

# Investor Presentation

H1 2017




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# Agenda

1. Overview
  2. Performance highlights
  3. Earnings analysis
  4. Balance sheet analysis
  5. Financial ratios
- 

# Overview



# Sterling Bank at a Glance

## The Company

Sterling Bank is a full service national commercial Bank with balance sheet size in excess of N1 trillion

### Focus segments



Retail, Commercial and Corporate Clients

### Active Customers



>1,600,000

### Channels



180 business offices  
776 ATMs and 1871 POS

### Headcount



>2,260 Professional Employees

### Auditors



Building a better working world

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### Accounting

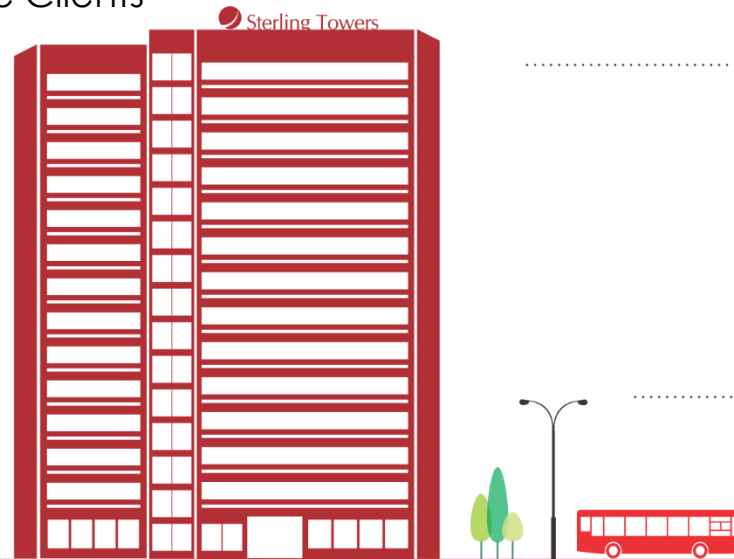
# IFRS

International Financial Reporting Standards (IFRS)

### Listing



Nigerian Stock Exchange



# History & Key Milestones

- Commenced operations as NAL Bank - the pioneer merchant bank in Nigeria

- Fully privatized following Government's sale of its residual interest
- Became a universal bank

- Raised US\$95m during the financial crisis from Citibank
- Launched the 'One Customer' proposition

- Completed integration of ETB and launched retail banking; Raised ₦12.1bn via Rights Issue
- Obtained Non-Interest Banking license; launched Agent Banking

- Organizational restructuring along business lines

1960

1992

2000/01

2006

2008

2011

2012/13

2014

2015

2016

- Partly privatized and listed as a PLC on the NSE

- Merged with Magnum Trust Bank, NBM, Trust Bank of Africa, and Indo-Nigeria Merchant Bank (INMB) to form Sterling Bank PLC

- Sold non-core businesses following the repeal of universal banking by the CBN
- Acquired Equitorial Trust Bank (ETB)

- Raised US\$120m (₦19.1bn) through Private Placement

- Deployed new CORE Banking application – Temenos T24
- Established Bond & CP issuance programmes



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



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



**B2** Long term rating

National scale ratings

**NG-1** Short term rating

**A1.ng** Long term rating



# Our Strategy

Build a sustainable and trusted 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



# Strategic Goals

## Mid-term (2017-2021)

5% market share measured by deposits

ROAE above peer group average

Low single digit cost of funds

Diverse retail funding base

Non-performing loans below peer group average

Diversified income streams with top quartile position in all our operating areas

Investment grade credit rating

Double digit revenue growth YoY

## Long-term

Globally competitive financial services franchise by financial and non-financial measures

Fully sustainable business model with institutionalized processes beyond the stewardship of current owners and managers

Leading consumer banking franchise (bank of choice for customers in our target markets)

Great place to work

A trusted operator materially impacting all our segments of business participation



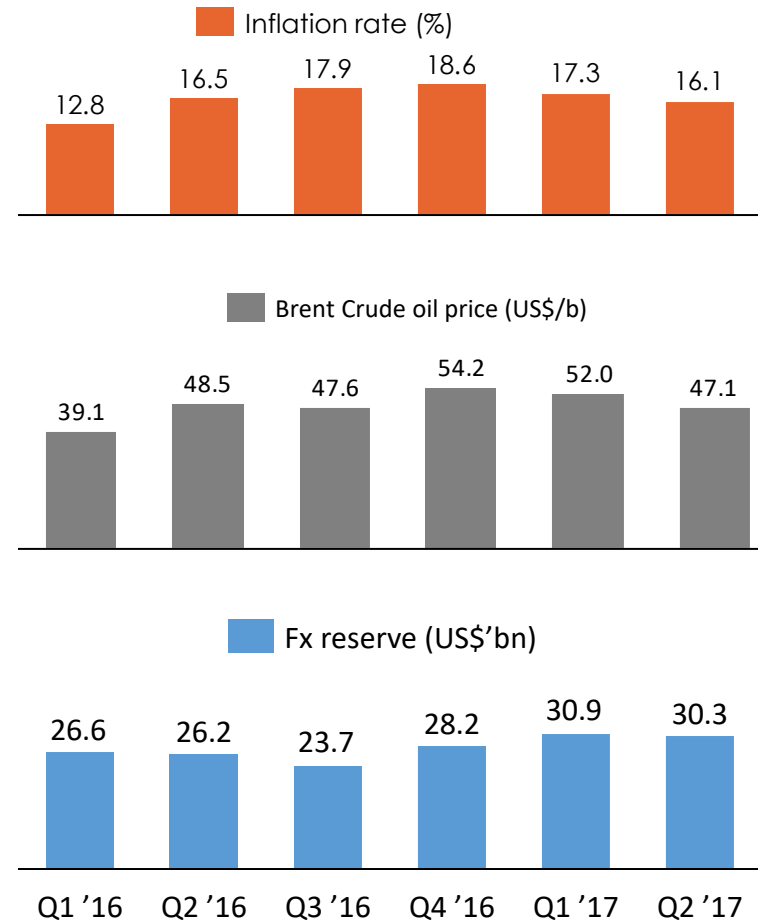


# Performance Highlights



# Macro Profile

- GDP growth rate in Q1 2017 was negative at -0.5% y-o-y (Q1 2016: 0.36%) but expected to improve in Q2 2017 given the up tick in economic activities;
- Brent crude price rose to US\$54.96pb in Dec. 2016 but moderated to US\$ 47.08pb as at end of Jun. 2017;
- Foreign reserves increased by 17% to US\$30 billion in Jun. 2017 from US\$25bn as at Dec. 2016, a representation of stable oil prices and production;
- Headline inflation rate continued to increase at a decreasing rate to 16.1% in June 2017 with food inflation having the most impact;
- Exchange rate remained relatively stable at the interbank market to close at 305.72/US\$ as at June 2017;
- The CBN sustained its monetary policy tightening measures in response to macroeconomic headwinds.



