



# 2018

## FIRST QUARTER INVESTORS & ANALYSTS PRESENTATION

May 2018



# 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, 2017. 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.





# Outline

- 1 Operating Environment
- 2 Funding & Liquidity
- 3 Credit Risk & Asset Quality
- 4 Earnings Profile
- 5 Business Segment Performance
- 6 Outlook





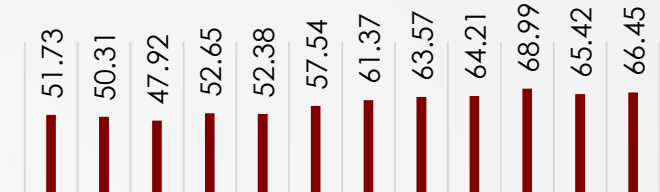
# Operating Environment



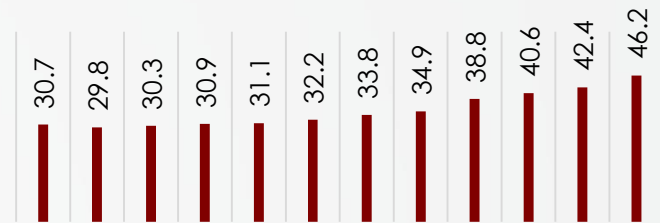
# Macro profile

- Nigeria continues on its slow path to recovery recording a year-on-year GDP growth rate of 1.95% in the first quarter of 2018;
- Headline inflation rate continued to trend downwards in 2018 to 13.34% as at March 2018 given a more stable exchange rate relative to 2017;
- Brent crude oil rose to \$66pb as a result of the conformity of OPEC and key non-OPEC countries to the deal on production cut, strong global economic growth and supply disruptions in some oil producing countries;
- External reserves also continued to rise grow amidst steady oil production and rising oil prices, reaching US\$46.2bn in March 2018 from US\$30.0bn in the same period in 2017;
- Relative stability in exchange rate impacting positively on capital flows. By the end of Q4 2017, total foreign flows had risen 8.8% QoQ to \$4.0 billion with the pace of growth strengthening over Q1 2018 as international flows expanded further to \$5.8 billion (+43.1% QoQ).
- The Monetary Policy Rate (MPR) was held constant at 14%, CRR at 22.5% and liquidity ratio at 30% in response to inflationary pressures.

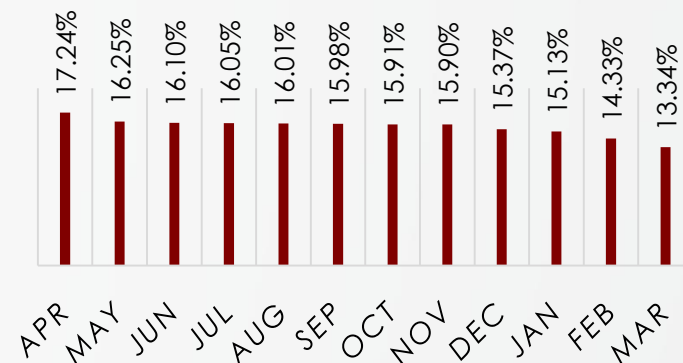
BRENT OIL PRICE TREND-(US\$)



FOREIGN RESERVES POSITION  
(US\$'BN)



HEADLINE INFLATION RATE (%)





