



Investors & Analysts Presentation

H1 2019

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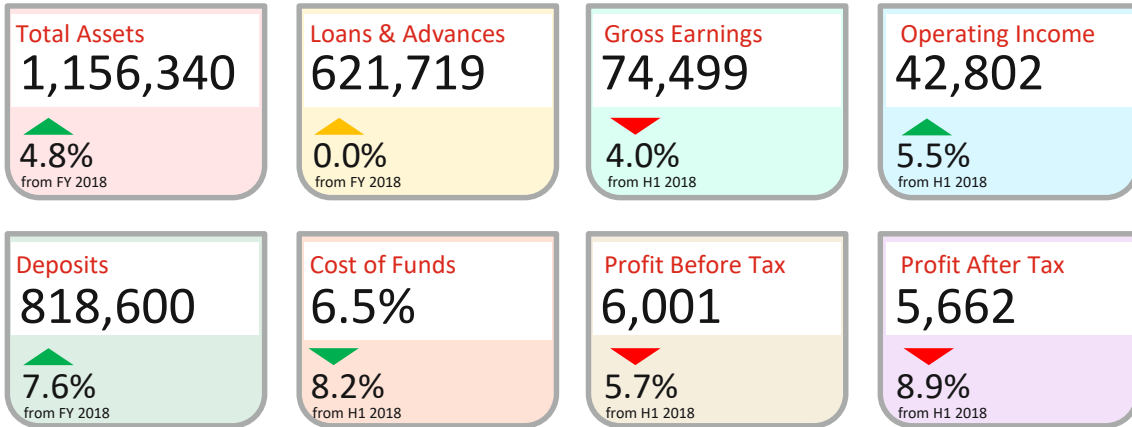
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Financial & Non-Financial Highlights

In the first half of the year, we remained focused on building sustainable long-term performance

Financials (N' millions)



Ratings

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

Channels

POS	ATM	USSD Users	Branches	Customers	Professional Staff
9,740	847	954k	182	>3M	2,401

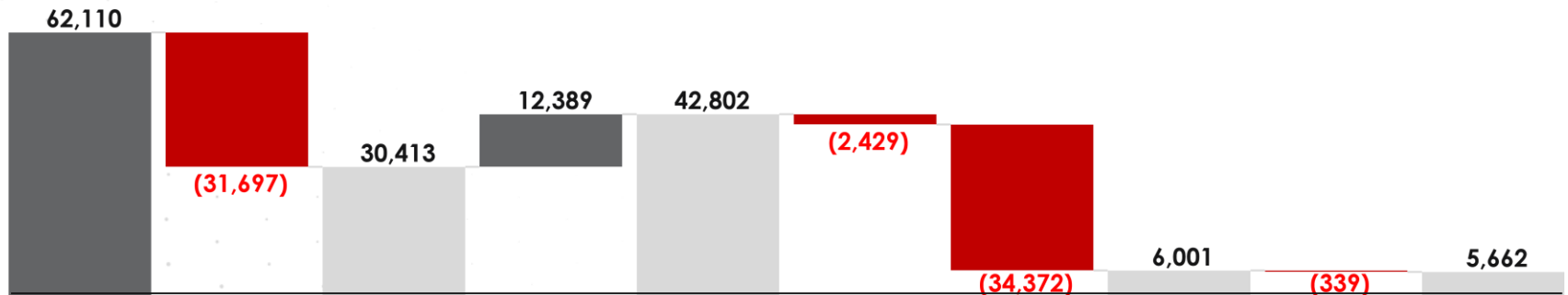


Profitability Snapshot

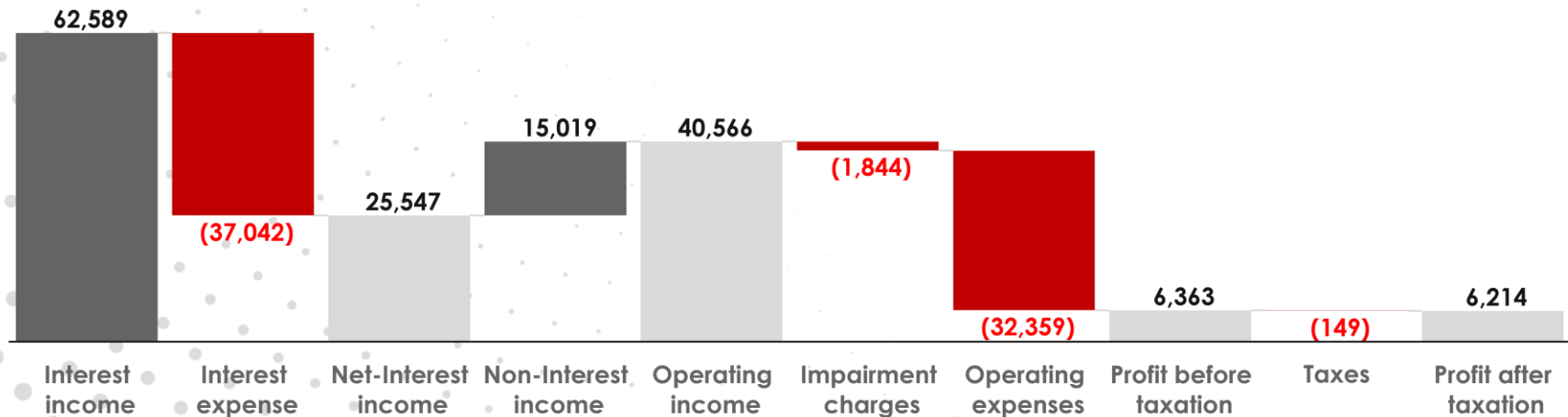
While top-line earnings remained largely unchanged, we delivered a 14.4% decline in interest expense and a 5.5% growth in operating income compared to H1 2018