# Performance highlights

## Financials (N'm)

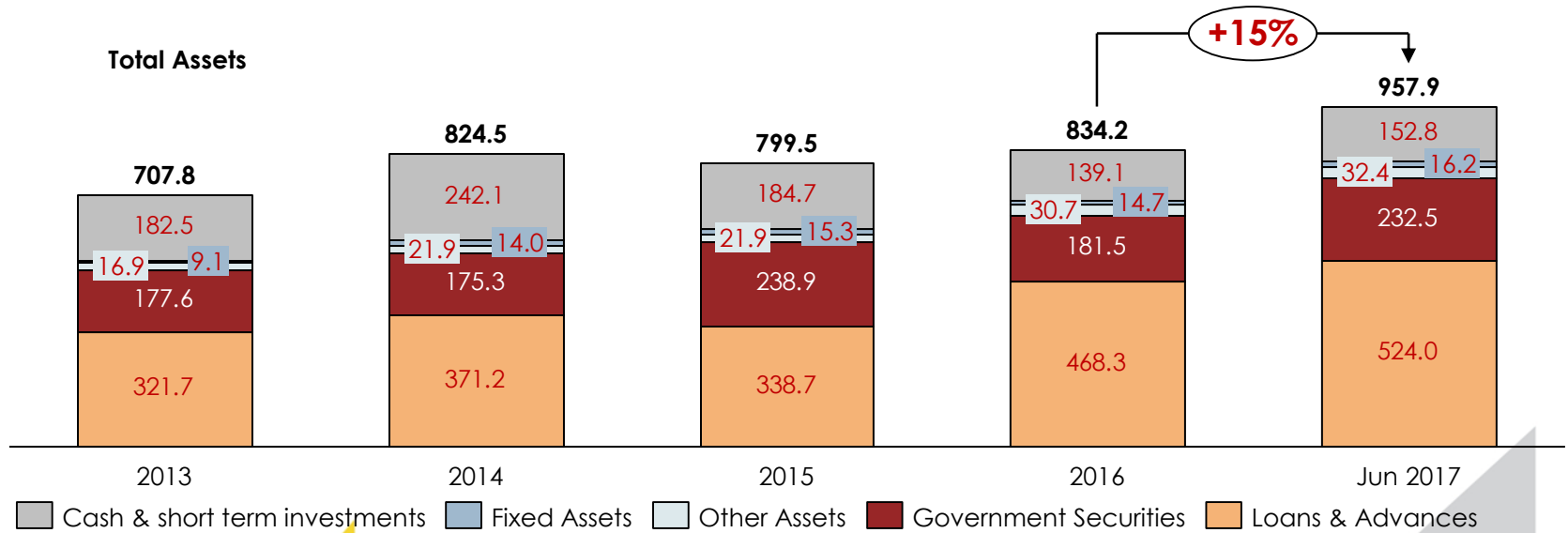
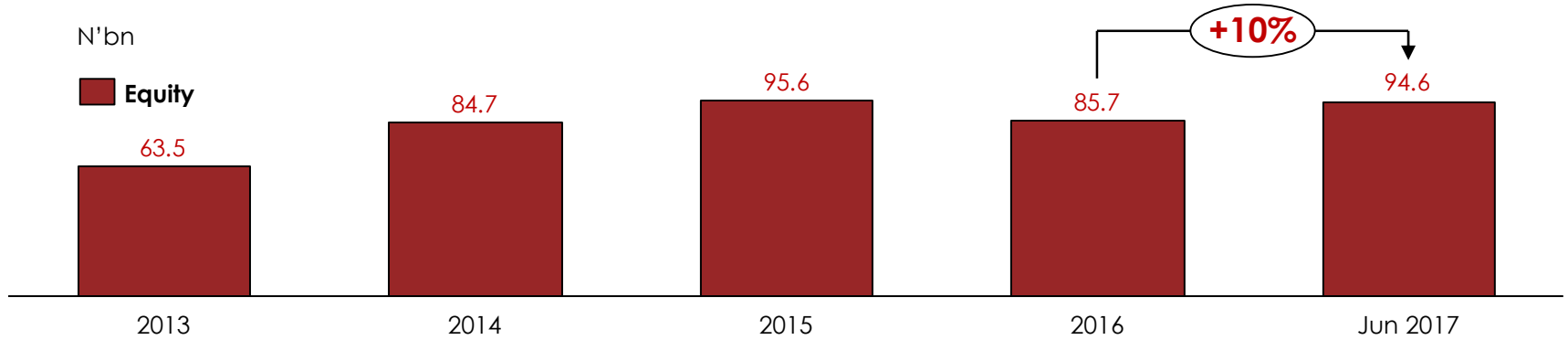
<i>Total Assets</i> <b>957,861</b>	<i>Loans &amp; Advances</i> <b>524,023</b>	<i>Deposits</i> <b>609,028</b>	<i>Equity</i> <b>94,613</b>
<i>Gross Earnings</i> <b>57,101</b>	<i>Operating Income</i> <b>34,091</b>	<i>Profit Before Tax</i> <b>4,334</b>	<i>Profit After Tax</i> <b>3,802</b>
<i>Net Interest Margin</i> <b>7.7%</b>	<i>Cost-to-income Ratio</i> <b>75.3%</b>	<i>Cost of Risk</i> <b>1.6%</b>	<i>Pre-tax ROAE</i> <b>9.7%</b>

## Channels

<i>Branches</i> <b>180</b>	<i>ATMs</i> <b>776</b>	<i>POS</i> <b>1,871</b>
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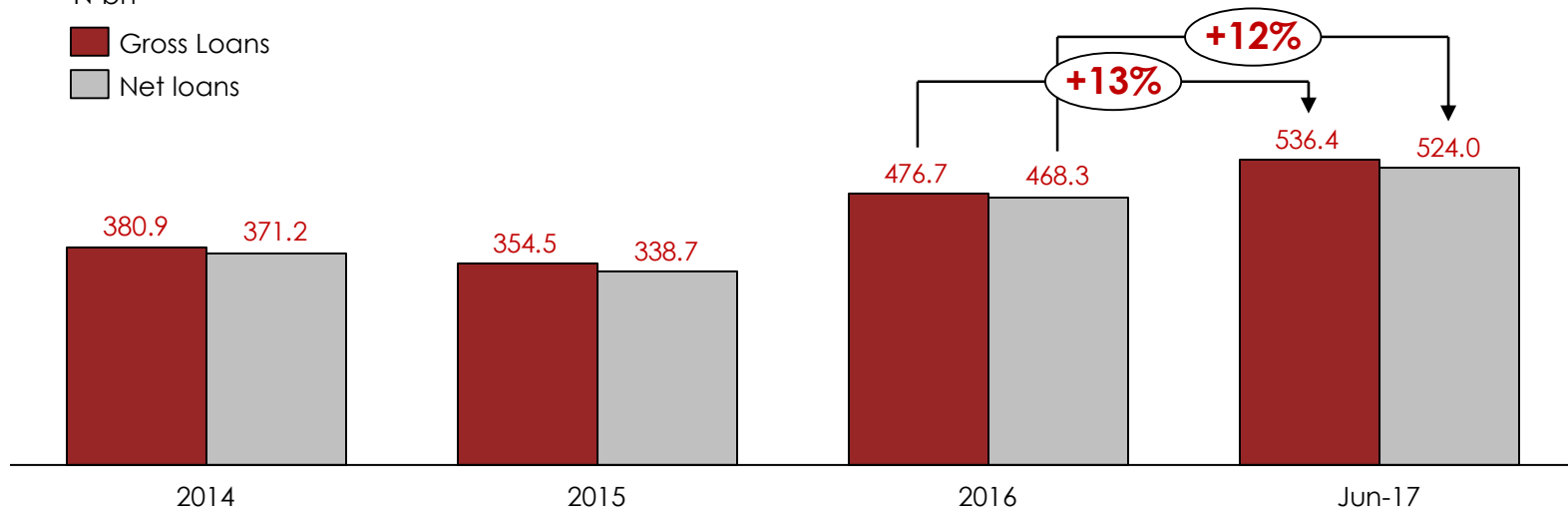
# Trend analysis.../1



