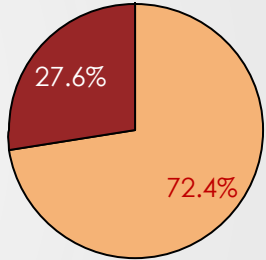
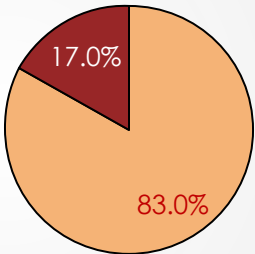
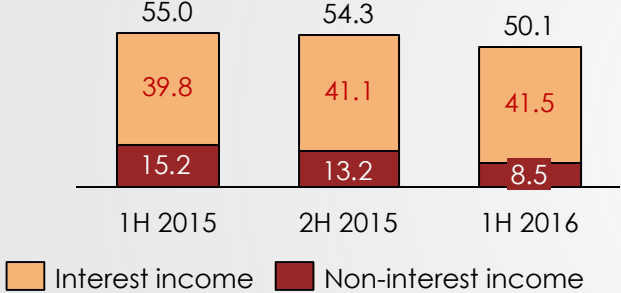
Income statement highlights

Items (N'mn)	1H 2016	% of Earnings	1H 2015	% of Earnings	Growth
Gross earnings	50,055	100%	55,042	100%	-9.1%
Interest income	41,541	83.0%	39,834	72.4%	4.3%
Interest expense	15,910	31.8%	20,407	37.1%	-22.0%
Net interest income	25,631	51.2%	19,427	35.3%	31.9%
Fees and commission income	6,008.1	12.0%	9,011	16.4%	-33.3%
Net Trading income	1,733.4	3.5%	3,857	7.0%	-55.1%
Other operating income	773	1.5%	2,340	4.3%	-67.0%
Non-Interest Income	8,514	17.0%	15,208	27.6%	-44.0%
		0.0%		0.0%	
Operating income	34,145	68.2%	34,635	62.9%	-1.4%
Impairment charges	3,665	7.3%	4,402	8.0%	-16.7%
Net operating income after impairment	30,480	60.9%	30,233	54.9%	0.8%
		0.0%		0.0%	
Personnel expenses	5,682	11.4%	5,712	10.4%	-0.5%
Other operating expenses	7,569	15.1%	5,837	10.6%	29.7%
General and administrative expenses	8,356	16.7%	8,060	14.6%	3.7%
Other property, plant and equipment cost	2,471	4.9%	2,676	4.9%	-7.7%
Depreciation and amortization	2,021	4.0%	1,891	3.4%	6.9%
Total expenses	26,099	52.1%	24,177	43.9%	8.0%
Profit before income tax	4,381	8.8%	6,056	11.0%	-27.7%
Income tax expense	360	0.7%	630	1.1%	-42.9%
Profit for the period	4,021	8.0%	5,426	9.9%	-25.9%

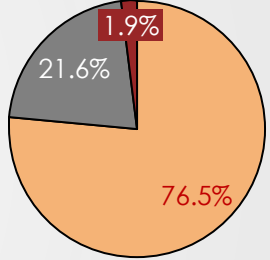
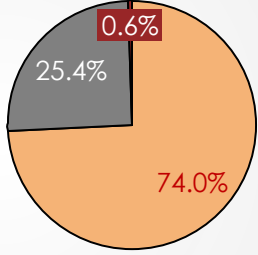
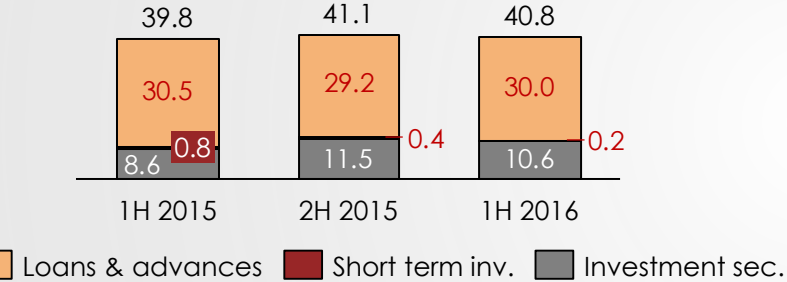
Earnings profile

N'B

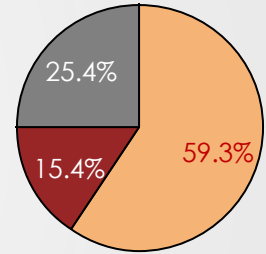
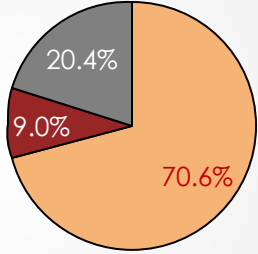
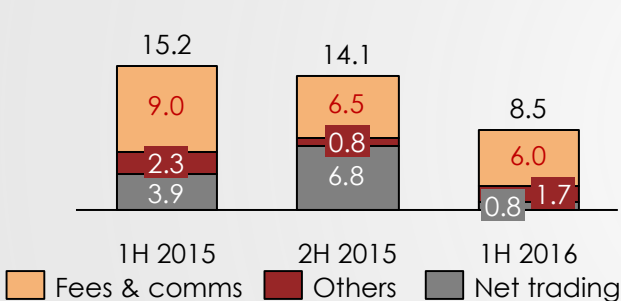
Gross earnings



