

Analyst/Investor Presentation

Q1 2017



Important Information

- 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.
- The presentation is for information purposes only and should not be construed as an offer or solicitation to acquire, or dispose of any securities or issues mentioned in this presentation.
- 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, 2016. 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

- Performance Review
- Earnings Review
- Financial Ratios



Performance Review

- Earnings analysis



Earnings Highlights

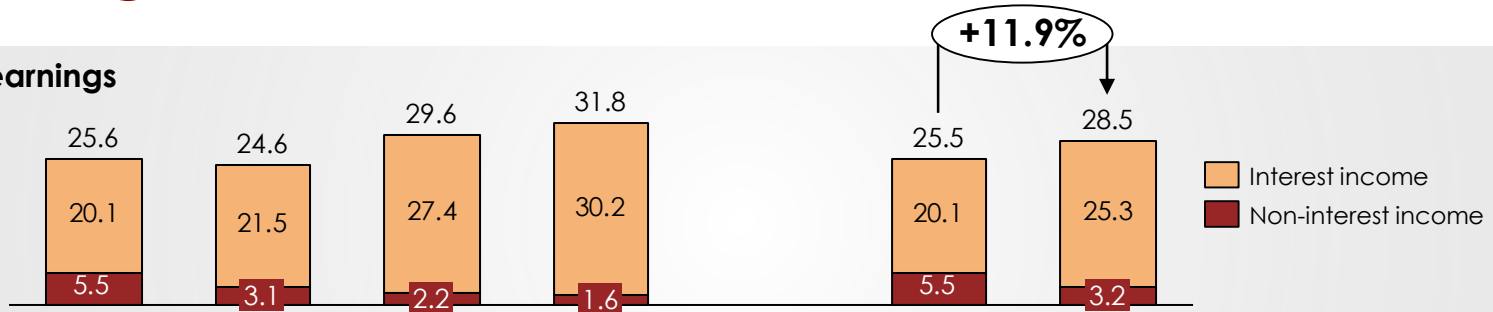
<i>In millions of Naira</i>	<u>March 2017</u>		<u>March 2016</u>		<u>Growth</u>
	N'M	% of Earnings	N'M	% of Earnings	%
Gross Earnings	28,554	100.0%	25,504	100.0%	12.0%
Interest income	25,322	88.7%	20,053	78.6%	26.3%
Interest expense	(11,814)	41.4%	(8,639)	33.9%	36.8%
Net interest income	13,508	47.3%	11,414	44.8%	18.3%
Fee and commission	2,723	9.5%	3,675	14.4%	-25.9%
Trading income	(911)	3.2%	1,537	6.0%	-159.3%
Other operating income	1,420	5.0%	239	0.9%	494.1%
Operating income	16,740	58.6%	16,865	66.1%	-0.7%
Net impairment charges	(2,510)	8.8%	(1,440)	5.6%	74.3%
Personnel expenses	(2,878)	10.1%	(2,829)	11.1%	1.7%
Depreciation and amortisation	(1,071)	3.8%	(1,018)	4.0%	5.2%
Other operating expenses	(3,164)	11.1%	(3,053)	12.0%	3.6%
General and administrative expenses	(3,519)	12.3%	(4,333)	17.0%	-18.8%
Other property, plant and equipment costs	(1,567)	5.5%	(1,387)	5.4%	13.0%
Profit before income tax	2,031	7.1%	2,805	11.0%	-27.6%
Income tax expense	(155)	0.5%	(264)	1.0%	-41.3%
Profit after tax	1,876	6.6%	2,541	10.0%	-26.2%