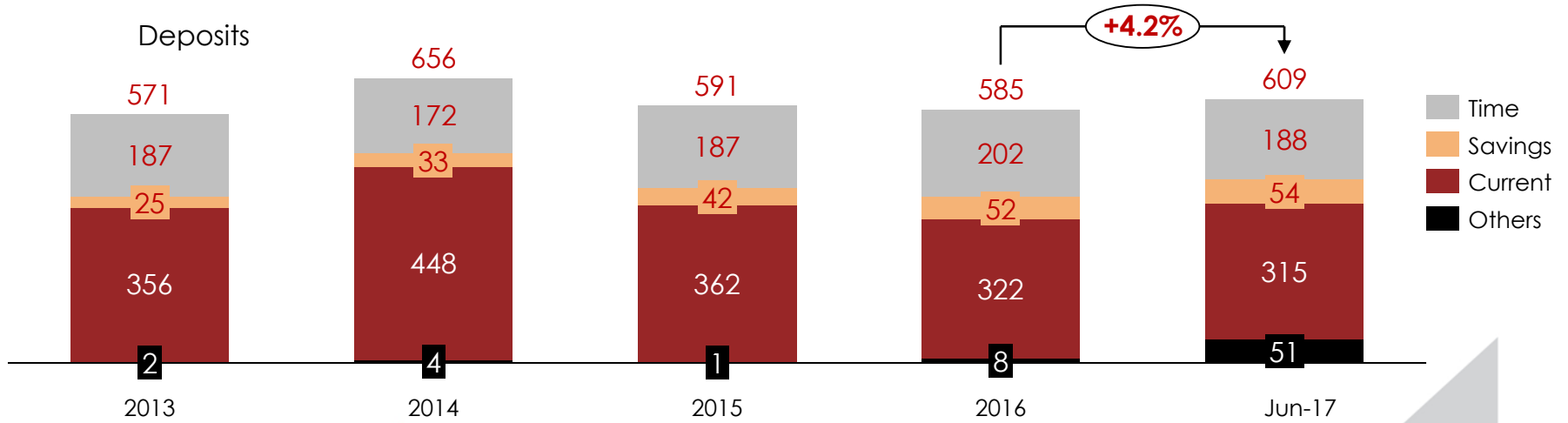
# Trend analysis.../2

N'bn

- Gross Loans
- Net loans



Deposits



# Performance Review

## - Earnings analysis



# Income statement highlights

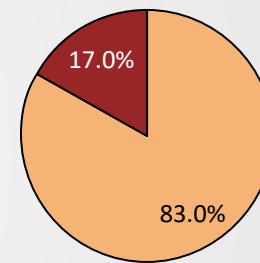
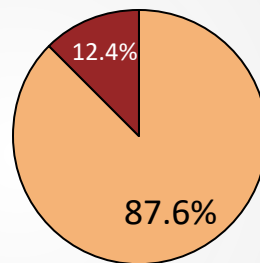
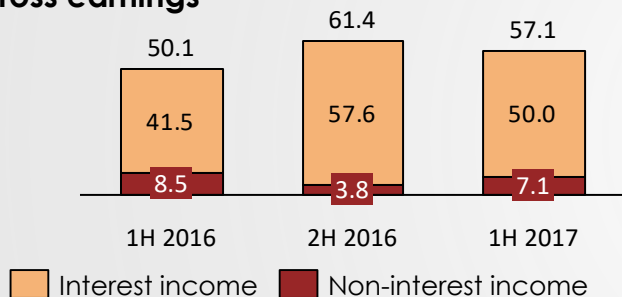
In millions of Naira	June 2017	% of Earnings	June 2016	% of Earnings	Growth
Interest income	50,028	100.0%	41,541	100.0%	20.4%
Interest expense	(23,010)	-46.0%	(15,910)	-38.3%	44.6%
<b>Net interest income</b>	<b>27,018</b>	<b>54.0%</b>	<b>25,631</b>	<b>61.7%</b>	<b>5.4%</b>
Fees and commission income	5,902	11.8%	6,008	14.5%	-1.8%
Net Trading income	(2,258)	-4.5%	1,733	4.2%	-230.3%
Other operating income	3,429	6.9%	773	1.9%	343.6%
<b>Non Interest income</b>	<b>7,073</b>	<b>14.1%</b>	<b>8,514</b>	<b>20.5%</b>	<b>-16.9%</b>
<b>Operating income</b>	<b>34,091</b>	<b>68.1%</b>	<b>34,145</b>	<b>82.2%</b>	<b>-0.2%</b>
Impairment charges	(4,081)	-8.2%	(3,665)	-8.8%	11.4%
<b>Net operating income after impairment</b>	<b>30,010</b>	<b>60.0%</b>	<b>30,480</b>	<b>73.4%</b>	<b>-1.5%</b>
Personnel expenses	(5,749)	-11.5%	(5,682)	-13.7%	1.2%
Other operating expenses	(7,298)	-14.6%	(7,569)	-18.2%	-3.6%
General and administrative expenses	(7,286)	-14.6%	(8,356)	-20.1%	-12.8%
Other property, plant and equipment cost	(3,074)	-6.1%	(2,471)	-5.9%	24.4%
Depreciation and amortisation	(2,269)	-4.5%	(2,021)	-4.9%	12.3%
<b>Total expenses</b>	<b>(25,676)</b>	<b>-51.3%</b>	<b>(26,099)</b>	<b>-62.8%</b>	<b>-1.6%</b>
<b>Profit before income tax</b>	<b>4,334</b>	<b>8.7%</b>	<b>4,381</b>	<b>10.5%</b>	<b>-1.1%</b>
Income tax expense	(532)	-1.1%	(360)	-0.9%	47.8%
<b>Profit for the period</b>	<b>3,802</b>	<b>7.6%</b>	<b>4,021</b>	<b>9.7%</b>	<b>-5.4%</b>



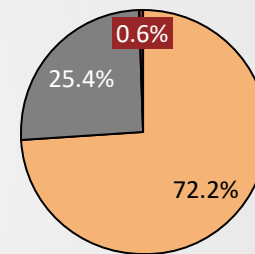
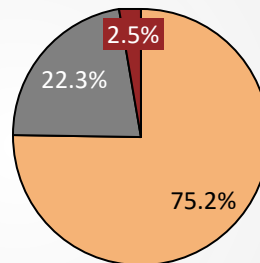
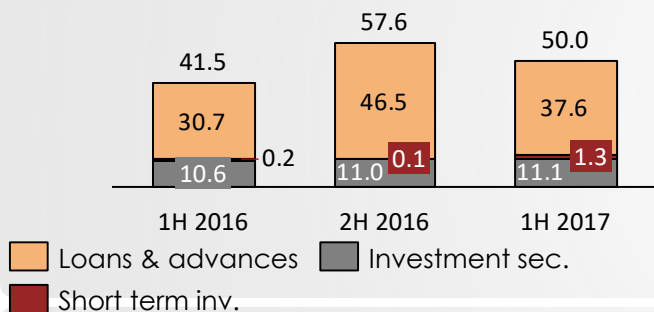
# Earnings profile

