Sterling Bank Plc

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	B-
Short-Term IDR	B
Support Rating	5
Support Rating Floor	NF
Viability Rating	b-
National	
Long-Term Rating	BBB-(nga)
Short-Term IDR	F3(nga)
Sovereign Risk	
Long-Term Foreign-Currency IDR	B+
Long-Term Local-Currency IDR	B

Outlooks

Long-Term IDR	Stable
Sovereign Long-Term IDRs	Stable

Financial Data

Sterling Bank Plc

	30 Jun 18	31 Dec 17
Total assets (USDm)	3,404	3,510
Total assets (NGNbn)	1,039	1,072
Total equity (NGNbn)	104	103
Operating profit (NGNbn)	6.3	8.6
Net income (NGNbn)	6.2	8.5
Comprehensive income (NGNbn)	8.4	17.3
Impaired loans/gross loans (%)	4.7	3.6
Operating RORWA (%)	1.8	1.2
Fitch Core Capital ratio (%)	13.9	13.5
Loans/deposits (%)	94.3	90.2

Source: Fitch Ratings, Fitch Solutions

Related Research

IFRS 9 No Threat to Nigeria Banks' Regulatory Capital (July 2018)

Nigerian Banks' 2017 Results Dashboard (July 2018)

T-Bill Supply Slowdown May Hurt Nigerian Bank Profits (January 2018)

Fitch 2018 Outlook: Sub-Saharan Africa Banks (December 2017)

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Key Rating Drivers

Standalone Creditworthiness Drives Ratings: Sterling Bank Plc's Issuer Default Ratings (IDRs) are driven by its intrinsic credit profile as defined by its Viability Rating (VR). The bank's VR considers a modest franchise, developing business model, lower capital ratios than peers, a structurally weak funding profile and a challenging domestic operating environment.

Modest Franchise: Sterling is a small Nigerian bank with only a 4% market share of domestic loans. In Fitch Ratings' view, the bank's size and developing business model pose considerable challenges to earnings generation and access to cheap and stable funding.

Low Capital Buffers: Sterling's Fitch Core Capital (FCC) ratio of 13.9% at end-1H18 is the lowest of all Fitch-rated Nigerian banks. The bank intends to strengthen capitalisation through Tier 2 debt issuance and higher retained earnings.

Challenging Operating Environment: The operating environment improved slightly in 1H18 compared with 2017 but recovery remains fragile. The Nigerian economy continues to be affected by low GDP growth as well as uncertainty ahead of the 2019 elections. Access to foreign currency (FC) has eased, but businesses remain stressed and there are few opportunities for banks to grow their loan portfolios.

Potential Volatility in Funding: Sterling's ability to mobilise cheap and stable retail deposits is limited as the bank is small. Corporates provide over 70% of customer deposits, which are price-sensitive, short-term and potentially unstable. This also results in a highly concentrated deposit base. Sterling's structurally weak funding profile means that its cost of funding is above that of peers.

Resilient Asset Quality: Sterling's ratio of impaired loans/gross loans was 4.7% at end-1H18, better than most smaller Nigerian banks. Impaired loans have remained low primarily from the restructuring of the bank's large exposure to the oil sector, particularly in the upstream and services segments. Therefore, the bank's future asset-quality metrics are subject to the performance of these loans under their restructured (typically extended) terms.

Coherent but Higher-Risk Strategy: Sterling has a clear, coherent strategy of differentiation, focusing primarily on underserved segments, including retail and SMEs. Furthermore, Sterling's expansion into Islamic banking is untested. In our view, this strategy is opportunistic.

Sovereign Support Uncertain: Sterling's Support Rating and Support Rating Floor are '5' and 'No Floor', respectively. This reflects uncertainty about the authorities' ability to support the banking system, particularly in FC.

Rating Sensitivities

Limited Rating Upside: Sterling's modest franchise acts as a constraint on its ratings. This also has a knock-on effect on earnings, capital and liquidity. A positive rating action would likely require a sustainable expansion of the bank's franchise, which is unlikely in the short term.

Significant Asset Quality Deterioration: A downgrade of the ratings would require a deterioration of asset quality to the extent of having a significant impact on capital. This is not our base case as asset quality has been robust and challenges for borrowers in the oil sector have eased.

Operating Environment

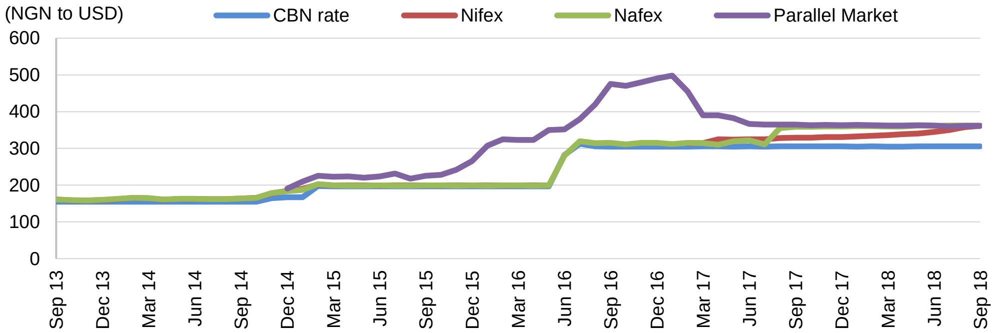
Environment Improves but Remains Challenging

Operating conditions continued to improve in 2018, helped by stronger GDP growth, higher oil prices and output, and strengthening of the non-oil sector. Conditions also improved owing to a significant easing of FC liquidity. As a result, risks in the banking system have abated, reducing headwinds on asset quality.