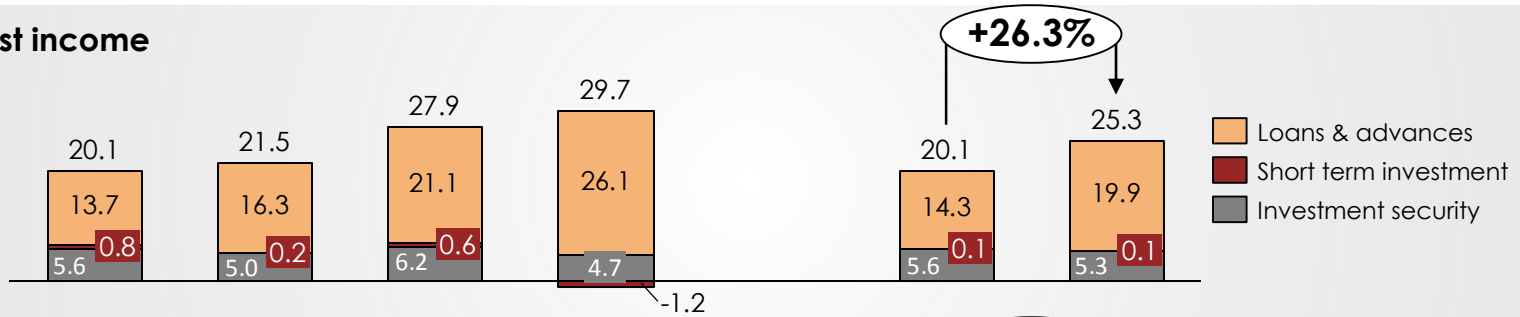
Earnings Profile

₹'B

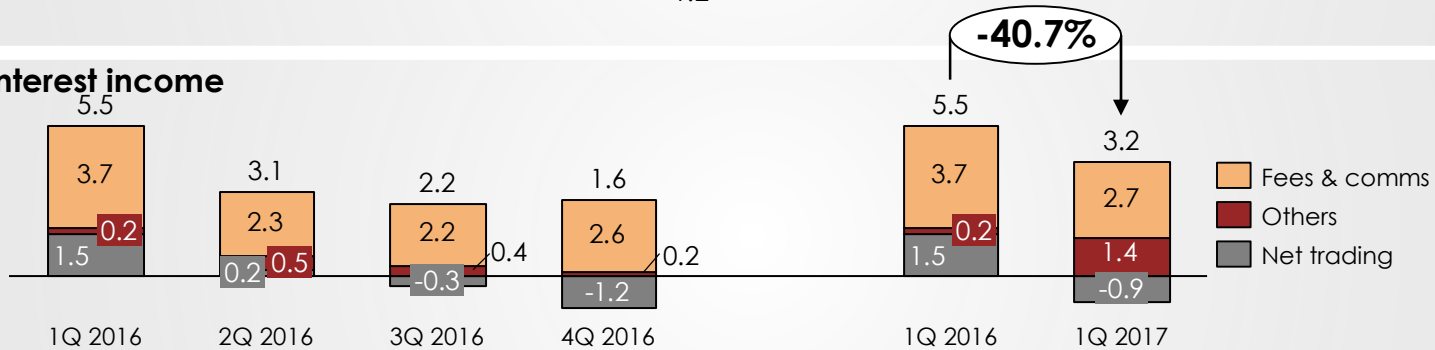
Gross earnings



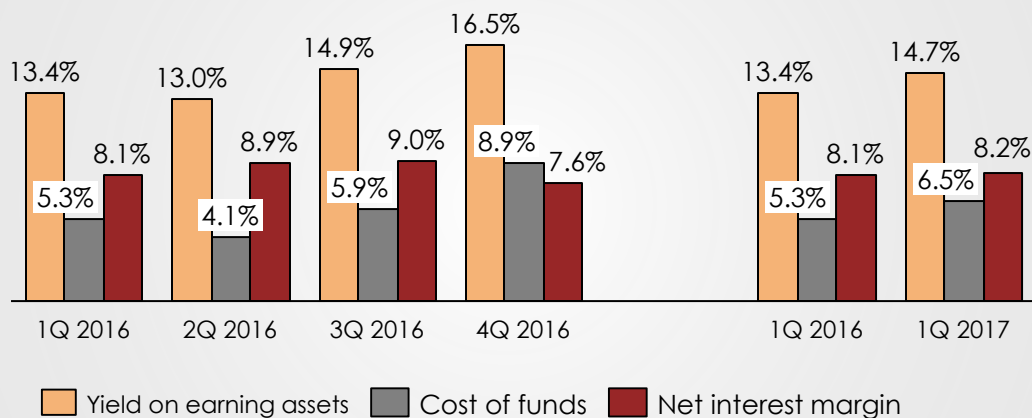
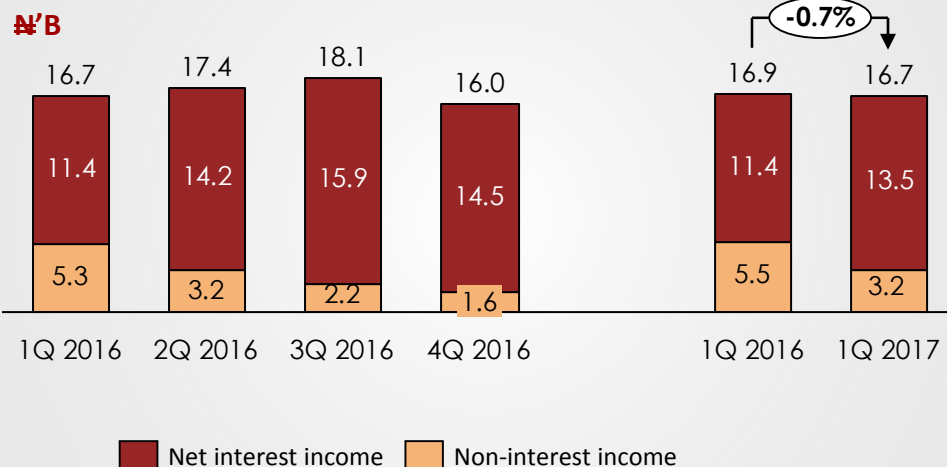
Interest income