₹'B

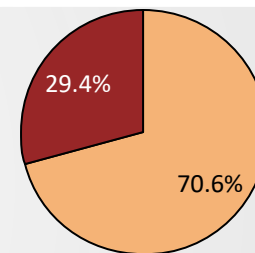
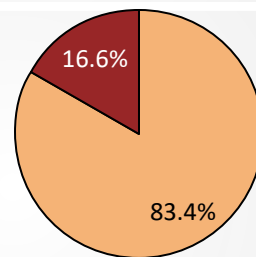
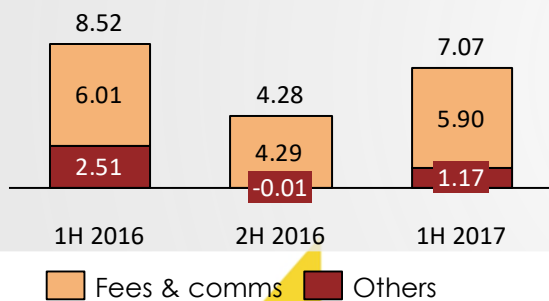
## Gross earnings



## Interest income



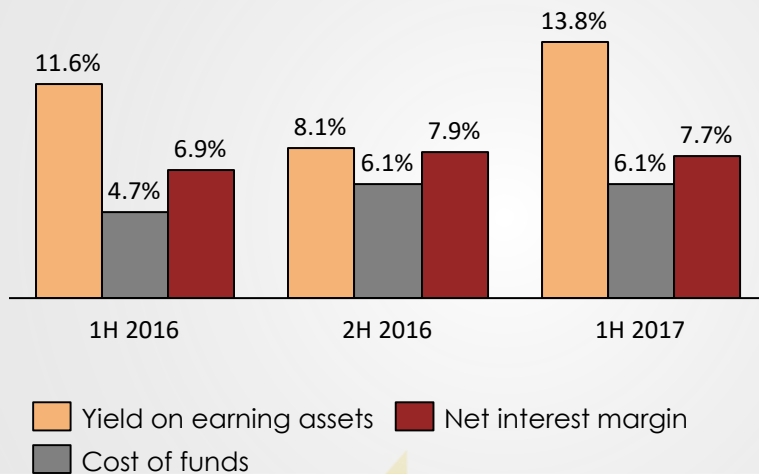
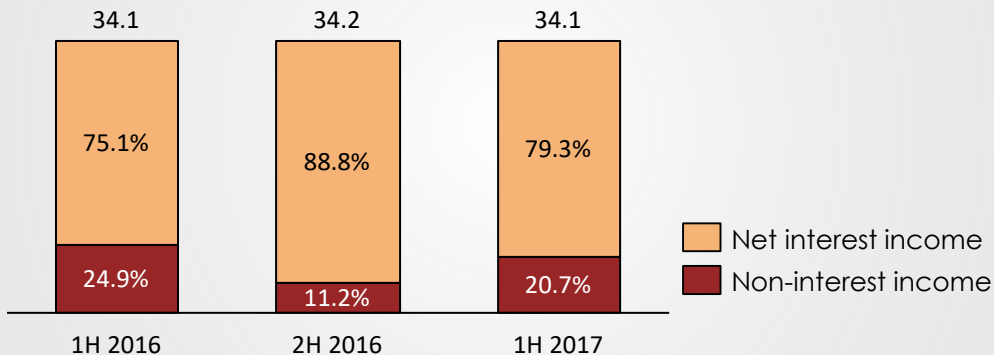
## Non-interest income





# Operating income

N/B

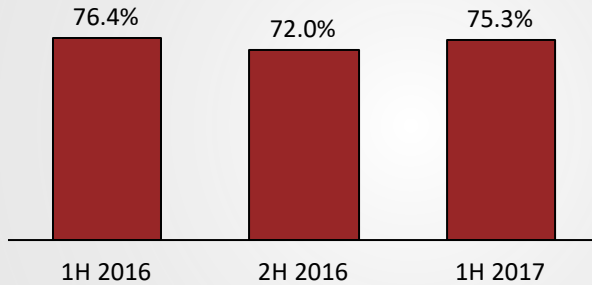


## Comments

- Earnings were driven by interest income which rose by 20% to N50 billion from N41.5 billion in 1H 2016;
- Net interest income rose by 5% to N27 billion (1H 2016: N25.6 billion);
- Non- interest income declined by 17% due to macro economic headwinds that impacted negatively on trading activities; .
- Operating income was stable at N34.1 billion;
- Net interest margin improved by 80 basis points to 7.7% in response to the high interest rate environment.

# Operating Efficiency

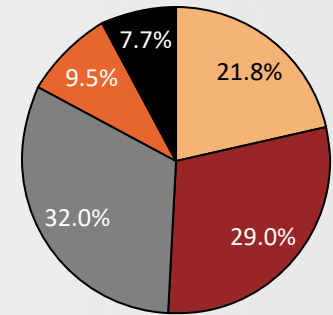
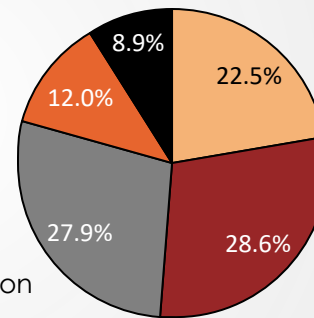
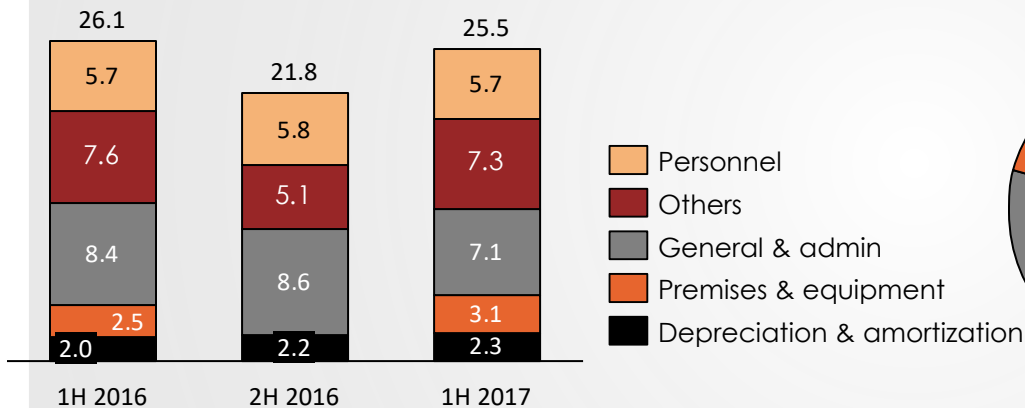
## Cost-to-income ratio



## Comments

- Operating expense declined moderately by 2.0% to N25.5 billion (1H 2016: N26.06 billion) mainly due to our cost control measures in response to inflationary pressures;
- Consequently, cost-to-income ratio declined by 110 basis points to 75.3%;
- We remain focused on our drive to manage costs to improve operating efficiency.