Fitch forecasts Nigeria's GDP growth to rise to 2.4% in 2018 and 3.0% in 2019 as the country continues to come out of recession. Growth turned positive in 2Q17 (full-year growth was 0.8%). The resumption of oil production to 2.1 million barrels per day and rising oil prices have boosted oil sector output. Additionally, greater FC availability has provided a lift to the non-oil export sectors, particularly agriculture. Fitch expects these trends to continue but notes that tight monetary conditions will continue to weigh on Nigeria's growth outlook.

The Nigerian naira has fluctuated close to NGN360 per US dollar on the Investors & Exporters (I&E) window since its introduction in April 2017. Greater liquidity supply together with higher oil prices and production has contributed to the convergence between the parallel market and the I&E rate. However, the foreign exchange market remains segmented and the continued use of exchange controls inhibits greater FC liquidity and capital inflows. In Fitch's view, further substantial change by the CBN to the existing foreign exchange rate regime is unlikely before the 2019 elections.

Rate Convergence



Source: Fitch Ratings

Inflation rose in August and September 2018 (11.3% in September) after a consistent 18-month decline. Monetary policy has been stable, attempting to strike a balance between supporting the naira and controlling import inflation.

Nigeria remains underbanked with banking system assets/GDP of 26.1% in 2017. Private sector credit growth has stalled, being flat for Fitch-rated banks in 2017 and decreasing by 3% in 1H18. This reflects weak operating conditions, the crowding-out effect from high T-bill yields and a general risk aversion among banks to growing lending when impaired and restructured loans are high.

Company Profile

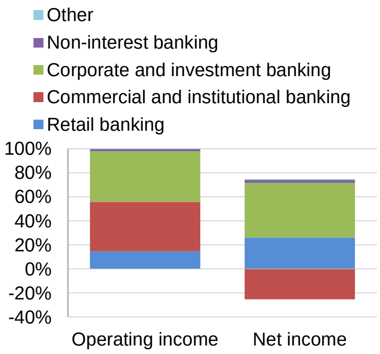
Modest Franchise

Sterling is the 11th-largest bank in Nigeria, with a 4% market share of loans. Sterling is a young bank, formed in 2006 out of a merger of five Nigerian banks following new minimum capital requirements being imposed by the CBN. Fitch views Sterling's franchise as evolving given its ongoing business reorganisation, integration challenges of acquisitions and subsequent banking crisis in the early part of the following decade. This has an adverse impact on revenue generation, profitability and particularly in funding.

Related Criteria

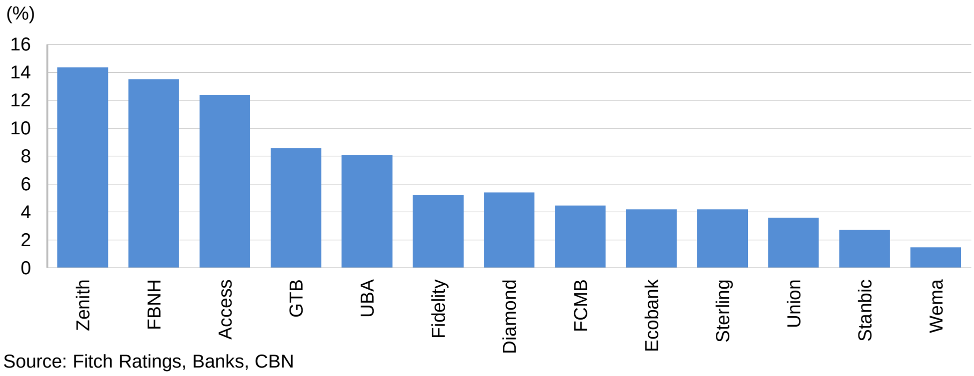
Bank Rating Criteria (October 2018)

Earnings by Segment 2017



Source: Fitch Ratings, Sterling

Market Share Domestic Credit



Source: Fitch Ratings, Banks, CBN

Islamic Banking Opportunity

Sterling is one of only two banks in Nigeria to offer sharia-compliant banking (termed "non-interest banking"). Financing to customers through this window was at NGN26 billion or 5% of gross loans at end-2017. It is second behind the fully sharia-compliant Jaiz Bank Plc (NGN39 billion). This market is extremely small in Nigeria but provides significant growth potential for the bank, particularly as an estimated half of the country's population identify as Muslims. However, larger banks may look to enter and increase competition.

Management and Strategy

New Managing Director

Abubakar Suleiman was appointed as Sterling's managing director in April 2018. He has been with the bank for 15 years and served as treasurer and chief financial officer. For this reason, we do not expect his appointment, or the recent appointments of a new chief risk officer (CRO) and chief transformation officer, to cause a material change to the bank's strategy. The bank will continue to focus on digital-led growth in underserved segments, including retail, SME and selected corporate markets. It will also advance its development in the area of non-interest banking. The new CRO reports to the board rather than to the managing director, which reinforces governance.

