



# Investors & Analysts Presentation

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**Q3 2019**



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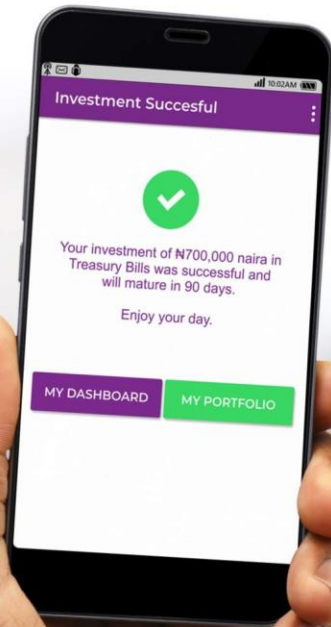
## Content

1. Performance Snapshot (Q3 2019)

2. Operating Performance (Q3 2019)

3. 2019 Targets

4. Appendix



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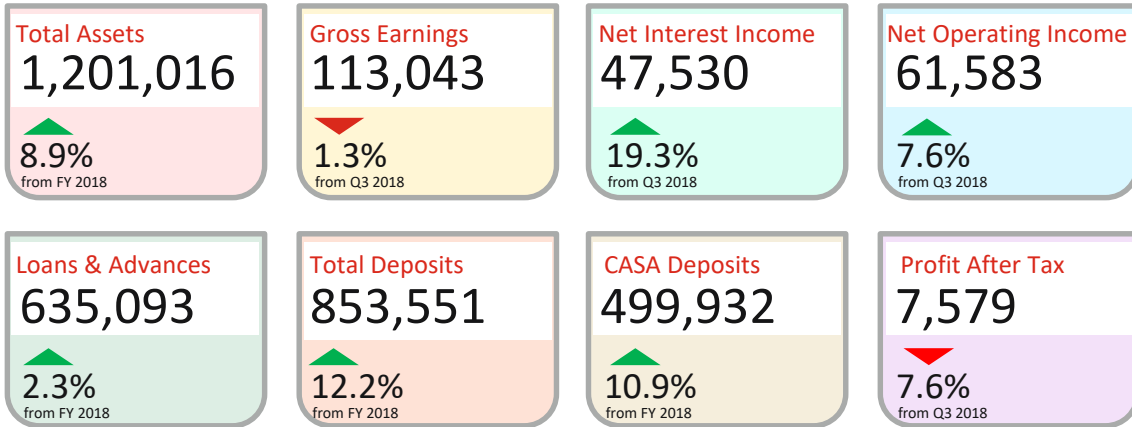
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# Financial & Non-Financial Highlights

Our 9-month performance continues to reflect positive results in our focus areas

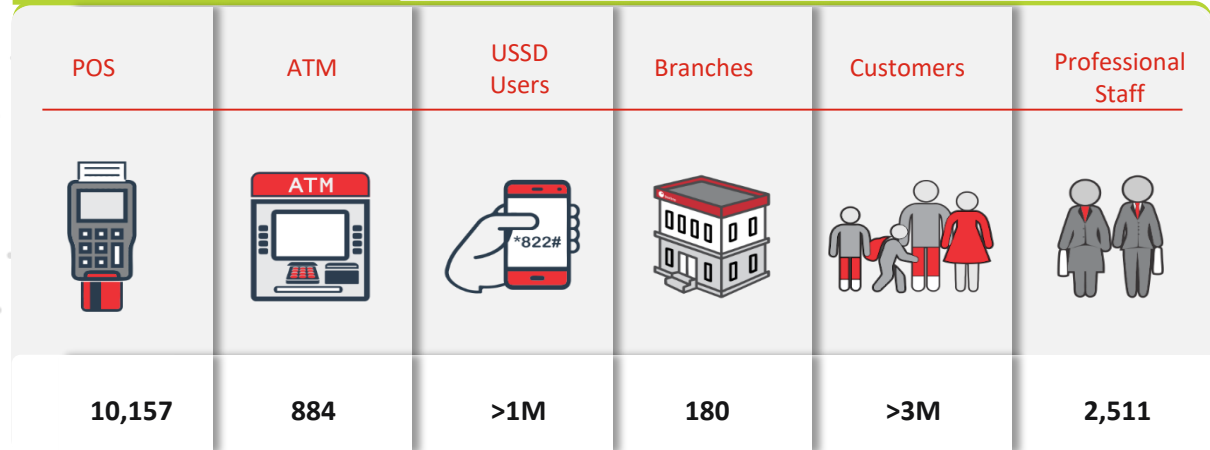
## Financials (N' millions)