# Funding & Liquidity

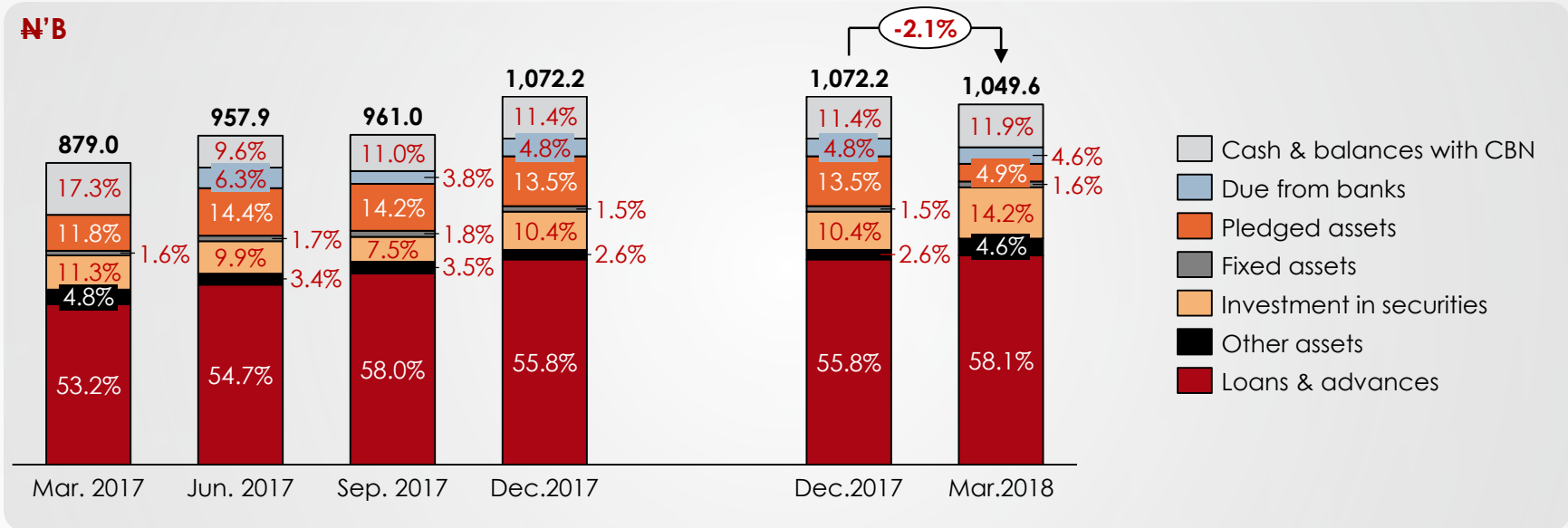


# Highlights of financial position

<i>In millions of Naira</i>	March 2018	% of Total	December 2017	% of Total	% Growth
<b>Assets</b>					
Cash and balances with Central Bank of Nigeria	125,133	11.9%	122,630	11.4%	2.0%
Due from Banks	48,193	4.6%	51,066	4.8%	-5.6%
Pledged financial assets	51,698	4.9%	145,179	13.5%	-64.4%
Loans and advances to Customers	609,785	58.1%	598,073	55.8%	2.0%
Investment securities	149,497	14.2%	110,988	10.4%	34.7%
Other assets	39,374	3.8%	18,728	1.7%	110.2%
Property, plant and equipment	16,570	1.6%	16,451	1.5%	0.7%
Intangible assets	1,955	0.2%	2,115	0.2%	-7.6%
Deferred tax assets	6,971	0.7%	6,971	0.7%	0.0%
<b>Total Assets</b>	<b>1,049,176</b>	<b>100.0%</b>	<b>1,072,201</b>	<b>100.0%</b>	<b>-2.1%</b>
<b>Liabilities</b>					
Deposits from Banks	12,826	1.2%	11,048	1.0%	16.1%
Deposits from Customers	718,496	68.5%	684,834	63.9%	4.9%
Current income tax liabilities	157	0.0%	232	0.0%	-32.3%
Other borrowed funds	131,588	12.5%	212,846	19.9%	-38.2%
Debt securities issue	46,609	4.4%	13,068	1.2%	256.7%
Other liabilities	45,245	4.3%	46,940	4.4%	-3.6%
<b>Total Liabilities</b>	<b>955,200</b>	<b>91.0%</b>	<b>969,263</b>	<b>90.4%</b>	<b>-1.5%</b>
Total equity	93,973	9.0%	102,938	9.6%	-8.7%
<b>Total liabilities and equity</b>	<b>1,049,173</b>	<b>100.0%</b>	<b>1,072,202</b>	<b>100.0%</b>	<b>-2.1%</b>



# Assets growth trend

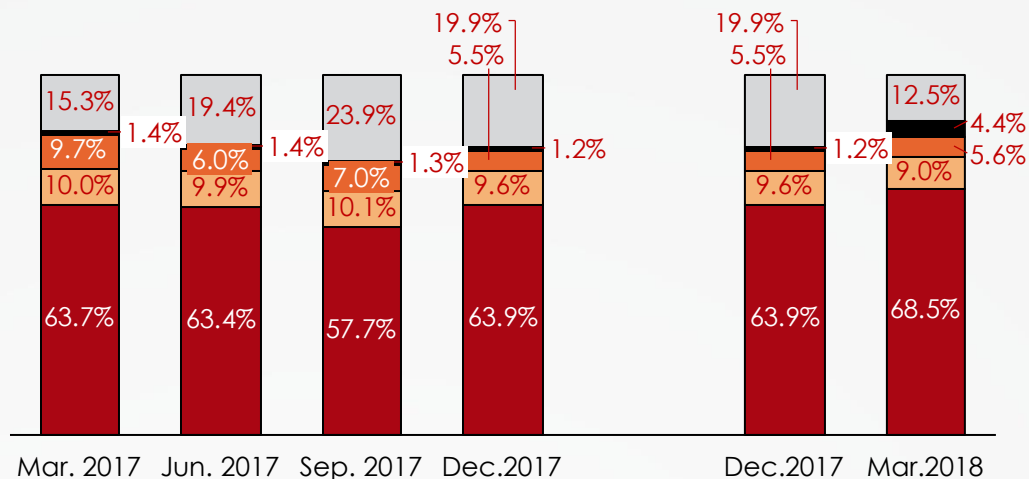


## Comments

- Total assets was relatively flat at N1,049 billion and we continued prioritized balance sheet efficiency;
- Earning assets increased by 8.9% to N852.6 billion representing 81.3% of total assets (Dec. 2017: 73.1%);
- Consequently, yield on earning assets improved to 14.8% despite moderating in money market yields



# Funding mix



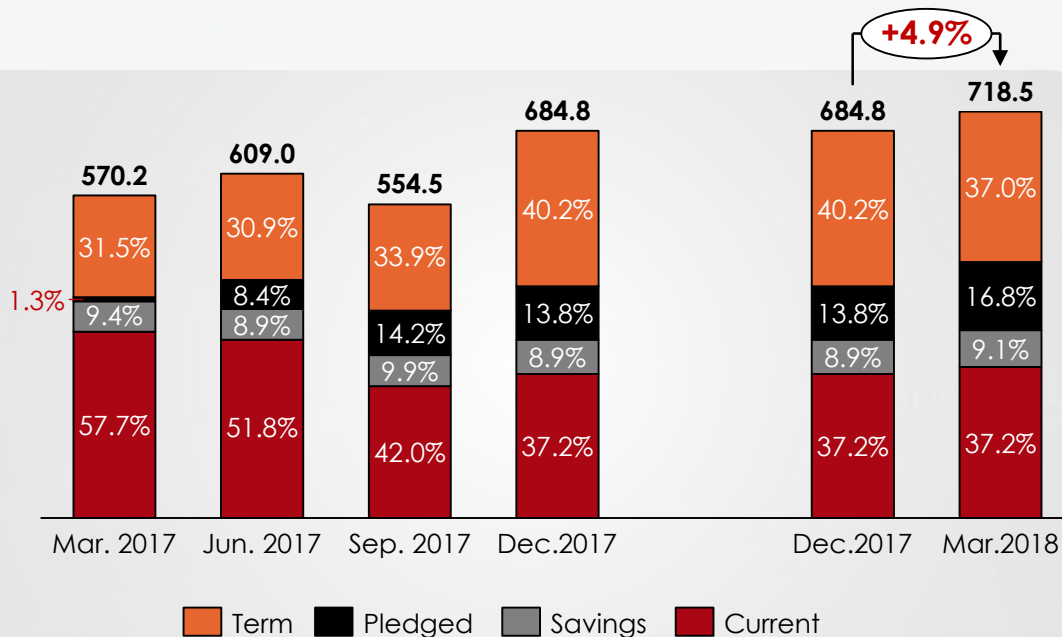
Borrowings
  Debt securities
  Other liabilities
  Equity
  Deposits

Foreign Funds	Mar-18	% of Total	Dec-17	% of Total	% Growth
Citibank	7,654	5.8%	7,664	3.6%	-0.1%
Standard Chartered Bank	7,929	6.0%	11,756	5.5%	-32.6%
African Export/Import Bank	18,462	14.0%	19,963	9.4%	-7.5%
Islamic Corporation Development Bank	8,412	6.4%	14,712	6.9%	-42.8%
<b>Foreign Sources</b>	<b>42,457</b>	<b>32%</b>	<b>54,095</b>	<b>25%</b>	<b>-83%</b>
Central Bank Of Nigeria	85,841	65.2%	155,451	73.0%	-44.8%
Due to BOI	1,681	1.3%	1,678	0.8%	0.2%
NMRC	1,611	1.2%	1,622	0.8%	-0.7%
<b>Domestic</b>	<b>89,133</b>	<b>68%</b>	<b>158,751</b>	<b>75%</b>	<b>-45%</b>
<b>Total</b>	<b>131,590</b>	<b>100.0%</b>	<b>212,846</b>	<b>100.0%</b>	<b>-38.2%</b>