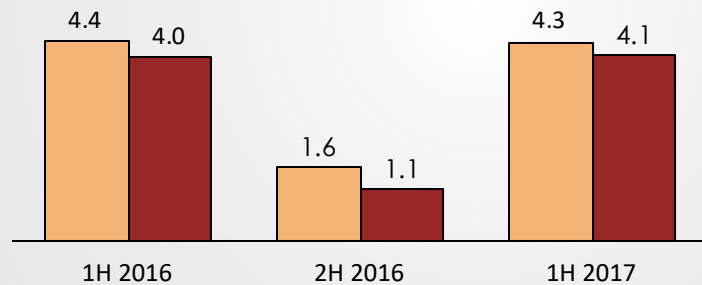
## ₦'B Operating expenses



# Profitability

₦/B

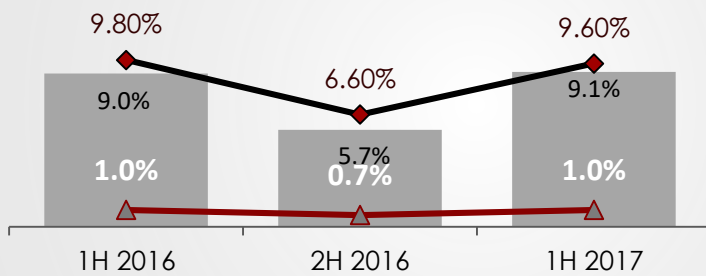
- Profit before Tax
- Profit after Tax



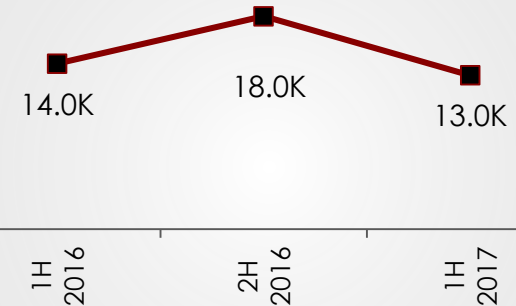
## Comments

- Profit before tax was N4.3 billion (1H 2016: N4.4 Billion) while profit after tax was N3.8 billion (H1 2016: N4.1 billion);
- Pre-tax Return on Average Equity (ROAE) remained competitive at 9.7% (Post-Tax 8.5%);
- Return on Average Assets (ROAA) remained flat at 1%;
- Earnings per share was 13k (1H 2016: 14 Kobo).

Post-tax ROAE   Pre-tax ROAE   ROAA



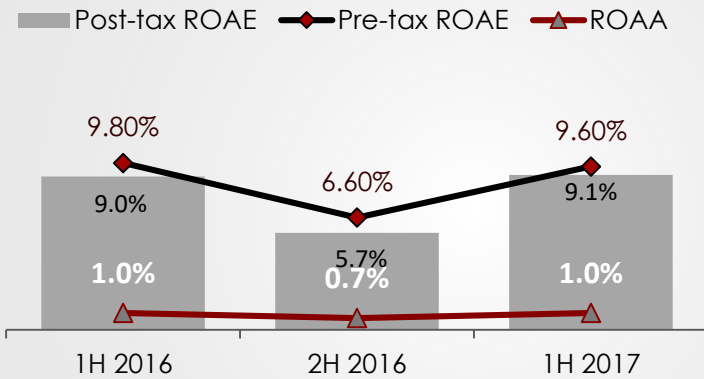
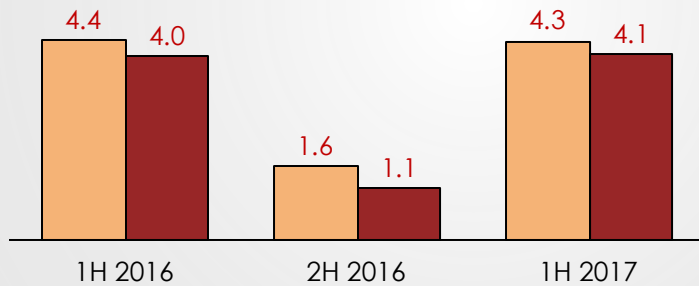
EPS