## Ratings



## Channels



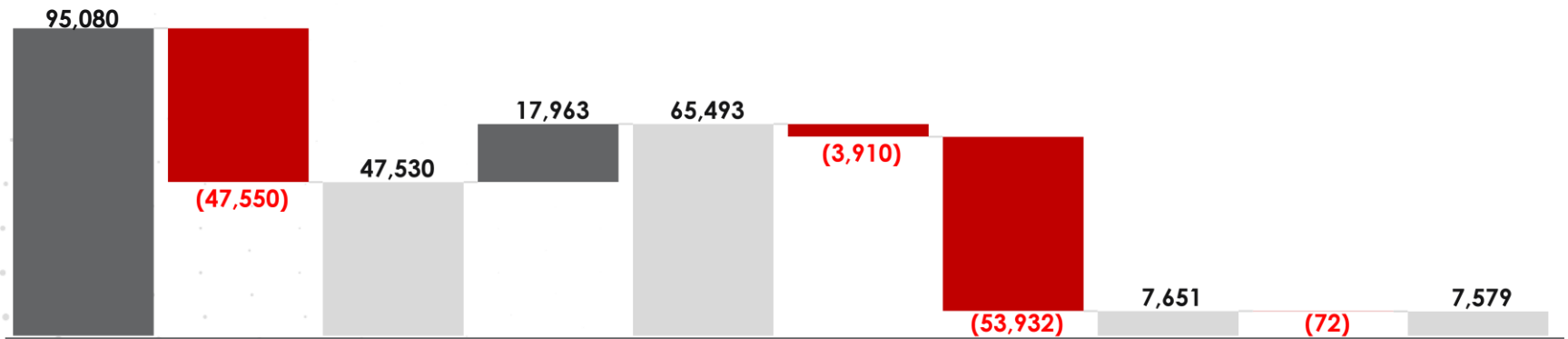


# Performance snapshot (1/2)

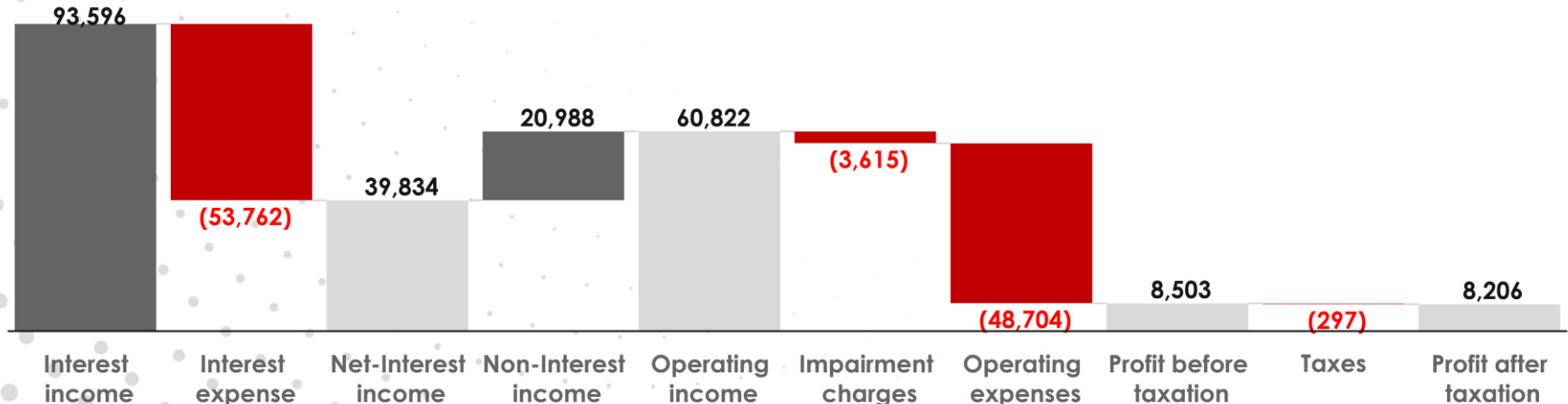
We recorded a 7.7% increase in operating income in spite of a decline in trading income as growth in expenses, mainly overhead and technology cost, suppress profitability

## Q3 2019 (N'mn)

■ Increase ■ Decrease ■ Total



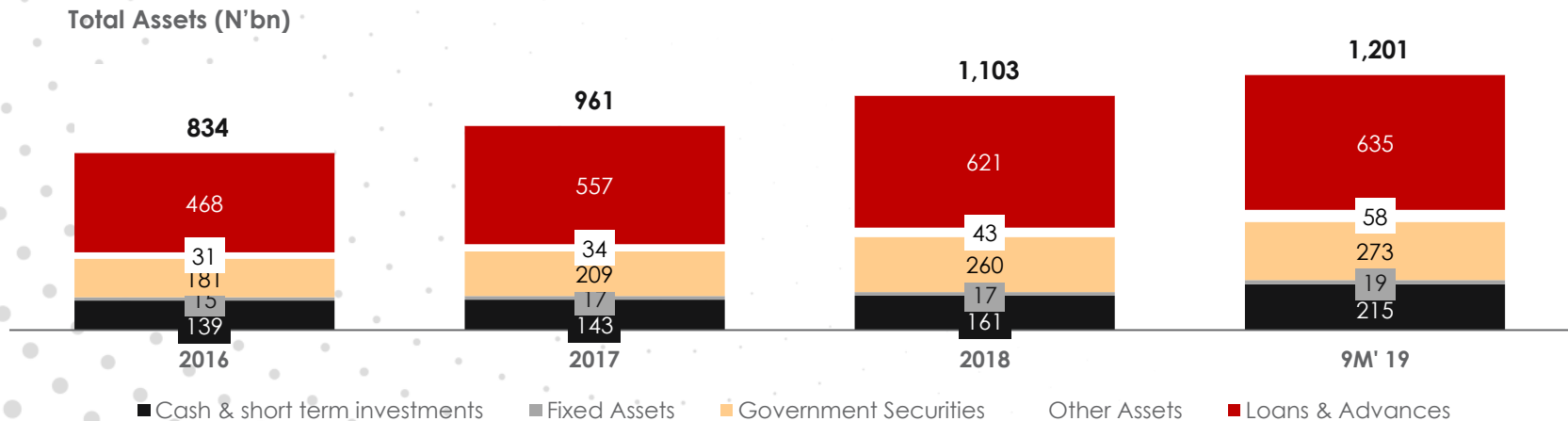
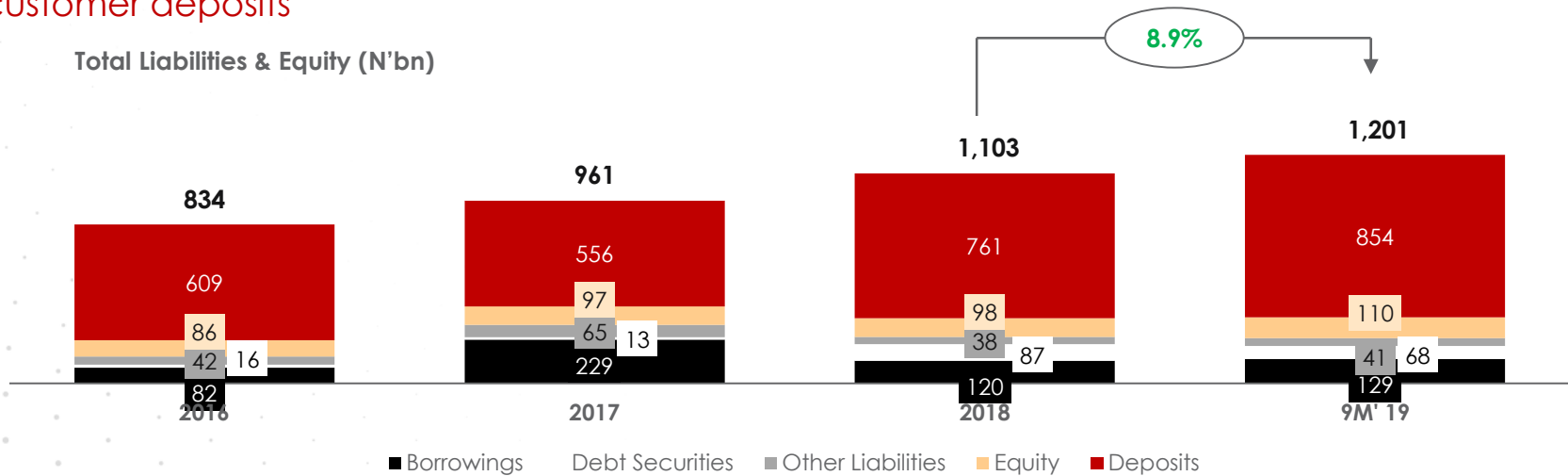
## Q3 2018 (N'mn)