Diverse Ownership

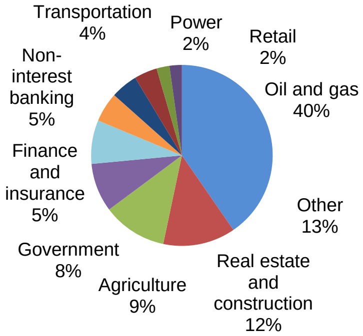
Sterling's largest shareholder (25%) is an offshore investment vehicle, Silverlake Investments Limited, owned by three parties and ultimately majority owned by three Nigerians. Sterling has a large exposure to one of these parties, exceeding the single-obligor limit. They have one board representative. State Bank of India (8% shareholder) has one board representative.

Coherent Strategy

Sterling's strategy centres on three key pillars: agility, specialisation and digitisation. In our view, this is a sensible strategy as it does not focus on expansion in areas where scale is required. Specifically, the bank wants to focus on growth in segments where there is strong demand for credit and which present opportunities to grow stable funding. Strategy is ultimately designed to improve efficiency, diversification and credit risk.

The strategy creates risk for Sterling as a new entrant but also creates an opportunity for significant competitive advantages for a bank that is hampered by a small and niche franchise. Identified target sectors for loan expansion include agriculture, healthcare, education, transportation and renewable energy. This is overlaid with the bank's ability to offer Islamic finance solutions to customers. Sterling is also innovative, developing structured solutions in certain sectors to create specialisation. Examples include a contact payments solution developed by the bank for the local bus system that is being tested on 100,000 customers and the bank's digital retail and microfinance lending platform, SPECTA.

Lending by Sector End-1H18



Source: Sterling

Risk Appetite

Higher-Risk Business Model

Sterling's risk appetite is higher than for larger and more established Nigerian banks given its franchise constraints. Sterling typically serves customers further down the credit curve, specifically in the mid-market segment. Additionally, the bank displays high credit concentrations by single-obligor and industry sector compared with peers. The 20 largest loans accounted for 48% of gross loans at end-1H18, while the oil sector represented 40% of the loan book. Nevertheless, asset quality metrics have performed well, particularly compared with similar-sized peers, reflecting good risk management.

Risk Framework Improvements

The new CRO is experienced and served as CRO for Ecobank Transnational Incorporated and before that in the US and UK. This supports our view that strengthening risk management is an important part of Sterling's transformation plan. We have already seen improvements to the risk framework including stronger policies and procedures as well as increased staff training and specialisation to enhance underwriting. Credit recovery has also become more aggressive. Lending decisions are guided by a minimum return of risk-adjusted capital.

Preparing for Growth

The bank has grown above peer average, particularly since end-2016, which is in line with its strategy of expanding market share. Growth has been across a diverse range of sectors and also artificially through the inflation of FC loans. Fitch considers the bank's loan growth targets as achievable as Sterling's asset quality has not suffered as much as its peers'.

Market Risk Heightened

In our view, market risk is high for all Nigerian banks given the potential for large swings in interest and exchange rates. Sterling had a large, long FC dollar position equal to 55% of total equity at end-2017 but this reduced significantly in 1H18 due to the maturity of various FC swaps. Interest-rate risk is present in the banking book with the bank exposed to decreasing rates. A 200bp fall would reduce equity by 5% of FCC, which we consider to be moderate.

Financial Profile

Asset Quality

Resilient Metrics but Vulnerabilities Exist

Asset Quality Summary

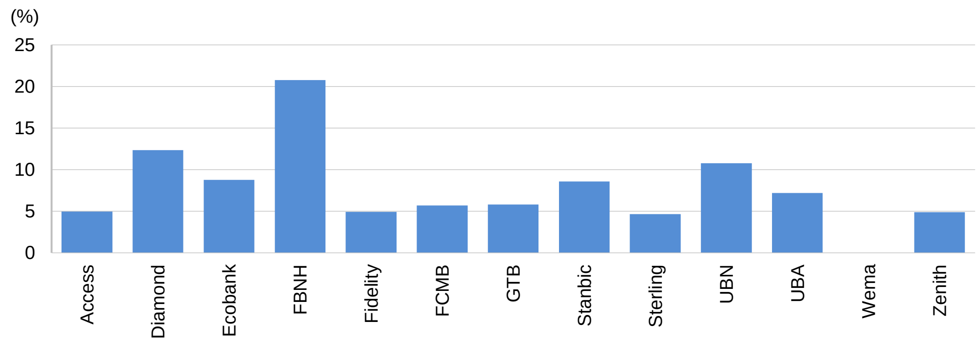
(%)	End-1H18	End-2017	End-2016	End-2015
Impaired loans/gross loans	4.7	3.6	1.7	4.3
Growth of gross loans	5.4	29.6	34.5	-6.9
Loan loss allowances/impaired loans	75.6	86.9	104.2	103.2
Loan impairment charges/average gross loans	0.5	1.3	2.7	2.0
Net charge-offs/average gross loans	n.a	0.1	4.3	0.6

Source: Fitch Ratings, Fitch Solutions, Sterling

Sterling's asset-quality metrics have held up well compared with most peers. Impaired loans remain under the CBN guidance of 5% of gross loans despite a large exposure to the troubled oil sector. This is due to the widespread restructuring of the upstream and services portfolio as well as large charge offs in 2016 (4.3% of average gross loans). Restructured loans are high and comprised 19% of the loan book at end-1H18.