# Profitability

## N'B

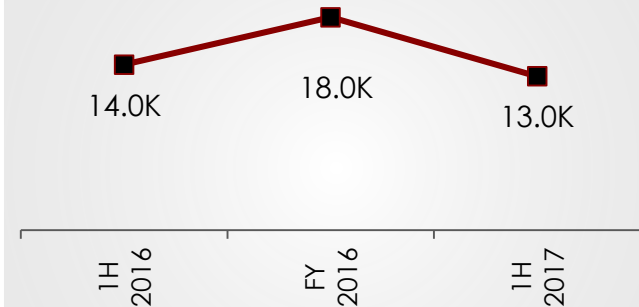
- Profit before Tax
- Profit after Tax



## Comments

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## EPS



# Performance Review

## - Balance sheet analysis

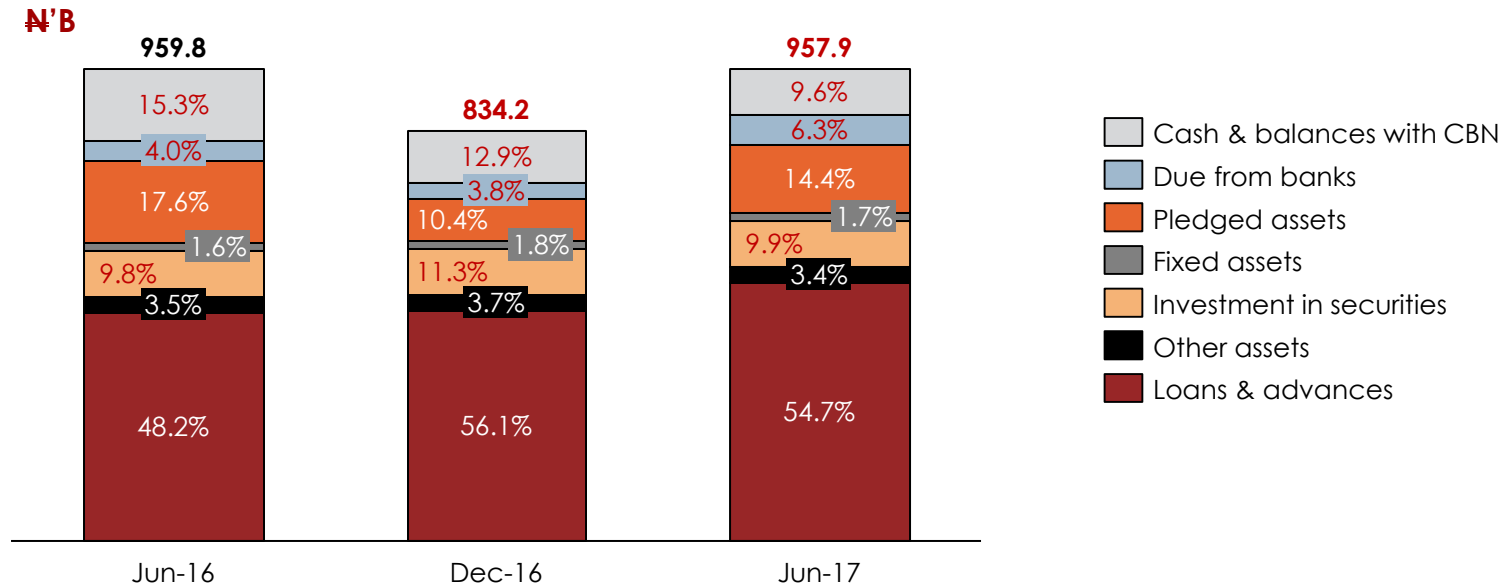


# Highlights of financial position

In millions of Naira	June 2017	% of Total asset	Dec 2016	% of Total asset	% Growth
<b>Assets</b>					
Cash and balances with Central Bank of Nigeria	92,176	9.6%	107,859	13%	-14.5%
Due from Banks	60,603	6.3%	31,289	4%	93.7%
Pledged financial assets	138,082	14.4%	86,864	10%	59.0%
Derivative financial assets	-	0.0%	8	0%	-100.0%
Loans and advances to Customers	524,023	54.7%	468,250	56%	11.9%
Investment securities:					
- Held for trading	5,879	0.6%	1,653	0%	255.7%
- Available-for-sale	37,071	3.9%	34,867	4%	6.3%
- Held to maturity	51,465	5.4%	58,113	7%	-11.4%
Other assets	23,493	2.5%	21,676	3%	8.4%
Property, plant and equipment	16,180	1.7%	14,604	2%	10.8%
Intangible assets	1,918	0.2%	2,037	0%	-5.9%
Deferred tax assets	6,971	0.7%	6,971	1%	0.0%
<b>Total Assets</b>	<b>957,861</b>	<b>100.0%</b>	<b>834,190</b>	<b>100%</b>	<b>14.8%</b>
<b>Liabilities</b>					
Deposits from Banks	1,575	0%	23,769	3%	-93.4%
Deposits from Customers	609,028	64%	584,734	70%	4.2%
Derivative financial liabilities	-	0%	8	0%	-100.0%
Current income tax liabilities	611	0%	942	0%	-35.1%
Other borrowed funds	186,493	19%	82,450	10%	126.2%
Debt securities issue	13,254	1%	15,382	2%	-13.8%
Other liabilities	52,011	5%	41,245	5%	26.1%
<b>Total Liabilities</b>	<b>862,972</b>	<b>90%</b>	<b>748,530</b>	<b>90%</b>	<b>15.3%</b>
<b>Total equity</b>	<b>94,890</b>	<b>10%</b>	<b>85,660</b>	<b>10%</b>	<b>10.8%</b>



# Assets growth trend



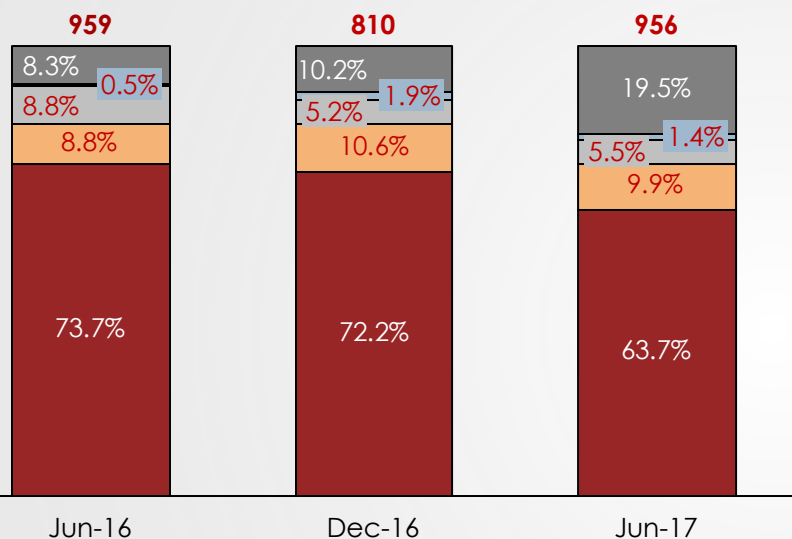
## Comments

- Total assets increased by 14.8% to N957.9 billion (Dec 2016 N834.2 billion) driven by an increase in loans and advances;
- Loans and advances increased by 11.9% as we remain cautious in our approach to risk taking;
- We will continue to prioritize asset quality and operating efficiency as we navigate the current challenging operating environment.



# Funding mix

N'B



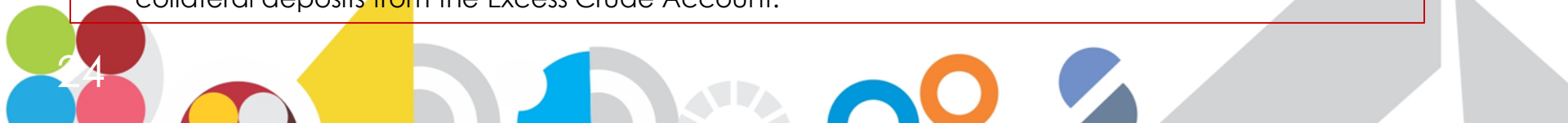
Borrowings
  Other liabilities
  Deposits
  Debt securities
  Equity

## Borrowings by Source (N 186.5bn)

Sources (N' billion)	Jun-17	FY 2016
Citibank	15.30	15.27
Standard Chartered Bank	9.20	24.46
Islamic Corporation Development Bank	15.30	9.28
Intervention funds	144.60	30.82
Bank of Industry (BOI)	2.10	2.62
<b>Total</b>	<b>186.50</b>	<b>82.45</b>

## Comments

- Deposits remained the major source of funding at 63.7% of total assets, while borrowings accounted for 19.5%;
- Foreign currency funding accounted for 21% of total borrowings, while, local currency funding accounted for 79%;
- Intervention funds include funds from the CBN for Agriculture and MSMEs development as well as collateral deposits from the Excess Crude Account.





# Gross loans by sector

Sectors (N' million)	Jun-17	% of Total loans	Dec 2016	% of Total loans	Growth
Agriculture	42,131	7.9%	15,598	3.3%	170.1%
Communication	2,498	0.5%	17,578	3.7%	-85.8%
Consumer	6,191	1.2%	6,657	1.4%	-7.0%
Education	807	0.2%	902	0.2%	-10.6%
Finance & Insurance	24,634	4.6%	12,607	2.6%	95.4%
Government	42,546	7.9%	33,373	7.0%	27.5%
Manufacturing	5,475	1.0%	8,252	1.7%	-33.7%
Mortgage	8,786	1.6%	10,242	2.1%	-14.2%
Oil - downstream	40,477	7.5%	52,615	11.0%	-23.1%
Oil - upstream	135,409	25.2%	126,860	26.6%	6.7%
Oil & Gas Services	57,245	10.7%	67,454	14.1%	-15.1%
Others	57,984	10.8%	34,807	7.3%	66.6%
Power	25,309	4.7%	24,031	5.0%	5.3%
Real Estate & Construction	47,183	8.8%	45,998	9.6%	2.6%
Transportation	14,689	2.7%	13,364	2.8%	9.9%
Non-interest banking	25,257	4.7%	6,376	1.3%	296.1%
<b>Total</b>	<b>536,621</b>	<b>100.0%</b>	<b>476,713</b>	<b>100.0%</b>	<b>10.0%</b>