# Performance Snapshot (2/2)

During the period, we also recorded growth in our balance sheet driven by an increase in customer deposits





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## Content

1. Performance Snapshot  
(H1 2019)

2. Operating Performance  
(H1 2019)

3. 2019 Targets

4. Appendix

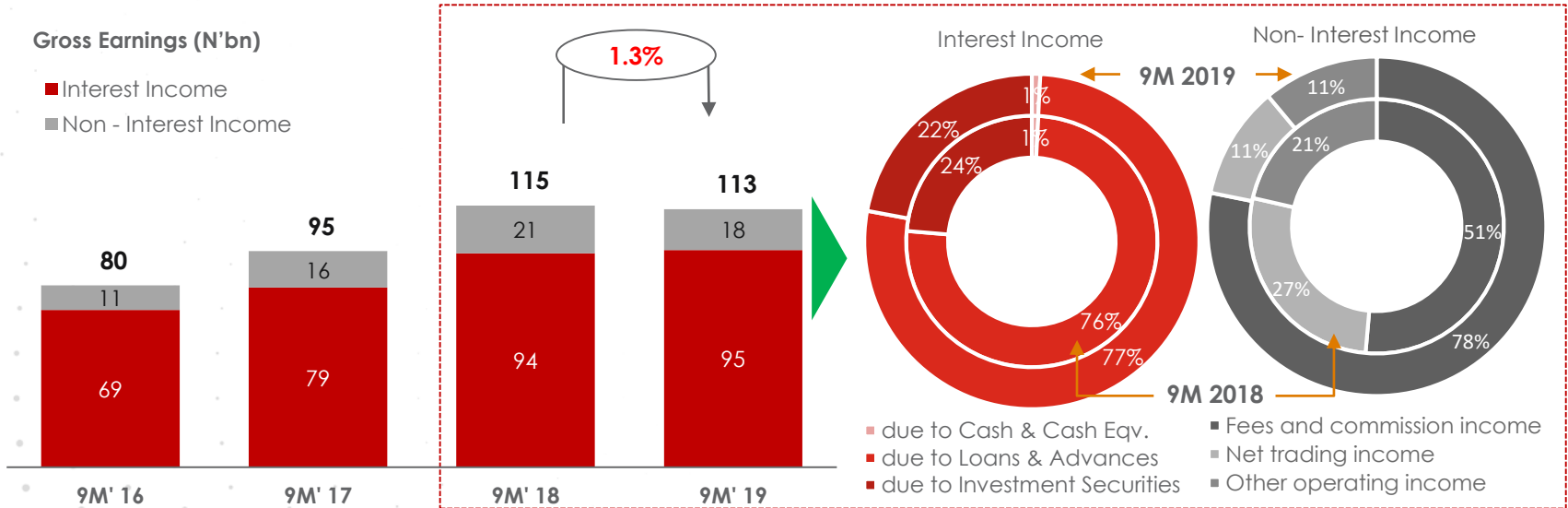


# Revenue Evolution

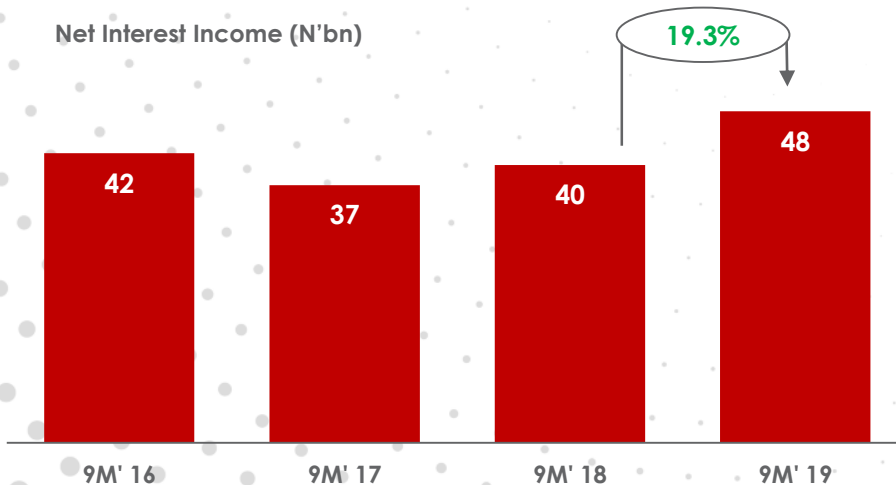
Our commitment to lower funding costs and ramp up transactional income continues to sustain top-line earnings, despite a slowed growth in interest income and dip in trading activities

Gross Earnings (N'bn)

■ Interest Income  
■ Non - Interest Income



Net Interest Income (N'bn)



- Gross earnings dipped marginally by 1.3% to N113.0 billion;
- A combination of a 2.5% growth in our loan book; an 11.6% decline in interest expense; a 30.2% growth in fees & commission income; a 66.1% decline in net trading income resulted in a 7.7% growth operating income;
- Contribution of Fees & Commission to the non-interest income grew to 78% from same period in 2018