Interest income

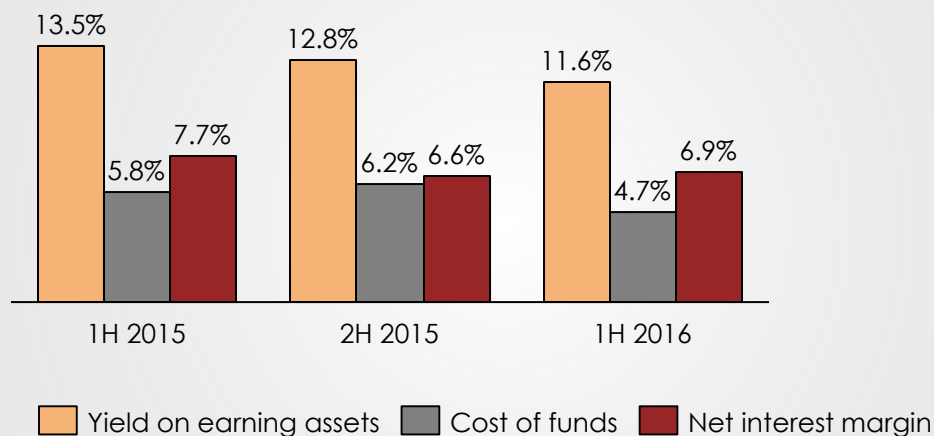
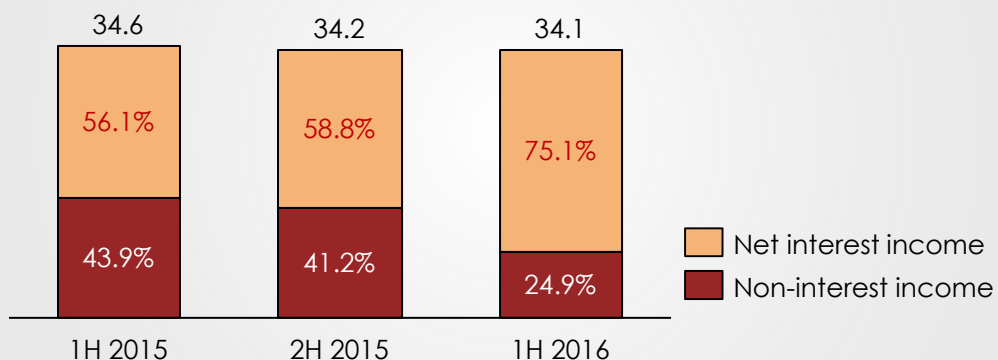


Non-interest income



Operating income

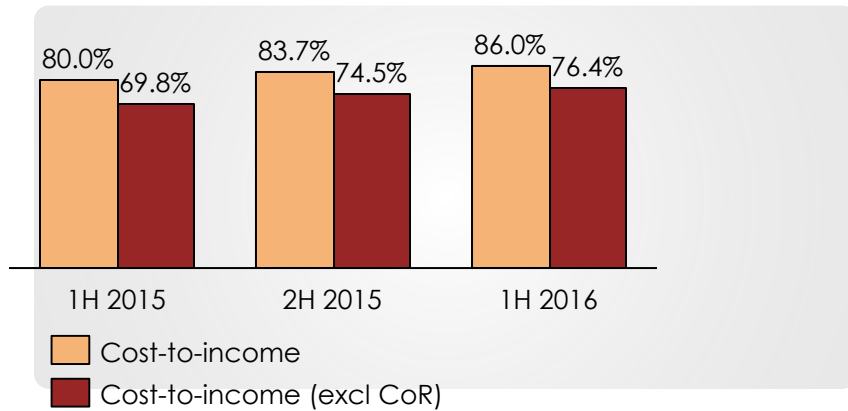
N'B



Comments

- Earnings were driven by interest income which rose 4.3% to N41.5 billion from N39.8 billion in 1H 2015
- Net interest income rose by 31.9% to 25.6 billion (1H 2015: N19.42 billion) driven by 22% decrease in interest expense
- Non-interest income declined by 44% to N8.5 billion largely due to a 33.3% decrease in fees and commission
- Also operating income moderated by 1.4% due to the decline in non-interest income.
- Net interest margin declined by 80 basis points driven by the decline in yield on earning assets.