Non-interest income



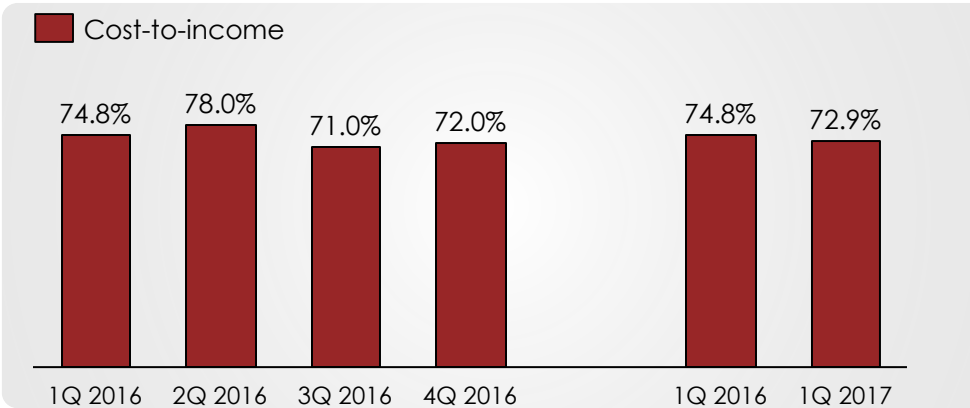
Operating Income



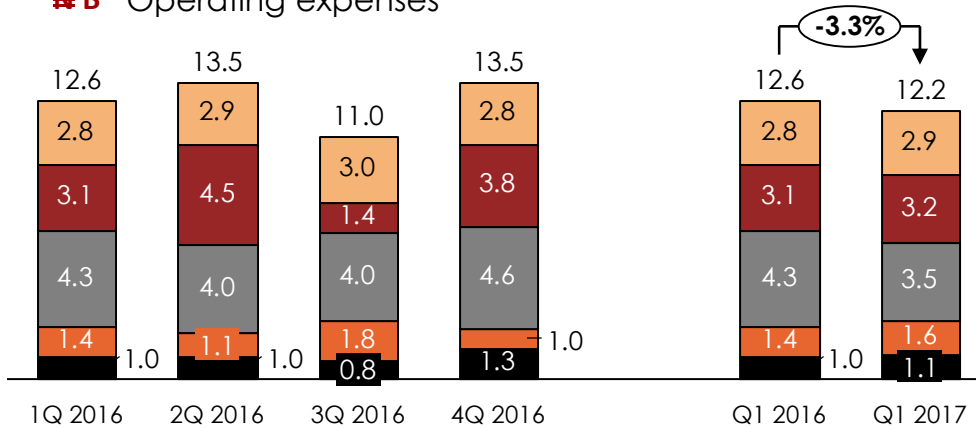
Comments

- Gross earnings increased by 11.9 y-o-y to N28.392 billion in Q1 2017 (10% decline q-o-q);
- Earnings were driven by interest income which rose by 26.3% but was offset by a 41% decline y-o-y in non-interest income to N3.2 billion;
- Net interest income rose by 18.3% feeding from a 26.3% rise in interest income;
- Operating income declined marginally by 0.7% y-o-y to N16.7 billion, supported by the improvement in net interest income;
- Yield on earning assets increased by 130 basis points y-o-y to 14.7%, while cost of funds increased by 120 basis points to 6.5% resulting in a 10 basis point improvement in net interest margin to 8.2%.