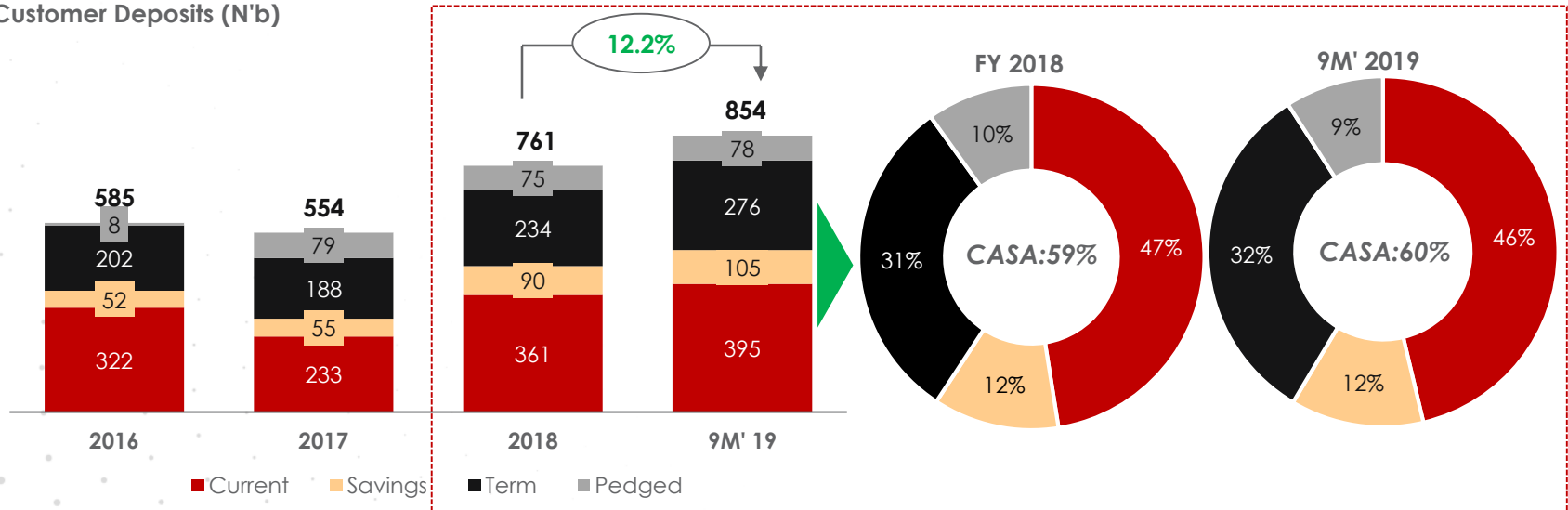




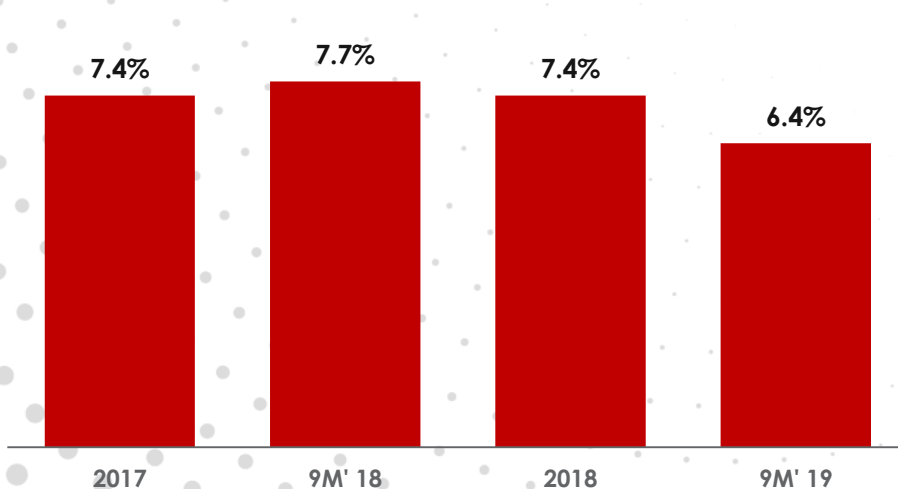
# Funding & Liquidity (1/2)

Increased traction in the mobilization and retention of low cost deposits contributed to an 11.6% decline in interest expense as we continue to drive funding costs down

Customer Deposits (N'b)



Cost of Funds



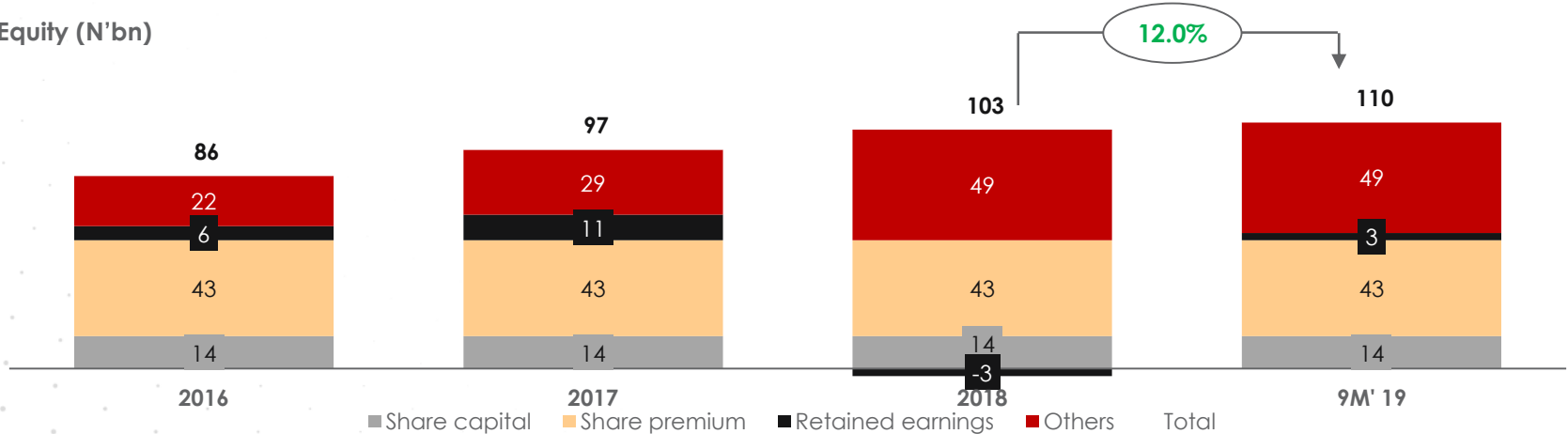
- We continued to improve the quality of our funding base, with current and savings (CASA) deposits growing by 10.9% contributing to the growth in customer deposits to reach N853.5bn. While term deposits grew by 18%, we maintained a 60% CASA mix at the end of the quarter;
- Consequently, cost of funds decline by 130 bps to 6.4, as net interest margin improved to 7.7% (6.2% 9M:2018);
- The bank maintained a healthy liquidity position at 40%, - 6 pps increase from Q3 2018 and 10 pps above minimum regulatory requirement



