



Investors & Analysts Presentation

First Quarter 2019

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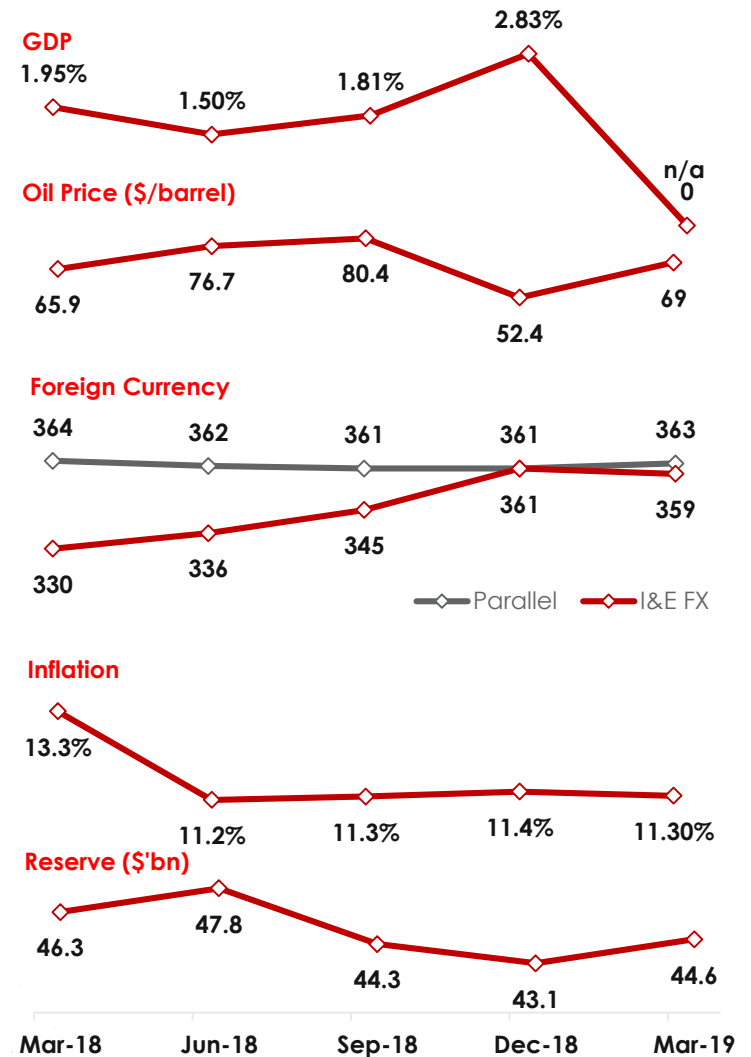
*"We have committed N10 billion to improve infrastructure for **Healthcare** delivery through equipment financing, promoting cost-effective business models through partnerships, increasing technical capacity through capacity building/trainings, and improve access to medical technology"*

Macro-economic Review



Sluggish economic growth persisted in the first quarter ...