Asset quality under IFRS 9 appears adequate with Stage 3 loans only marginally higher than reported impaired loans at 5.2% of gross loans. Stage 2 loans are relatively low at 4.5%, although this does not include much of the restructured book (which is in Stage 1 loans), included by many banks in this category.

Impaired Loans/Gross Loans End-1H18



Source: Fitch Ratings, Fitch Solutions

Loan loss reserve coverage of impaired loans continues to decrease, which is a concern particularly given the bank's limited capital buffers. Rising impaired loans in 2017 and 1H18 have not been accompanied by new reserves, exposing the bank to a sudden deterioration in asset quality. This would most likely be driven by a weaker-than-expected performance of restructured loans. Loan impairment charges (LICs)/average gross loans are below most immediate peers'.

Earnings and Profitability

Weak Revenue Generation, High Costs and Variable LICs undermine Profitability

Earnings and Profitability Summary

(%)	1H18	2017	2016	2015
Net interest income/average earning assets	5.9	6.4	8.5	6.3
Operating profit/risk-weighted assets	1.8	1.2	0.9	2.0
Non-interest expense/gross revenues	81.8	76.7	74.7	74.3
Loans and securities impairment charges/ pre-impairment operating profit	11.6	45.6	65.5	43.5
Operating profit/average total assets	1.2	0.9	0.7	1.2
Pre-impairment operating profit/average total assets	1.4	1.7	2.1	2.1

Source: Fitch Ratings, Fitch Solutions, Sterling

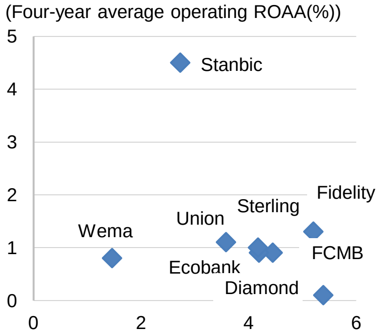
Sterling's profitability is hampered by weak revenue generation and a high cost base. The bank previously struggled with high LICs, but these appear to be declining. However, metrics are inferior to the largest Nigerian banks', which benefit from their large franchises.

The net-interest margin has been reducing due to higher cost of funding. However, Fitch expects the cost of funds to reduce in the medium term as the bank has more success in attracting low-cost deposits. Operating profit in 2017 increased by almost 50% yoy as lower LICs and trading-book gains offset higher funding costs. This positive trend continued in 1H18, with operating profit up 63% yoy, for largely the same reasons.

Pressure on the cost base continues due to ongoing investment in the business. This appears to be paying dividends at present, but management will need to target a significant reduction to remain competitive in the long term.

Adequate Performance

(Four-year average operating ROAA(%))



(Market share domesitc credit end-1H18 (%))
Source: Fitch Ratings

Capitalisation and Leverage
Weaker than Peers

Capitalisation and Leverage Summary

(%)	End-1H18	End-2017	End-2016	End-2015
FCC ratio	13.9	13.5	11.3	18.0
Tangible common equity/tangible assets	9.4	9.0	9.3	11.1
Tier 1 capital ratio	11.5	11.4	11.4	16.7
Total capital ratio	12.1	12.2	11.2	17.5
Impaired loans less loan loss allowances/FCC	7.6	3.1	-0.4	-0.6
Cash dividends paid & declared/net income	0.0	6.8	0.0	25.2
Risk weighted assets/total assets	67.4	66.1	81.0	61.0

Source: Fitch Ratings, Fitch Solutions, Sterling

Sterling's FCC ratio of 13.9% at end-1H18 is the lowest of all rated Nigerian peers and, in Fitch's view, is not fully commensurate with operating environment and business risks. Lower capital ratios partly reflect fast asset growth in 2016 and 2017 due to a mix of genuine growth and revaluation of the bank's large foreign-currency book. Lower capital ratios also result from Sterling's lower regulatory total capital requirements than most rated peers'. This is 10% of risk-weighted assets for banks with a domestic licence, compared with 15% for those with an international licence.

The introduction of IFRS 9 had a limited effect on the bank's capital ratios given robust asset quality. Furthermore, the impact has been absorbed by stronger profitability. In terms of regulatory capital, Sterling has used its regulatory risk reserve to absorb additional IFRS 9 reserves. There has been no impact on regulatory capital ratios as this is non-qualifying for regulatory capital.

Capital Raising Ongoing

Sterling is in discussion to raise NGN35 billion of Tier 2 capital through a LC bond and a foreign currency bilateral subordinated loan, given its limited capital buffers and ambitious growth plans. Most of this will be capital-qualifying given limited existing Tier 2 capital. Sterling targets a 15% total capital adequacy ratio by end-2018.

