

**EARNINGS PRESS RELEASE**

**JULY 29, 2016**

**STERLING BANK PLC RELEASES UNAUDITED RESULTS FOR THE QUARTER ENDED JUNE 30, 2016**

**Driving towards tomorrow's promise...**

**Lagos, July 29, 2016** – Sterling Bank Plc (**NSE:** STERLNBANK / **Reuters:** STERLNB.LG / **Bloomberg:** STERLNBA:NL) – the 'Bank' – a full service national commercial bank releases its unaudited results for the quarter ended June 30, 2016.

In the Bank's quarterly update to investors and analysts, **Yemi Adeola**, the Managing Director/ Chief Executive, stated:

Earnings in the financial services industry, and indeed, several other industries weakened due to a period of sustained deterioration in the domestic economy during the first half of 2016. The economy, which has been posited to be in recession, was impacted by depressed commodity prices, continued sabotage of oil assets, weak investor confidence and a slow convergence of both monetary and fiscal policy.

Nonetheless, our Bank has remained irrepressible as demonstrated by the strength of our core business. We prioritized improvement in asset quality which was reflected by a 200 basis point decline in the non-performing loans (NPL) ratio to 2.8% and a 100 basis point reduction in the cost of risk to 1.5%. Cost of funds also declined from 5.9% (1H 2015) to 4.7%, representing a 120 basis point improvement. This was in spite of the foreign exchange liberalization policy, the attendant liquidity squeeze and the rising inflation rate which peaked at 16.5% in June 2016.

The Bank showed deeper pliability through the re-affirmation of its investment grade ratings at a time when corporate and sovereign ratings were under downward ratings pressure. I am pleased to report that we have successfully migrated to a world-class CORE banking application, which will enable us to better manage a significant uptick in customer base and ensure the required flexibility to deliver unique services across business segments. We have taken steps

to improve staff productivity by introducing a flexible work environment to achieve our goal of building a great workplace and reduce operating expenses.

As we look to the second half of the year, we remain committed to our plan to conclude our N35 billion tier 2 capital raise, prioritize operating efficiency and ensure moderate loan growth; while continuing to diversify funding sources as our retail banking strategy gains traction. Although, some of the macroeconomic challenges witnessed during the first half of the year will persist, we expect improvements in the Nigerian economy, driven by the implementation of the budget and other fiscal palliatives introduced by the Federal Government.

## Financial Highlights

### Income Statement

- **Net interest income** increased by 31.9% to ₦25.6 billion (1H 2015: ₦19.4 billion) driven by a 22.0% decrease in interest expense resulting in a 1240 basis point improvement in net interest margin to 61.7%;
- **Non-interest income** reduced by 44.0% to ₦8.5 billion (1H 2015: ₦15.2 billion) largely due to a 33.3% decrease in fees and commission income;
- **Net operating income** increased marginally by 0.8% to ₦30.5 billion (1H 2015: ₦30.2 billion) arising from a 16.8% decrease in impairment charges to ₦3.7 billion;
- **Operating expenses** increased by 8.0% to ₦26.1 billion (1H 2015: ₦24.2 billion) driven mainly by inflationary pressures;
- **Profit before tax** was ₦4.4 billion (1H 2015: ₦6.1 billion) while **Profit after tax** was ₦4.0 billion (1H 2015: ₦5.4 billion).

## Statement of Financial Position

- **Net loans & advances** increased by 36.5% to ₦462.3 billion (Dec. 2015: ₦338.7 billion) driven largely by foreign exchange revaluation;
- **Customer deposits** increased by 6.3% to ₦627.9 billion (Dec. 2015: ₦590.9 billion);
- **Total assets** excluding contingent liabilities increased by 20.0% to ₦959.2 billion (Dec. 2015: ₦799.5 billion) on the back of foreign exchange revaluation;
- Overall, **Shareholders' funds** closed at ₦84.1 billion arising from fair value adjustment on available for sale investments and organic accretion of profit.

## Financial Ratios

Indicator	1H 2016	1H 2015
Pre Tax Return on Average Equity	9.8%	14.1%
Post Tax Return on Average Equity	9.0%	12.6%
Return on Average Assets	1.0%	1.5%
Earnings per Share	14k	19k
Yield on Earning Assets	11.6%	13.1%
Cost of Funds	4.7%	5.9%
Net Interest Margin	6.9%	7.2%
Cost-to-income Ratio	76.4%	69.8%
	JUN 16	DEC 15
Non-performing Loan Ratio	2.8%	4.8%
Capital Adequacy Ratio (Basel 2)	10.9%	17.5%
Loan to Deposit Ratio (Net)	73.6%	57.3%

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## About Sterling Bank

Sterling Bank Plc is a leading commercial banking establishment in Nigeria. It commenced operations as NAL Bank in 1960. Today, with over N900 billion in total assets, more than 187 business offices and over 800 ATMs nationwide, Sterling Bank has grown into a major financial institution. The Bank prides itself as the 'One Customer Bank' that celebrates each customer as a unique entity. For further information, please visit <http://www.sterlingbankng.com>

## Forward-Looking Statements

This release may contain 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. Accordingly, there are or will 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 audited Annual Report for the financial year ended December 31, 2015. 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.

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