



# Investors & Analysts Presentation

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Full Year 2018

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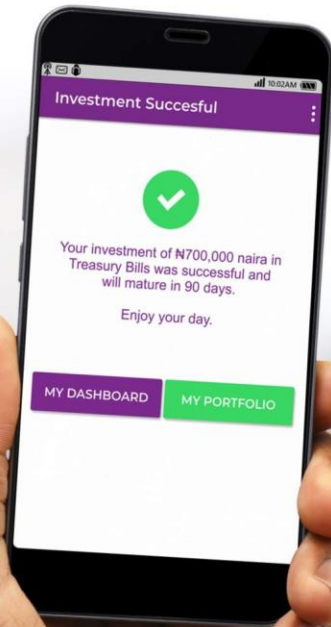
## Content

1. Macro Updates & Financial Highlights

2. Operating Performance

3. Strategic Updates

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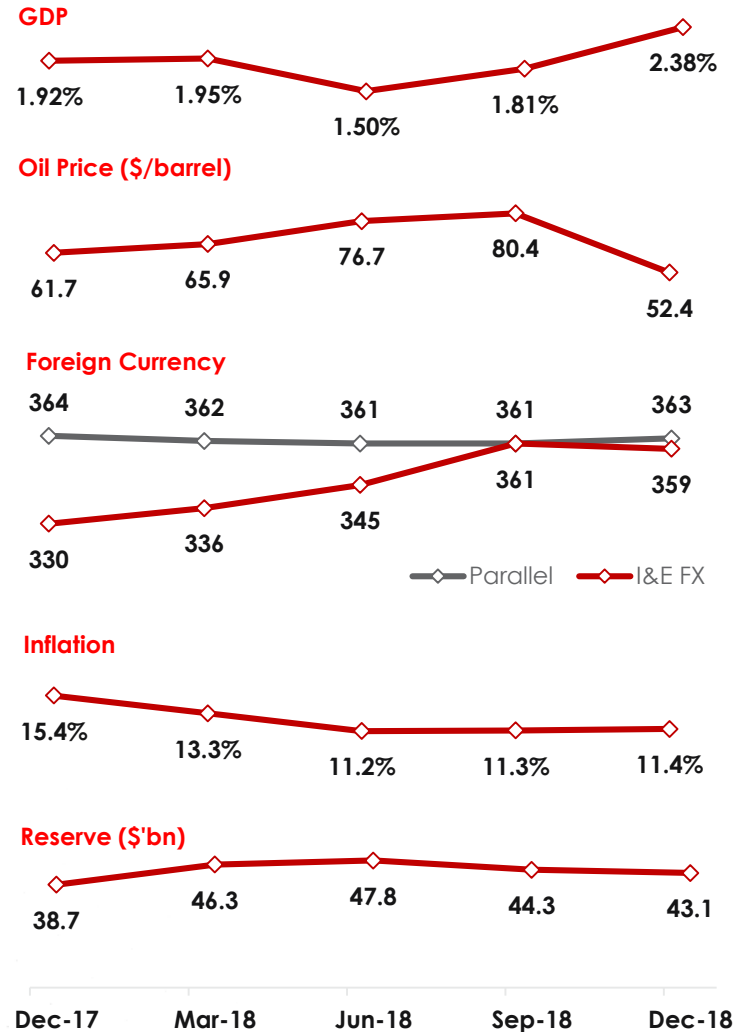
[i-invest.ng](https://i-invest.ng)

# Macro-economic Review



Slow-growth economic environment although positive year-on-year growth was recorded across key financial indices

- Nigeria's GDP increased to 1.93% in 2018 from 0.82% recorded in 2017 driven by 1.14% and 2% growth in the oil and non-oil sectors respectively;
- Growth in the non-oil sector was driven by improved performance in specific sectors including Information & Communication, Transportation, Art & Entertainment, Agriculture and Manufacturing;
- Brent oil price reached pre-2014 levels at US\$80.94 per barrel in September 2018 amid lower oil production in Libya and Venezuela as well as the U.S sanction induced supply loss from Iran;
- Nigeria's oil production averaged 1.923 mbpd in 2018 compared to 1.898 mbpd reported in the 2017 which represents an increase of 1.32% (25,000 bpd);
- Headline inflation rate continued to trend downwards in 2018 reaching 11.4% as at December 2018 given a more stable exchange rate relative to 2017;
- External reserves grew by 13.3% from US\$38.1 bn in December 2017 to US\$43.1bn in December 2018 following successful Eurobond issuances, higher oil prices and improved capital flows;
- Overall, total capital inflowed into the country in 2018 increased by 37.5% to US\$16.8bn largely due attractive yields on money market instruments while outflows were driven by interest rate hikes particularly in the U.S as well as uncertainty surrounding the 2019 elections.

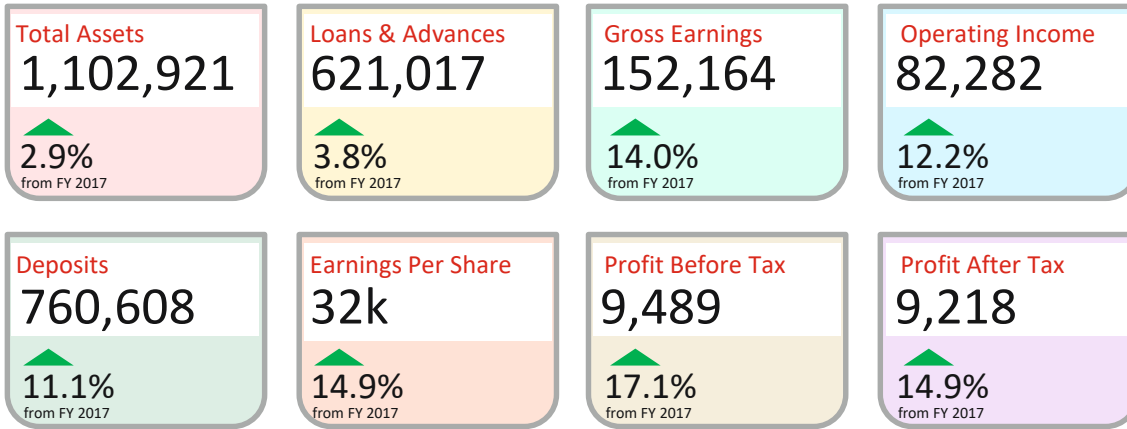


# Financial & Non-Financial Highlights



We delivered strong growth performance, despite the slow-growth environment

## Financials (N' millions)



## Ratings

<b>MOODY'S</b>	<b>FitchRatings</b>
<b>B2</b>	<b>B-</b>
<b>GCR</b> GLOBAL CREDIT RATING CO	<b>DataPro</b> <small>Compliance Solutions Company</small>
<b>BBB</b>	<b>BBB+</b>