Funding and Liquidity
Potential Volatility in Funding; High Cost of Funds

Funding and Liquidity Summary

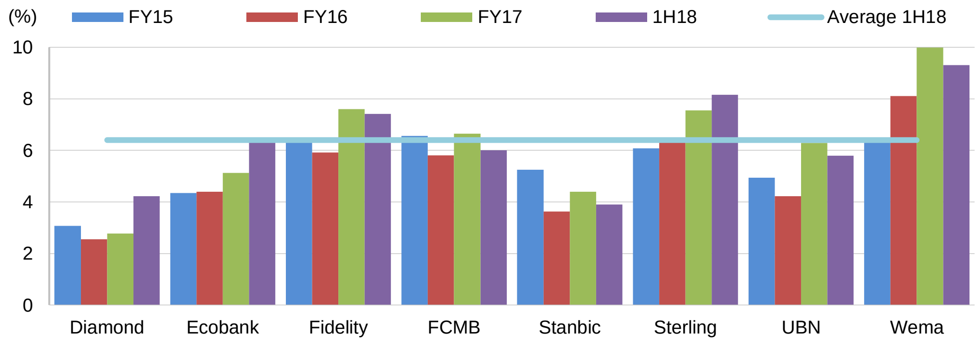
(%)	End-1H18	End-2017	End-2016	End-2015
Loans/customer deposits	94.3	90.2	81.5	60.0
Customer deposits/total funding (excluding derivatives)	75.1	74.3	82.8	90.1
Liquidity coverage ratio	110.0	n.a	n.a	n.a
Net stable funding ratio	113.1	n.a	n.a	n.a

Source: Fitch Ratings, Fitch Solutions, Sterling

Customer deposits comprise three-quarters of non-equity funding, which is low compared with peer average. This mainly reflects Sterling's modest franchise, which allows to mobilise only a limited amount of cheap, stable retail deposits, that comprise less than a quarter of deposits. Deposits are also concentrated, particularly in FC. The 20-largest deposits comprised 30% of deposits at end-1H18.

Core funding is supplemented by expensive term deposits, a new commercial paper programme and longer term wholesale funding. The bank has relied on market funding to address duration gaps as well as to avoid onerous cash reserve requirements (which is set at 22.5% of LC deposits). As an Islamic bank, Sterling has potentially better access to funding than other small banks from the Middle East, for example. Sterling has started to address its high cost of funding by reducing reliance on term funding, particularly in 1H18.

High Cost of Funding



Source: Fitch Ratings, Fitch Solultions

Sterling's loans/deposit ratio remains high relative to peers'. This is attributed to its limited base of cheap and stable deposits. Balance-sheet liquidity is supported by a large portfolio of government securities and interbank placements. Sterling's regulatory liquidity ratio (defined as LC liquid assets/LC deposits and other short-term liabilities) was 35% at end-July 2018 and above the regulatory minimum of 30%). The bank internally calculates a liquidity coverage ratio of 110% at end-1H18 thanks to solid LC liquidity. Its net stable funding ratio (NSFR) was 113%

We view FC liquidity as tighter despite Sterling's limited FC obligations. FC liquid assets are low and the bank relies on FC loan repayments to meet its FC obligations if these are not rolled over.

Sovereign Support

Fitch considers the authorities' propensity to support the banking system to be high. There is a record of recent support across the sector when AMCON recapitalised a number of banks in the early part of the decade.

However, we believe that sovereign support for Nigerian banks is uncertain given Nigeria's (B+/Stable) weak ability to provide support to the banking system (particularly in FC) despite the relatively small size of the banking sector by international standards (about 30% of GDP). . Therefore, the Support Rating Floors of all rated Nigerian banks is at 'No Floor' and all Support Ratings are at '5'. This reflects our view that senior creditors cannot rely on receiving full and timely extraordinary support from the Nigerian sovereign if any of the banks become non-viable.