Operating Efficiency



N/B Operating expenses



Personnel
 General & admin
 Depreciation & amortization

Others
 Premises & equipment

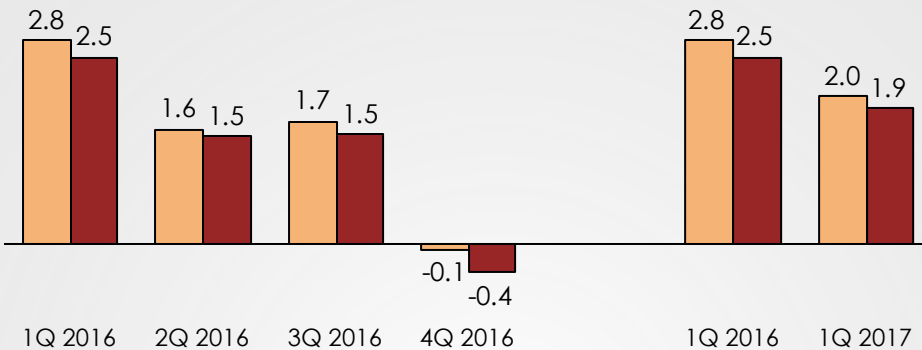
Comments

- Operating expenses declined by 3.3% y-o-y to N12.2 billion and 10.7% q-o-q;
- Decline in operating expenses was primarily driven by a 22.9% reduction in General Admin expenses;
- Overall, this reflects progress in our strategic cost control measures in response to inflationary pressures;
- Consequently, cost-to-income ratio declined by 190 basis points to 72.9%

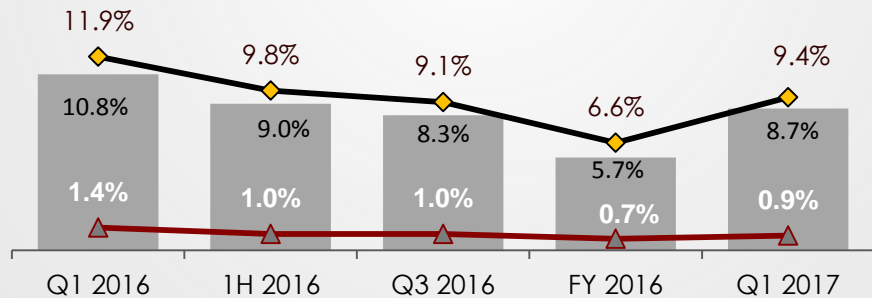
Profitability

₹'B

Profit before Tax Profit after Tax



Post-tax ROAE Pre-tax ROAE ROAA



Comments

- Profit before Tax was N2.0 billion, while Profit after Tax was N1.9 billion in Q1 2017;
- Profit before tax was deepened by impairment charges and decline in trade volume arising from FX supply shortages;
- Pre-tax Return on Average Equity remains competitive at 9.4% (Post-tax 8.7%);
- We will continue to explore innovative ways to improve revenue, while simultaneously enhancing the overall efficiency of our business operations.