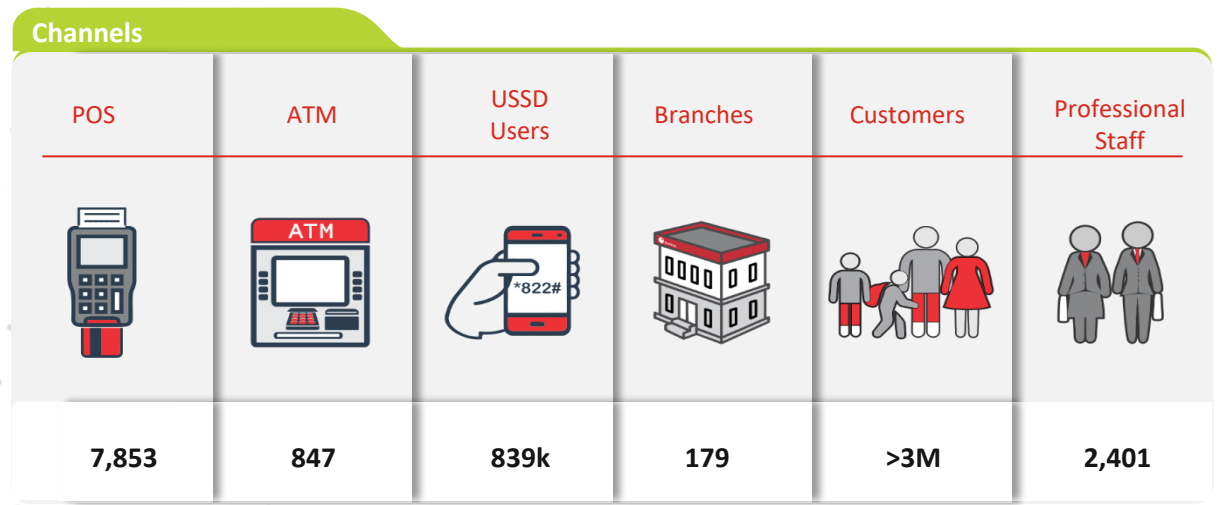
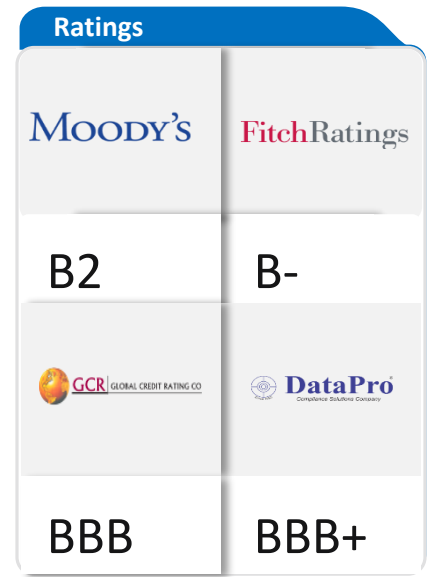
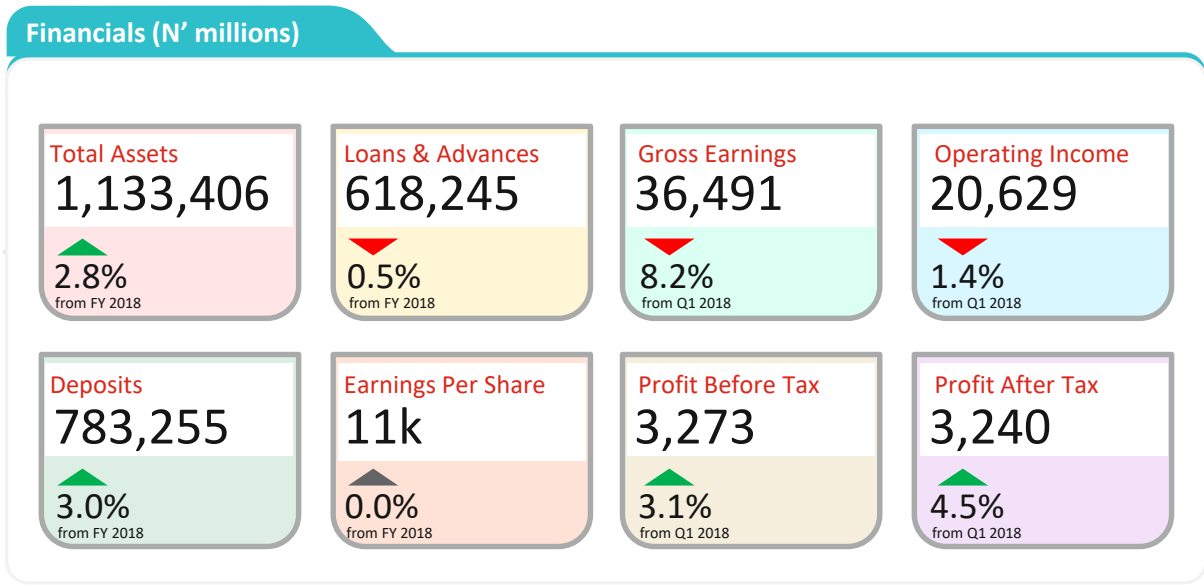
- Nigeria's GDP increased to 1.93% in 2018 from 0.82% recorded in 2017 and 2.38% in Q4 2018. Growth is expected to be negative given in the first quarter of 2019 owing to the decline in PMI indices;
- Growth in the non-oil sector was driven by improved performance in specific sectors including Information & Communication, Transportation, Art & Entertainment, Agriculture and Manufacturing;
- The crude oil market tightened further as US sanctions hit harder. Although Brent oil price dipped as far as US\$52.4 per barrel in December 2018, this rebounded to US\$69.0 per barrel as at March 2019 amid lower oil production in Libya and Venezuela;
- Nigeria's oil production in Q1 2019 was 1.673 mbpd compared to 1.671 mbpd reported in Q4 2018 which represents an increase of 0.1%;
- Headline inflation rate continued to trend downwards reaching 11.25% as at March 2019 given a more stable exchange rate;
- External reserves grew to US\$44.6 bn in March 2019 as capital flows steadied while oil prices improved;
- Total capital inflow reached a one year high in March 2019 largely due post-election effect however signs of a reversal of capital began in April 2019 depicting a return to the long-term trend.



Financial & Non-Financial Highlights



...hindering top-line earnings, however we sustained a positive year on year growth in our bottom line



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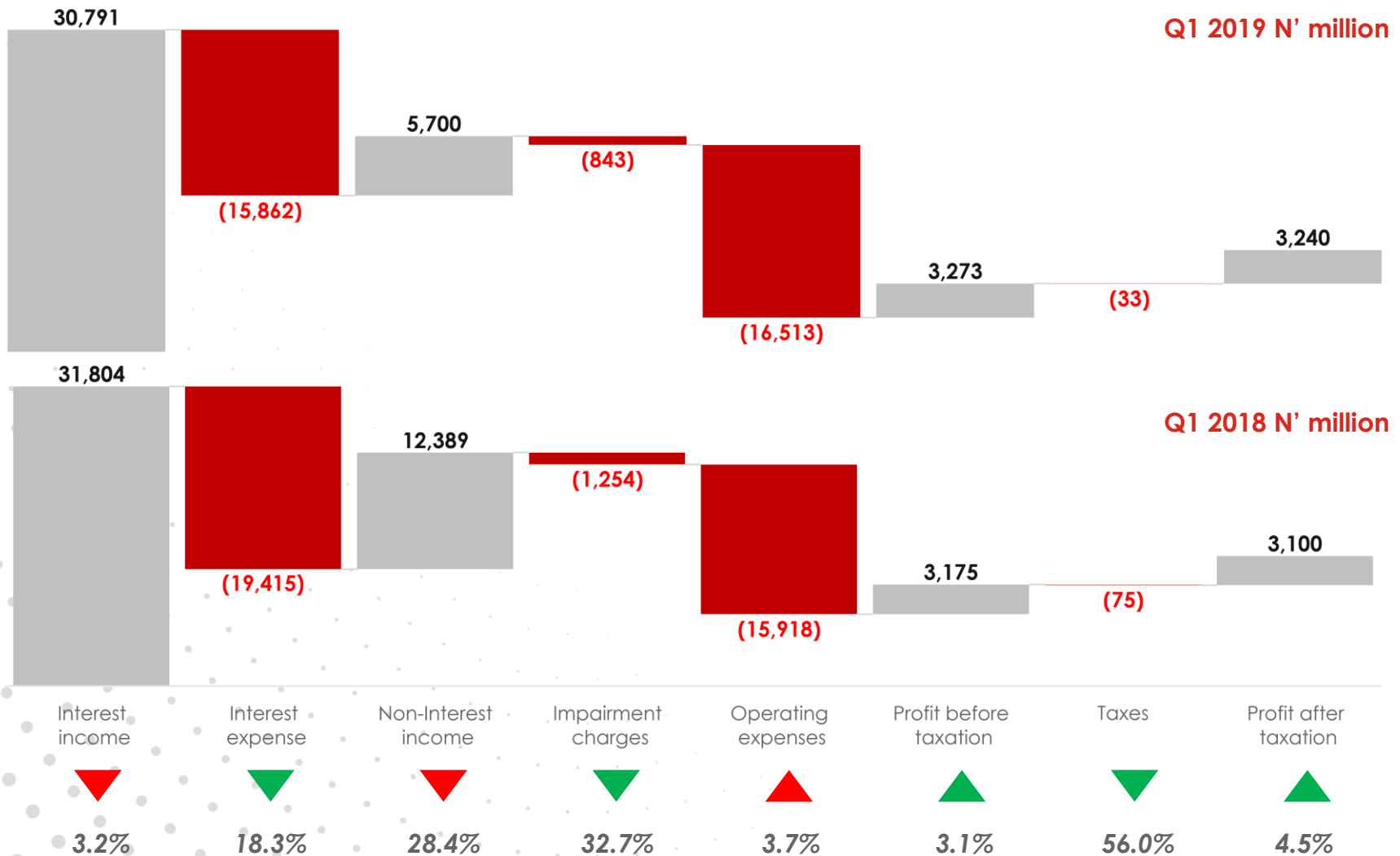