H1 2019 N'million

■ Increase ■ Decrease ■ Total



H1 2018 N'million





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(H1 2019)

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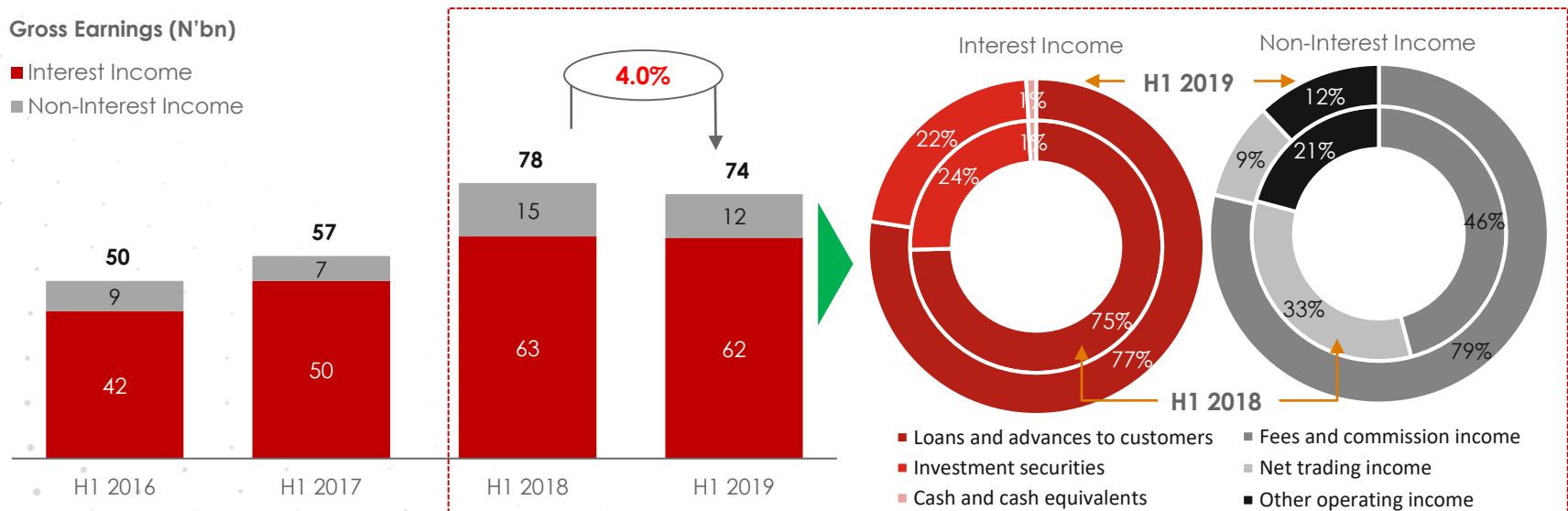


Revenue Evolution

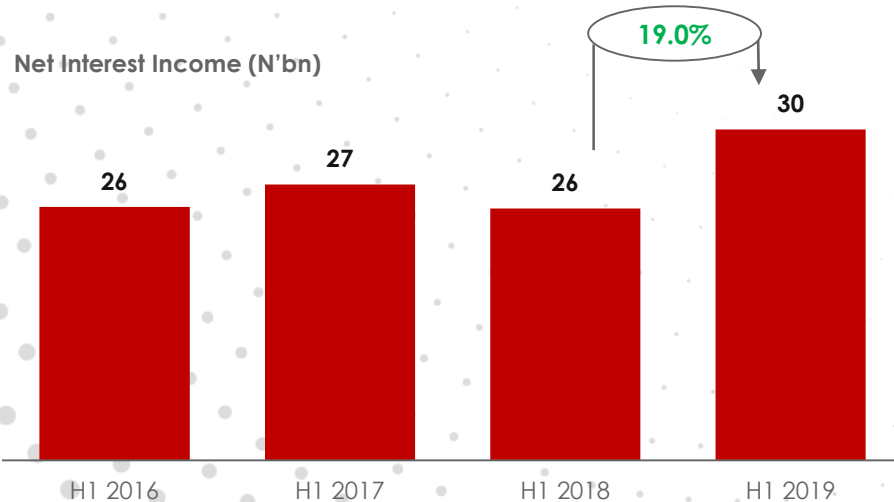
We achieved a 19.0% growth in net-interest income despite the decline in top-line earnings

Gross Earnings (N'bn)

- Interest Income
- Non-Interest Income



Net Interest Income (N'bn)