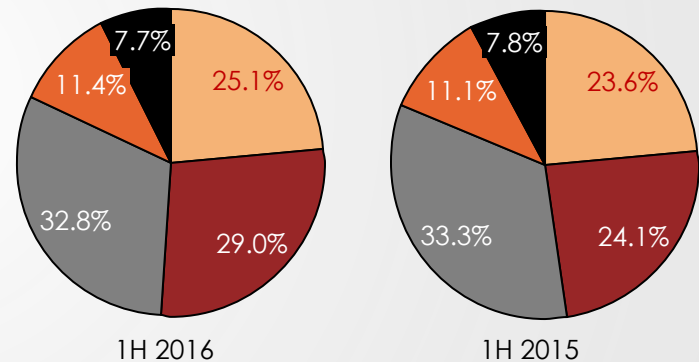
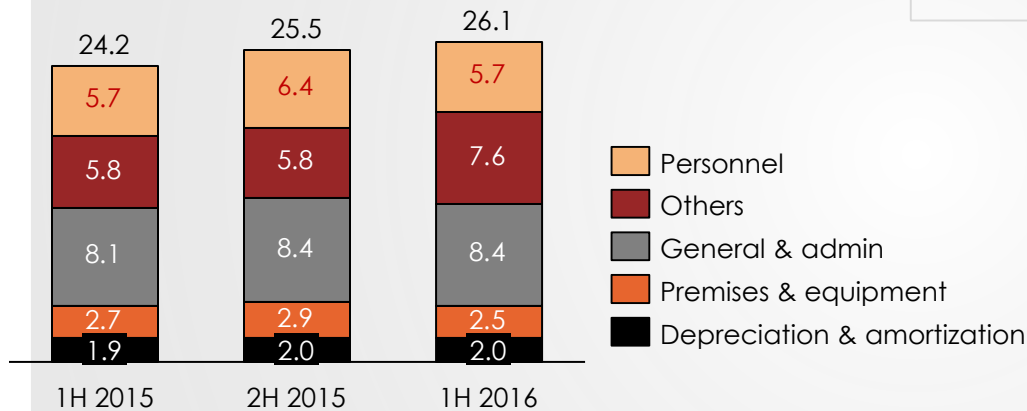
Operating Efficiency



Comments

- Operating expense increased by 8.0% to N26.1 billion (1H 2015: N24.26 billion) mainly due to inflationary pressures resulting in a 66 basis point increase in cost to income ratio to 76.4%
- We have made significant investment in technology in addition to cost management initiatives to improve operating efficiency

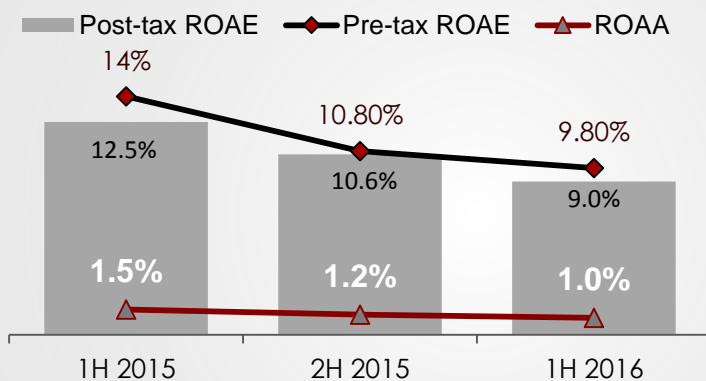
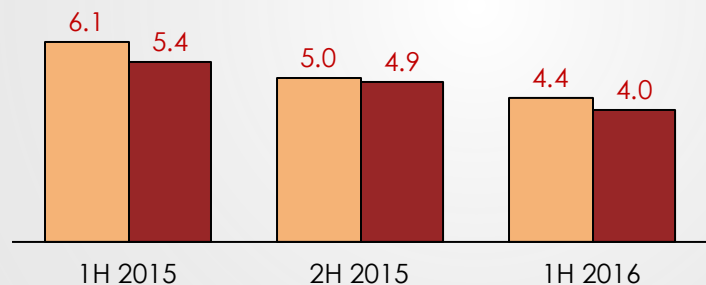
N/B Operating expenses



Profitability

N'B

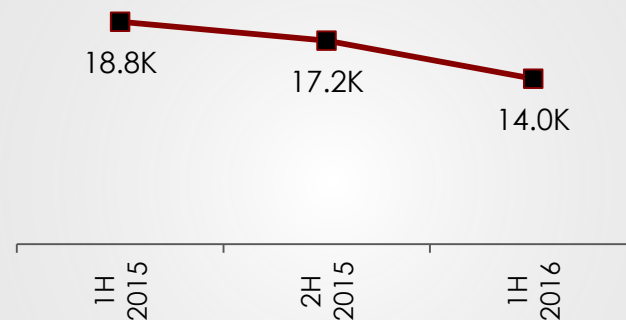
- Profit before Tax
- Profit after Tax



Comments

- Profit before tax was N4.4 billion (1H 2015: N6.1 Billion) while profit after tax was N4 billion (H1 2015: N5.4 billion)
- Decline in profit arising from regulatory and macroeconomic headwinds
- Pre-tax Return on average Equity (ROAE) remained competitive at 9.8% (Post-Tax 9.0%)
- Earnings per share was 14k (1H 2015: 19 Kobo).