*“Sterling’s focus on the **Education** sector means commitment to strategic partnerships that enable investment flows, providing access to finance for stakeholders – including parents and schools, technology that enables easy learning. For these, we have earmarked over N10 billion”*

Profitability Snapshot



Achieved 4.5% growth in bottom line despite dip in interest income

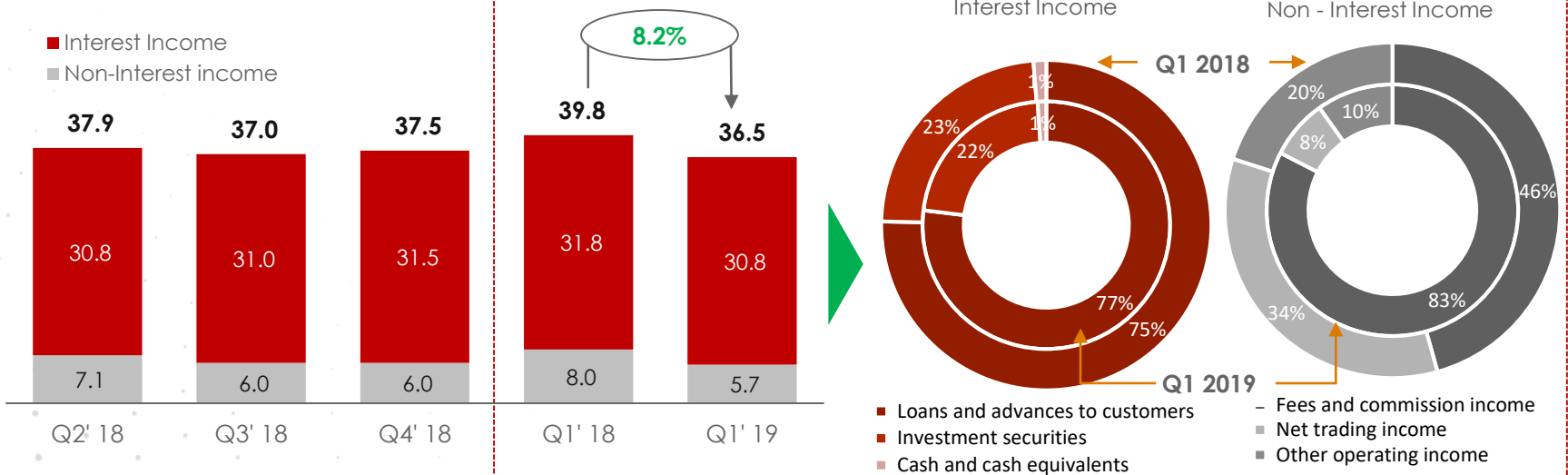


Revenue Evolution

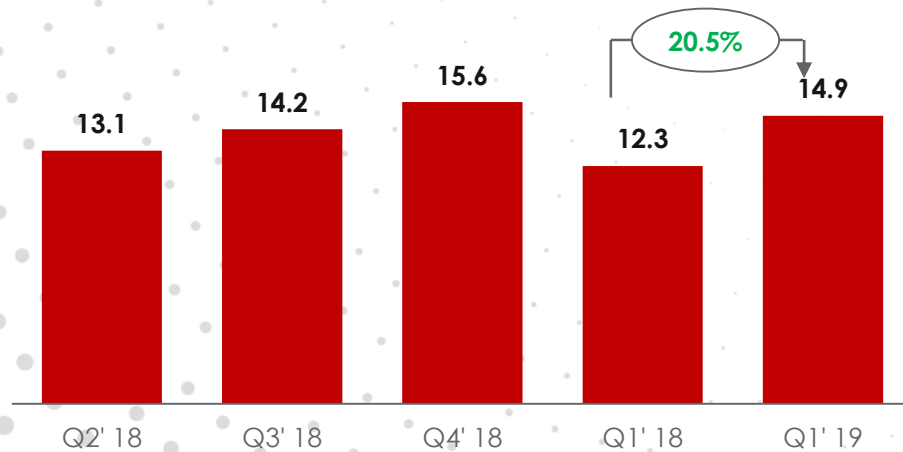


Net-interest income up 20.5% despite decline in top-line earnings

Gross Earnings (N'bn)