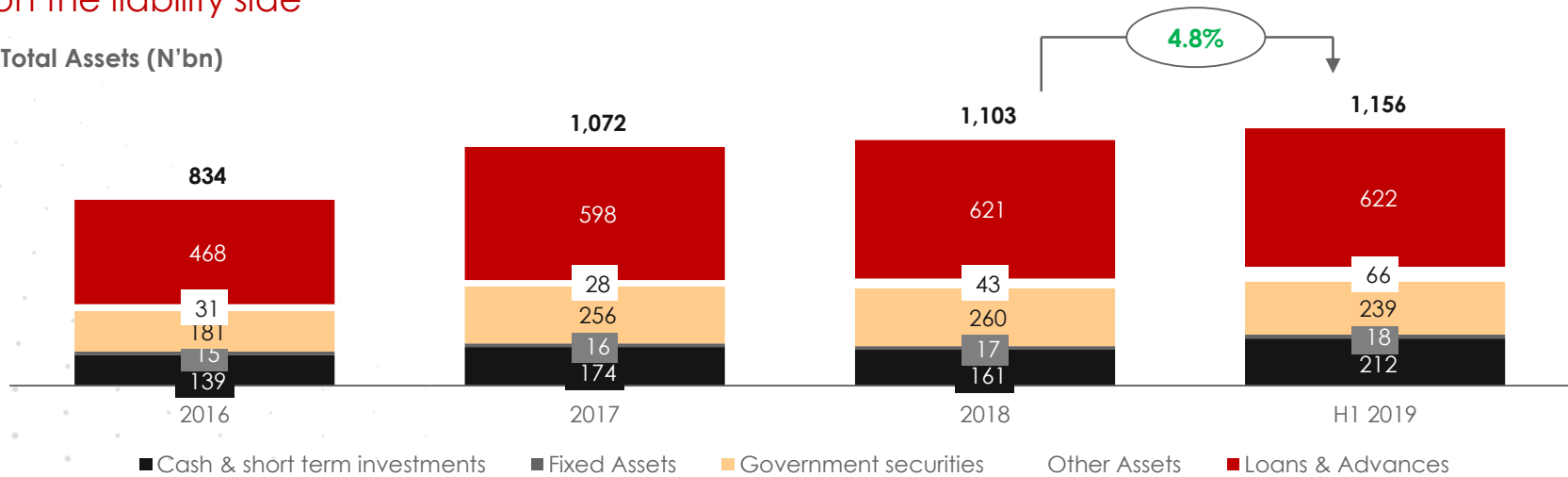
- Gross earnings dipped by 4.0% to N74.5 billion due to a decline in both interest and non-interest income by 0.7% and 17.7% respectively;
- A marginal growth in our loan book and a decline in foreign exchange trading impacted growth in both interest income and non-interest income respectively for the period under review;
- Overall, we grew net-interest income by 19.0% on the back of an improved deposit mix.



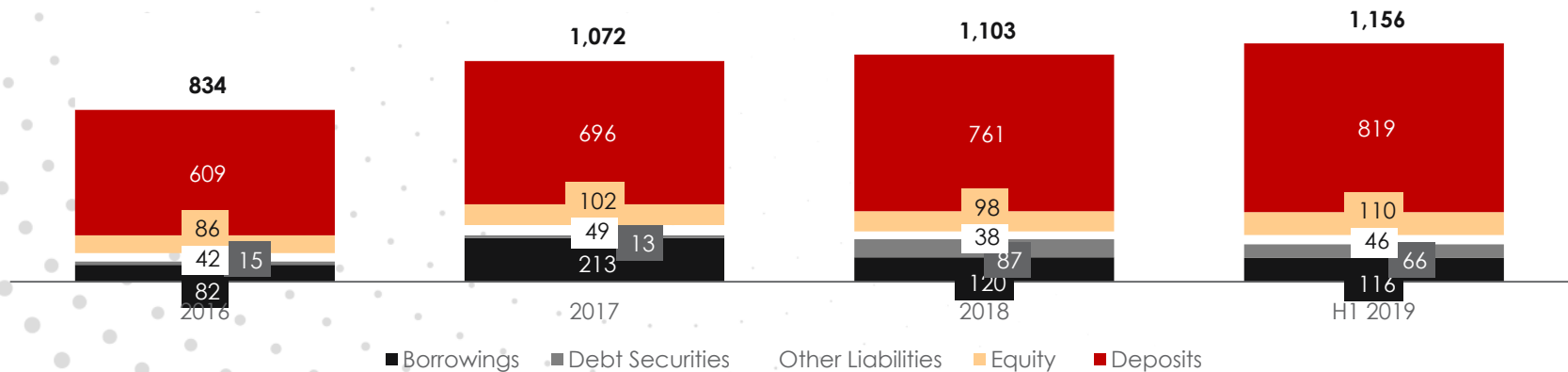
Funding & Liquidity (1/3)

Growth in assets driven by increase in balances with CBN as customer deposits deliver growth on the liability side

Total Assets (N'bn)