## Channels

POS	ATM	USSD Users	Branches	Customers	Professional Staff
<b>7,853</b>	<b>847</b>	<b>839k</b>	<b>179</b>	<b>&gt;3M</b>	<b>2,401</b>



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## Content

1. Macro Updates  
& Financial  
Highlights

2. Operating  
Performance

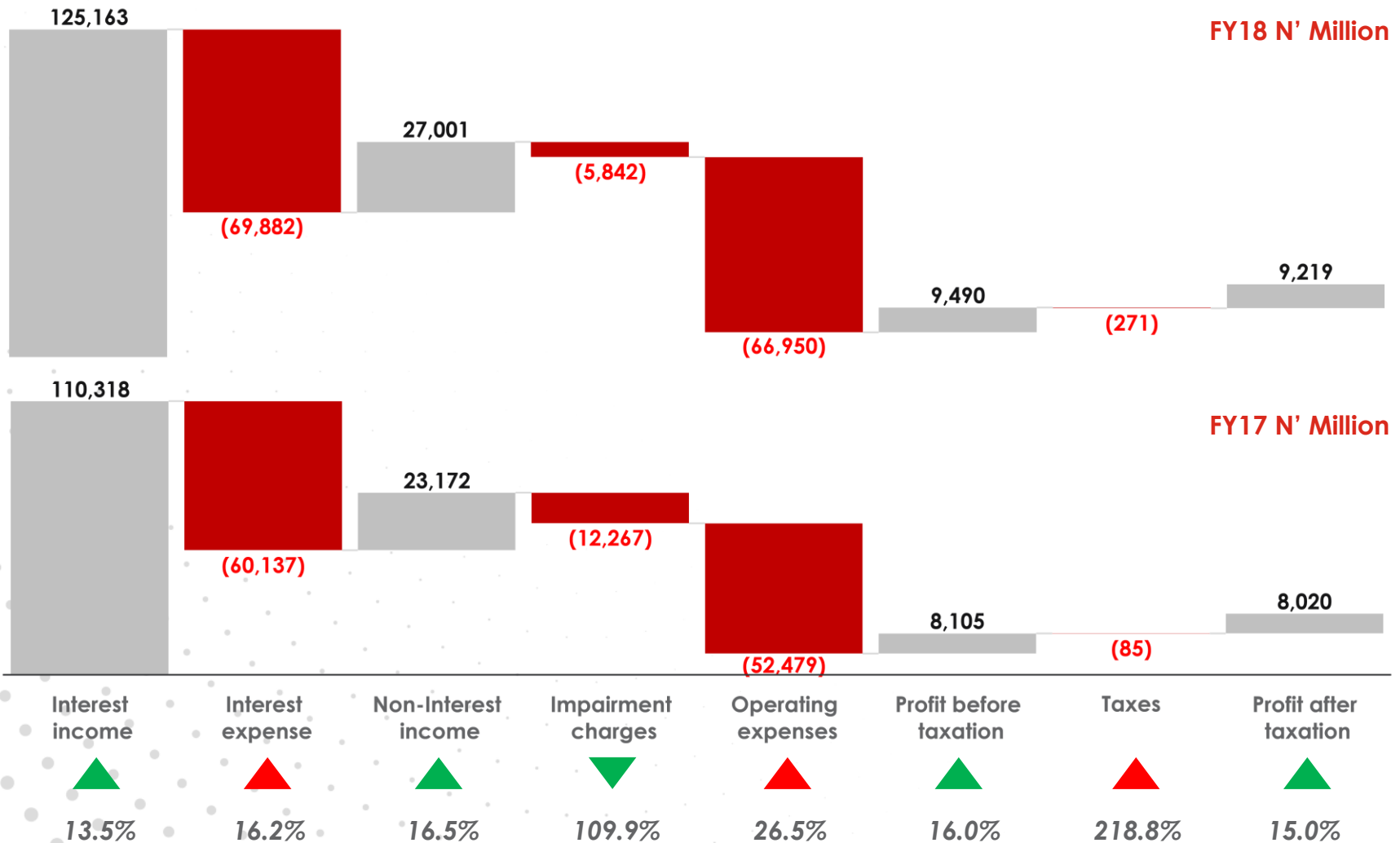
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# Profitability snapshot



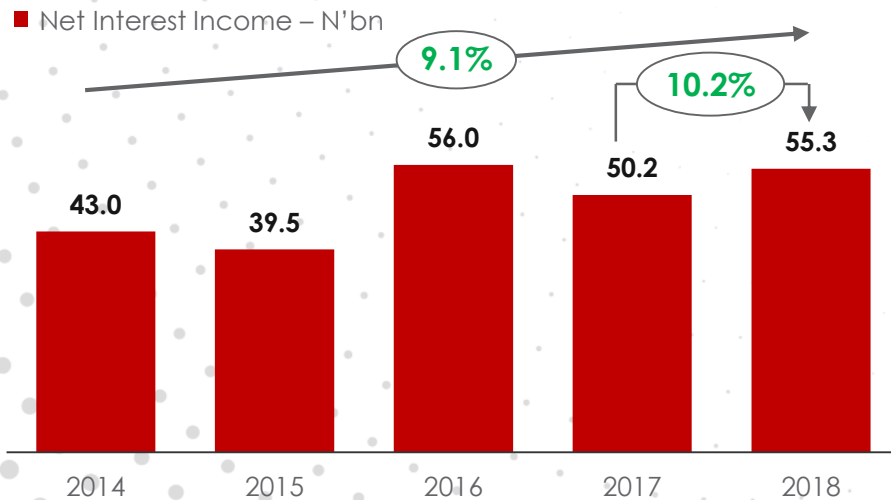
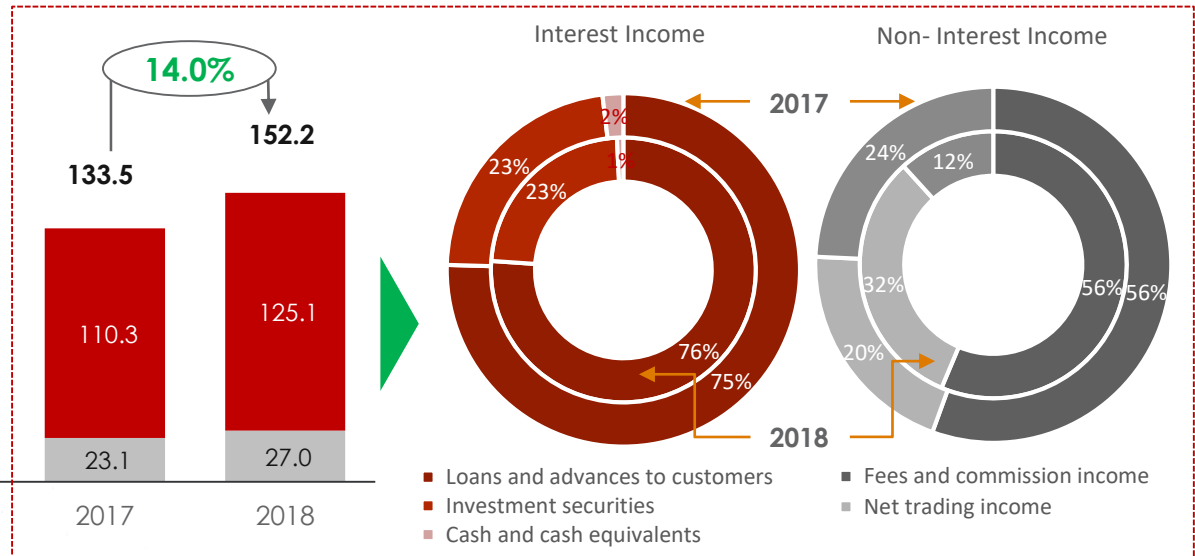
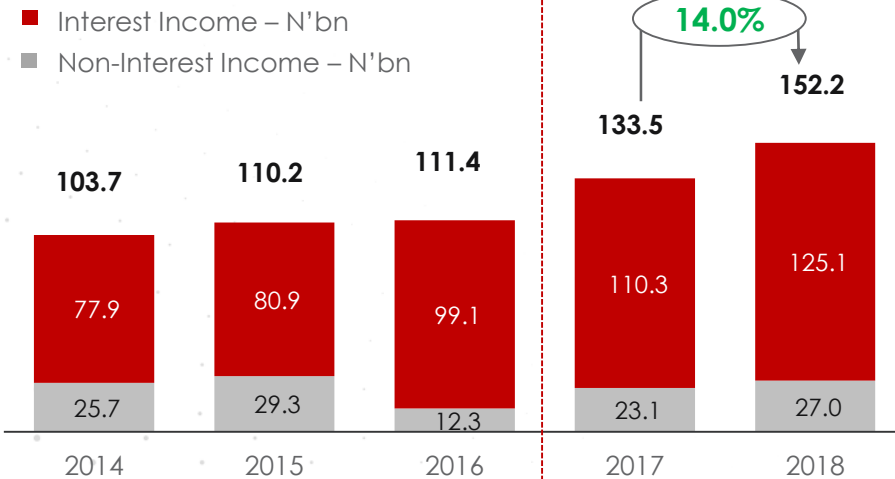
We achieved positive year-on-year growth across key financial indices, growing our bottom-line by 15%