## Comments

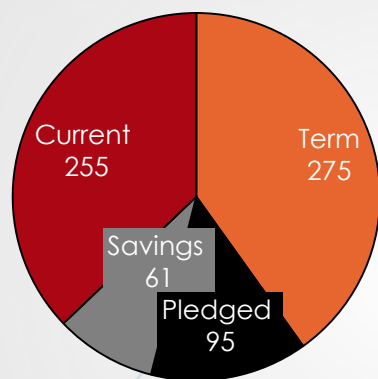
- Customer deposits remained the major source of funding accounting for 68.5% of total assets (Dec 2017: 63.9%);
- Equity declined by 8.7% to N93 billion from N102.9 billion Q-o-Q resulting from IFRS 9 implementation.
- Total Borrowings decreased by 38.2% to N131.6 billion (Dec. 2017: N212.8 billion) due to repayments;
- Funding from domestic sources accounts for 68% of borrowings, while foreign sources accounted for 32%;
- Funding from the CBN and Bank of Industry represents intervention funds for on-lending to critical sectors.

# Deposits

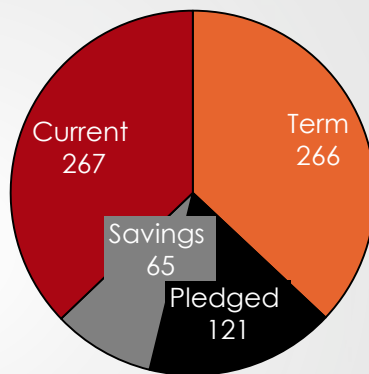


## Comments

- Deposits increased by 4.9% to N718.5 billion as we continued to diversify our funding sources;
- Savings deposits rose by 7.4% and accounted by 9.1% of total deposits (Dec. 2017: 8.9%) re-affirming the bank's retail focus;
- Wholesale deposits increased by 4.5% resulting in a 210 basis point increase in cost of funds to 8.6%.
- We expect a significant reduction in funding costs in view of moderation in money market yields



Dec. 2017

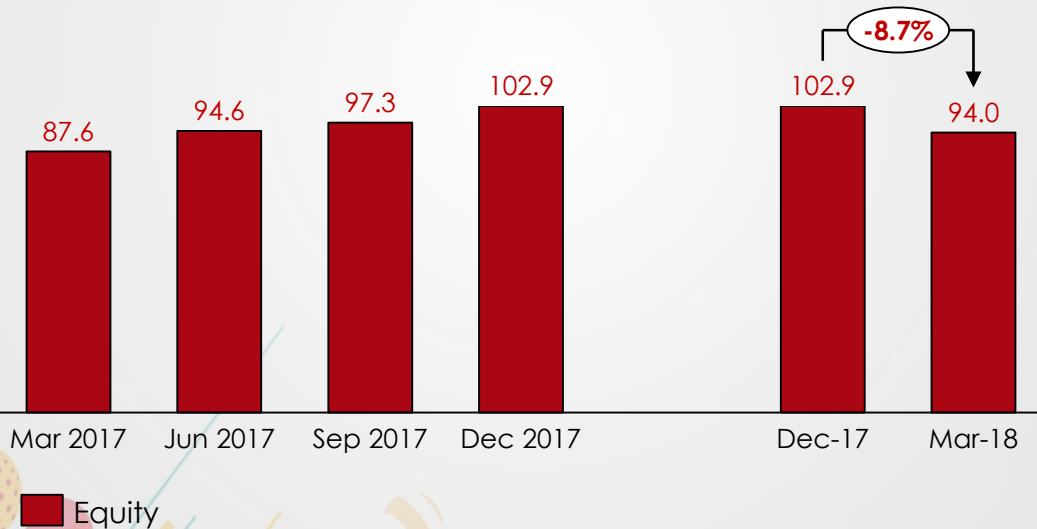


Mar. 2018

Legend: Term (Orange), Pledged (Black), Savings (Grey), Current (Red)

# Capital

Items (N'm)	Q1 2018	FY 2017	% Growth
Tier 1 capital	80,656	80,543	0%
Tier 2 capital	3,466	5,934	-42%
<b>Total regulatory capital</b>	<b>84,123</b>	<b>86,477</b>	<b>-3%</b>
<b>Risk-weighted assets</b>	<b>733,328</b>	<b>709,211</b>	<b>4.9%</b>
Tier 1 ratio	11.0%	11.4%	
Tier 2 ratio	0.5%	0.8%	
<b>Capital adequacy ratio</b>	<b>11.5%</b>	<b>12.2%</b>	<b>-6%</b>



## Comments

- Capital adequacy ratio moderated to 11.5% but remained above regulatory benchmark due to an increase in risk weighted assets;
- Tier 1 capital, adjusted for regulatory deductions was relatively flat at N80.7 billion, representing 95.8% of total regulatory capital;
- We remain optimistic of our plan to raise additional capital in the course of the year to further strengthen capital buffers for our business while improving our earnings capacity.