# Funding & Liquidity (2/2)

Overall, we improved our equity position and recorded an increase in CAR

Equity (N'bn)



Items (N'mn)	Sept. 2019	Dec. 2018	% Growth
Tier 1 capital*	78,740	71,317	10.41%
Tier 2 capital**	26,247	23,772	10.41%
<b>Total regulatory capital</b>	<b>104,986</b>	<b>95,089</b>	<b>10.41%</b>
<b>Risk-weighted assets</b>	<b>752,014</b>	<b>712,274</b>	<b>5.58%</b>
Tier 1 ratio	10.47%	10.01%	<b>0.46%</b>
Tier 2 ratio	3.49%	3.34%	<b>0.15%</b>
<b>Capital adequacy ratio</b>	<b>13.96%</b>	<b>13.35%</b>	<b>0.61%</b>

- Incremental contribution to retained earnings (year to date) has supported growth in shareholders funds by 12.0% to N109.5 billion (FY 2018: N97.8 billion);
- Total regulatory capital (Tier 1 & 2) grew by 10.4% from FY 2018;
- The Bank's capital adequacy grew by 60 bps to 13.96%

Notes: \*Tier 1 capital includes ordinary share capital, share premium, retained earnings, intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. \*\*Tier 2 Capital includes qualifying subordinated liabilities, allowances and element of the fair value reserve relating to unrealized gains on equity instruments classified as Fair Value Through Other Comprehensive Income.



# Loans and Advances by Sector

We continued to record significant growth in our consumer loans portfolio, owing to the unprecedented performance of our digital lending product

Gross Loans & Advances by Sector	Sept-2019		Dec-2018		Growth
Sectors	N'm	% of Total	N'm	% of Total	%
Agriculture	51,776	7.9%	55,073	8.6%	-6.0%
Communication	14,665	2.2%	16,653	2.6%	-11.9%
Consumer	37,438	5.7%	11,914	1.9%	214.2%
Education	616	0.1%	646	0.1%	-4.6%
Finance and insurance	30,743	4.7%	32,096	5.0%	-4.2%
Government	51,673	7.9%	42,260	11.6%	22.3%
Manufacturing	6,264	1.0%	4,078	0.6%	53.6%
Mortgage	4,672	0.7%	5,857	0.9%	-20.2%
Oil & Gas – downstream	60,907	9.3%	53,152	8.3%	14.6%
Oil & Gas – upstream	115,785	17.6%	120,962	18.9%	-4.3%
Oil & Gas – Services	74,848	11.4%	100,019	15.6%	-25.2%
Others	47,198	7.2%	57,140	8.9%	-17.4%
Power	19,959	3.0%	16,638	2.6%	20.0%
Real Estate & Construction	68,760	10.5%	56,531	8.8%	21.6%
Transportation	42,164	6.4%	32,226	5.0%	30.8%
Non-interest banking	29,265	4.5%	35,168	5.5%	-16.8%
<b>TOTAL</b>	<b>656,548</b>	<b>100.0%</b>	<b>640,412</b>	<b>100.0%</b>	<b>2.5%</b>



# Loans and Advances by Currency

With our FCY loan book contribution declining marginally and accounting for under a third of the Bank's total loan book

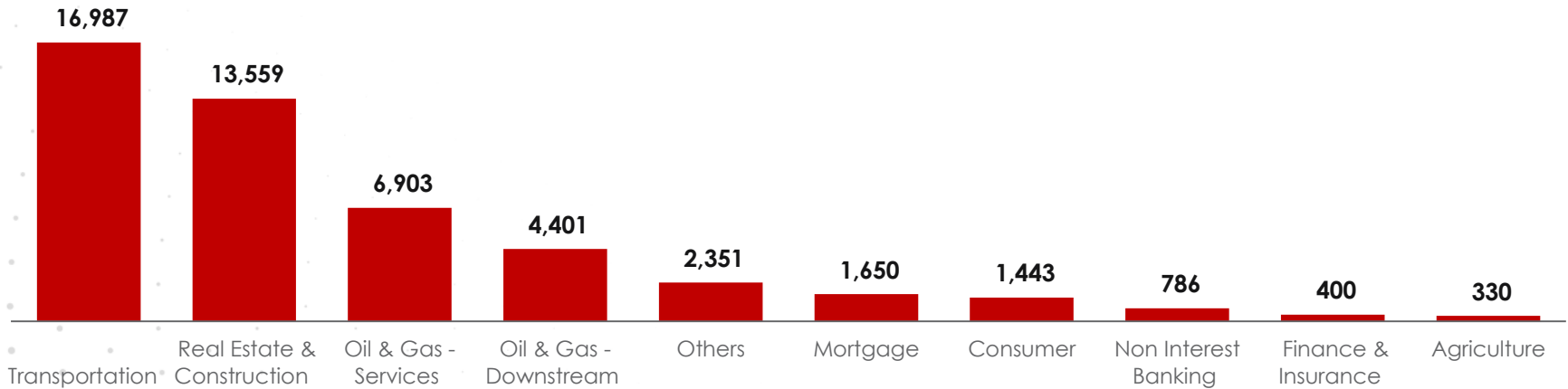
Gross Loans & Advances by Currency					
Sectors	FCY		LCY		
	N'm	% of Total	N'm	Total	% of Total
Agriculture	-	-	51,776	51,776	-
Communication	-	-	14,665	14,665	-
Consumer	87	0.0%	37,351	37,438	0.2%
Education	-	-	616	616	-
Finance and insurance	-	-	30,743	30,743	-
Government	-	-	51,673	51,673	-
Manufacturing	-	-	6,264	6,264	-
Mortgage	336	0.2%	4,336	4,672	7.2%
Oil & Gas – downstream	721	0.4%	60,186	60,907	1.2%
Oil & Gas – upstream	105,452	53.9%	10,333	115,785	91.1%
Oil & Gas – Services	34,633	21.5%	40,215	74,848	46.3%
Others	1	0.0%	47,187	47,198	0.0%
Power	-	-	19,959	19,959	0.0%
Real estate & construction	12,269	6.3%	56,491	68,760	17.8%
Transportation	22,879	7.8%	19,285	42,164	54.3%
Non-interest banking	19,290	9.9%	9,975	29,265	65.9%
<b>TOTAL</b>	<b>195,668</b>	<b>100.0%</b>	<b>461,055</b>	<b>656,733</b>	<b>29.8%</b>