# Revenue evolution



Sustained double digit growth momentum in revenue, with interest income from loans & advances remaining the key driver



- Gross earnings up 14.0% to N152.2 billion supported by double digit increase in both interest and non-interest income;
- Growth in non-interest income was driven by fees & commission and trading income each growing by 18.1% and 84.3% respectively;
- 13.5% increase in interest income offset interest expense at 16.2% consequently delivering a 10.2% growth in net interest income

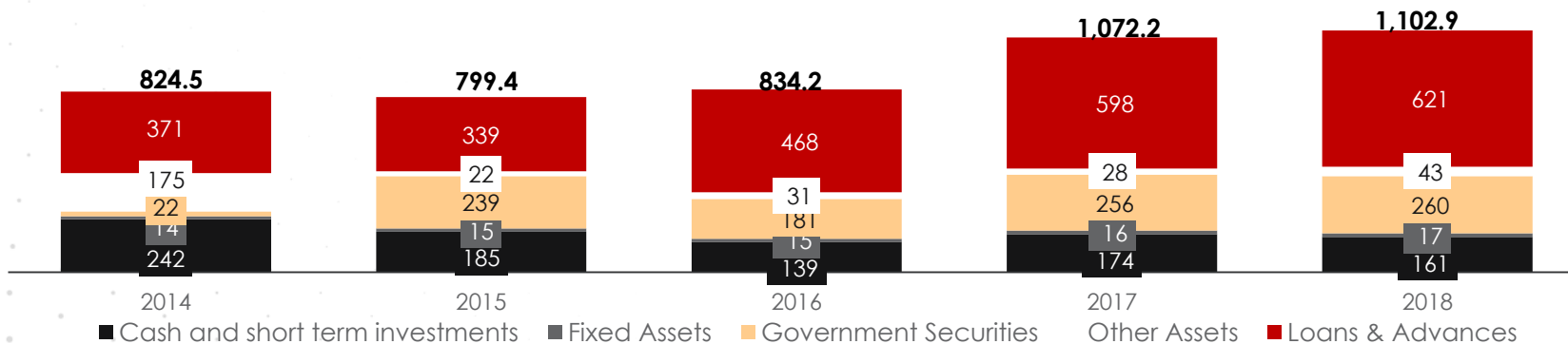


# Funding & Liquidity (1/3)

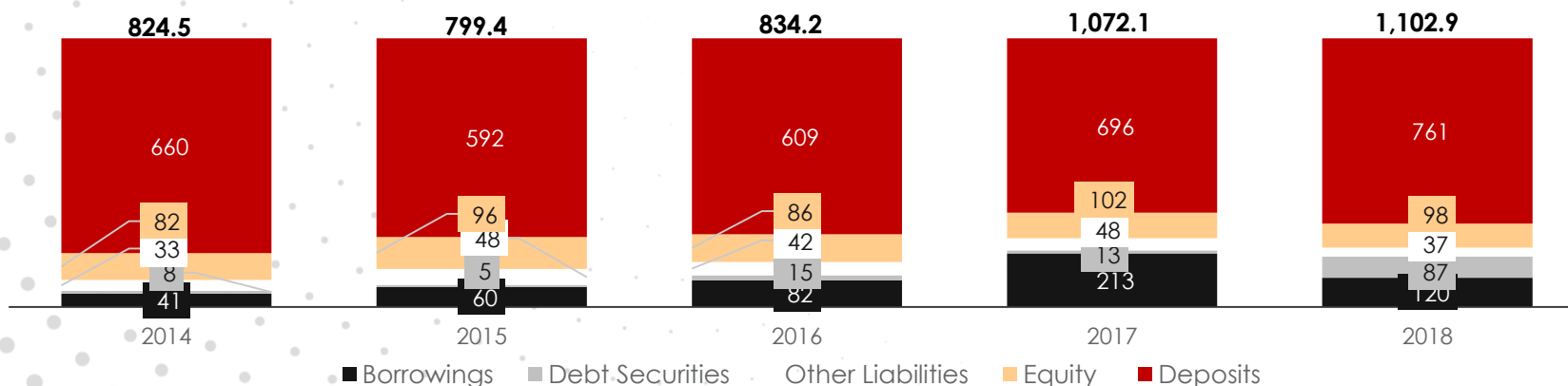


Growth in assets driven primarily by investment securities and lending activities, as we grew customer deposits and debt security issuances

Total Assets (N'bn)