EPS



Performance Review

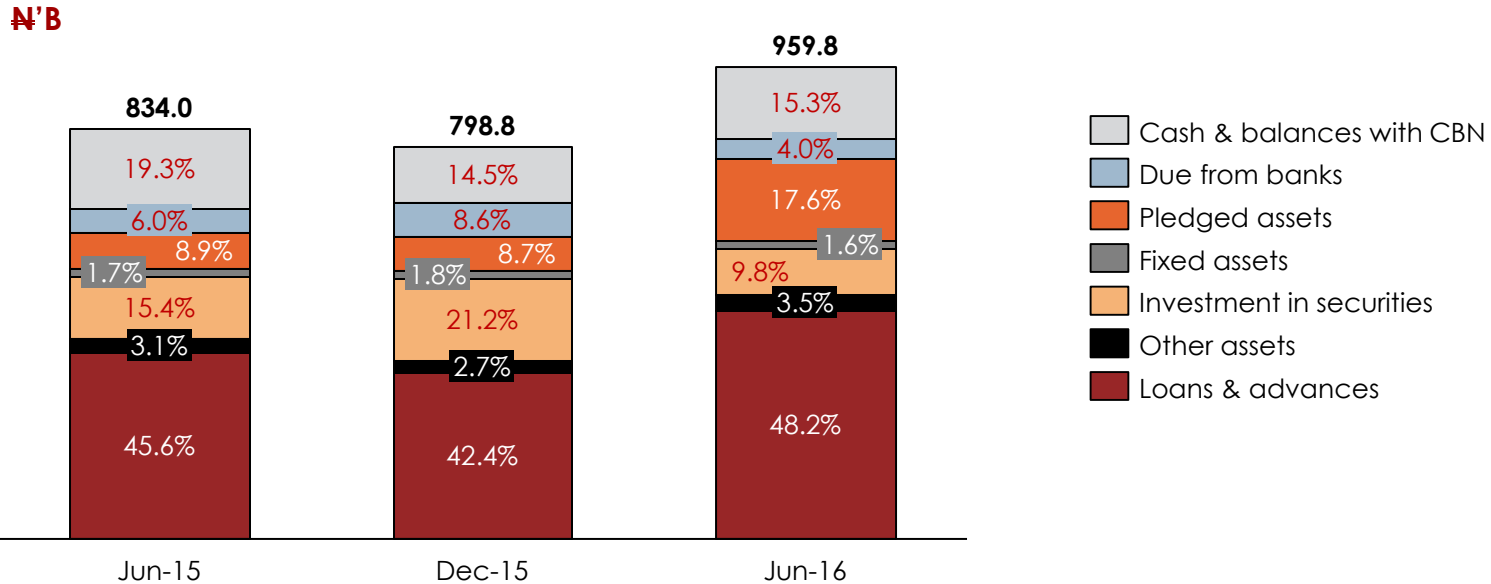
- Balance sheet analysis



Highlights of financial position

Items (N'mn)	Jun 30 2016	% of Total Assets	Dec 31 2015	% of Total Assets	Growth
Assets					
Cash and balances	146,893	15.3%	115,924	14.5%	26.7%
Due from banks	38,828	4.0%	68,799	8.6%	-43.6%
Pledged financial assets	169,283	17.6%	69,338	8.7%	144.1%
Loans and advances to Customers	462,316	48.2%	338,726	42.4%	36.5%
Investment securities:		0.0%		0.0%	
- Held for trading	1,397	0.1%	4,693	0.6%	-70.2%
- Available-for-sale	39,122	4.1%	119,479	14.9%	-67.3%
- Held to maturity	53,391	5.6%	45,360	5.7%	17.7%
Other assets	25,527	2.7%	13,903	1.7%	83.6%
Property, plant and equipment	14,651	1.5%	15,258	1.9%	-4.0%
Intangible assets	846	0.1%	1,000	0.1%	-15.4%
Deferred tax assets	6,971	0.7%	6,971	0.9%	0.0%
Total Assets	959,226	100%	799,451	100%	20.0%
Liabilities					
Deposits from Banks	79,357	8.3%	-	0%	0%
Deposits from Customers	627,887	65.5%	590,889	73.9%	6.3%
Current income tax liabilities	727	0.1%	780	0.1%	-6.8%
Other borrowed funds	79,317	8.3%	60,286	7.5%	31.6%
Debt securities issue	4,555	0.5%	4,564	0.6%	-0.2%
Other liabilities	83,257	8.7%	47,367	5.9%	75.8%
Total Liabilities	875,101	91.2%	703,886	88.0%	24.3%
Equity	84,126	8.8%	95,566	12.0%	-12.0%