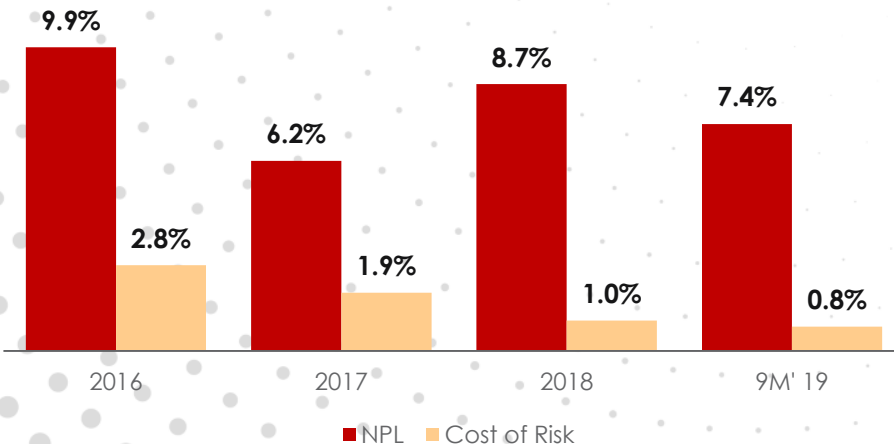
# Asset Quality

We recorded improvements in our non-performing loans (NPLs) and cost of risk during the period under review

NPL by Sector (N'm)



NPL & Cost of Risk (%)



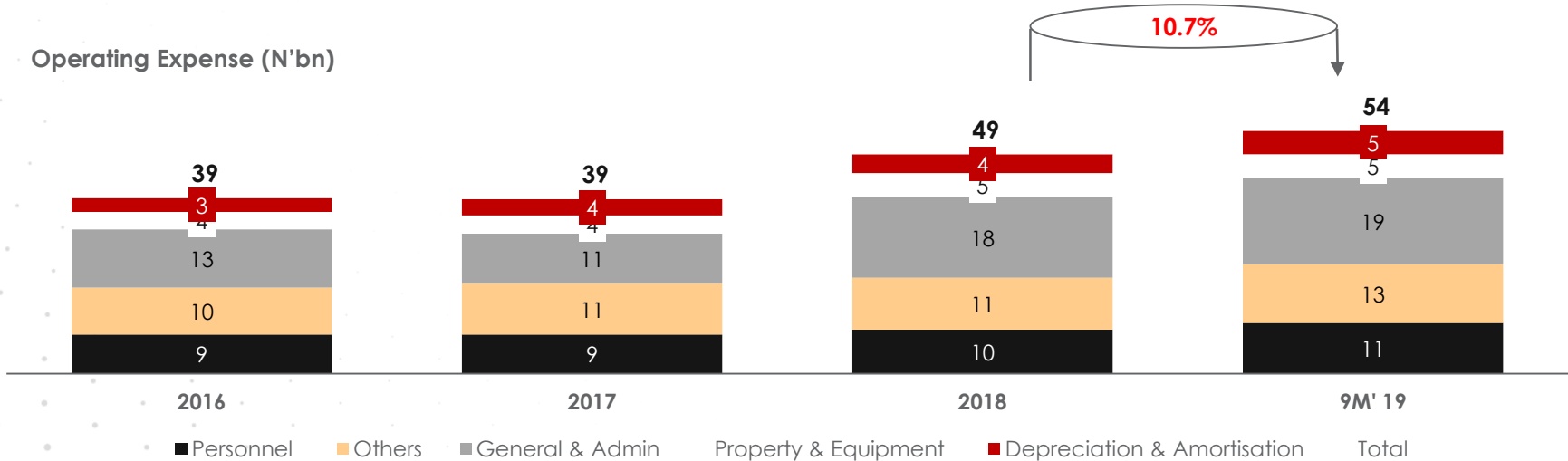
- Cost of risk declined to 0.8% while NPL ratio also reduced by 130 bps to 7.4% on the back of improved performance in some previously classified loans;
- NPL balance stood at N48.8bn as at 9M 2019 (9M 2018: N36.8bn) with a coverage ratio (inclusive of regulatory risk reserve) of 89.9% as at September 2019;
- Our target remains to reduce the NPL ratio to sub 6.2% (minimum 250 bps drop from 2018) by year end