Sterling Bank Plc
Income Statement

	30 Jun 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets
	Unaudited	Unaudited		Audited - Unqualified		Audited - Unqualified		Audited - Unqualified	
1. Interest Income on Loans	153.0	46.7	10.83	83.2	9.19	77.2	11.34	59.6	9.22
2. Other Interest Income	52.1	15.9	3.69	27.1	2.99	21.9	3.22	21.3	3.29
3. Dividend Income	0.5	0.2	0.04	0.2	0.02	0.1	0.01	0.1	0.02
4. Gross Interest and Dividend Income	**205.5**	**62.7**	**14.56**	**110.5**	**12.20**	**99.2**	**14.57**	**81.0**	**12.53**
5. Interest Expense on Customer Deposits	88.4	27.0	6.26	37.2	4.11	28.5	4.18	37.6	5.82
6. Other Interest Expense	33.0	10.1	2.34	23.0	2.54	14.6	2.15	3.8	0.58
7. Total Interest Expense	**121.3**	**37.0**	**8.59**	**60.1**	**6.64**	**43.1**	**6.33**	**41.4**	**6.40**
8. Net Interest Income	**84.2**	**25.7**	**5.96**	**50.3**	**5.56**	**56.1**	**8.23**	**39.6**	**6.13**
9. Net Fees and Commissions	22.6	6.9	1.60	12.9	1.42	10.8	1.58	15.5	2.40
10. Net Gains (Losses) on Trading and Derivatives	16.4	5.0	1.16	4.7	0.52	0.2	0.03	10.7	1.65
11. Net Gains (Losses) on Assets and Liabilities at FV	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.1	0.01
13. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Operating Income	6.4	1.9	0.45	(0.6)	(0.07)	0.7	0.10	0.8	0.13
15. Total Non-Interest Operating Income	**45.3**	**13.8**	**3.21**	**16.9**	**1.87**	**11.7**	**1.72**	**27.1**	**4.19**
16. Total Operating Income	**129.5**	**39.5**	**9.17**	**67.3**	**7.43**	**67.8**	**9.96**	**66.7**	**10.32**
17. Personnel Expenses	21.7	6.6	1.53	11.9	1.31	11.9	1.74	12.3	1.91
18. Other Operating Expenses	84.4	25.7	5.97	39.7	4.38	38.7	5.69	37.2	5.75
19. Total Non-Interest Expenses	**106.0**	**32.4**	**7.51**	**51.6**	**5.70**	**50.6**	**7.43**	**49.5**	**7.66**
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
21. Pre-Impairment Operating Profit	**23.5**	**7.2**	**1.67**	**15.7**	**1.73**	**17.2**	**2.52**	**17.2**	**2.66**
22. Loan Impairment Charge	5.0	1.5	0.35	7.1	0.79	11.3	1.65	7.5	1.16
23. Securities and Other Credit Impairment Charges	(2.2)	(0.7)	(0.16)	0.0	0.00	n.a.	-	n.a.	-
24. Operating Profit	**20.8**	**6.3**	**1.47**	**8.6**	**0.94**	**5.9**	**0.87**	**9.7**	**1.50**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Goodwill Impairment	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Non-recurring Income	0.1	0.0	0.00	0.1	0.01	0.1	0.01	1.3	0.20
28. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
29. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
30. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
31. Pre-tax Profit	**20.8**	**6.4**	**1.48**	**8.6**	**0.95**	**6.0**	**0.88**	**11.0**	**1.70**
32. Tax expense	0.5	0.1	0.03	0.1	0.01	0.8	0.12	0.7	0.11
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Net Income	**20.4**	**6.2**	**1.44**	**8.5**	**0.94**	**5.2**	**0.76**	**10.3**	**1.59**
35. Change in Value of AFS Investments	7.2	2.2	0.51	8.8	0.97	(12.5)	(1.83)	2.3	0.35
36. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
38. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Fitch Comprehensive Income	**27.6**	**8.4**	**1.95**	**17.3**	**1.91**	**(7.3)**	**(1.07)**	**12.6**	**1.95**
40. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Net Income after Allocation to Non-controlling Interests	20.4	6.2	1.44	8.5	0.94	5.2	0.76	10.3	1.59
42. Memo: Common Dividends Relating to the Period	1.9	0.6	0.13	n.a.	-	0.0	0.00	2.6	0.40
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = NGN305.25		USD1 = NGN305.5		USD1 = NGN305		USD1 = NGN197	