Performance Review

- Balance sheet analysis

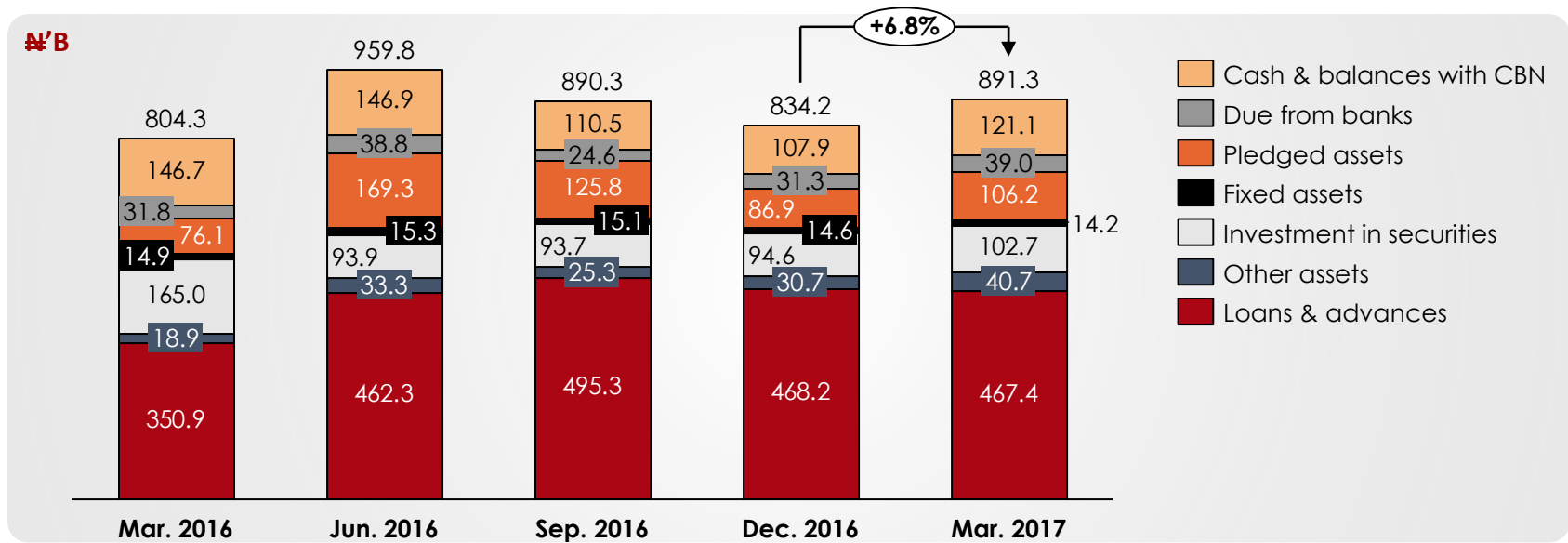


Highlights of Financial Position

	March 2017		December 2016		Growth
	N'M	% of Total Assets	N'M	% of Total Assets	
ASSETS					
Cash and balances with Central Bank of Nigeria	121,124	13.6%	107,859	12.9%	12.3%
Due from Banks	38,977	4.4%	31,289	3.8%	24.6%
Pledged financial assets	106,193	11.9%	86,864	10.4%	22.3%
Derivative financial assets	3	0.0%	8	0.0%	-63.1%
Loans and advances to Customers	467,377	52.4%	468,250	56.1%	-0.2%
Investment in securities	102,715	11.5%	94,632	11.3%	8.5%
Other assets	31,811	3.6%	21,676	2.6%	46.8%
Property, plant and equipment	14,163	1.6%	14,604	1.8%	-3.0%
Intangible assets	1,941	0.2%	2,037	0.2%	-4.7%
Deferred tax assets	6,971	0.8%	6,971	0.8%	0.0%
TOTAL ASSETS	891,275	100.0%	834,190	100.0%	6.8%
LIABILITIES					
Due to Banks	-	-	-	-	-
Deposits from Banks	25,472	2.9%	23,769	2.8%	7.2%
Deposits from Customers	570,192	64.0%	584,734	70.1%	-2.5%
Derivative financial liabilities	2	0.0%	7	0.0%	-70.8%
Current income tax liabilities	1,069	0.1%	942	0.1%	13.5%
Other borrowed funds	134,652	15.1%	82,450	9.9%	63.3%
Debt securities issue	15,076	1.7%	15,382	1.8%	-2.0%
Other liabilities	57,281	6.4%	41,245	4.9%	38.9%
TOTAL LIABILITIES	803,744	90.2%	748,529	89.7%	7.4%
<i>Equity</i>	87,531	9.8%	85,660	10.3%	2.2%
TOTAL LIABILITIES AND EQUITY	891,275	100.0%	834,189	100.0%	6.8%



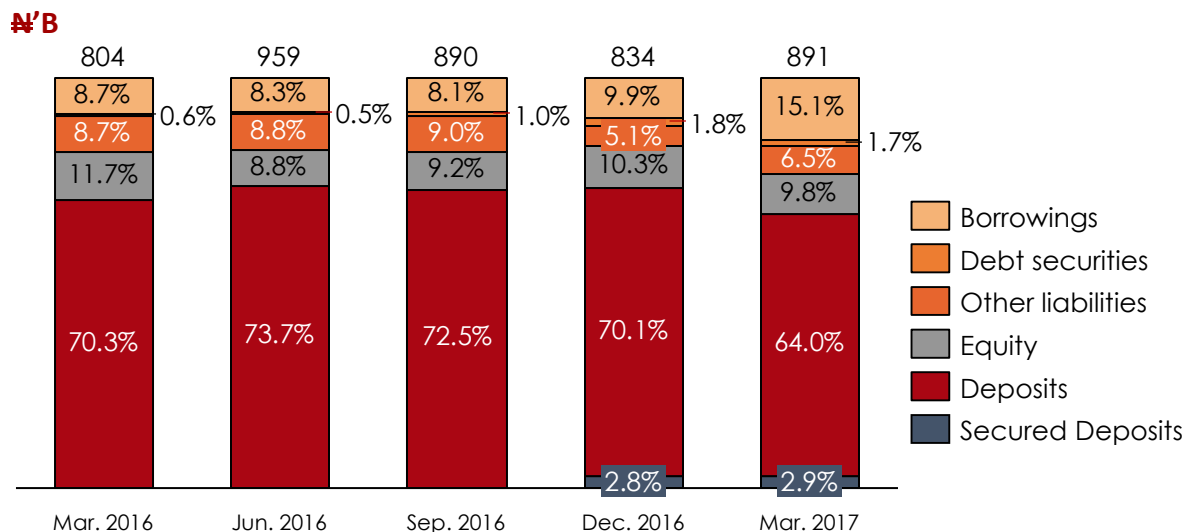
Assets Growth Trend



Comments

- Total assets excluding contingent liabilities increased by 6.8% to N891.3 billion (Dec. 2016: N834.2 billion)
- Loans and advances was relatively flat and recorded the highest contribution at 52.4% penetration (Dec. 2016: 56.1%)
- Investment securities rose by 8.5% to N102.7 billion reflecting high on money market securities
- We remained focused on balance sheet optimization in order to maximize asset yield