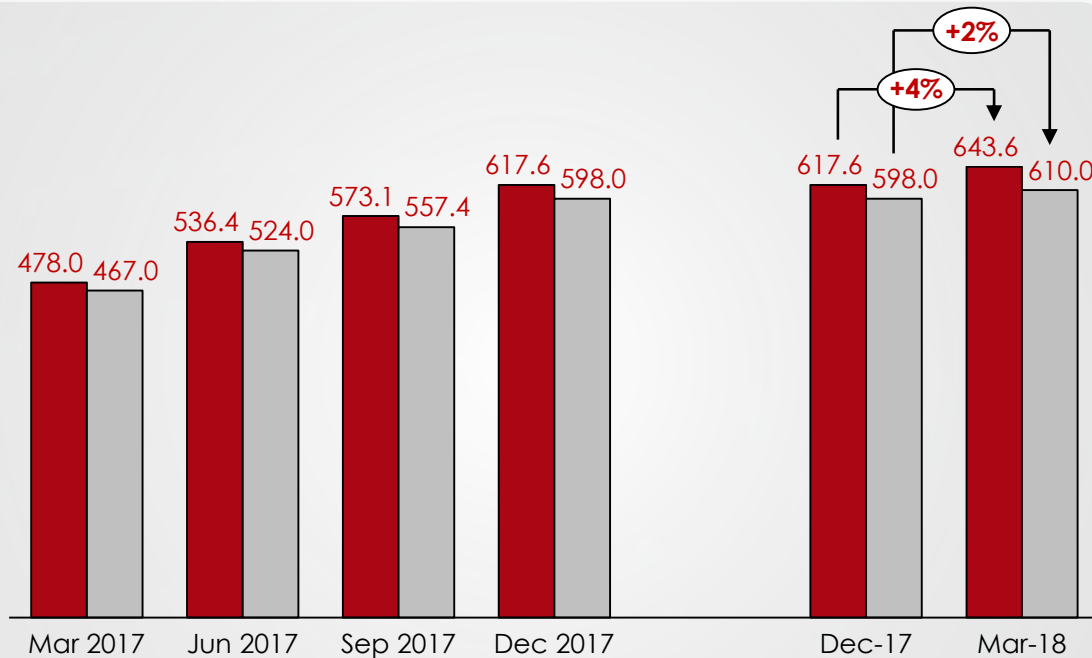
# Credit Risk & Asset Quality



# Loans and advances

N'B

 Gross Loans  
 Net Loans



## Comments

- Gross loans increased by 4% and net loans by 2% to N643.6 billion and N609.8 billion respectively with the bulk of the increase being cash backed;
- Loans to consumers increased by 34% on the back of our investment in **Specta**; an innovative online lending platform that guarantees seamless consumer loans;
- In 2018 and beyond, lending will focus on our priority sectors – Sterling “HEART” (Health, Education, Agriculture, Renewable Energy and Transport) where we are building expertise.

# Loans and advances by sector

Sectors	Mar-2018		Dec-2017		Growth
	N'm	% of Total	N'm	% of Total	%
Agriculture	51,340	8.0%	50,091	8.1%	2%
Communication	16,879	2.6%	17,287	2.8%	-2%
Consumer	7,639	1.2%	5,720	0.9%	34%
Education	844	0.1%	884	0.1%	-5%
Finance and insurance	41,678	6.5%	40,322	6.5%	3%
Government	41,611	6.5%	38,724	6.3%	7%
Manufacturing	5,849	0.9%	6,680	1.1%	-12%
Mining & quarrying	763	0.1%	768	0.1%	-1%
Mortgage	7,286	1.1%	8,877	1.4%	-18%
Oil & Gas - downstream	74,067	11.5%	77,668	12.6%	-5%
Oil & Gas - upstream	131,556	20.4%	121,593	19.7%	8%
Oil & Gas - Services	55,599	8.6%	52,328	8.5%	6%
Others	71,005	11.0%	64,706	10.5%	10%
Power	22,543	3.5%	22,665	3.7%	-1%
Real estate & construction	67,988	10.6%	62,085	10.1%	10%
Transportation	20,607	3.2%	20,681	3.3%	0%
Non-interest banking	26,312	4.1%	26,496	4.3%	-1%
<b>Total</b>	<b>643,565</b>	<b>100.0%</b>	<b>617,577</b>	<b>100.0%</b>	<b>4%</b>



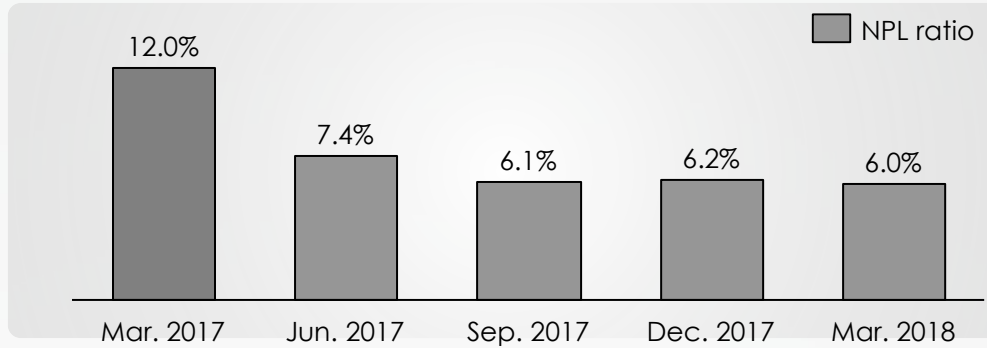
# Loans and advances by currency

Sector	FCY	LCY	Total	% of Sector Loans in FCY
Agriculture	-	51,340	51,340	-
Communication	-	16,879	16,879	-
Consumer	2	7,637	7,639	0.0%
Education	-	844	844	-
Finance and insurance	615	41,063	41,678	1.5%
Government	-	41,611	41,611	-
Manufacturing	1	5,847	5,849	0.0%
Mining & Quarrying	465	298	763	60.9%
Mortgage	319	6,967	7,286	4.4%
Oil & Gas - downstream	5,332	68,735	74,067	7.2%
Oil & Gas - upstream	114,173	17,384	131,556	86.8%
Oil & Gas - Services	23,772	31,827	55,599	42.8%
Others	4,163	66,842	71,005	5.9%
Real estate & construction	22,282	261	22,543	98.8%
Transportation	11,893	56,095	67,988	17.5%
Power	12,234	8,373	20,607	59.4%
Non-interest banking	-	26,312	26,312	-
<b>Gross Loans</b>	<b>195,251</b>	<b>448,314</b>	<b>643,565</b>	<b>30.3%</b>

- Foreign currency (FCY) loans are largely concentrated in Oil & Gas, Real Estate, Power and Transportation sectors



# Asset quality



Sector (N'm)	Non-performing Loans	% of Total
Agriculture	293	1%
Communication	80	0%
Consumer	844	2%
Education	705	2%
Finance & Insurance	394	1%
Government	32	0%
Manufacturing	1,654	4%
Mining & Quarrying	258	1%
Mortgage	2,324	6%
Oil & Gas	9,697	25%
Others	6,852	18%
Real Estate & Construction	2,214	6%
Transportation	13,103	34%
<b>Total</b>	<b>38,449</b>	<b>100%</b>

## Comments

- We continued to experience significant improvement in asset quality as cost of risk declined by 230 basis points to 0.8% from 2.1% in Q1 2017 while NPL ratio declined by 20 basis points to 6.0% from the 6.2.0% in Dec. 2017;
- Oli & Gas and Transportation sectors account for the highest NPLs;
- Non-performing loans were relatively flat at N38.4 billion with 88% coverage ratio;
- We expect the recent uptick in oil prices to improve asset quality and drive further repayments from oil and gas exposures