Assets growth trend

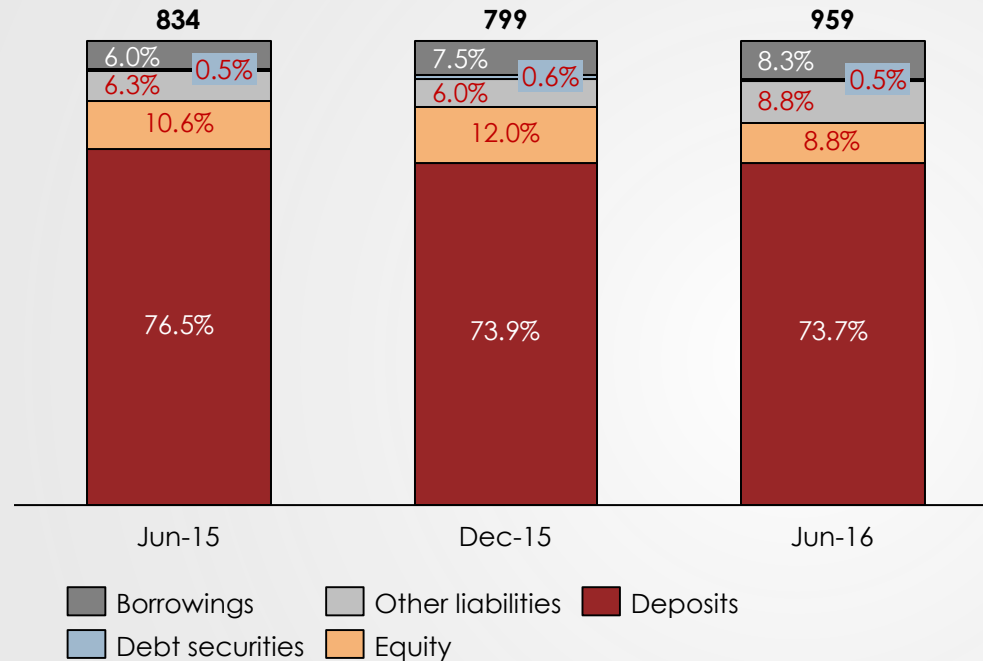


Comments

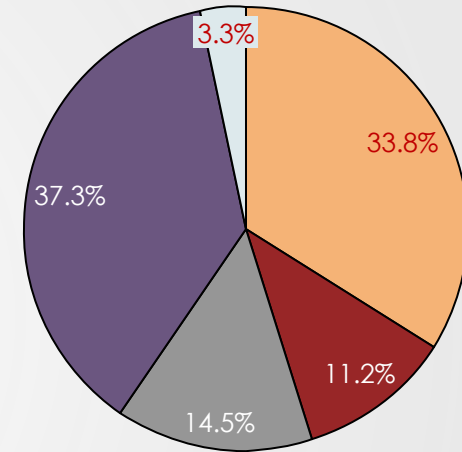
- Total assets increased by 20% to N959.2 billion (Dec 2015 N799.6) as a result of foreign exchange revaluation
- Loans and advances increased by 36.5% largely driven by foreign exchange revaluation; and recorded the highest contribution to total asset with 48.2% penetration rate
- We will continue to prioritize asset quality and operating efficiency as we navigate the current challenging operating environment