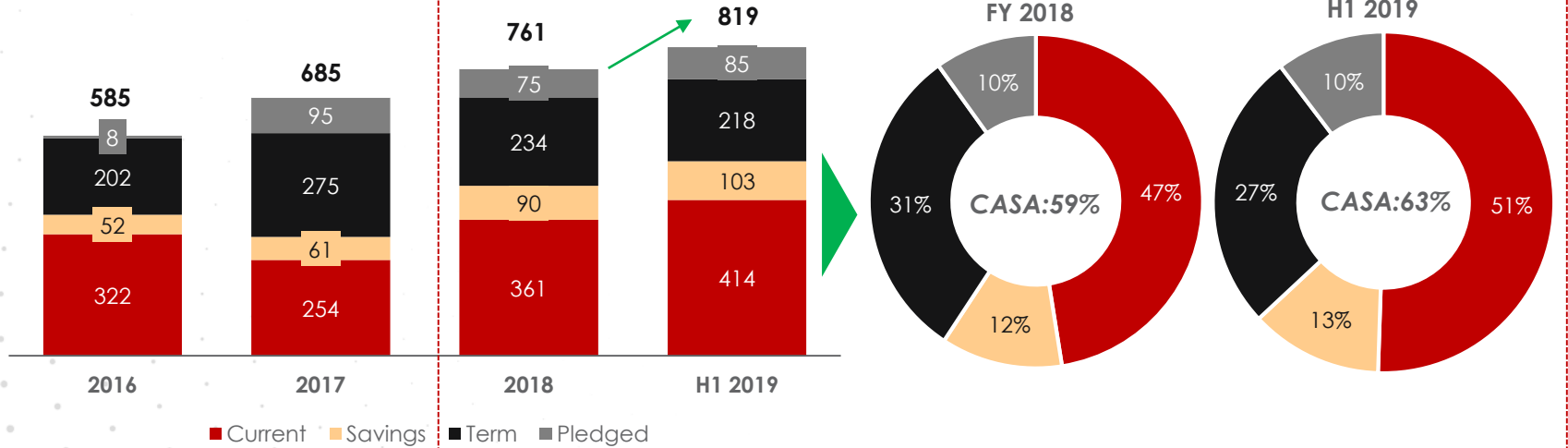
Total Liabilities & Equity (N'bn)



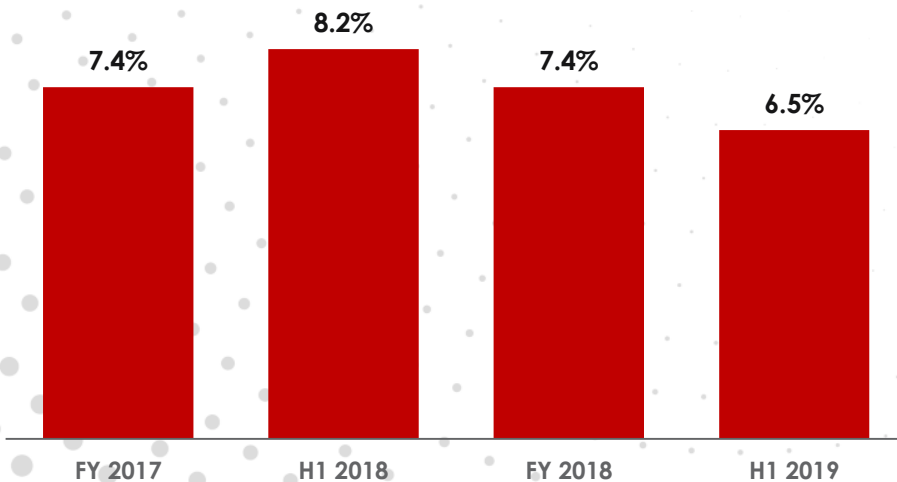
Funding & Liquidity (2/3)

With more focus on improving the quality of our funding position, we recorded growth in low cost funds and an improved deposit mix in H1 2019

Customer Deposits (N'bn)



Cost of Funds



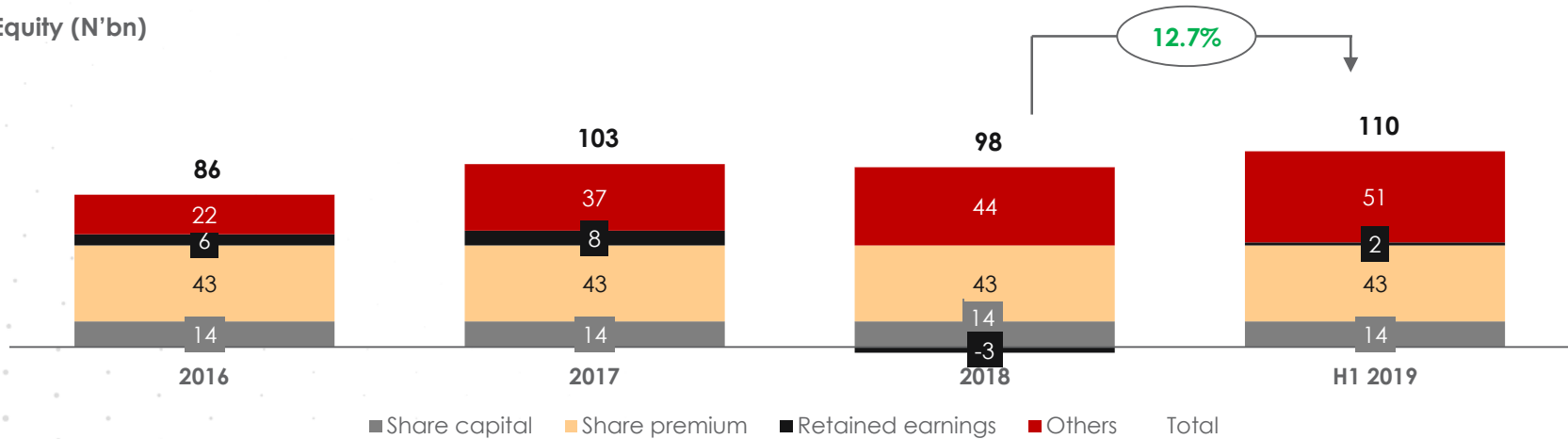
- We continued to improve the quality of our funding base, with low cost funding (CASA) growing by 14.5% delivering a 7.6% growth in customer deposits to reach N818.6bn (N760.6bn in FY:2018);
- Consequently, net interest margin improved to 7.5% (6.2% H1:2018) as cost of funds dipped by 110 bps to 6.6%;
- The Bank also maintained a healthy liquidity position at 38.7%, above the regulatory requirement of 30% as at June 2019 (30.6% as at June 2018).