# Earnings Profile



# Income statement highlights

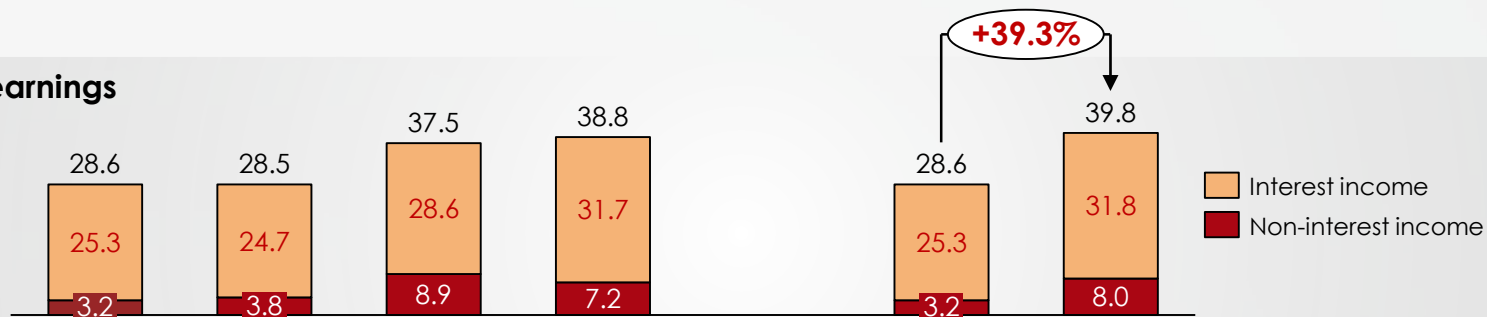
	Mar-2018		Mar-2017		Growth
<i>In millions of Naira</i>	N'M	% of Total	N'M	% of Total	%
<b>Gross earnings</b>	<b>39,766</b>	<b>100.0%</b>	<b>28,554</b>	<b>100.0%</b>	<b>39.3%</b>
Interest income	31,804	80.0%	25,322	88.7%	25.6%
Interest expense	(19,415)	-48.8%	(11,814)	-41.4%	64.3%
<b>Net interest income</b>	<b>12,389</b>	<b>9.1%</b>	<b>13,508</b>	<b>47.3%</b>	<b>-8.3</b>
Fees and commission income	3,636	9.6%	2,723	9.5%	33.5%
Net gain/(loss) on financial instrument at FVPL	2,126	5.3%	(911)	-3.2%	-333.4%
Other operating income	2,200	5.5%	1,420	5.0%	54.9%
<b>Non-interest income</b>	<b>7,962</b>	<b>20.0%</b>	<b>3,232</b>	<b>11.3%</b>	<b>146.3%</b>
Operating income	20,351	51.2%	16,740	58.6%	21.6%
Impairment charges	(1,254)	-3.2%	(2,510)	-8.8%	-50.0%
<b>Net operating income</b>	<b>19,097</b>	<b>48.0%</b>	<b>14,230</b>	<b>49.8%</b>	<b>34.2%</b>
Personnel expenses	(3,181)	-8.0%	(2,878)	-10.1%	10.5%
Other operating expenses	(3,608)	-9.1%	(3,164)	-11.1%	14.0%
General and administrative expenses	(6,022)	-15.1%	(3,519)	-12.3%	71.1%
Other property, plant and equipment costs	(1,710)	-4.3%	(1,567)	-5.5%	9.1%
Depreciation and amortisation	(1,401)	-3.5%	(1,071)	-3.8%	30.8%
<b>Total expenses</b>	<b>(15,922)</b>	<b>-40.0%</b>	<b>(12,199)</b>	<b>-42.7%</b>	<b>30.5%</b>
<b>Profit before income tax</b>	<b>3,175</b>	<b>8.0%</b>	<b>2,031</b>	<b>7.1%</b>	<b>56.3%</b>
Income tax expense	(75)	-0.2%	(155)	-0.5%	-51.6%
<b>Profit after income tax</b>	<b>3,100</b>	<b>7.8%</b>	<b>1,876</b>	<b>6.6%</b>	<b>65.0%</b>