Funding mix

N'B



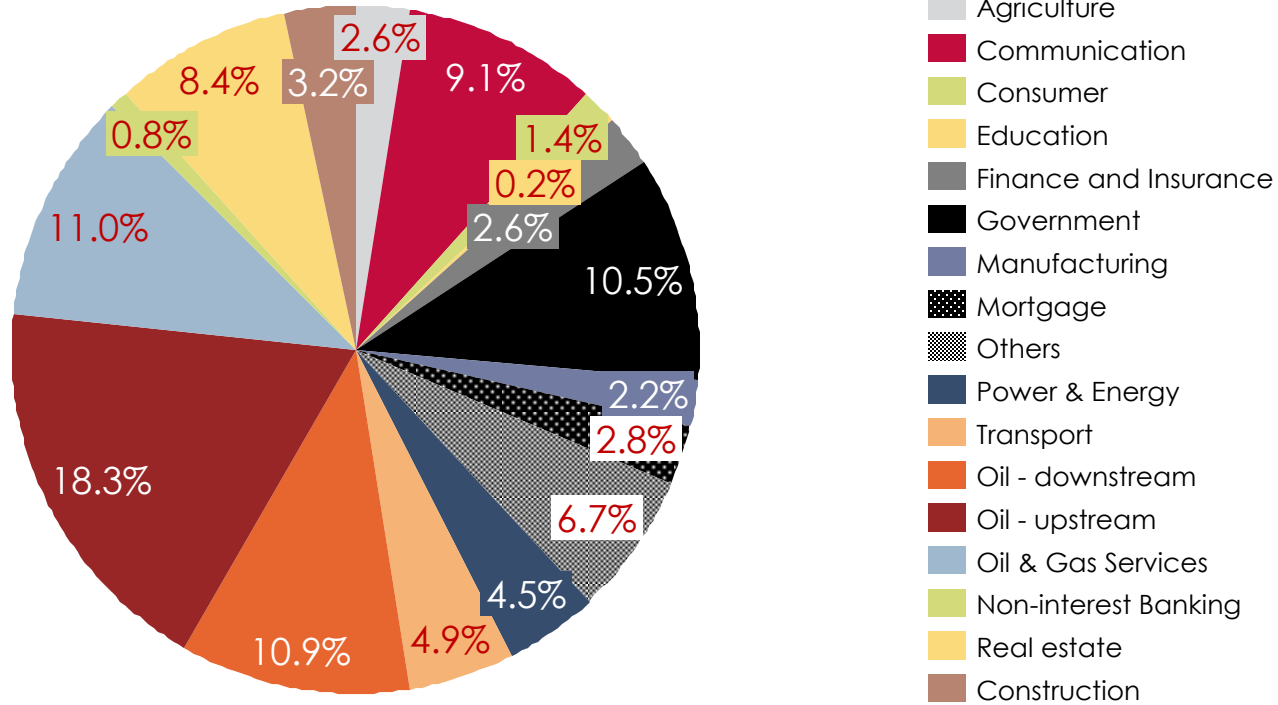
Borrowings by Source (N 79.3bn)



- Deposits remained the major source of funding at 73.7% of total assets
- Foreign currency funding accounted for 59.4% of borrowings, while, local currency funding (CBN & BOI) accounted for 40.6%

Gross loans by sector.../1

Jun. 2016



Comments

- We maintained a diversified loan book
- Gross loans increased by 34% and net loans by 36% to N474.5 billion and N462.3 billion respectively largely due to foreign exchange revaluation
- Oil & gas exposures are spread among the various subsectors – upstream, downstream and services

Gross loans by sector.../2

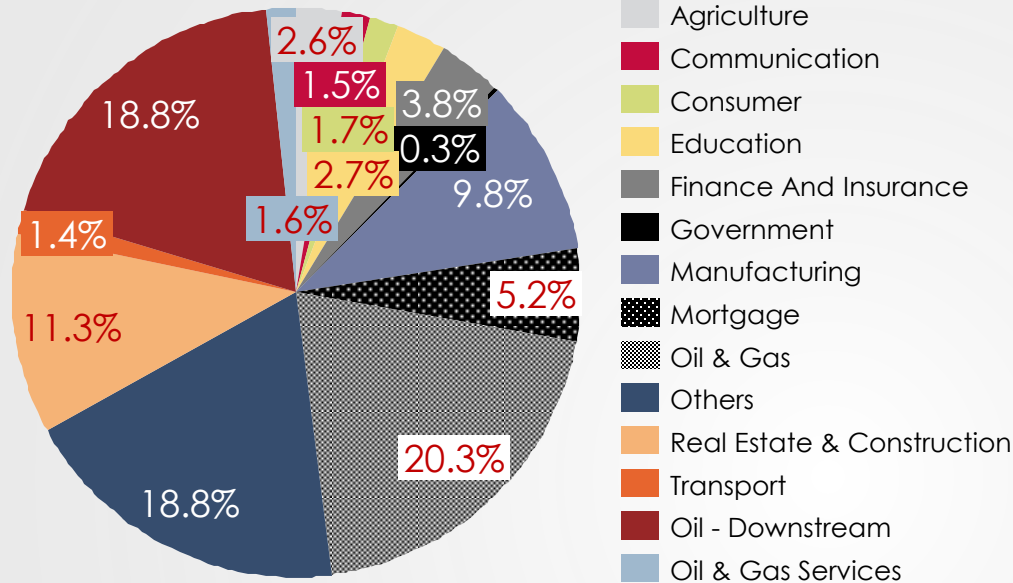
Sector	Jun-16		Dec-15		Growth
	N'm	% of total	N'm	% of Total	
Agriculture	12,222	2.6%	13,146	3.7%	-7.0%
Capital Market	40	0.0%	79	0.0%	-49.0%
Communication	43,067	9.1%	29,314	8.3%	46.9%
Consumer	6,453	1.4%	4,606	1.3%	40.1%
Education	980	0.2%	941	0.3%	4.1%
Finance & Insurance	12,196	2.6%	12,770	3.6%	-4.5%
Government	49,994	10.5%	35,023	9.9%	42.7%
Manufacturing	10,214	2.2%	8,003	2.3%	27.6%
Mining & Quarrying	307	0.1%	353	0.1%	-13.1%
Mortgage	13,483	2.8%	12,011	3.4%	12.3%
Oil - downstream	51,677	10.9%	43,957	12.4%	17.6%
Oil - upstream	86,650	18.3%	65,450	18.5%	32.4%
Oil & Gas Services	51,933	10.9%	32,277	9.1%	60.9%
Others	31,727	6.7%	24,451	6.9%	29.8%
Power	21,190	4.5%	14,920	4.2%	42.0%
Real Estate & Const.	55,098	11.6%	40,217	11.3%	37.0%
Transportation	23,316	4.9%	16,480	4.6%	41.5%
Non-interest Banking	3,989	0.8%	479	0.1%	732.8%
Total	474,536	100.1%	354,477	100.0%	33.9%