Funding & Liquidity (3/3)

Overall, we improved our equity position, albeit recording a marginal decline in CAR

Equity (N'bn)



Items (N'mn)	Jun. 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	3.0%	3.3%	
Capital adequacy ratio	12.7%	13.3%	-0.6%

- Total shareholders funds grew by 12.7% to N110.1 billion (FY 2018: N97.8 billion) on the back of an increase in retained earnings – away from the negative position as at December 2018;
- Total regulatory capital (Tier 1 & 2) remained relatively unchanged from FY 2018;
- The Bank's capital adequacy ratio declined marginally by 60 bps to 12.7%;



Loans and Advances by Sector

We recorded a marginal increase in gross loans as consumer lending recorded the highest growth - owing to the unprecedented performance of our digital lending products

Gross Loans & Advances by Sector		Jun-2019		Dec-2018		Growth
Sectors	N'm	% of Total	N'm	% of Total	%	
Agriculture	19,761	3.2%	22,785	3.6%	-13.3%	
Communication	14,540	2.2%	16,653	2.6%	-12.7%	
Consumer	22,549	2.2%	11,914	1.9%	89.3%	
Education	596	0.1%	646	0.1%	-7.7%	
Finance and insurance	31,365	5.0%	32,096	5.0%	-2.3%	
Government*	73,147	11.5%	74,547	11.6%	-1.9%	
Manufacturing	5,939	0.6%	4,078	0.6%	45.6%	
Mortgage	4,713	0.8%	5,857	0.9%	-19.5%	
Oil & Gas – downstream	65,283	10.6%	53,152	8.3%	22.8%	
Oil & Gas – upstream	123,042	22.7%	120,962	18.9%	1.7%	
Oil & Gas – Services	96,763	11.9%	100,019	15.6%	-3.3%	
Others	49,735	7.9%	57,140	8.9%	-13.0%	
Power	19,081	2.9%	16,638	2.6%	14.7%	
Real Estate & Construction	64,292	8.7%	56,531	8.8%	13.7%	
Transportation	23,568	5.2%	32,226	5.0%	-26.9%	
Non-interest banking	30,107	4.6%	35,168	5.5%	-14.4%	
TOTAL	642,482	100.0%	640,412	100.0%	0.3%	

* Includes N31.4 billion in concessionary loans for Agriculture sector



Loans and Advances by Currency

FCY loans accounting for about a third of the Bank's total loan book particularly in the Oil & Gas Upstream and Services sector

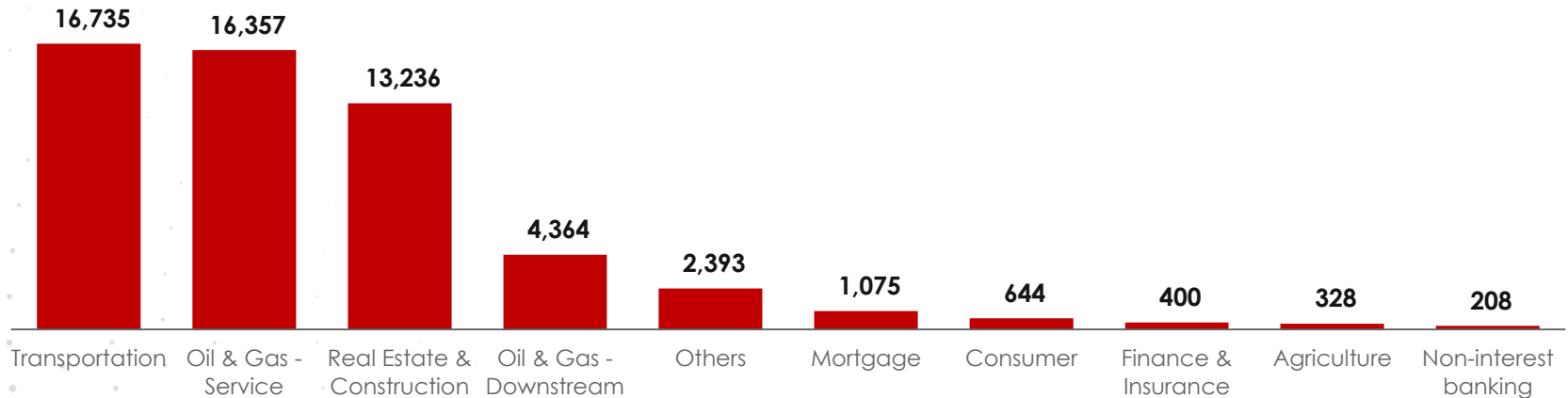
Gross Loans & Advances by Currency		FCY		LCY	
Sectors	N'm	% of Total	N'm	Total	% of Total
Agriculture	-	-	19,761	19,761	-
Communication	-	-	14,450	14,450	-
Consumer	77	0.0%	22,472	22,549	0.3%
Education	-	-	596	596	-
Finance and insurance	-	-	31,365	31,365	-
Government	-	-	73,147	73,147	-
Manufacturing	-	-	5,939	5,939	-
Mortgage	334	0.2%	4,379	4,713	7.1%
Oil & Gas – downstream	937	0.5%	64,346	65,283	1.4%
Oil & Gas – upstream	112,317	58.3%	10,725	123,042	91.3%
Oil & Gas – Services	42,018	21.8%	52,746	94,763	44.3%
Others	0	0.0%	49,735	49,735	0.0%
Power	-	-	19,081	19,081	-
Real estate & construction	12,124	6.3%	52,168	64,292	18.9%
Transportation	15,138	7.9%	8,430	23,568	64.2%
Non-interest banking	9,743	5.1%	20,364	30,107	32.4%
TOTAL	192,687	100.0%	449,795	642,482	30.0%