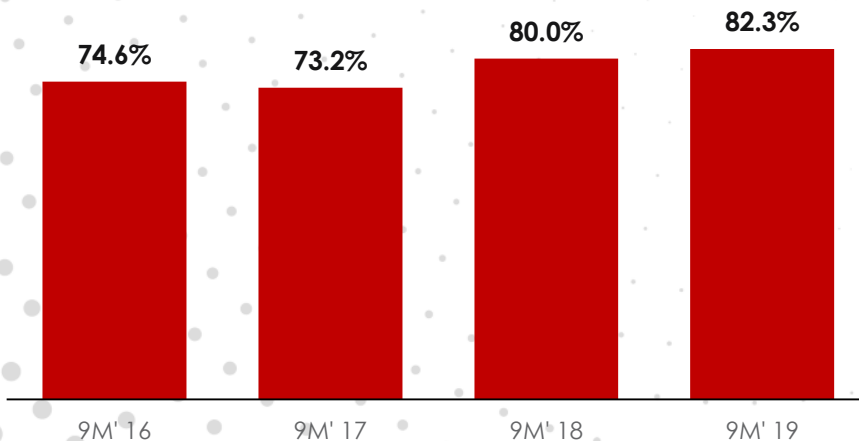
# Operating Efficiency

Growth in expenses was driven primarily by increase in overheads, electronic banking and renovation costs

Operating Expense (N'bn)



Cost-to-Income (%)

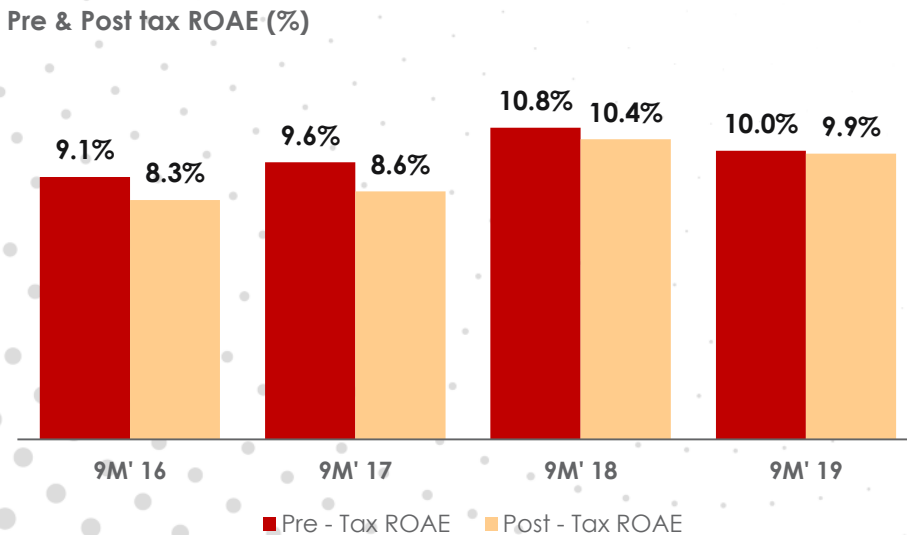
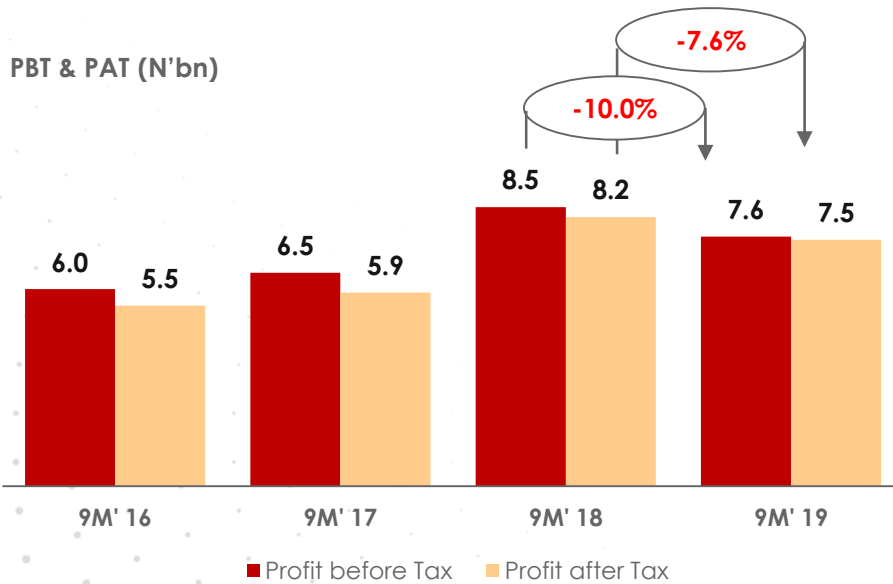


- Personnel costs grew by 15% on the back of an increase in employee benefits and cost of new hires, while ongoing remodeling of our Head Office contributed to an increase in depreciation and amortization expense;
- Overall, operating expenses grew by 10.7% to 53.9bn (9M 2018: N48.7bn), with general and administrative expenses remaining the single largest contributor;
- Consequently, cost to income ratio (CIR) grew marginally to 82.3% from 80.0% in 9M:2018

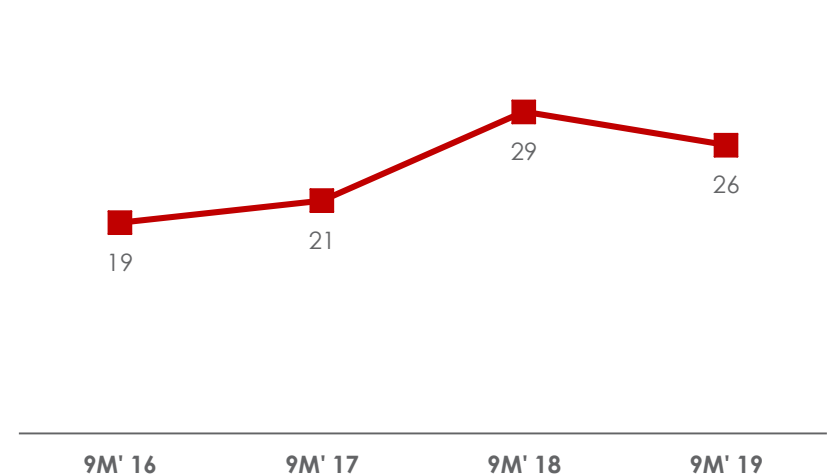


# Profitability

Overall, the Bank recorded a profit after tax of N7.58 billion as at Q3- 2019



**Earnings Per Share (K)**



- Profit before and after tax dipped by 10.0% and 7.6% to N7.6 billion and N7.5 billion, respectively compared with N8.5 billion and N8.2 billion in the same period in 2018;
- Annualized Pre-tax Return on Average Equity (ROAE) declined marginally to 10.0% (9M 2018: 10.8%) while recording an 11.5% decline in earnings per share to 26K (9M 2018: 29k)