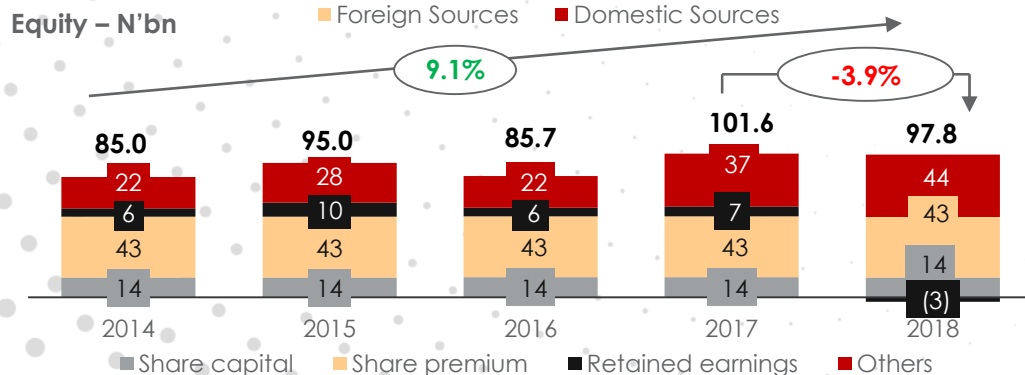
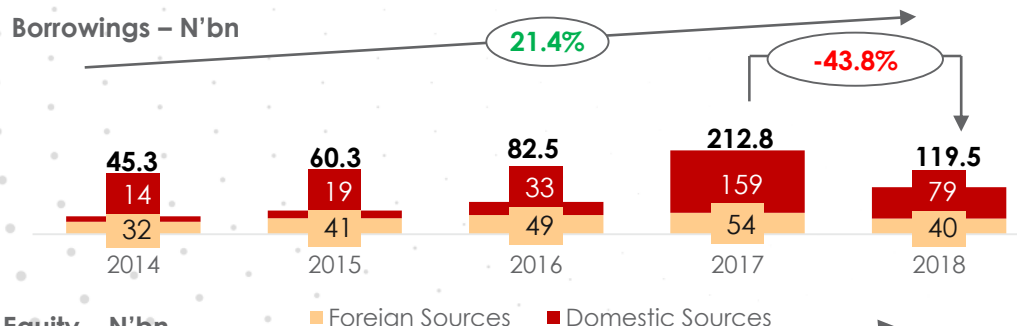
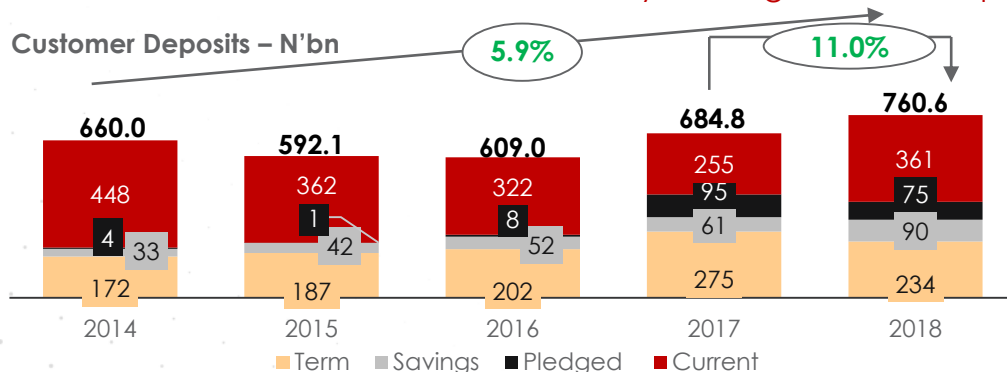
Total Liabilities & Equity (N'bn)



# Funding & Liquidity (2/3)



The Bank continues to maintain a healthy funding base and liquidity position ...



- Loans & advances and investment securities grew by 3.8% and 124% respectively;
- Increase in investment securities was as a result of settlement of due obligations, this led to a 92.1% decline in pledged assets to N11.4 billion;
- On the liability side, debt securities which include commercial papers and subordinated debt grew by over 6x;
- Total borrowings reduced by 43.8% to N119.5 billion. Borrowings from foreign institutions - including ABSA bank, AFREXIM and Islamic Corporation - reduced by 26% due to repayments;
- Growth in customer deposits driven by low-cost current and savings deposits, growing by 41.9% and 47.6% respectively). High cost tenured deposits declined by 14.8% on account of our repricing strategy as CASA (current & savings) mix improved to 60% from 46% (FY 2017 );
- We maintained cost of funds at 7.4% despite a high interest rate environment from the start of year;
- The Banks Loan-to-Deposit ratio was 75.5% while we maintained a strong liquidity position at 42.2% (December 2017: 332%);

# Funding & Liquidity (3/3)



... achieving significant increase in CAR, albeit decline in shareholder funds

## Capital Adequacy

Items (N'Mn)	Dec. 2018	Dec. 2017	% Growth
Tier 1 capital	71,317	79,249	-10.0%
Tier 2 capital	23,772	5,937	300.4%
<b>Total regulatory capital</b>	<b>95,089</b>	<b>85,186</b>	<b>11.6%</b>
<b>Risk-weighted assets</b>	<b>712,274</b>	<b>708,144</b>	<b>0.6%</b>
Tier 1 ratio	10.0%	11.2%	
Tier 2 ratio	3.3%	0.8%	
<b>Capital adequacy ratio</b>	<b>13.4%</b>	<b>12.0%</b>	<b>1.4%</b>

- The Banks capital adequacy ratio grew by 140 bps to 13.4% on account of additional tier 2 capital injection under our N65 billion debt issuance programme;
- We recorded a 10% decline in tier 1 capital driven by an increase in regulatory risk reserve to N22.2 billion (FY 2017: N15.8 billion);
- Overall, shareholders funds declined by 3.9% to N98 billion occasioned by requirements under IFRS 9 standards to charge certain credit losses

# Loans and Advances by sector



Customer lending remained the highest growing sector

Gross Loans & Advances by Sector		Dec-2018		Dec-2017		Growth
Sectors	N'm	% of Total	N'm	% of Total	%	
Agriculture	22,785	3.6%	19,243	3.1%	18.4%	
Communication	16,653	2.6%	17,287	2.8%	-3.7%	
Consumer	11,914	1.9%	5,720	0.9%	108.3%	
Education	646	0.1%	884	0.1%	-26.9%	
Finance and insurance	32,096	5.0%	40,322	6.5%	-20.4%	
Government*	74,547	11.6%	69,571	11.2%	7.2%	
Manufacturing	4,078	0.6%	6,680	1.1%	-39.0%	
Mortgage	5,857	0.9%	8,877	1.4%	-34.0%	
Oil & Gas – downstream	53,152	8.3%	77,668	12.5%	-31.6%	
Oil & Gas – upstream	120,962	18.9%	121,593	19.5%	-0.5%	
Oil & Gas – Services	100,019	15.6%	52,328	8.4%	91.1%	
Others	57,140	8.9%	64,706	10.4%	-11.7%	
Power	16,638	2.6%	22,665	3.6%	-26.6%	
Real estate & construction	56,531	8.8%	68,085	10.9%	-17.0%	
Transportation	32,226	5.0%	20,681	3.3%	55.8%	
Non-interest banking	35,168	5.5%	26,496	4.3%	32.7%	
<b>TOTAL</b>	<b>640,412</b>	<b>100.0%</b>	<b>598,073</b>	<b>100.0%</b>	<b>2.8%</b>	