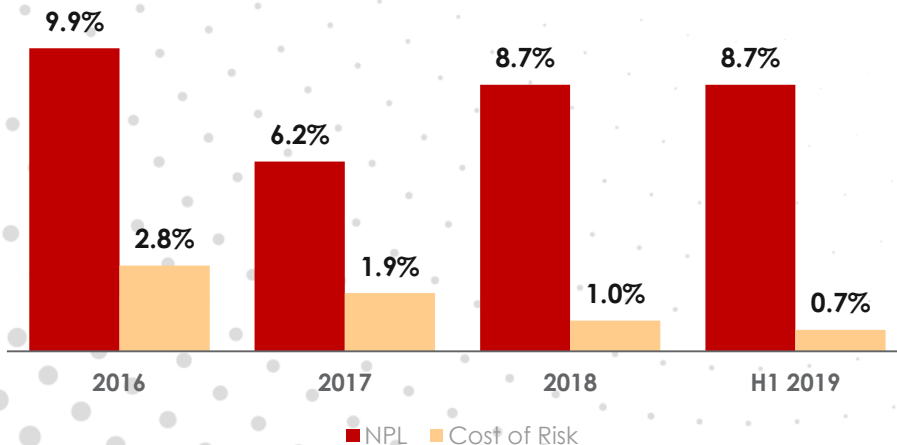
Asset Quality

Cost of Risk continued to improve as NPL ratio remains unchanged

NPL by Sector – N'm



NPL & Cost of Risk (%)

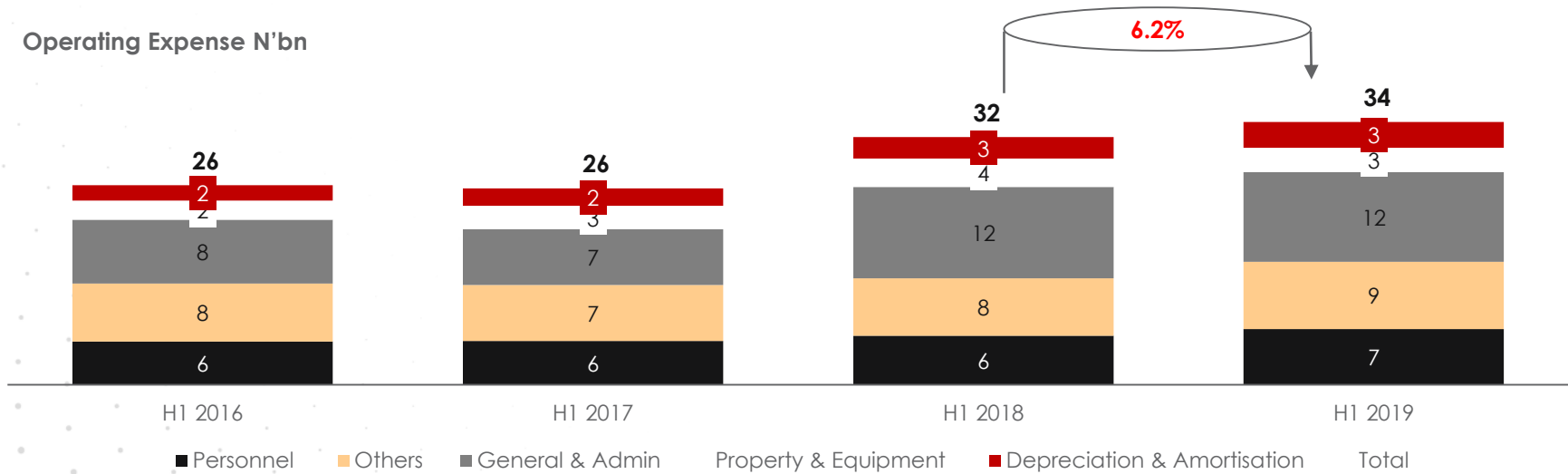


- Cost of risk declined further to 0.7% on account of a 58.4% reduction in credit loss expense as at FY 2018;
- While NPL ratio remained flat at 8.7%, driven by classified loans mostly in the Oil & Gas Services and Real Estate Sectors;
- NPL balance stood at N55bn as at H1 2019 (Q1 2018: N38bn) with a coverage ratio (inclusive of regulatory risk reserve) of 74% as at June 2019;
- Our target remains to reduce the NPL ratio by a minimum of 250 bps by year end.