Net-Interest Income (N'bn)



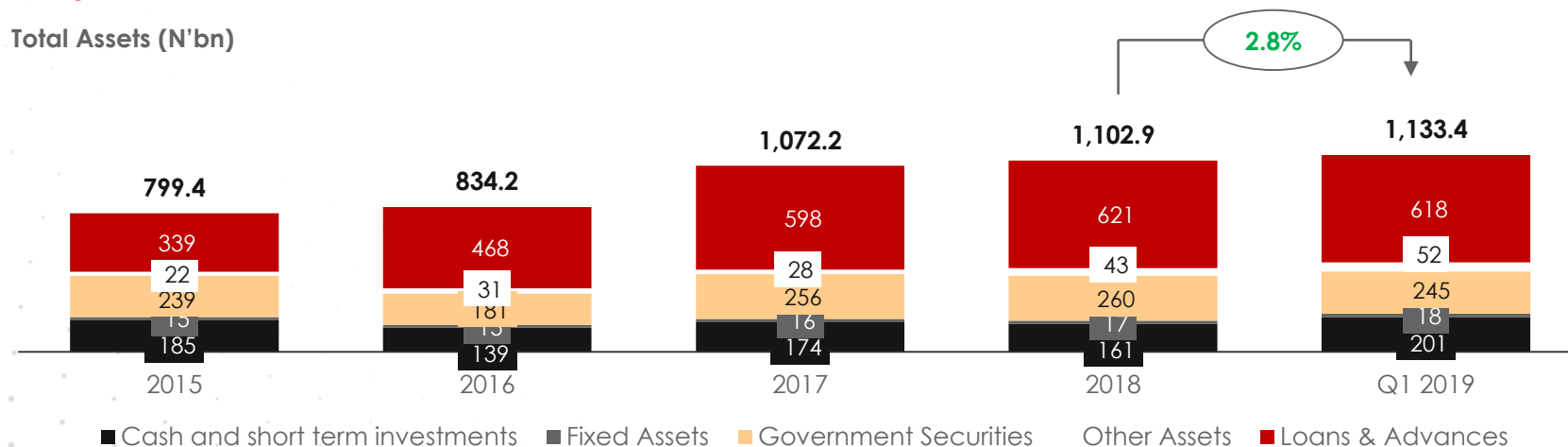
- Gross earnings dipped by 8.2% to N36.5 billion due to a decline in both interest and non-interest income by 3.2% and 28.4% respectively;
- A decline in our loan balance and a lower yield on investment securities resulted in a reduced interest income for the period under review. This was also significantly impacted by a decline in trading income
- Overall, we grew net-interest income by 20.5% on the back of an improved deposit mix which drove a reduction in interest expense

Funding & Liquidity (1/3)

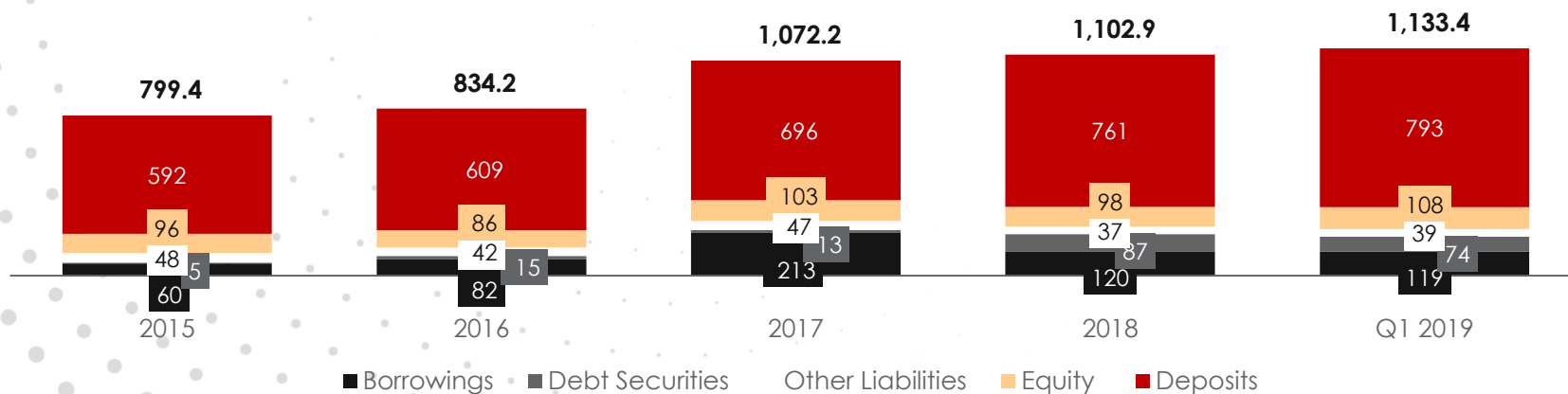


Growth in assets driven by increase in balances with CBN as customer deposits and shareholders fund drive growth on the liability side

Total Assets (N'bn)



Total Liabilities & Equity (N'bn)

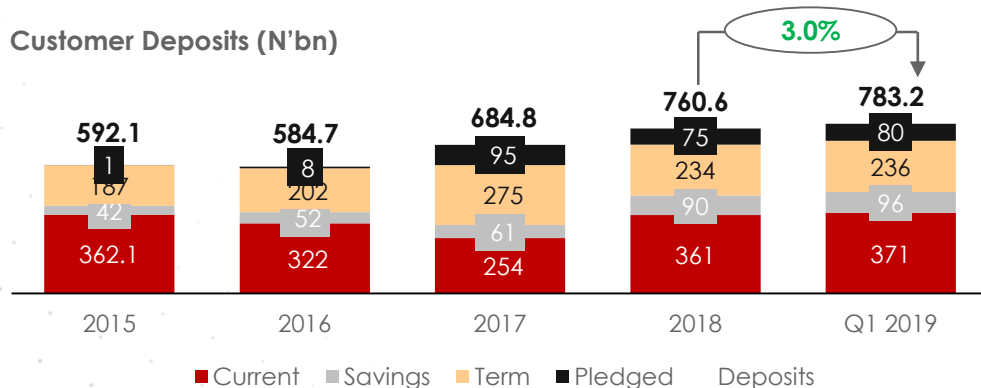


Funding & Liquidity (2/3)