# Loans and Advances by currency



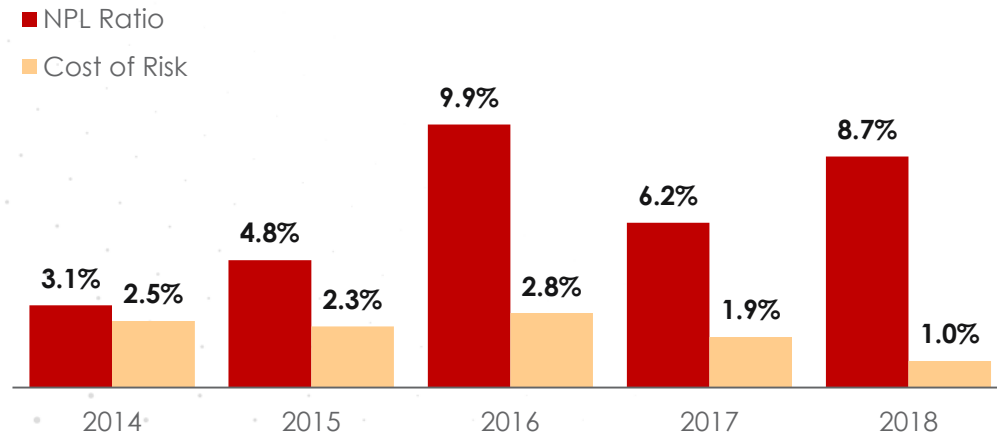
FCY loans accounting for under a third of the Bank's total loan book

Gross Loans & Advances by Currency		FCY		LCY	
Sectors	N'm	% of Total	N'm	Total	% of Total
Agriculture	-	-	22,785	22,785	-
Communication	-	-	16,653	16,653	-
Consumer	79	0.0%	11,835	11,914	0.7%
Education	-	-	646	646	-
Finance and insurance	-	-	32,096	32,096	-
Government	-	-	74,547	74,547	-
Manufacturing	-	-	4,078	4,078	-
Mortgage	332	0.2%	5,525	5,857	5.7%
Oil & Gas – downstream	1,238	0.6%	51,914	53,152	2.3%
Oil & Gas – upstream	110,870	56.1%	10,092	120,962	91.7%
Oil & Gas – Services	41,592	21.0%	58,427	100,019	41.6%
Others	1	0.0%	57,139	57,140	0.0%
Power	16,558	8.4%	79	16,637	99.5%
Real estate & construction	12,198	6.2%	44,333	56,531	21.6%
Transportation	14,820	7.5%	17,406	32,226	46.0%
Non-interest banking	-	-	35,168	35,168	-
<b>TOTAL</b>	<b>197,689</b>	<b>100.0%</b>	<b>457,873</b>	<b>640,411</b>	<b>30.9%</b>

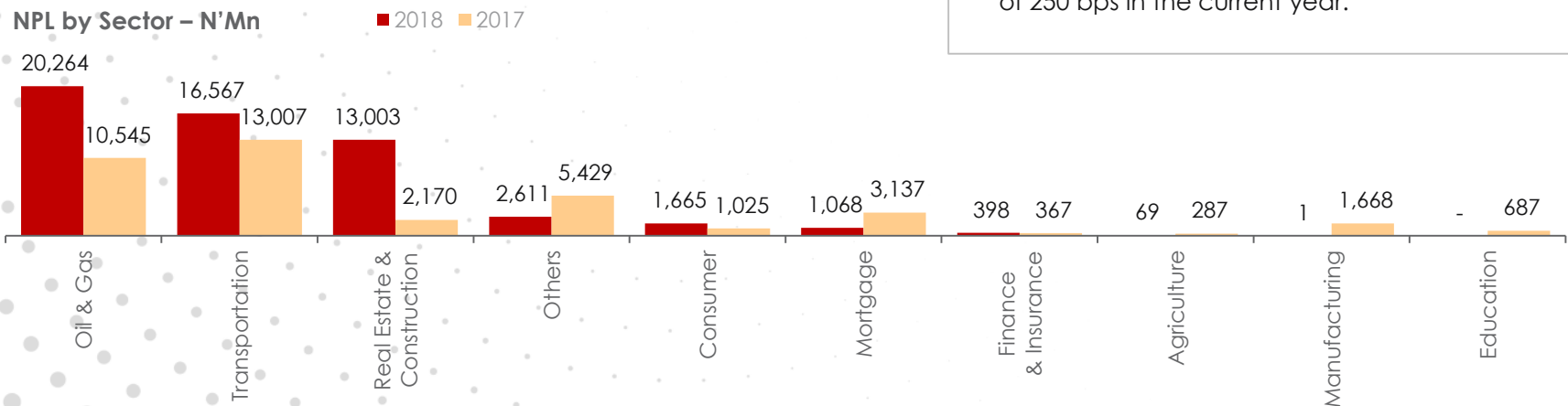
# Asset quality



## Asset quality impacted by newly adopted IFRS 9 standard



- Cost of risk declined by 90 basis points to 1.0% on account of a 52% reduction in credit loss expense;
- The NPL ratio of 8.69% was driven by newly-classified loans, mostly in the Oil & Gas Services and Real Estate Sectors as a result of the full implementation of requirements of IFRS 9;
- NPL balance stood at N55bn as at FY 2018 (FY 2017: N36bn);
- Our NPL coverage ratio (inclusive of regulatory risk reserve) was 76% as at December 2018;
- The Bank has developed a comprehensive strategy to reduce the NPL ratio by a minimum of 250 bps in the current year.