Sterling Bank Plc
Balance Sheet

	30 Jun 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	8.9	0.83	10.2	1.23	12.0	1.50
3. Other Consumer/ Retail Loans	72.3	22.1	2.12	5.7	0.53	6.7	0.80	40.4	5.05
4. Corporate & Commercial Loans	2,060.3	628.9	60.52	441.3	41.16	383.3	45.95	302.1	37.79
5. Other Loans	n.a.	n.a.	-	161.7	15.08	76.5	9.17	n.a.	-
6. Less: Loan Loss Allowances	75.2	23.0	2.21	19.5	1.82	8.5	1.01	15.7	1.97
7. Net Loans	**2,057.3**	**628.0**	**60.44**	**598.1**	**55.78**	**468.3**	**56.13**	**338.7**	**42.37**
8. Gross Loans	**2,132.5**	**651.0**	**62.65**	**617.6**	**57.60**	**476.7**	**57.15**	**354.5**	**44.34**
9. Memo: Impaired Loans included above	99.5	30.4	2.92	22.4	2.09	8.1	0.97	15.3	1.91
10. Memo: Specific Loan Loss Allowances	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	81.0	24.7	2.38	51.1	4.76	31.3	3.75	68.8	8.61
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Derivatives	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
4. Trading Securities and at FV through Income	8.6	2.6	0.25	6.9	0.64	1.7	0.20	4.7	0.59
5. Available for Sale Securities	358.3	109.4	10.53	141.7	13.22	68.2	8.18	153.1	19.15
6. Held to Maturity Securities	341.7	104.3	10.04	107.4	10.02	108.7	13.03	75.9	9.50
7. Other Securities	0.3	0.1	0.01	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	**708.9**	**216.4**	**20.83**	**256.0**	**23.87**	**178.6**	**21.41**	**233.7**	**29.23**
9. Memo: Government Securities included Above	634.2	193.6	18.63	237.6	22.16	141.5	16.97	193.0	24.14
10. Memo: Total Securities Pledged	238.5	72.8	7.01	145.2	13.54	86.9	10.41	64.2	8.03
11. Equity Investments in Associates	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	0.0	0.0	0.00	0.2	0.02	2.9	0.35	5.2	0.65
15. Total Earning Assets	**2,847.3**	**869.1**	**83.64**	**905.3**	**84.43**	**681.0**	**81.64**	**646.4**	**80.85**
C. Non-Earning Assets									
1. Cash and Due From Banks	362.1	110.5	10.64	122.6	11.44	107.9	12.93	115.9	14.50
2. Memo: Mandatory Reserves included above	293.6	89.6	8.63	74.0	6.90	94.5	11.33	84.4	10.56
3. Foreclosed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	51.9	15.9	1.53	16.5	1.53	14.6	1.75	15.3	1.91
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	5.9	1.8	0.17	2.1	0.20	2.0	0.24	1.0	0.13
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	22.8	7.0	0.67	7.0	0.65	7.0	0.84	7.0	0.87
9. Discontinued Operations	11.5	3.5	0.34	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	102.5	31.3	3.01	18.7	1.75	21.7	2.60	13.9	1.74
11. Total Assets	**3,404.0**	**1,039.1**	**100.00**	**1,072.2**	**100.00**	**834.2**	**100.00**	**799.5**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Total Customer Deposits	2,262.3	690.6	66.46	684.8	63.87	584.7	70.10	590.9	73.91
2. Deposits from Banks	139.5	42.6	4.10	11.0	1.03	23.8	2.85	0.0	0.00
3. Repos and Securities Lending	0.0	0.0	0.00	84.2	7.85	n.a.	-	n.a.	-
4. Commercial Paper and Short-term Borrowings	199.4	60.9	5.86	103.6	9.66	42.0	5.03	22.1	2.76
5. Customer Deposits and Short-term Funding	**2,601.3**	**794.0**	**76.42**	**883.6**	**82.41**	**650.5**	**77.98**	**613.0**	**76.67**
6. Senior Unsecured Debt	366.7	111.9	10.77	25.1	2.34	42.7	5.12	38.2	4.78
7. Subordinated Borrowing	42.8	13.1	1.26	13.1	1.22	13.1	1.57	4.6	0.57
8. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Total LT Funding	**409.5**	**125.0**	**12.03**	**38.1**	**3.56**	**55.9**	**6.70**	**42.8**	**5.35**
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total Funding	**3,010.7**	**919.0**	**88.45**	**921.8**	**85.97**	**706.3**	**84.67**	**655.7**	**82.02**
14. Derivatives	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
15. Total Funding and Derivatives	**3,010.7**	**919.0**	**88.45**	**921.8**	**85.97**	**706.3**	**84.67**	**655.7**	**82.02**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	1.0	0.3	0.03	0.3	0.03	0.3	0.04	0.3	0.03
4. Current Tax Liabilities	1.0	0.3	0.03	0.2	0.02	0.9	0.11	0.8	0.10
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	49.7	15.2	1.46	46.9	4.38	40.9	4.91	47.1	5.89
10. Total Liabilities	**3,062.4**	**934.8**	**89.96**	**969.3**	**90.40**	**748.5**	**89.73**	**703.9**	**88.05**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	306.8	93.7	9.01	105.5	9.84	97.0	11.63	94.4	11.81
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	(2.1)	(0.6)	(0.06)	(2.6)	(0.24)	(11.3)	(1.36)	1.2	0.14
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	36.9	11.3	1.08	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	**341.6**	**104.3**	**10.04**	**102.9**	**9.60**	**85.7**	**10.27**	**95.6**	**11.95**
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E	341.6	104.3	10.04	102.9	9.60	85.7	10.27	95.6	11.95
8. Total Liabilities and Equity	**3,404.0**	**1,039.1**	**100.00**	**1,072.2**	**100.00**	**834.2**	**100.00**	**799.5**	**100.00**
9. Memo: Fitch Core Capital	318.9	97.3	9.37	95.7	8.92	76.7	9.19	87.6	10.96
Exchange rate		USD1 = NGN305.25		USD1 = NGN305.5		USD1 = NGN305		USD1 = NGN197	