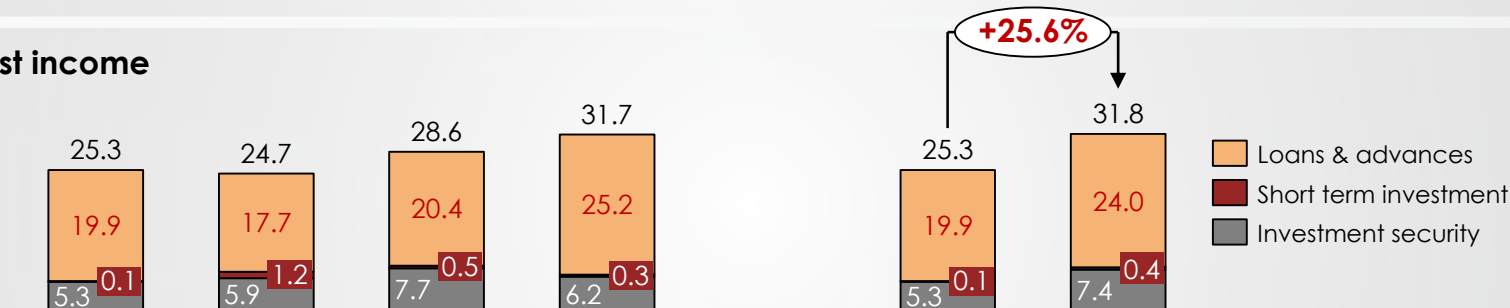
# Revenue evolution .../1

**N/B**

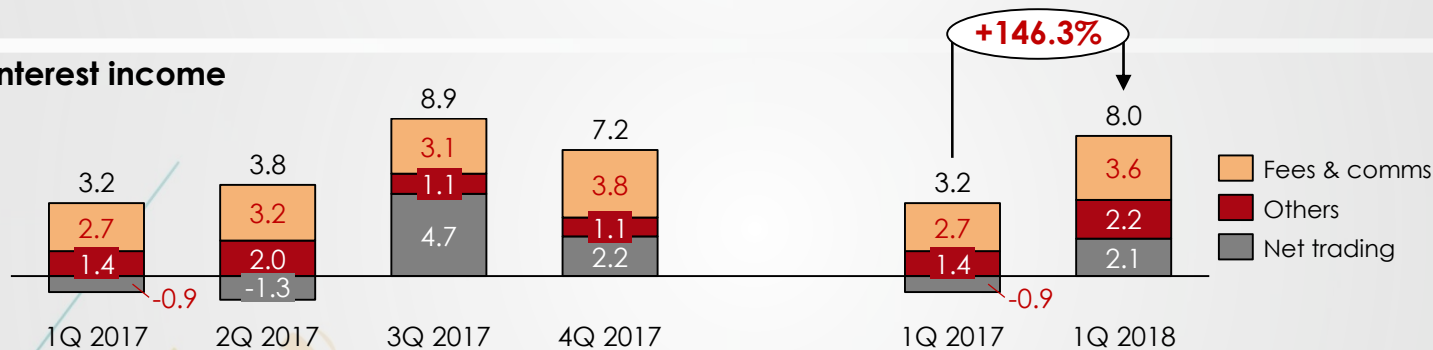
## Gross earnings



## Interest income



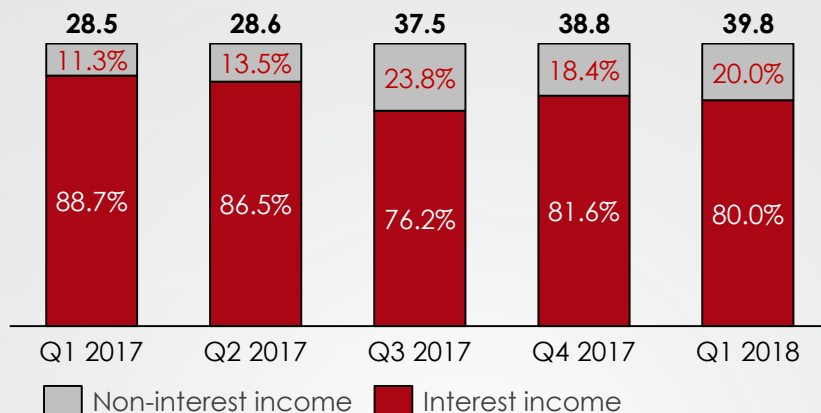
## Non-interest income



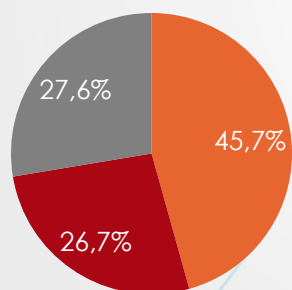
# Revenue evolution .../2

**N'B**

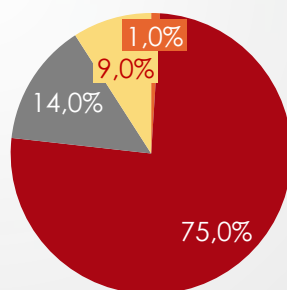
Gross revenue



Non-interest Income



Interest Income



■ Fees and commission income  
■ Net gains on financial instrument  
■ Other operating income

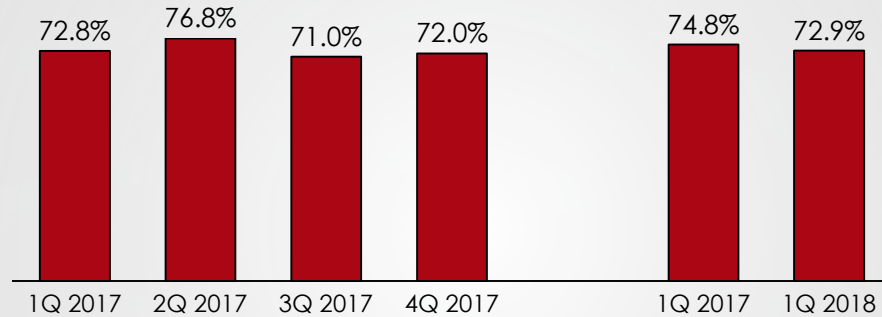
■ Cash and cash equivalent  
■ Loan and advances to customers  
■ Investment Securities  
■ Investment Securities at amortised cost

## Comments

- Gross earnings rose by 39.8% to N39.8 billion from N28.5 billion in Q1 2017;
- Earnings were boosted by growth in interest and non-interest income;
- Interest income from loans & advances and investment securities were the major sources of earning and rose by 20.2% and 40.8% y-o-y respectively;
- Increase in non-interest was attributable to growth in retail lending as well as a 90% increase in transaction banking revenues.