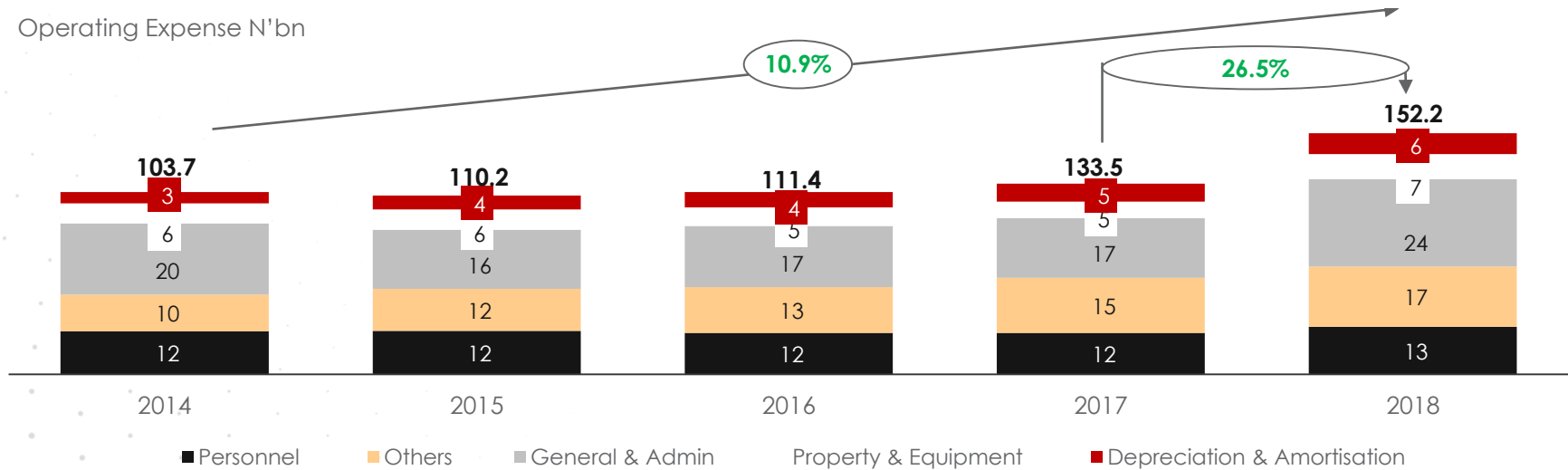


# Operating efficiency

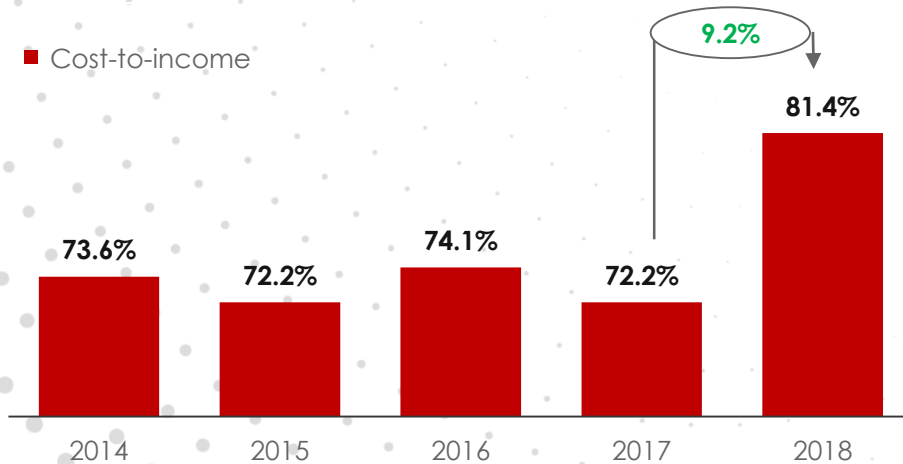


General administrative expenses and investments in technology remain key drivers of our operating expense

Operating Expense N'bn



■ Cost-to-income

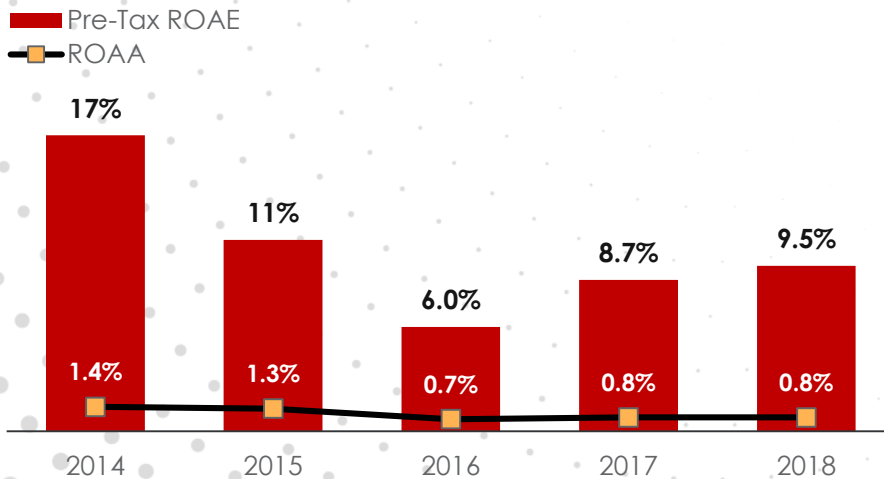
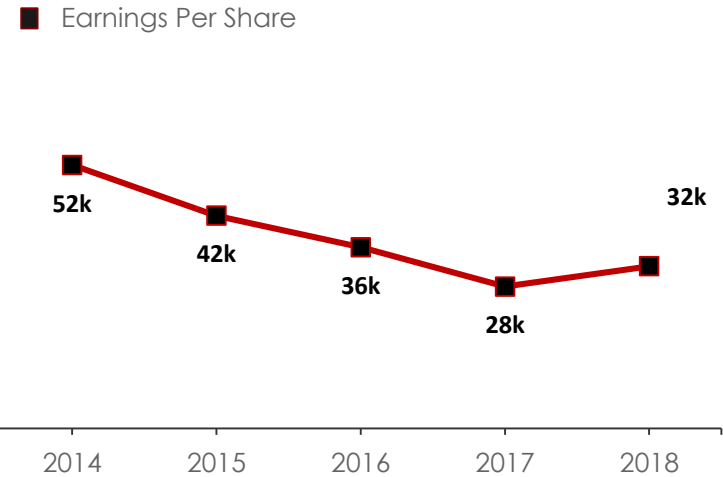
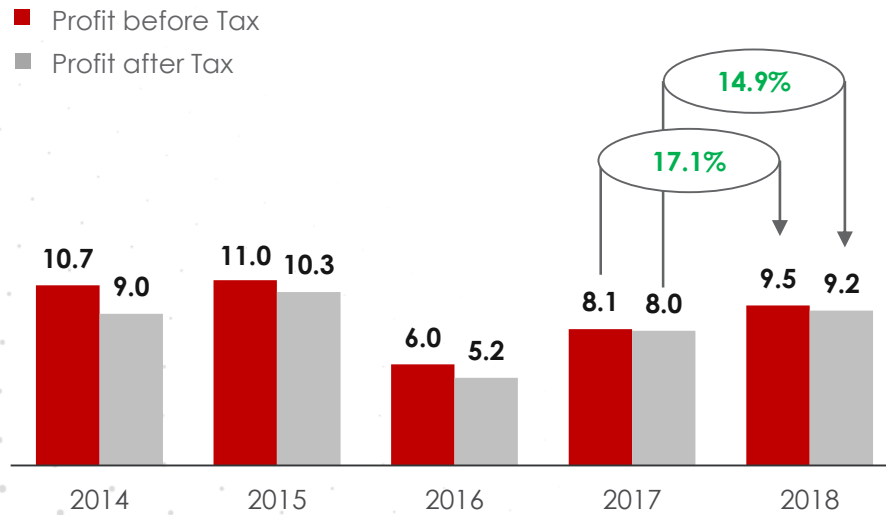