Gross loans by currency

SECTOR	LCY	FCY	TOTAL	FCY Contribution
Agriculture	12,221.8	-	12,221.8	0.0%
Capital Market	39.6	-	39.6	0.0%
Communication	14,119.5	28,947.9	43,067.4	67.2%
Consumer	6,408.9	44.1	6,453.0	0.7%
Education	978.9	0.9	979.9	0.1%
Finance And Insurance	12,196.0	0.0	12,196.0	0.0%
Government	49,994.3	-	49,994.3	0.0%
Manufacturing	10,203.8	10.4	10,214.2	0.1%
Mining & Quarrying	307.4	-	307.4	0.0%
Mortgage	13,085.4	397.4	13,482.8	2.9%
Oil - downstream	43,828.7	7,848.6	51,677.3	15.2%
Oil - upstream	8,393.4	78,256.6	86,650.1	90.3%
Oil & Gas Services	21,473.3	30,459.6	51,932.9	58.7%
Others	28,774.9	2,952.5	31,727.3	9.3%
Power And Energy	485.0	20,704.7	21,189.6	97.7%
Real Estate & Construction	45,552.9	9,545.4	55,098.3	17.3%
Transport	8,270.4	15,046.1	23,316.5	64.5%
Non-Interest Banking	3,989.0	-	3,989.0	0.0%
Grand Total	280,323.2	194,214.2	474,537.4	40.9%

Asset quality

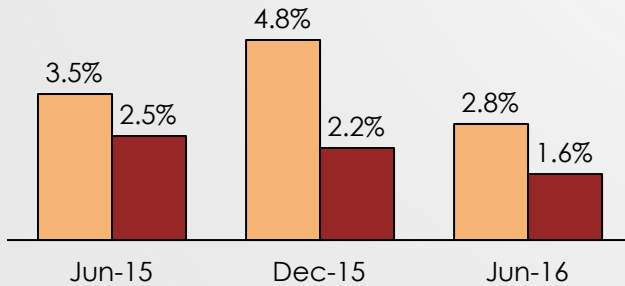
N'B



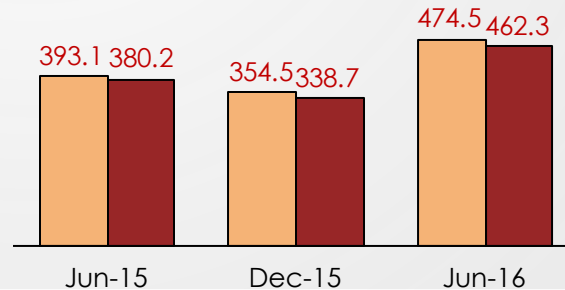
Comments

- Non-performing loans to gross loans (NPL ratio) declined by 200 basis points to 2.8%, while cost of risk reduced by 60 basis points to 1.6%
- Non-Performing loans were adequately covered at 91% coverage ratio
- Oil & gas loans (especially, exposures to the upstream and services sub-sectors) are viable at the current oil prices; however, we have restructured in most cases to accommodate pressure on cash flows arising from volatilities in the sector