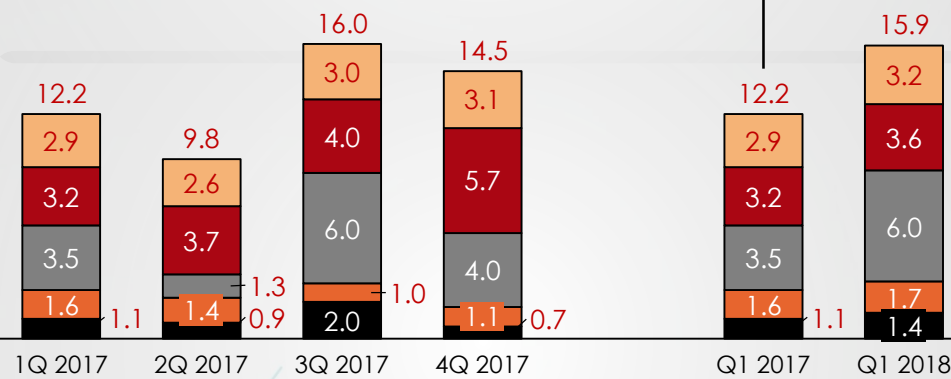
# Operating Efficiency

N'B



■ Cost-to-income

+30.5%

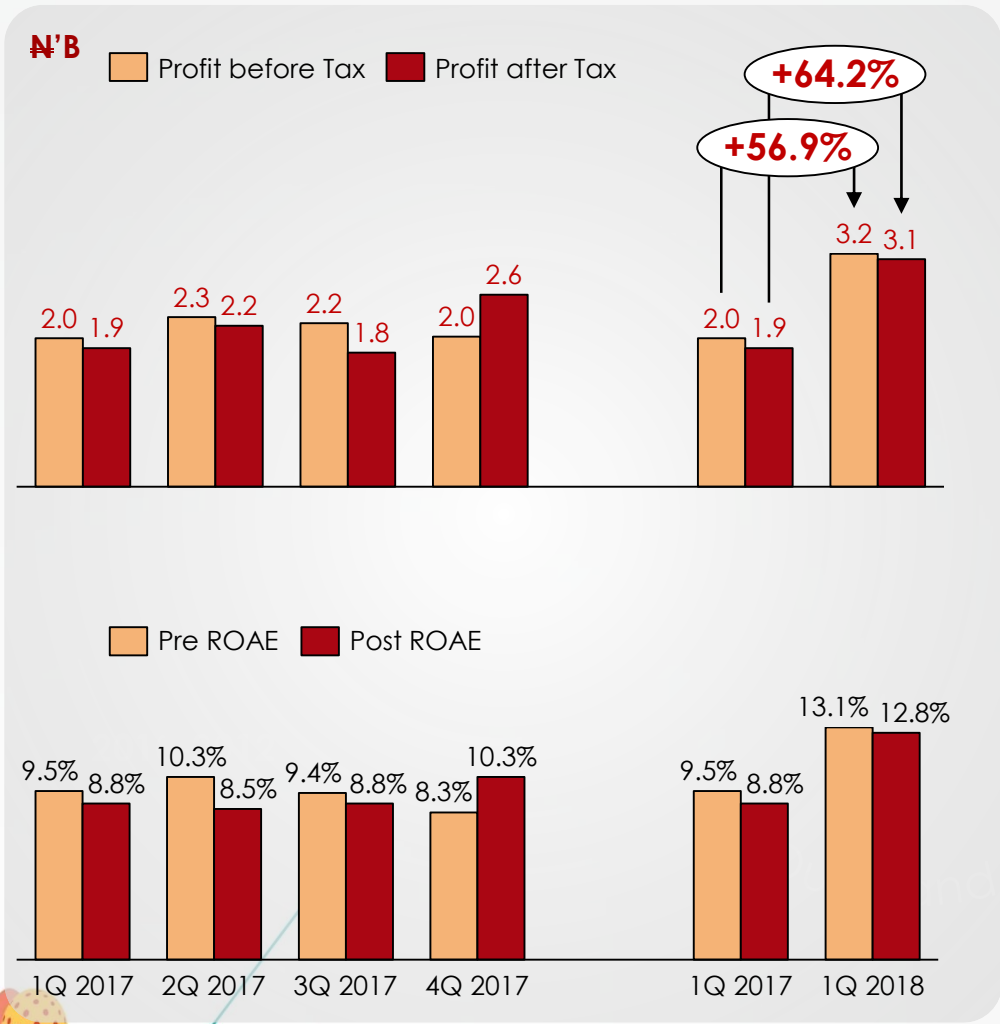


■ Personnel  
 ■ Others  
 ■ General & admin  
 ■ Premises & equipment  
 ■ Depreciation & amortization

## Comments

- Operating expenses increased by 30.5% y-o-y to N15.9 billion on the back of increased investment in technology and people;
- Depreciation and amortization increased by 31% y-o-y, while inflationary pressures continued to apply pressure on general administrative expenses;
- Credit loss expenses declined by 50% to N1.3 billion.

# Profitability



## Comments

- Profit before tax grew by 56.9% to N3.2 billion y-o-y;
- Profit after tax grew by 64.2% to N3.1 billion y-o-y resulting in post-tax Return on Average Equity of 12.8%;
- Return on asset also saw a leap to 1.2% on the strength of improved bottom-line (Q1 2017: 0.9%).



# Financial ratios

Indicator	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Pre-Tax Return on Average Equity (annualized)	9.4%	9.7%	9.6%	9.1%	13.1%
Post-Tax Return on Average Equity (annualized)	8.7%	8.5%	8.6%	9.0%	12.8%
Return on Average Assets (annualized)	0.9%	1.0%	1.0%	0.9%	1.2%
Earnings per Share	7k	13k	21k	30k	11k
Yield on Earning Assets	14.7%	13.8%	14.6%	14.3%	14.8%
Cost of Funds	6.5%	6.1%	7.4%	7.4%	8.6%
Net Interest Margin	8.2%	7.7%	7.2%	6.9%	6.2%
Cost to Income	72.9%	75.3%	73.2%	71.5%	78.2%
NPL Ratio	12.0%	7.4%	6.1%	6.2%	6.0%
Capital Adequacy Ratio	11.0%	11.8%	11.4%	12.2%	11.5%



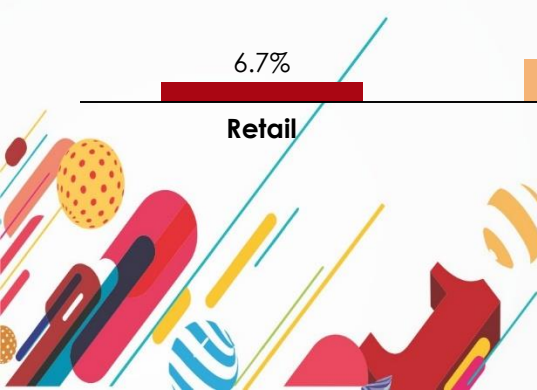
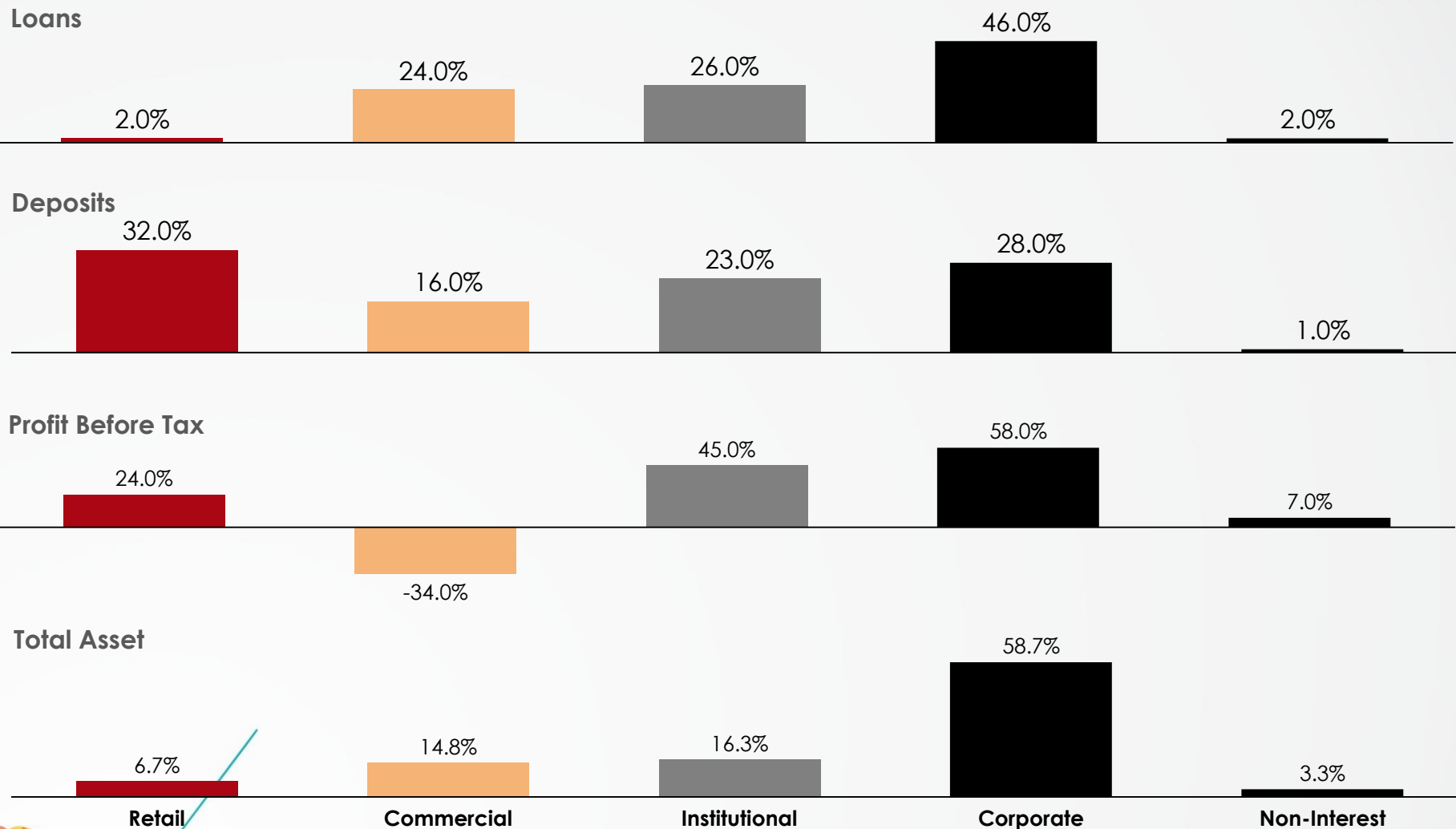