- Growth in OPEX attributable to a 46.7% increase in general and administrative expenses;
- Increase in admin expenses are in line with our growth plans as we ramped up business promotion expenses by up to 181%;
- While personnel cost increased by 14.3% reflecting our ongoing efforts to invest in our workforce

# Profitability



Overall we sustained steady growth in our bottom line



- Earnings per share grew by 14.2% to 32k (FY 2017: 28k) while Return on Average Assets steadied at 0.8% year on year;
- While pre-tax Return on Average Equity (ROAE) grew to 9.5% from 8.7%;
- Overall, profit before and after tax grew by 14.9% and 17.1% to N9.5 billion and N9.2 billion respectively



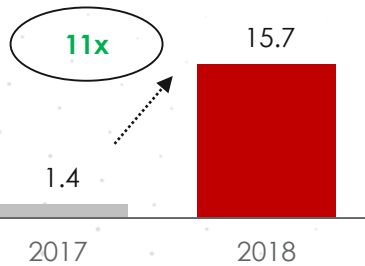
# Channel performance



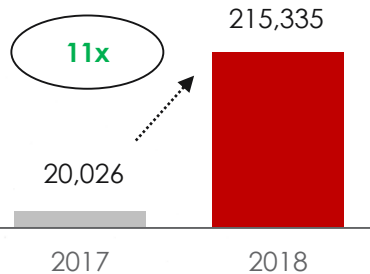
We delivered significant traction across our digital platforms



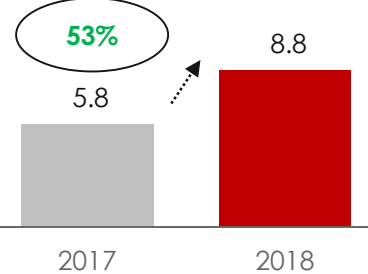
USSD Count - Mn



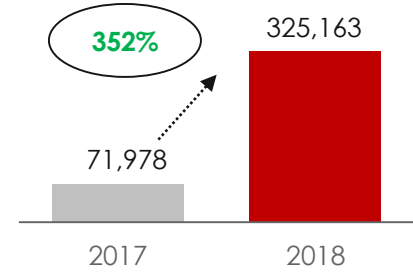
USSD Value - Mn



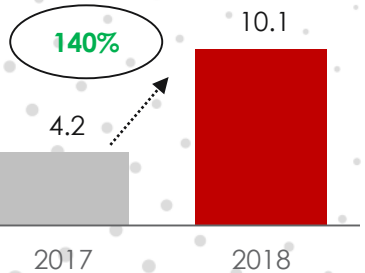
Mobile Count - Mn



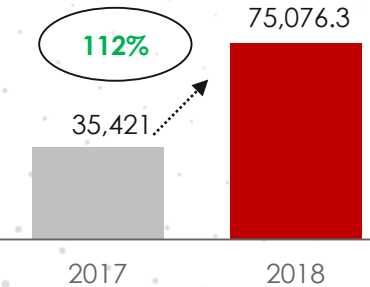
Mobile Value - Mn



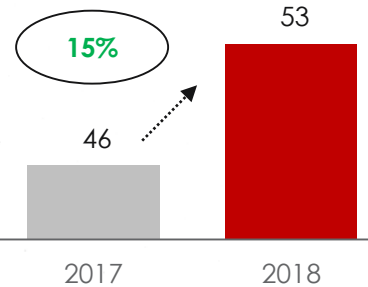
POS Count - Mn



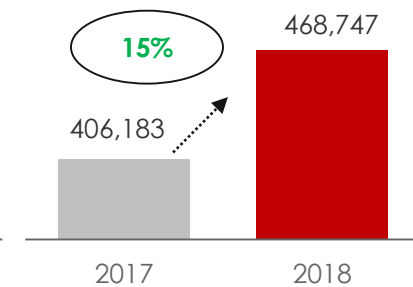
POS Value - Mn



ATM Count - Mn



ATM Value - Mn





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# Strategic business updates



Last year we stayed committed to building digital platforms that solve customer problems ...

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- Corporate Internet Banking
- Link BVN
- Open Account
- News Room
- Complaints
- One Woman

Share price: ₦1.37 -0.05%

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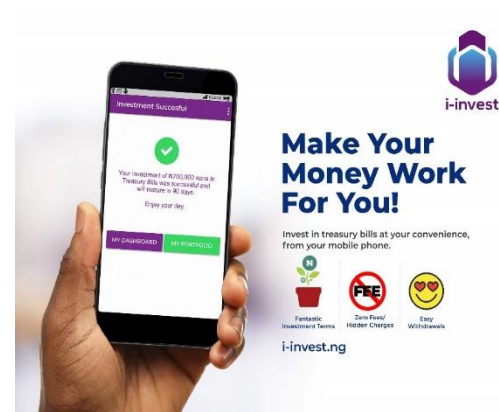
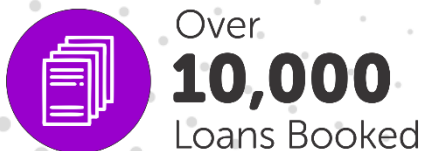
# Strategic business updates



... and observed strong customer adoption across our newly launched digital assets, validating the value creation potential of these assets



**\*Launched January 2018**



**\*Launched April 2018**

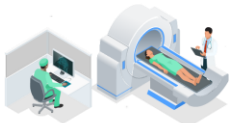


# At the HEART of Sterling



This year our activities across the HEART sectors will hinge on financing, partnerships and technology with focus on meeting basic societal needs

## Health goals



Improve healthcare delivery infrastructure through Equipment Financing

## Health projects

LUTH Radiodiagnosis Equipment- to enable accurate diagnosis to ensure positive health outcomes for the patients while providing detailed information to policy makers for better decision making

## Agriculture goals

Providing a platform that aggregates information, farmers, off-takers and processors to stimulate growth in the sector

## Agriculture projects



Encourage innovative cost-effective business models through our partnerships with experts

PHC- building a cluster of centers to leverage economies of scale for their operational efficiency

Drug distribution - Aggregating pharmacies to purchase in large quantities from manufacturing; reducing the susceptibility of fake drugs and allowing the businesses improve their margins

Extending finance across the value chain to continue to drive food security

Loans to small holder farmers to ensure security of Rice, Maize & Soyabeans under the CBN Anchor Borrowers' Program and partnership with NIRSAL and support in Agric Value Chain financing.