■ NPL ratio
■ Cost of risk

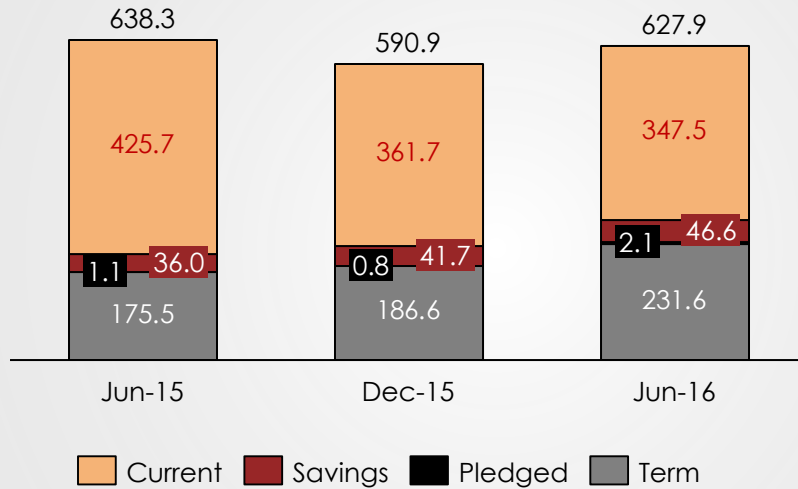


■ Gross Loans
■ Net loans

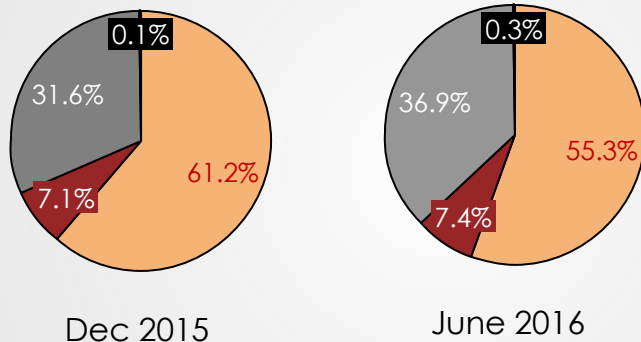


Deposits

N'B



Deposit Mix

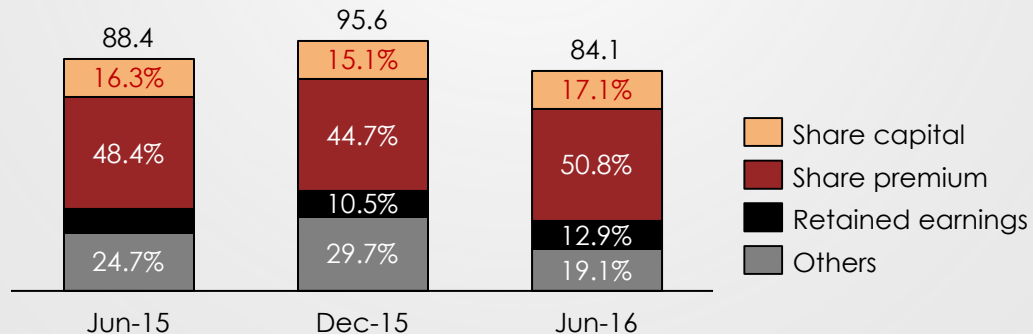


Comments

- Deposits increased by 6.3% to N627.9 billion driven mainly by our retail business
- Low cost deposits accounted for 63% of total deposits, while wholesale funds accounted for 37%
- Savings deposits rose by 12% and accounted for 7.4% of total deposits (Dec 2015: 7.1%) re-affirming the success of our retail strategy
- Cost of funds declined by 120 basis points to 4.7% despite monetary policy tightening measures
- We have successfully migrated to the world-class core banking application (Temenos) which will enable us better manage significant uptick in customer base to ensure the required flexibility to deliver bespoke service across business segments

Capital

Items	Jun 2016	Dec 2015	Growth
Tier 1 capital	81,525	81,371	0.2%
Tier 2 capital	-8,878	3,892	-328.1%
Total regulatory capital	72,648	85,262	-14.8%
Risk-weighted assets	669,322	487,487	37.3%
Tier 1 ratio	12.2%	16.7%	
Tier 2 ratio	-1.3%	0.8%	
Capital adequacy ratio	10.9%	17.5%	
Loan to Deposit Ratio (Net)	73.6%	57.3%	



Comments

- Shareholders' funds declined by 12% to N84.1 billion arising from value adjustment on available for sale investments. However, capital adequacy ratio remained above regulatory benchmark of 10%
- We remain committed to our plan to conclude our tier 2 capital raise which we will reopen once interest rates moderate. This will enable us build additional resilience in the current difficult macro-economic conditions, while also strengthening earning capacity.

Financial ratios

Indicator	1H 2015	FY 2015	1H 2016
Pre-Tax Return on Average Equity	14.1%	10.8%	9.8%
Post-Tax Return on Average Equity	12.60%	10.6%	9.0%
Return on Average Assets	1.5%	1.2%	1.0%
Earnings per Share	19k	17K	14k
Yield on Earning Assets	13.1%	12.8%	11.6%
Cost of Funds	5.9%	6.20%	4.70%
Net Interest Margin	7.2%	6.6%	6.9%
Cost-to-income Ratio	69.8%	74.5%	76.4%
	June 2015	Dec 2015	June 2016
Non-performing Loan Ratio	3.5%	4.8%	2.8%
Capital Adequacy Ratio (Basel 2)	14.8%	17.5%	10.9%
Loan to Deposit Ratio (Net)	59.6%	57.3%	73.6%

THANK YOU