Funding Mix



Comments

- Deposits remained the major source of funding at 64% (Dec. 2016: 70.1%)
- Borrowings increased by 63.3% and supported by domestic funding sources which accounted for 60.1%

	March 2017		December 2016		Growth
	N'M	% of Total	N'M	% of Total	
Foreign Funds					
Citibank	15,423	11.5%	15,268	18.5%	1.0%
Standard Chartered	24,538	18.2%	24,458	29.7%	0.3%
Islamic Corporation Dev. Bank	13,751	10.2%	9,283	11.3%	48.1%
Total Foreign Funds	53,712	39.9%	49,009	59.4%	9.6%
Local Funds					
Bank of Industry	2,439	1.8%	2,618	3.2%	-6.8%
CBN - Agric Fund	45,119	33.5%	18,396	22.3%	145.3%
CBN - MSME Fund	927	0.7%	1,006	1.2%	-7.8%
Nigeria Mortgage Refinance Co.	1,646	1.2%	1,660	2.0%	-0.9%
Excess CrudeAccount	14,709	10.9%	9,761	11.8%	50.7%
FBN Merchant Bank	16,100	12.0%	-	-	-
Total Local Funds	80,939	60.1%	33,441	40.6%	142.0%
Total Borrowings	134,652	100.0%	82,450	100.0%	63.3%



Gross Loans by Sector

Sectors	March 2017		December 2016		Growth
	N'M	% of Total	N'M	% of Total	
Agriculture	12,444	2.6%	14,489	3.0%	-14.1%
Capital Market	81	0.0%	58	0.0%	38.8%
Communication	3,229	0.7%	17,578	3.7%	-81.6%
Consumer	6,293	1.3%	6,657	1.4%	-5.5%
Education	865	0.2%	902	0.2%	-4.2%
Finance & Insurance	11,262	2.4%	12,607	2.6%	-10.7%
Government	59,061	12.4%	34,482	7.2%	71.3%
Manufacturing	6,243	1.3%	8,252	1.7%	-24.3%
Mining & Quarrying	858	0.2%	343	0.1%	150.3%
Mortgage	9,309	1.9%	10,242	2.1%	-9.1%
Oil - downstream	47,161	9.9%	52,615	11.0%	-10.4%
Oil - upstream	132,693	27.8%	126,517	26.5%	4.9%
Oil & Gas Services	55,232	11.6%	67,454	14.1%	-18.1%
Others	18,175	3.8%	34,749	7.3%	-47.7%
Power	24,623	5.2%	24,031	5.0%	2.5%
Real Estate & Construction	56,651	11.9%	45,998	9.6%	23.2%
Transportation	14,102	3.0%	13,364	2.8%	5.5%
Non-interest Banking	19,739	4.1%	6,376	1.3%	209.6%
Grand Total	478,020	100.0%	476,714	100.0%	0.3%