# Business Segment Performance



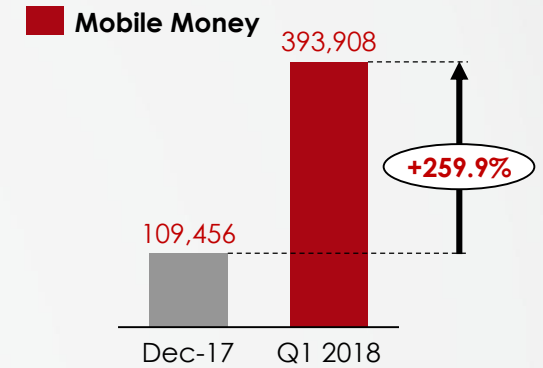
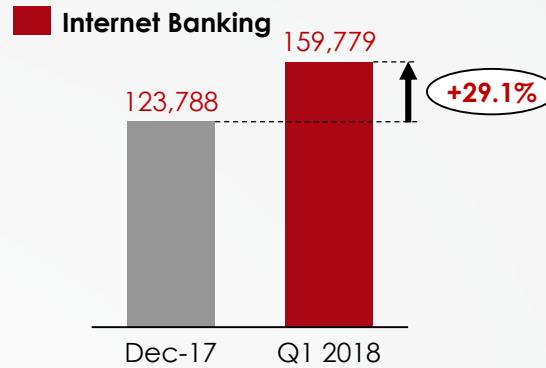
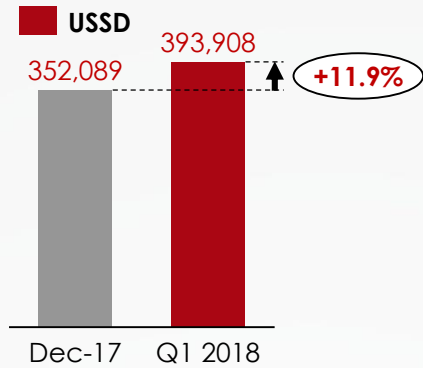


# Performance by business segment

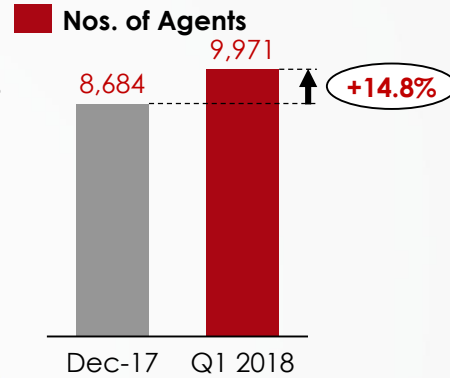
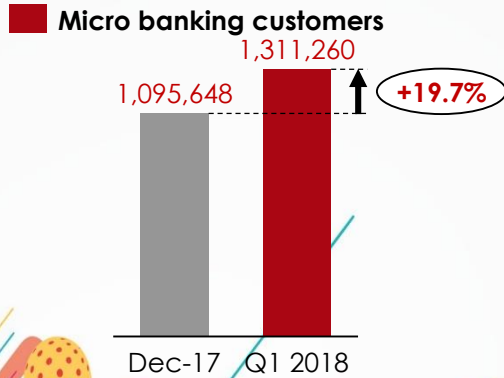


# Retail & Consumer Banking

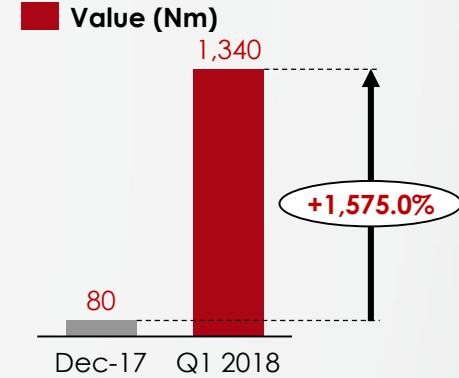
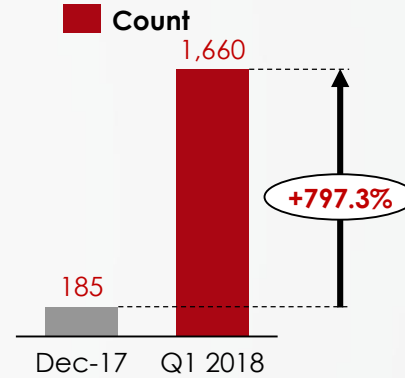
We continued to witness substantial adoption across all our channels - Mobile, Internet and USSD banking services.



← **Micro Banking** →



← **SPECTA** →





# Outlook



# 2018 Guidance

## Guidance

Deposit growth: >**15%**

Net loans growth: <**10%**

Pre-tax Return on average Equity (ROAE): >**15%**

Cost-to-income: <**75%**

NPL ratio: < **5%**

Cost of funds: <**5%**





Thank you