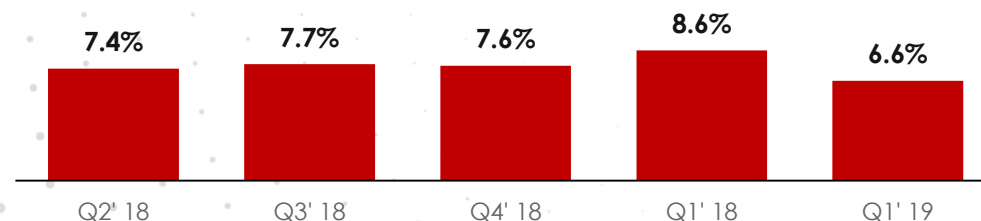


The Bank continues to maintain a healthy funding base and liquidity position ...

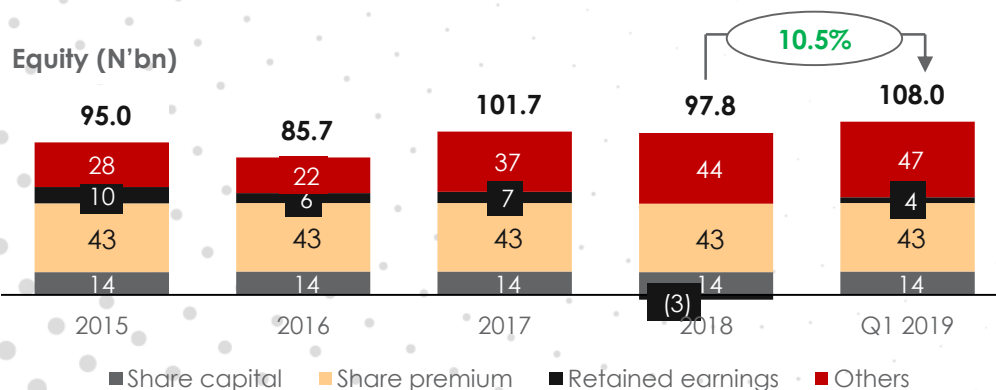
Customer Deposits (N'bn)



Cost of Funds



Equity (N'bn)



- Loans & Advances declined marginally by 0.5% to N618.2 billion due to repayment by customers during the period under review;
- This contributed largely to the increase in cash and balances with the CBN which grew by 28.9% to N151.6 billion – driving growth on the assets side
- On the liability side, funding costs improved significantly with interest expense declining by 18.3% to N15.9bn, from N19.4bn in Q1:2018. This was attributable to our improved deposit mix and repriced borrowing costs relative to Q1:2018;
- Consequently, net interest margin improved to 7.4% (6.2% Q1:2018) as cost of funds dipped to 6.6%;
- Total shareholders funds also grew by 10.5% to N108.0 billion (FY 2018: N97.8 billion) on the back of an increase in retained earnings – away from the negative region as at December 2018;
- The Bank achieved a 3.0% growth in deposits with low cost funds growing by c.4.0% leading to a drop in loan-to-deposit ratio was 75.5%;
- We maintained a strong liquidity position at 39.4% (Q1:2018 38.9%)

Funding & Liquidity (3/3)



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

Capital Adequacy

Items (N'mn)	Mar. 2019	Dec. 2018	% Growth
Tier 1 capital	71,232	71,317	-0.1%
Tier 2 capital	23,744	23,772	-0.1%
Total regulatory capital	94,976	95,089	-0.1%
Risk-weighted assets	736,602	712,274	3.4%
Tier 1 ratio	9.7%	10.0%	
Tier 2 ratio	3.2%	3.3%	
Capital adequacy ratio	12.9%	13.4%	-0.5%

- The Bank's capital adequacy ratio declined marginally by 50 bps to 12.9%;
- Total regulatory capital (Tier 1 & 2) remained relatively unchanged from the FY 2018

Loans and Advances by Sector



We recorded marginal decline in gross loans from 2018

Gross Loans & Advances by Sector		Mar-2019		Dec-2018		Growth
Sectors	N'm	% of Total	N'm	% of Total	%	
Agriculture	20,399	3.2%	22,785	3.6%	-10.5%	
Communication	14,191	2.2%	16,653	2.6%	-14.8%	
Consumer	14,155	2.2%	11,914	1.9%	18.8%	
Education	650	0.1%	646	0.1%	0.6%	
Finance and insurance	31,877	5.0%	32,096	5.0%	-0.7%	
Government*	73,698	11.5%	74,547	11.6%	-1.1%	
Manufacturing	3,704	0.6%	4,078	0.6%	-9.2%	
Mortgage	5,114	0.8%	5,857	0.9%	-12.7%	
Oil & Gas – downstream	67,950	10.6%	53,152	8.3%	27.8%	
Oil & Gas – upstream	144,828	22.7%	120,962	18.9%	19.7%	
Oil & Gas – Services	75,721	11.9%	100,019	15.6%	-24.3%	
Others	50,319	7.9%	57,140	8.9%	-11.9%	
Power	18,723	2.9%	16,638	2.6%	12.5%	
Real estate & construction	55,353	8.7%	56,531	8.8%	-2.1%	
Transportation	32,954	5.2%	32,226	5.0%	2.3%	
Non-interest banking	29,090	4.6%	35,168	5.5%	-17.3%	
TOTAL	638,726	100.0%	640,412	100.0%	-0.3%	