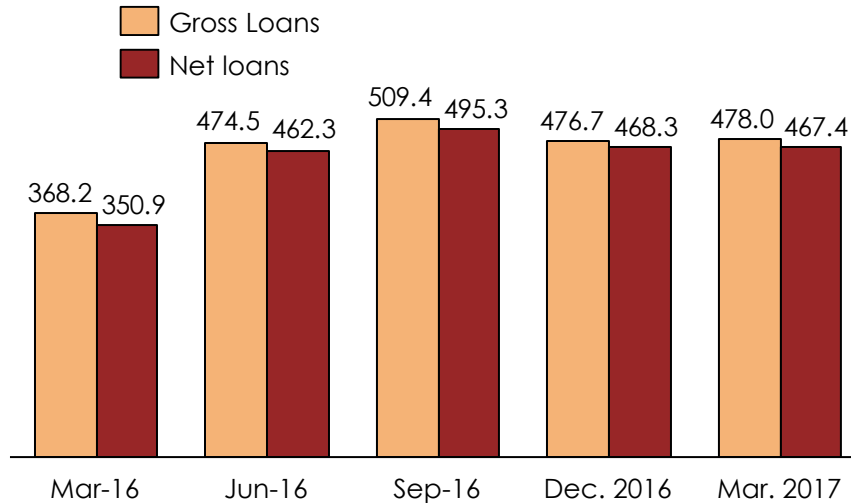


Loans and Advances by Currency

Sector	LCY	FCY	TOTAL	% of FCY
Agriculture	12,444	-	12,444	0.0%
Capital Market	81	-	81	0.0%
Communication	1,921	1,308	3,229	40.5%
Consumer	6,253	40	6,293	0.6%
Education	865	-	865	0.0%
Finance & Insurance	9,538	1,724	11,262	15.3%
Government	59,061	-	59,061	0.0%
Manufacturing	6,235	8	6,243	0.1%
Mortgage	8,838	471	9,309	5.1%
Oil - downstream	41,922	5,239	47,161	11.1%
Oil - upstream	9,941	122,751	132,693	92.5%
Oil & Gas Services	26,943	28,290	55,232	51.2%
Others	15,637	2,538	18,175	14.0%
Power	1,117	23,506	24,623	95.5%
Real Estate & Construction	45,511	11,140	56,651	19.7%
Transportation	1,202	12,899	14,102	91.5%
Mining & Quarrying	284	574	858	66.9%
Non-interest Banking	19,739	-	19,739	0.0%
Grand Total	267,530	210,491	478,020	44.0%



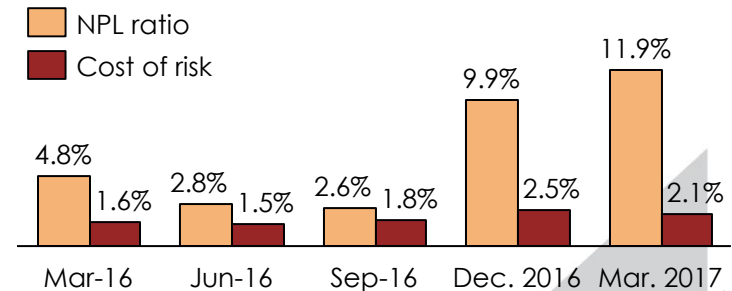
Asset Quality



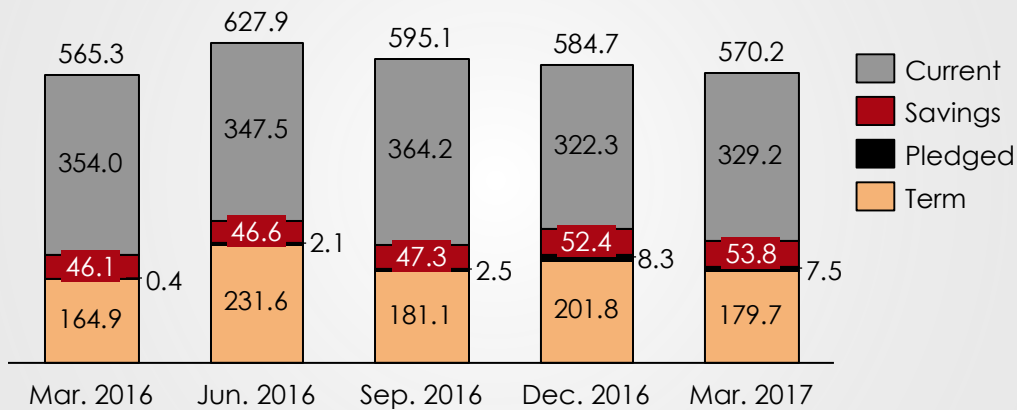
Sector	NPL (N'm)	% of Total
Agriculture	225	0.4%
Communication	60	0.1%
Consumer	870	1.6%
Education	540	1.0%
Finance & Insurance	262	0.5%
Government	23	0.0%
Manufacturing	1,569	2.9%
Mortgage	1,335	2.4%
Oil - downstream	437	0.8%
Oil - upstream	24,076	44.0%
Oil & Gas Services	4,617	8.4%
Others	4,845	8.8%
Real Estate & Construction	2,410	4.4%
Transportation	13,490	24.6%
Grand Total	54,760	100.0%

Comments

- Gross loans was relatively flat at N478.0 billion and net loans at N467.4 billion;
- Non-performing loans to gross loans (NPL ratio) was 11.9%, while cost of risk declined by 40 basis points to 2.1%;
- Oil & gas loans were spread among the various sub-sectors with 66% in foreign currency (predominantly upstream assets);
- Oil and gas sector recorded the highest sector contribution at 49.4% due to naira devaluation;