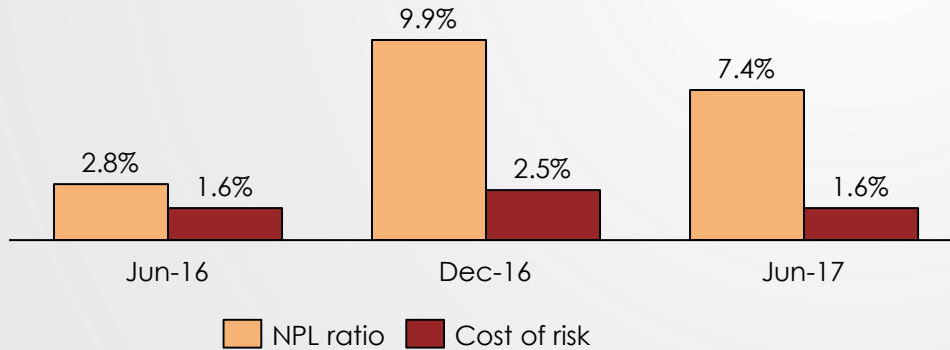
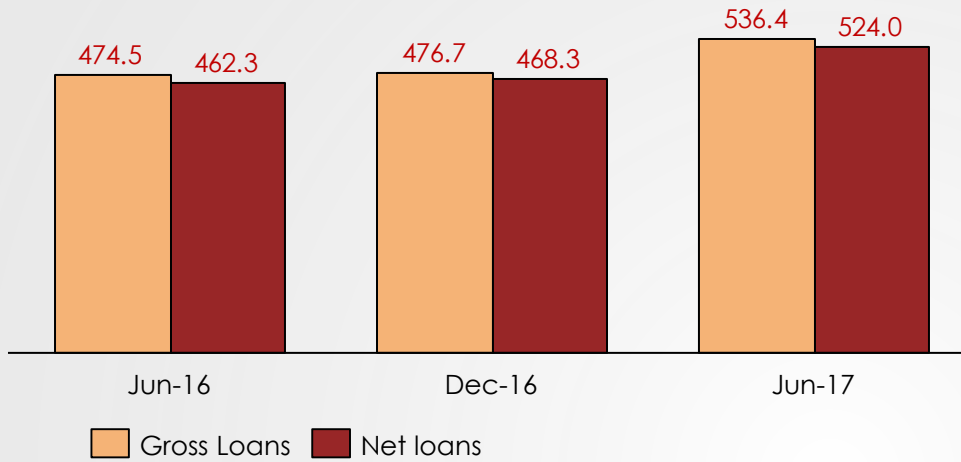
# Gross loans by currency

Sector (N' million)	LCY	FCY	Total	Share of FCY
Agriculture	13,588	-	13,588	-
Communication	1,920	579	2,498	23.2%
Consumer	6,190	1	6,191	-
Education	807	-	807	-
Finance & Insurance	24,600	34	24,634	0.1%
Government	71,088	-	71,088	-
Manufacturing	5,474	1	5,475	-
Mortgage	8,471	315	8,786	3.6%
Oil - downstream	35,090	5,387	40,477	13.3%
Oil - upstream	10,835	124,573	135,409	92.0%
Oil & Gas Services	27,779	29,466	57,245	51.5%
Others	55,866	2,118	57,984	3.7%
Power	1,257	24,052	25,309	95.0%
Real Estate & Construction	35,959	11,224	47,183	23.8%
Transportation	1,566	13,123	14,689	89.3%
Non-interest banking	25,257		25,257	0.0%
<b>Total</b>	<b>325,748</b>	<b>210,873</b>	<b>536,621</b>	<b>39.3%</b>



# Asset quality

N'B

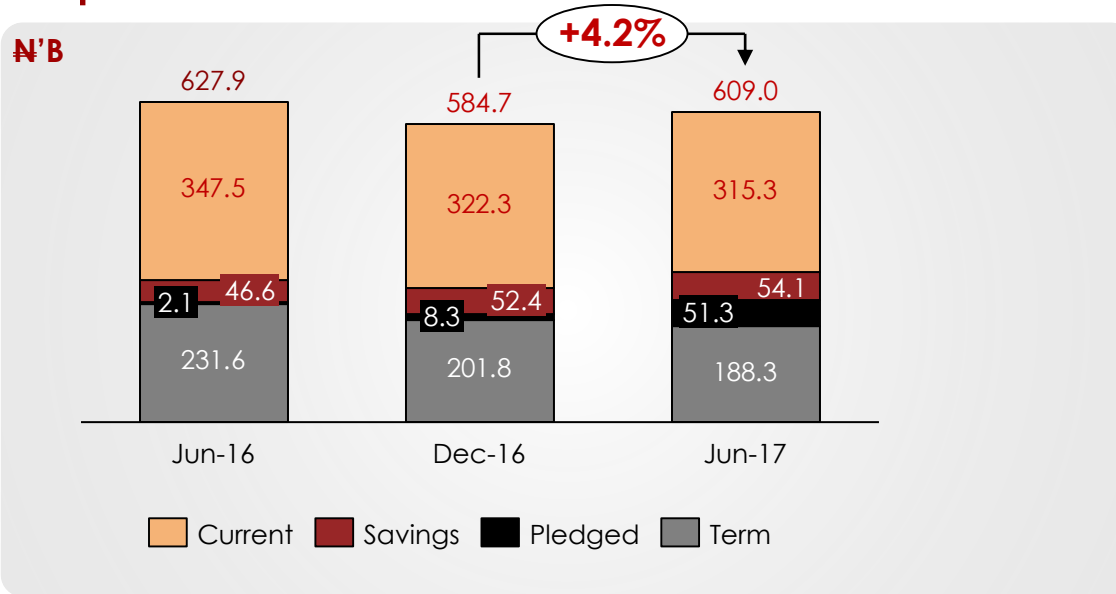


## Comments

- We recorded a significant improvement in asset quality in 1H 2017;
- Non-performing loans to gross loans (NPL ratio) declined by 250 basis points to 7.4%;
- Cost of risk reduced by 90 basis points to 1.6%.