Loans and Advances by Currency



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

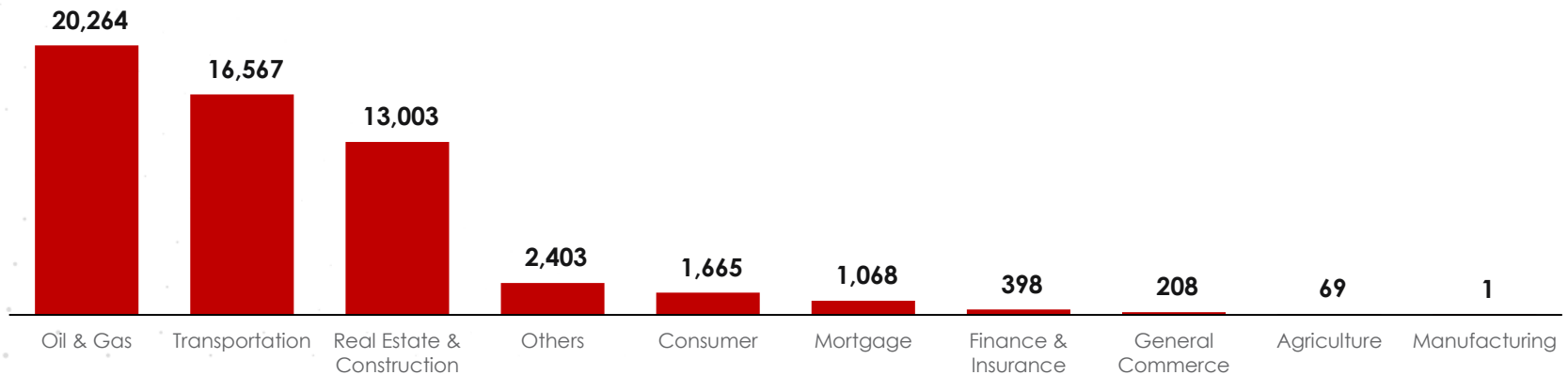
Gross Loans & Advances by Currency		FCY		LCY	
Sectors	N'm	% of Total	N'm	Total	% of Total
Agriculture	-	-	20,399	20,399	-
Communication	-	-	14,191	14,191	-
Consumer	141	0.1%	14,013	14,155	1.0%
Education	-	-	650	650	-
Finance and insurance	-	-	31,877	31,877	-
Government	-	-	73,698	73,698	-
Manufacturing	-	-	3,704	3,704	-
Mortgage	334	0.2%	4,780	5,114	6.5%
Oil & Gas – downstream	1,096	0.6%	66,853	67,950	1.6%
Oil & Gas – upstream	121,699	63.5%	23,129	144,828	84.0%
Oil & Gas – Services	31,436	16.4%	44,284	75,721	41.5%
Others	1	0.0%	50,319	50,319	0.0%
Power	-	-	18,723	16,637	-
Real estate & construction	12,097	6.3%	45,255	55,553	21.8%
Transportation	14,820	7.7%	17,406	32,226	46.0%
Non-interest banking	9,912	5.2%	19,118	23,030	43.0%
TOTAL	191,759	100.0%	446,913	640,411	29.9%