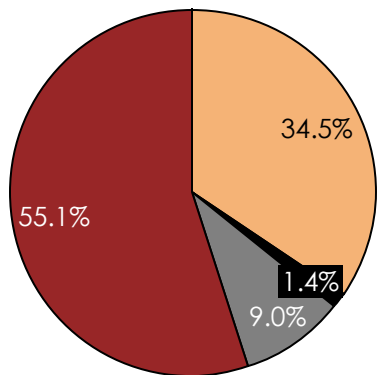


Deposits

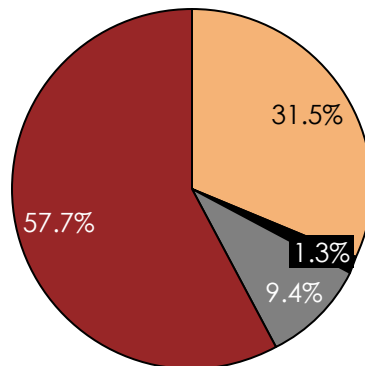


Comments

- Deposits declined by 2.5% to N570.2 billion, due to the implementation of the Treasury Single Account (TSA)
- Low cost deposits accounted for 67.2% (Dec. 2016: 64.1%) of total deposits, while wholesale funds accounted for 32.8%
- Savings deposits rose by 2.6% and accounted by 9.4% of total deposits (Dec. 2016: 9.0%) re-affirming the benefits of our retail drive
- Wholesale deposits declined by 11% as we continued to remain cautious in taking expensive funds
- Consequently, cost of funds increased by 120 basis points reflecting a high interest rate environment



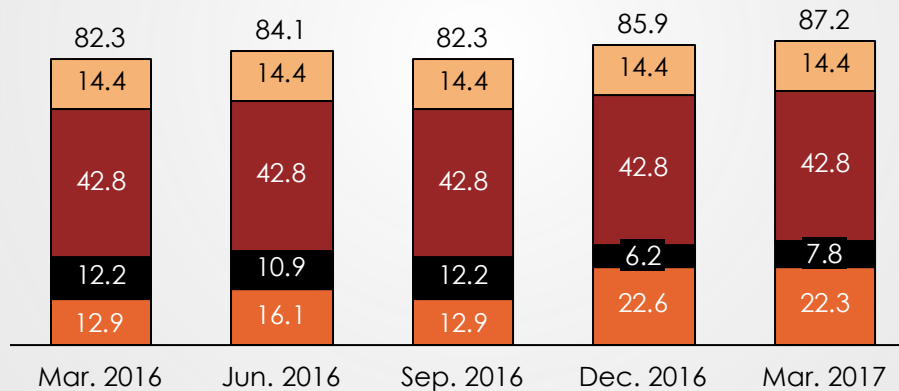
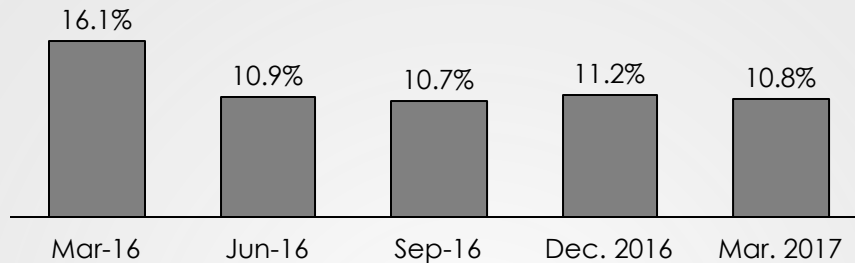
Dec. 2016



Mar. 2016

Term
 Pledged
 Savings
 Current

Capital



Share capital
 Retained earnings
 Share premium
 Equity reserves

Comments

- Capital adequacy ratio remains above regulatory benchmark at 10.8%;
- Shareholders' funds increased by 2.2% to N87.2 billion as a result of profit accretion;
- We remain confident that we will complete the final tranche of our bond issuance program to build additional capital buffer, while strengthening earnings capacity



Financial Ratios



Financial Ratios

	Q1 2016	1H 2016	Q3 2016	FY 2016	Q1 2017
Indicators					
Pre Tax Return on Average Equity	11.9%	9.8%	9.1%	6.6%	9.4%
Post Tax Return on Average Equity	10.8%	9.0%	8.3%	5.7%	8.7%
Return of Average Assets	1.4%	1.0%	1.0%	0.7%	0.9%
Earnings per Share	9k	14k	19k	18k	7k
Yield on Earning Assets	13.3%	11.6%	13.8%	15.6%	14.7%
Cost of Funds	5.3%	4.7%	5.3%	6.3%	6.5%
Net Interest Margin	8.0%	6.9%	8.5%	9.3%	8.2%
Cost-to-income Ratio	74.8%	76.4%	74.6%	74.1%	72.9%
Non-performing Loan Ratio	4.8%	2.8%	2.5%	9.9%	12.0%
Capital Adequacy Ratio	16.1%	10.9%	10.7%	11.2%	10.8%
Cost of Risk	1.6%	1.5%	1.8%	2.5%	2.1%
Loan to Deposit Ratio (Net)	62.1%	73.6%	83.2%	80.1%	82.0%



Management Guidance

Guidance

Deposit growth >15%

Net loans growth <10%

Pre-tax Return on Average Equity (ROAE) >10%

Cost-to-income <70%

NPL ratio < 7.5%

Cost of funds <5%



THANK YOU