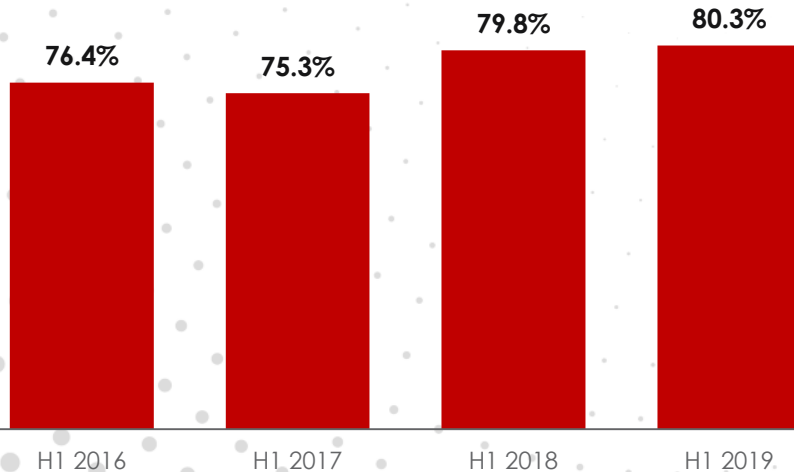


Operating Efficiency

Growth in expenses driven by increase in personnel cost



Cost-to-income (%)



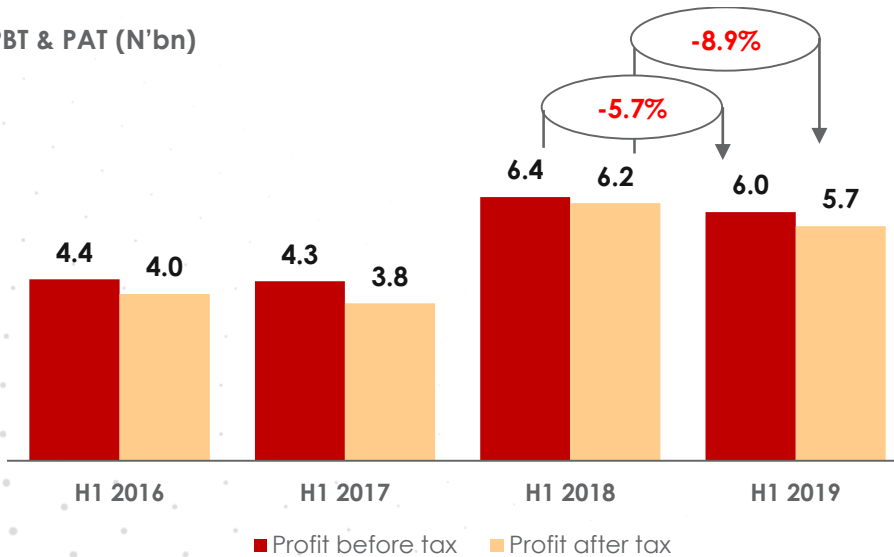
- Personnel costs grew by 14% on the back of an increase in employee benefits and cost of new hires, in line with our commitment to intensify strategy execution;
- Operating expenses grew by 6.2% to 34.3bn (H1 2018: N32.3bn), with general and administrative expenses remaining the single largest contributor;
- Consequently, cost to income ratio (CIR) grew marginally to 80.3% from 79.8% in H1:2018.



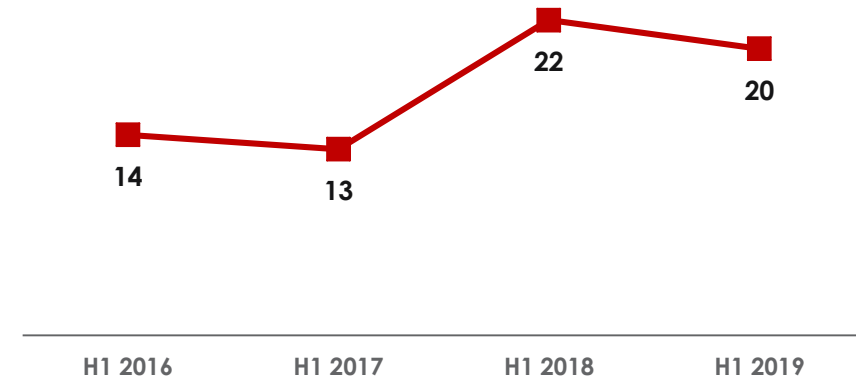
Profitability

Overall, the Bank recorded a profit after tax of N5.66 billion for the first half the year

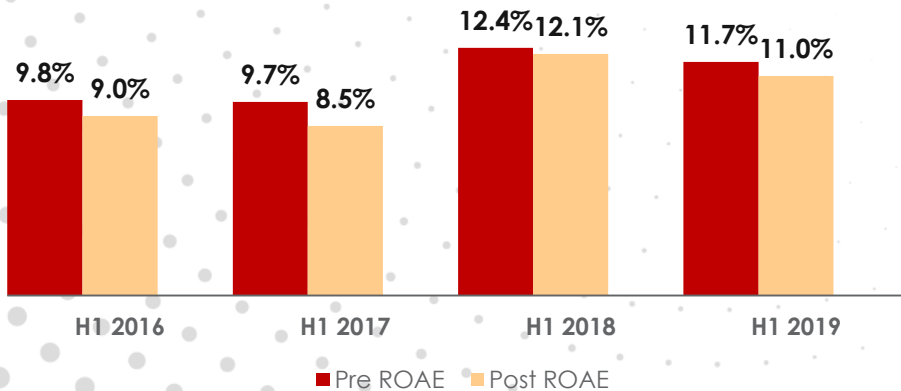
PBT & PAT (N'bn)



EPS (K)



Pre & Post tax ROAE (%)



- Profit before and after tax dipped by 5.7% and 8.9% to N6.0 billion and N5.7 billion, respectively;
- Pre-tax Return on Average Equity (ROAE) declined marginally to 11.7% (H1 2018: 12.4%) while recording a 9% decline in earnings per share to 20K ((H1 2018: 22k).