Asset Quality

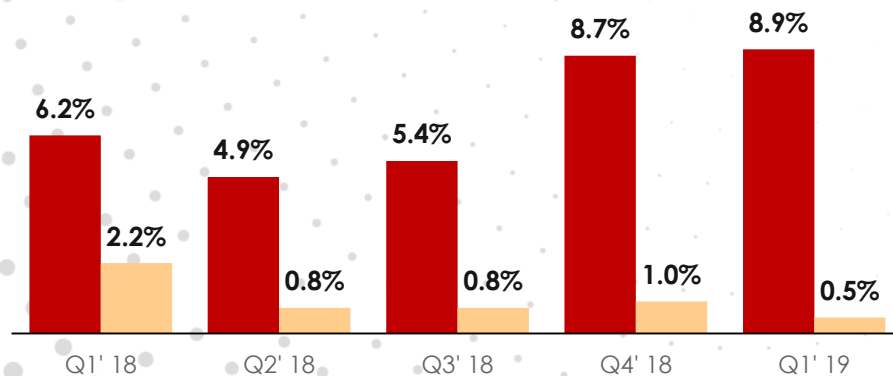


Asset quality impacted by newly adopted IFRS 9 standard

NPL by Sector - Mn



■ NPL Ratio



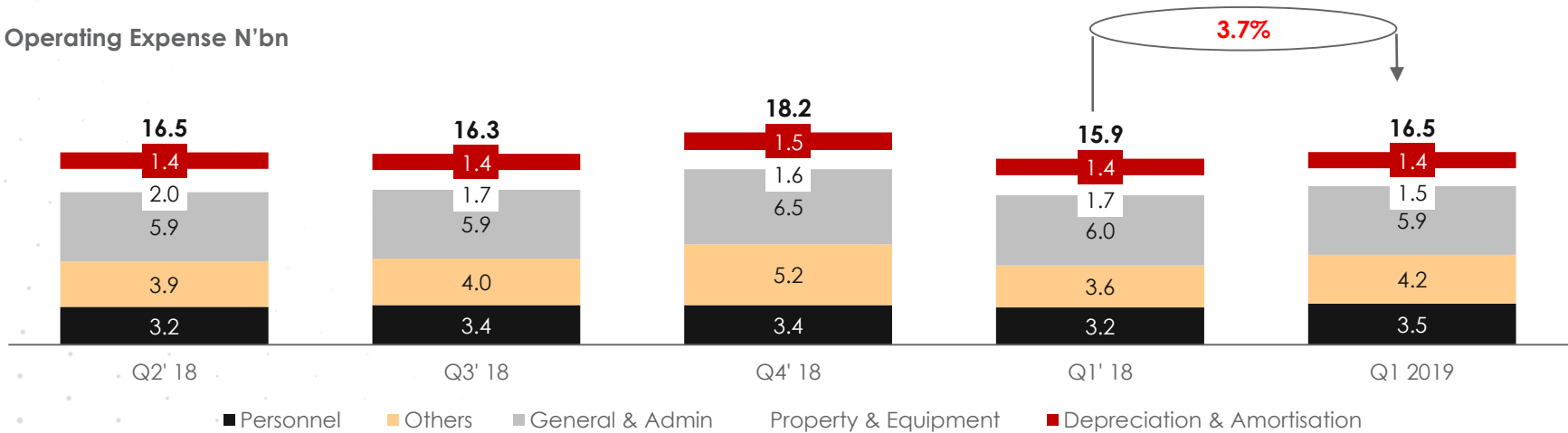
- Cost of risk declined further to 0.5% on account of a 32.8% reduction in credit loss expense;
- The NPL ratio of 8.9% was driven by newly-classified loans, mostly in the Oil & Gas Services and Real Estate Sectors as a result of the full implementation of requirements of IFRS 9;
- NPL balance stood at N55bn as at Q1 2019 (Q1 2018: N38bn);
- Our NPL coverage ratio (inclusive of regulatory risk reserve) was 76% as at March 2019;
- The Bank has developed a comprehensive strategy to reduce the NPL ratio by a minimum of 250 bps in the current year

Operating Efficiency

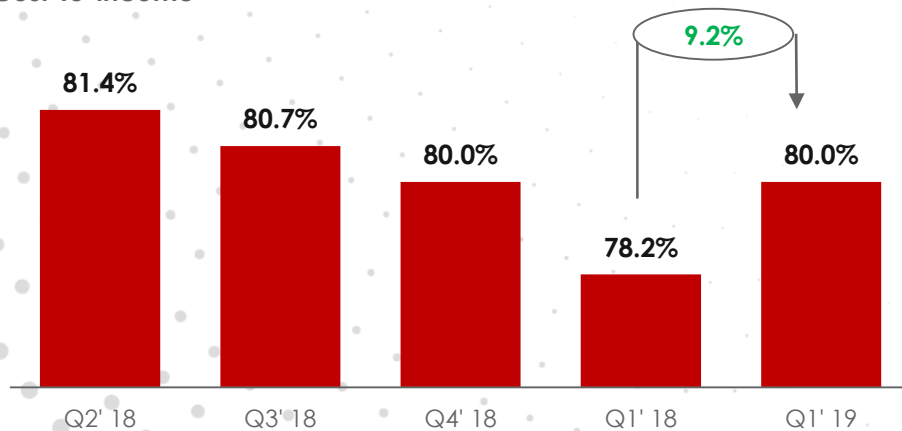


Recorded growth in expenses compared to Q1 '18, with ongoing cost improvements delivering marginal decline in administrative expenses

Operating Expense N'bn



Cost-to-income



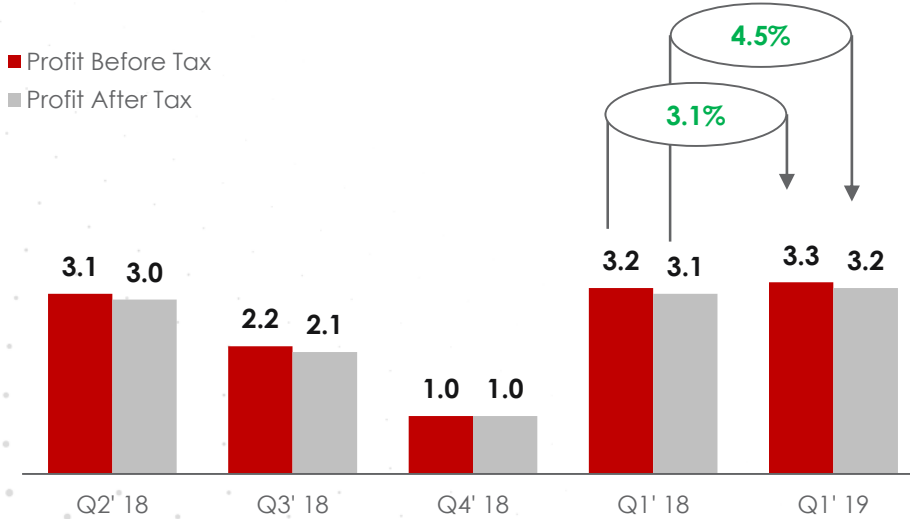
- Operating expenses grew by 3.7% to N16.5bn (Q1 2018: N15.9bn), with general and administrative expenses remaining the single largest contributor
- We recorded improvements across our administrative and fixed asset cost lines which resulted in a reduced growth in OPEX;
- Consequently, cost to income ratio (CIR) grew to 80.0% from 78.2% in Q1:2018.

Profitability

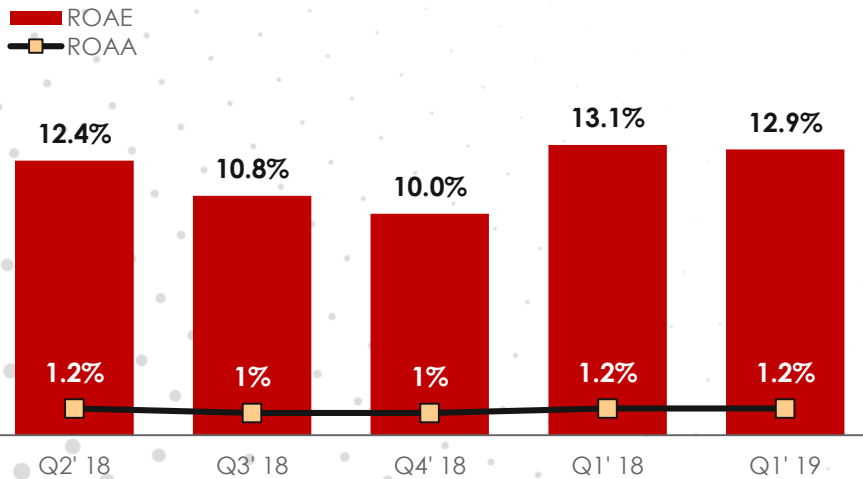


Overall, we sustained steady growth in our bottom line

Profit (N'bn)