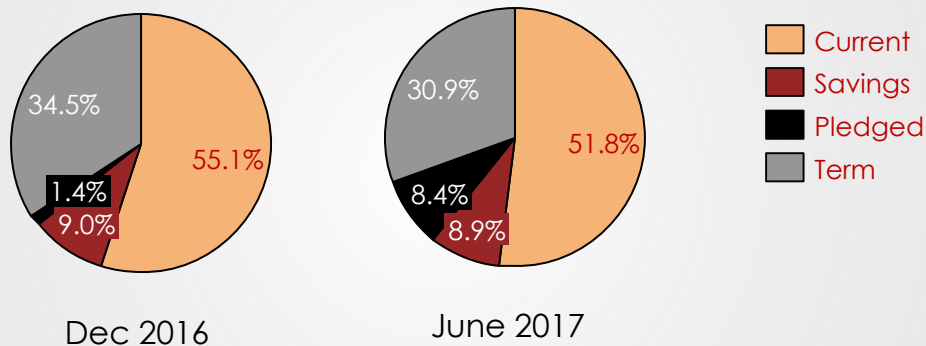
# Deposits



## Comments

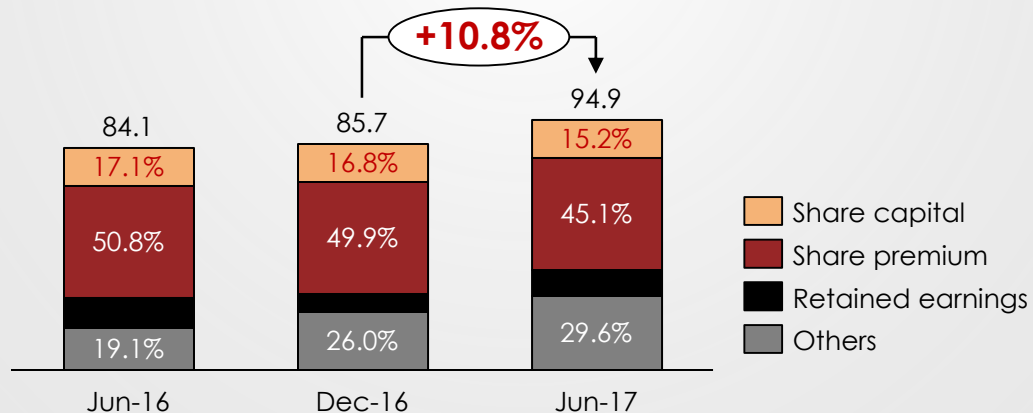
- Deposits increased by 4.2% to N609.9 billion (Dec. 2016: N584.7 billion);
- Savings deposits rose by 3.4% and accounted for 8.9% of total deposits (Dec 2016: 9%) re-affirming the progress of our retail strategy;
- Low cost deposits accounted for 60.7% of total deposits, while wholesale funds accounted for 39.3%;
- Cost of funds increased by 140 basis points to 6.1% due to monetary policy tightening measures.

## Deposit Mix



# Capital

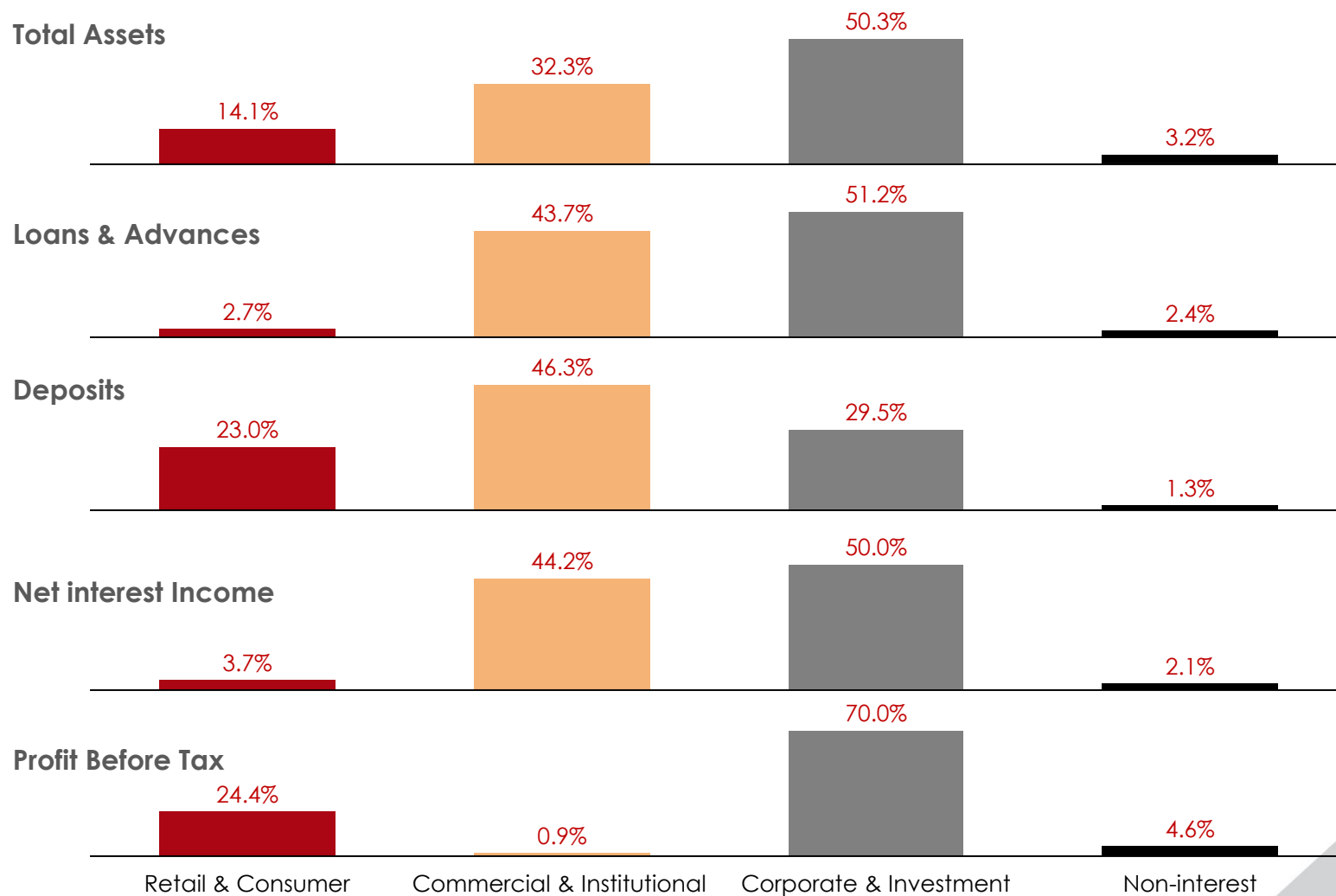
Items	Jun-17	Dec-16	Growth
Tier 1 capital	77,430	80,489	-3.8%
Tier 2 capital	62	(7,476)	-
Total regulatory capital	77,492	73,013	6.1%
Risk-weighted assets	654,460	680,514	-3.8%
Tier 1 ratio	12%	12%	
Tier 2 ratio	0%	-1%	
Capital adequacy ratio	12%	11%	
Loan to Deposit Ratio (Net)	86.0%	80.1%	



## Comments

- Shareholders' funds increased by 10.8% to N94.9 billion arising from organic accretion of profit and fair value adjustments on available-for-sale investments;
- Capital adequacy and liquidity ratios ratio remained above regulatory benchmark at 12% and 35% respectively.

# Performance by business segment



# Financial Ratios



# Financial ratios

Indicator	1H 2016	FY 2016	1H 2017
Pre-Tax Return on Average Equity	9.80%	6.60%	9.70%
Post-Tax Return on Average Equity	9.00%	5.70%	8.50%
Return on Average Assets	1.00%	7.00%	1.00%
Earnings per Share	14k	18k	13k
Yield on Earning Assets	11.60%	15.60%	13.80%
Cost of Funds	4.70%	6.30%	6.10%
Net Interest Margin	6.90%	9.30%	7.70%
Cost-to-income Ratio	76.40%	74.10%	75.30%
	<b>Jun-16</b>	<b>Dec-16</b>	<b>Jun-17</b>
Non-performing Loan Ratio	2.80%	9.90%	7.40%
Capital Adequacy Ratio (Basel 2)	10.90%	11.20%	11.80%
Loan to Deposit Ratio (Net)	73.60%	80.10%	86.00%





**THANK YOU**