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2019 Performance Guidance

	Actual	Revised
Deposit growth: > 15%	7.6%	N/A
Net loans growth: < 10%	0.0%	<5%
Pre-tax Return on average Equity (ROAE): > 15%	11.7%	>12.5%
Cost-to-income: < 75%	80.3%	<80%
NPL ratio: < 5%	8.7%	< 6.5%
Cost of funds: < 5%	6.5%	N/A
HEART Sector Contribution: > 20%	15.4%	N/A

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Key Performance Ratios

Indicator	FY 2017	H1 2018	FY 2018	H1 2019
Net Interest Margin	6.9%	6.2%	6.6%	7.5%
Cost to Income	72.2%	79.8%	81.4%	80.3%
Earnings per Share	28k	22k	32K	20k
Liquidity Ratio	35.3%	30.6%	42.2%	38.7%
Cost of Risk	1.9%	0.8%	1.0%	0.7%
Cost of Funds	7.4%	8.2%	7.4%	6.5%
Yield on Earning Assets	14.3%	14.4%	14.0%	14.0%
Return on Average Assets (Annualized)	0.8%	1.0%	0.8%	1.1%
Post-Tax Return on Average Equity (Annualized)	8.6%	12.1%	9.2%	11.0%
Pre-Tax Return on Average Equity (Annualized)	8.7%	12.4%	9.5%	11.7%
NPL Ratio	6.2%	4.9%	8.7%	8.7%
Coverage Ratio*	85.1%	85.1%	75.0%	74.0%
Capital Adequacy Ratio	12.0%	12.1%	13.3%	12.7%
Loans to Deposit Ratio(Net)	87.2%	90.9%	81.6%	75.9%

* **Inclusive of regulatory risk reserves**



Highlights of Income Statement

	H1 2019		H1 2018		Growth
<i>In millions of Naira</i>	N'M	% of Total	N'M	% of Total	%
Gross earnings	74,499	100.0%	77,621	100.0%	-4.0%
Interest income	62,110	83.4%	62,573	80.0%	-0.7%
Interest expense	(31,697)	-42.5%	(37,042)	-48.8%	-14.4%
Net interest income	30,413	40.8%	25,531	31.2%	19.1%
Fees & commission income	9,751	13.1%	6,896	9.1%	41.4%
Net trading income	1,151	1.5%	6,435	6.9%	-82.1%
Other operating income	1,487	2.0%	1,717	4.0%	-13.4%
Non-interest income	12,389	16.6%	15,019	20.0%	-17.5%
Operating income	42,802	57.5%	40,579	51.2%	5.5%
Impairment charges	(2,429)	-3.3%	(1,828)	-3.2%	-32.9%
Net operating income	40,373	54.2%	38,751	48.0%	4.2%
Personnel expenses	(7,306)	9.8%	(6,409)	8.0%	14.0%
Other operating expenses	(8,784)	11.8%	(7,491)	9.1%	16.8%
General and administrative expenses	(11,730)	15.7%	(11,955)	15.1%	-1.9%
Other property, plant and equipment costs	(3,183)	4.3%	(3,704)	4.3%	-14.1%
Depreciation and amortisation	(3,369)	4.5%	(2,800)	3.5%	20.3%
Total expenses	(34,372)	46.1%	(32,359)	40.0%	6.1%
Profit before income tax	6,001	8.1%	6,363	8.0%	-5.7%
Income tax expense	(339)	0.5%	(149)	0.2%	127.5%
Profit after income tax	5,662	7.6%	6,214	7.8%	-8.9%



Highlights of Financial Position

Items	June 2019		December 2018		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash & balances with CBN	141,058	12.4%	117,685	10.7%	19.9%
Due from banks	70,960	6.3%	43,542	3.9%	63.0%
Pledged financial assets	12,205	1.1%	11,423	1.0%	6.8%
Loans and advances	621,719	54.9%	621,017	56.3%	0.1%
Investment securities	226,325	20.0%	248,827	22.6%	-9.0%
Other assets	52,091	4.6%	29,446	2.7%	76.9%
Property, plant and equipment	17,861	1.6%	16,942	1.5%	5.4%
Intangible assets	1,984	0.2%	1,850	0.2%	7.2%
Deferred tax assets	6,971	0.6%	6,971	0.6%	0.0%
Non-current assets held for sale	5,167	0.5%	5,218	0.5%	-1.0%
Total Assets	1,156,341	100.0%	1,102,921	100.0%	4.8%
LIABILITIES					
Deposits from banks	7,229	0.9%	-	-	-
Deposits from customers	818,600	69.1%	760,608	69.0%	7.6%
Current income tax payable	460	0.0%	405	0.0%	13.6%
Other borrowed funds	115,851	10.5%	119,526	10.8%	-3.1%
Debt securities issued	65,986	6.6%	86,609	7.9%	-23.8%
Other liabilities	37,885	3.3%	37,678	3.4%	0.5%
Provisions	145	0.0%	295	0.0%	-50.8%
Total Liabilities	1,046,156	90.5%	1,005,121	91.1%	4.1%
Total Equity	110,184	9.5%	97,800	8.9%	12.7%
Total Liabilities and Equity	1,156,340	100.0%	1,102,921	100.0%	4.8%

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