- Profit before and after tax grew by 3.1% and 4.5% to N3.3 billion and N3.2 billion, respectively
- Pre-tax Return on Average Equity (ROAE) declined marginally to 12.9% (Q1 2018: 13.1%) while Return on Average Assets remained unchanged;





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*"With over N50 billion invested in the Nigerian **Agriculture** Sector, we will continue to drive initiatives that empower small holder farmers and drive efficiency across the agro value chain – ultimately promoting food security"*

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.**

Key Performance Ratios



Indicator	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Net Interest Margin	6.2%	7.2%	6.2%	6.6%	7.4%
Cost to Income	78.2%	73.2%	80.0%	81.4%	80.0%
Earnings per Share	11k	21k	28k	32K	11k
Liquidity Ratio	38.9%	30.6%	34.4%	42.2%	39.4%
Cost of Risk	0.8%	0.8%	0.5%	1.0%	0.5%
Cost of Funds	8.6%	7.4%	7.7%	7.4%	6.6%
Yield on Earning Assets	14.8%	14.6%	13.9%	14.0%	14.0%
Return on Average Assets (Annualized)	1.2%	1.0%	1.0%	0.8%	1.2%
Post-Tax Return on Average Equity (Annualized)	12.8%	8.6%	10.4%	9.2%	12.8%
Pre-Tax Return on Average Equity (Annualized)	13.1%	9.6%	10.8%	9.5%	12.9%
NPL Ratio	6.0%	6.1%	5.4%	8.7%	8.9%
Coverage Ratio*	82.1%	85.1%	89.1%	75.0%	76.0%
Capital Adequacy Ratio	11.5%	11.5%	11.4%	13.4%	12.9%
Loans to Deposit Ratio(Net)**	75.2%	75.8%	82.2%	80.6%	75.5%

Highlights of Income Statement



<i>In millions of Naira</i>	Q1 2019		Q1 2018		Growth
	N'M	% of Total	N'M	% of Total	%
Gross earnings	36,491	100.0%	39,766	100.0%	-8.2%
Interest income	30,791	84.4%	31,804	80.0%	-3.2%
Interest expense	(15,862)	-43.5%	(19,415)	-48.8%	-18.3%
Net interest income	14,929	40.9%	12,389	31.2%	20.5%
Fees & commission income	4,704	12.9%	3,634	9.1%	29.4%
Net trading income	435	1.2%	2,730	6.9%	-84.1%
Other operating income	561	1.5%	1,594	4.0%	-64.8%
Non-interest income	5,700	15.6%	7,958	20.0%	-28.4%
Operating income	20,629	56.5%	20,347	51.2%	1.4%
Impairment charges	(843)	-2.3%	(1,254)	-3.2%	-32.8%
Net operating income	19,786	54.2%	19,093	48.0%	3.6%
Personnel expenses	(3,522)	9.7%	(3,181)	8.0%	10.7%
Other operating expenses	(4,235)	11.6%	(3,604)	9.1%	17.5%
General and administrative expenses	(5,880)	16.1%	(6,022)	15.1%	-2.4%
Other property, plant and equipment costs	(1,451)	4.0%	(1,710)	4.3%	-15.1%
Depreciation and amortisation	(1,425)	3.9%	(1,401)	3.5%	1.7%
Total expenses	(16,513)	45.3%	(15,918)	40.0%	3.7%
Profit before income tax	3,273	9.0%	3,175	8.0%	3.1%
Income tax expense	(33)	0.1%	(75)	0.2%	-56.0%
Profit after income tax	3,240	8.9%	3,100	7.8%	4.5%

Highlights of Financial Position



Items	March 2019		December 2018		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash & balances with CBN	151,669	13.4%	117,685	10.7%	28.9%
Due from banks	48,756	4.3%	43,542	3.9%	12.0%
Pledged financial assets	20,556	1.8%	11,423	1.0%	80.0%
Loans and advances	618,246	54.5%	621,017	56.3%	-0.4%
Investment securities	224,386	19.8%	248,827	22.6%	-9.8%
Other assets	37,562	3.3%	29,446	2.7%	27.6%
Property, plant and equipment	18,112	1.6%	16,942	1.5%	6.9%
Intangible assets	1,934	0.2%	1,850	0.2%	4.5%
Deferred tax assets	6,971	0.6%	6,971	0.6%	0.0%
Non-current assets held for sale	5,218	0.5%	5,218	0.5%	0.0%
Total Assets	1,133,409	100.0%	1,102,921	100.0%	2.8%
LIABILITIES					
Deposits from banks	9,809	0.9%	-	-	-
Deposits from customers	783,255	69.1%	760,608	69.0%	3.0%
Current income tax payable	360	0.0%	405	0.0%	-11.1%
Other borrowed funds	119,345	10.5%	119,526	10.8%	-0.2%
Debt securities issued	74,418	6.6%	86,609	7.9%	-14.1%
Other liabilities	37,901	3.3%	37,678	3.4%	0.6%
Provisions	295	0.0%	295	0.0%	0.0%
Total Liabilities	1,025,383	90.5%	1,005,121	91.1%	2.0%
Total Equity	108,023	9.5%	97,800	8.9%	10.5%
Total Liabilities and Equity	1,133,406	100.0%	1,102,921	100.0%	2.8%

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