Over **N55bn** total loan portfolio to the agriculture sector

## Education goals



Provide access to finance for parents, schools and other stakeholders.



\$300,000 given in loans

## Renewable Energy goals

Enable a mix of energy use to reduce the cost of power to individuals and businesses by:

- Providing reliable power as a service for households and businesses
- Converting waste to energy
- Investing in mini grids and solar solutions for rural electrification

## Renewable Energy projects

Imperium- enabling power distribution



Invest in technology that enables easy learning.

eLibrary deployment - Reduce cost of gaining/distributing knowledge and building physical infrastructure



Seek strategic partnerships to improve learning outcomes

Tablets - Customize curriculum and provide mobile learning in partnership with manufacturers

## Transportation goals



Improve mobility by financing mass transit systems

## Transportation projects

Financed buses for the Lagos BRT scheme fully equipped with an electronic payment system



Deploying **N100Million** for Solar Kiosks in rural areas across the country

# 2019 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%**

HEART Sector Contribution: **> 20%**

**Our guidance for the year have been set to allow us to achieve:**

- ✓ **required funding and liquidity base;**
- ✓ **operational efficiency that will drive;**
- ✓ **sustainable returns to our shareholders;**
- ✓ **while delivering positive social and environmental impact.**



# Content

## At the Heart of tomorrow's smart city

Contactless transport card for Lagos BRT



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# Key Performance Ratios



Indicator	2017	2018
Net Interest Margin	6.9%	6.6%
Cost to Income	72.2%	81.4%
Earnings per Share	28K	32k
Liquidity Ratio	35.3%	42.2%
Cost of Risk	1.9%	1.0%
Cost of Funds	7.4%	7.4%
Yield on Earning Assets	14.3%	14.0%
Return on Average Assets	0.8%	0.8%
Post-Tax Return on Average Equity	8.6%	9.2%
Pre-Tax Return on Average Equity	8.7%	9.5%
NPL Ratio	6.2%	8.7%
Coverage Ratio*	92.0%	76.0%
Capital Adequacy Ratio	12.0%	13.4%
Loans to Deposit Ratio(Net)**	80.6%	75.5%



# Highlights of Income Statement



<i>In millions of Naira</i>	2018		2017		Growth
	N'M	% of Total	N'M	% of Total	%
<b>Gross earnings</b>	<b>152,164</b>	<b>100.0%</b>	<b>133,490</b>	<b>100.0%</b>	<b>14.0%</b>
Interest income	125,163	82.3%	110,312	82.6%	13.5%
Interest expense	(69,882)	45.9%	(60,138)	45.1%	16.2%
<b>Net interest income</b>	<b>55,281</b>	<b>36.3%</b>	<b>50,174</b>	<b>37.6%</b>	<b>10.2%</b>
Fees & commission income	15,211	10.0%	12,876	9.6%	18.1%
Net trading income	8,618	5.7%	4,675	3.5%	84.3%
Other operating income	3,172	2.1%	5,627	4.2%	- 43.6%
<b>Non-interest income</b>	<b>27,001</b>	<b>17.7%</b>	<b>23,178</b>	<b>17.4%</b>	<b>16.5%</b>
Operating income	82,282	54.1%	73,352	54.9%	12.2%
Impairment charges	(5,843)	-3.8%	(12,267)	(9.2%)	-52.4%
<b>Net operating income</b>	<b>76,439</b>	<b>50.2%</b>	<b>61,085</b>	<b>45.8%</b>	<b>25.1%</b>
Personnel expenses	(13,194)	8.7%	(11,545)	8.6%	14.3%
Other operating expenses	(16,715)	11.0%	(15,284)	11.1%	9.4%
General and administrative expenses	(24,283)	16.0%	(16,554)	12.4%	46.7%
Other property, plant and equipment costs	(5,730)	3.8%	(4,995)	3.7%	14.7%
Depreciation and amortisation	(7,028)	4.6%	(4,602)	3.4%	52.7%
<b>Total expenses</b>	<b>(66,950)</b>	<b>44.0%</b>	<b>(52,980)</b>	<b>39.3%</b>	<b>26.4%</b>
<b>Profit before income tax</b>	<b>9,489</b>	<b>6.2%</b>	<b>8,105</b>	<b>6.4%</b>	<b>17.1%</b>
Income tax expense	(271)	0.2%	(85)	0.1%	218.8%
<b>Profit after income tax</b>	<b>9,218</b>	<b>6.1%</b>	<b>8,020</b>	<b>6.4%</b>	<b>14.9%</b>

# Highlights of Financial Position



Items	2018		2017		Growth
	N'M	% of Total	N'M	% of Total	%
<b>ASSETS</b>					
Cash & balances with CBN	117,685	10.7%	122,630	11.4%	-4.0%
Due from banks	43,542	3.9%	51,066	4.8%	-14.7%
Pledged financial assets	11,423	1.0%	145,179	13.5%	-92.1%
Loans and advances	621,498	56.4%	598,073	55.8%	3.9%
Investment securities	248,828	22.6%	110,988	10.4%	124.2%
Other assets	28,966	2.6%	18,728	1.7%	54.7%
Property, plant and equipment	16,942	1.5%	16,451	1.5%	3.0%
Intangible assets	1,850	0.2%	2,114	0.2%	-12.5%
Deferred tax assets	6,971	0.6%	6,971	0.7%	0.0%
Non-current assets held for sale	5,218	0.5%	-	-	-
<b>Total Assets</b>	<b>1,102,923</b>	<b>100.0%</b>	<b>1,072,201</b>	<b>100.0%</b>	<b>2.9%</b>
<b>LIABILITIES</b>					
Deposits from banks	-	-	11,048	1.0%	-
Deposits from customers	760,608	69.0%	684,834	63.9%	11.1%
Current income tax payable	405	0.0%	232	0.0%	74.6%
Other borrowed funds	119,526	10.8%	212,847	19.9%	-43.8%
Debt securities issued	86,609	7.9%	13,068	1.2%	562.8%
Other liabilities	37,678	3.4%	48,234	4.5%	-21.9%
Provisions	295	0.0%	295	0.0%	0.0%
<b>Total Liabilities</b>	<b>1,005,121</b>	<b>91.1%</b>	<b>970,558</b>	<b>90.5%</b>	<b>3.6%</b>
<b>Total Equity</b>	<b>97,802</b>	<b>8.9%</b>	<b>101,643</b>	<b>9.5%</b>	<b>-3.8%</b>
<b>Total Liabilities and Equity</b>	<b>1,102,923</b>	<b>100.0%</b>	<b>1,072,201</b>	<b>100.0%</b>	<b>2.9%</b>

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