Sterling Bank Plc
Summary Analytics

	30 Jun 2018 6 Months - Interim	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	14.41	14.08	14.95	12.86
2. Interest Income on Loans/ Average Gross Loans	14.77	15.52	18.58	16.21
3. Interest Expense on Customer Deposits/ Average Customer Deposits	7.79	6.19	4.85	6.03
4. Interest Expense/ Average Interest-bearing Liabilities	8.15	7.55	6.33	6.08
5. Net Interest Income/ Average Earning Assets	5.90	6.42	8.45	6.29
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	5.56	5.51	6.75	5.11
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	5.90	6.42	8.45	6.29
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.83	1.21	0.88	1.99
2. Non-Interest Expense/ Gross Revenues	81.84	76.65	74.66	74.26
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	11.59	45.55	65.54	43.50
4. Operating Profit/ Average Total Assets	1.21	0.91	0.72	1.20
5. Non-Interest Income/ Gross Revenues	35.00	25.16	17.28	40.57
6. Non-Interest Expense/ Average Total Assets	6.19	5.47	6.20	6.10
7. Pre-impairment Op. Profit/ Average Equity	14.42	16.78	18.96	19.05
8. Pre-impairment Op. Profit/ Average Total Assets	1.37	1.66	2.10	2.12
9. Operating Profit/ Average Equity	12.75	9.13	6.53	10.77
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	12.48	9.10	5.70	11.42
2. Net Income/ Average Total Assets	1.19	0.90	0.63	1.27
3. Fitch Comprehensive Income/ Average Total Equity	16.90	18.45	(8.07)	13.95
4. Fitch Comprehensive Income/ Average Total Assets	1.61	1.83	(0.90)	1.55
5. Taxes/ Pre-tax Profit	2.34	0.99	13.97	6.56
6. Net Income/ Risk Weighted Assets	1.79	1.20	0.76	2.11
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	13.89	13.51	11.34	17.97
2. Tangible Common Equity/ Tangible Assets	9.43	8.98	9.29	11.07
3. Equity/ Total Assets	10.04	9.60	10.27	11.95
4. Basel Leverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Fully Loaded Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Tier 1 Capital Ratio	11.45	11.37	11.44	16.69
8. Total Capital Ratio	12.12	12.21	11.16	17.49
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	7.60	3.07	(0.44)	(0.55)
10. Impaired Loans less Loan Loss Allowances/ Equity	7.10	2.85	(0.40)	(0.51)
11. Cash Dividends Paid & Declared/ Net Income	0.00	6.76	0.00	25.17
12. Risk Weighted Assets/ Total Assets	67.44	66.05	81.03	60.98
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	4.66	3.63	1.70	4.31
2. Growth of Gross Loans	5.40	29.55	34.48	(6.94)
3. Loan Loss Allowances/ Impaired Loans	75.61	86.91	104.20	103.18
4. Loan Impairment Charges/ Average Gross Loans	0.48	1.33	2.71	2.03
5. Growth of Total Assets	(3.09)	28.53	4.35	(3.04)
6. Loan Loss Allowances/ Gross Loans	3.53	3.16	1.78	4.44
7. Net Charge-offs/ Average Gross Loans	n.a.	0.05	4.33	0.59
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	4.66	3.63	1.70	4.31
F. Funding and Liquidity				
1. Loans/ Customer Deposits	94.26	90.18	81.53	59.99
2. Liquidity Coverage Ratio	110.00	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	75.14	74.29	82.78	90.11
4. Interbank Assets/ Interbank Liabilities	58.06	462.22	131.64	n.a.
5. Net Stable Funding Ratio	113.06	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	0.84	17.12	(1.04)	(9.92)

Sterling Bank Plc
Reference Data

	30 Jun 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	447.3	136.5	13.14	95.1	8.87	59.6	7.15	85.1	10.64
4. Acceptances and documentary credits reported off-balance sheet	96.0	29.3	2.82	26.1	2.43	18.2	2.19	58.2	7.28
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Off-Balance Sheet items	13.9	4.2	0.41	9.9	0.93	33.4	4.00	22.9	2.87
8. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
1. Average Loans	2,088.0	637.4	61.34	536.4	50.02	415.6	49.82	367.7	45.99
2. Average Earning Assets	2,875.9	877.9	84.49	784.4	73.16	663.7	79.56	630.1	78.82
3. Average Total Assets	3,451.7	1,053.6	101.40	943.3	87.98	816.8	97.92	812.0	101.57
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Average Interest-Bearing Liabilities	3,003.4	916.8	88.23	796.5	74.29	681.0	81.64	680.8	85.16
6. Average Common equity	322.2	98.4	9.47	101.0	9.42	95.7	11.47	90.1	11.27
7. Average Equity	328.9	100.4	9.66	93.6	8.73	90.6	10.86	90.1	11.28
8. Average Customer Deposits	2,286.6	698.0	67.17	600.7	56.02	587.8	70.47	623.4	77.98
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	141.1	13.16	62.0	7.43	133.4	16.69
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	69.0	6.43	123.1	14.76	64.0	8.01
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	280.5	26.16	259.9	31.15	112.6	14.08
Loans & Advances > 5 years	n.a.	n.a.	-	107.6	10.03	23.3	2.79	28.7	3.59
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	51.1	4.76	31.3	3.75	68.8	8.61
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	419.9	39.16	566.8	67.94	561.0	70.17
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	28.5	2.66	13.6	1.63	25.0	3.13
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	234.0	21.82	4.2	0.51	2.5	0.32
Retail Deposits > 5 Years	n.a.	n.a.	-	2.4	0.23	0.2	0.02	2.3	0.29
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	11.0	1.03	23.8	2.85	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	**42.8**	**13.1**	**1.26**	**13.1**	**1.22**	**13.1**	**1.57**	**4.6**	**0.57**
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	2,295.7	700.8	67.44	708.1	66.05	675.9	81.03	487.5	60.98
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Asse	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	**2,295.7**	**700.8**	**67.44**	**708.1**	**66.05**	**675.9**	**81.03**	**487.5**	**60.98**
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	**2,295.7**	**700.8**	**67.44**	**708.1**	**66.05**	**675.9**	**81.03**	**487.5**	**60.98**
E. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	341.6	104.3	10.04	102.9	9.60	85.7	10.27	95.6	11.95
2. Fair-value adjustments relating to own credit risk on debt issued	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	5.9	1.8	0.17	2.1	0.20	2.0	0.24	1.0	0.13
6. Deferred tax assets deduction	16.8	5.1	0.49	5.1	0.48	7.0	0.84	7.0	0.87
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fund for general banking risks if not already included and readily convertible into equi	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Fitch Core Capital	**318.9**	**97.3**	**9.37**	**95.7**	**8.92**	**76.7**	**9.19**	**87.6**	**10.96**
Exchange Rate		USD1 = NGN305.25		USD1 = NGN305.5		USD1 = NGN305		USD1 = NGN197	

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.