# Content

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1. Background & Performance Snapshot (Q1 2019)

2. Operating Performance (Q1 2019)

3. 2019 Targets

4. Appendix







# 2019 Performance Guidance

	Actual	Revised
Deposit growth: > <b>15%</b>	12.2%	N/A
Net loans growth: < <b>10%</b>	2.3%	<5%
Pre-tax Return on average Equity (ROAE): > <b>15%</b>	10.0%	>12.5%
Cost-to-income: < <b>75%</b>	82.3%	<80%
NPL ratio: < <b>5%</b>	7.4%	< 6.5%
Cost of funds: < <b>5%</b>	6.4%	N/A
HEART Sector Contribution: > <b>20%</b>	14.8%	N/A

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## Content

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2. Operating Performance (Q1 2019)

3. 2019 Targets

4. Appendix



# Key Performance Ratios

Indicator	9M 2019	H1 2019	Q1 2019	FY 2018
Net Interest Margin	7.7%	7.5%	7.4%	6.6%
Cost to Income	82.3%	80.3%	80.0%	81.4%
Earnings per Share	26k	20k	11kk	32k
Liquidity Ratio	40.0%	38.7%	39.4%	42.2%
Cost of Risk	0.8%	0.7%	0.5%	1.0%
Cost of Funds	6.3%	6.5%	6.6%	7.4%
Yield on Earning Assets	14.0%	14.0%	14.0%	14.0%
Return on Average Assets (Annualized)	0.9%	1.1%	1.2%	0.8%
Post-Tax Return on Average Equity (Annualized)	9.8%	11.0%	12.8%	9.2%
Pre-Tax Return on Average Equity (Annualized)	9.9%	11.7%	12.9%	9.5%
NPL Ratio	7.4%	8.7%	8.9%	8.7%
Coverage Ratio	89.9%	74.0%	76.0%	75.0%
Capital Adequacy Ratio	13.9%	12.7%	12.9%	13.3%
Loans to Deposit Ratio(Net)	74.4%	75.9%	75.5%	81.6%



# Highlights of Income Statement

<i>In millions of Naira</i>	Q3 2019		Q3 2018		Growth
	N'M	% of Total	N'M	% of Total	%
<b>Gross earnings</b>	<b>113,043</b>	<b>100.0%</b>	<b>114,584</b>	<b>100.0%</b>	<b>-1.3%</b>
Interest income	95,080	84.1%	93,596	80.0%	1.6%
Interest expense	(47,550)	-42.1%	(53,762)	-48.8%	-11.6%
<b>Net interest income</b>	<b>47,530</b>	<b>42.0%</b>	<b>39,834</b>	<b>31.2%</b>	<b>19.3%</b>
Fees & commission income	14,042	12.4%	10,789	9.1%	30.2%
Net trading income	1,933	1.7%	5,703	6.9%	-66.1%
Other operating income	1,988	1.8%	4,496	4.0%	-55.8%
<b>Non-interest income</b>	<b>17,963</b>	<b>15.9%</b>	<b>20,988</b>	<b>20.0%</b>	<b>-14.4%</b>
Operating income	65,493	57.9%	60,822	51.2%	7.7%
Impairment charges	(3,910)	-3.5%	(3,615)	-3.2%	8.2%
<b>Net operating income</b>	<b>40,373</b>	<b>35.7%</b>	<b>57,207</b>	<b>48.0%</b>	<b>-29.4%</b>
Personnel expenses	(11,238)	9.9%	(9,802)	8.0%	14.7%
Other operating expenses	(13,067)	11.1%	(11,480)	9.1%	13.8%
General and administrative expenses	(19,107)	15.7%	(17,848)	15.1%	7.1%
Other property, plant and equipment costs	(5,290)	4.3%	(5,386)	4.3%	-1.8%
Depreciation and amortisation	(5,230)	4.5%	(4,188)	3.5%	24.9%
<b>Total expenses</b>	<b>(53,932)</b>	<b>46.1%</b>	<b>(48,704)</b>	<b>40.0%</b>	<b>10.7%</b>
<b>Profit before income tax</b>	<b>7,651</b>	<b>8.1%</b>	<b>8,503</b>	<b>8.0%</b>	<b>-10.0</b>
Income tax expense	(72)	0.5%	(297)	0.2%	-75.8
<b>Profit after income tax</b>	<b>7,579</b>	<b>7.6%</b>	<b>8,206</b>	<b>7.8%</b>	<b>-7.6%</b>



# Highlights of Financial Position

Items	September 2019		December 2018		Growth
	N'M	% of Total	N'M	% of Total	%
<b>ASSETS</b>					
Cash & balances with CBN	164,619	13.7%	117,685	10.7%	39.9%
Due from banks	50,810	4.2%	43,542	3.9%	16.7%
Pledged financial assets	11,856	1.0%	11,423	1.0%	3.8%
Loans and advances	635,093	52.9%	621,017	56.3%	2.3%
Investment securities	261,639	21.8%	248,827	22.6%	5.1%
Other assets	44,054	3.7%	29,446	2.7%	49.6%
Property, plant and equipment	19,432	1.6%	16,942	1.5%	14.7%
Intangible assets	2,006	0.2%	1,850	0.2%	8.4%
Deferred tax assets	6,971	0.6%	6,971	0.6%	0.0%
Non-current assets held for sale	4,536	0.4%	5,218	0.5%	-13.1%
<b>Total Assets</b>	<b>1,201,016</b>	<b>100.0%</b>	<b>1,102,921</b>	<b>100.0%</b>	<b>8.9%</b>
<b>LIABILITIES</b>					
Deposits from banks	-	-	-	-	-
Deposits from customers	853,551	71.1%	760,608	69.0%	12.2%
Current income tax payable	405	0.0%	405	0.0%	0.0%
Other borrowed funds	128,759	10.7%	119,526	10.8%	7.7%
Debt securities issued	67,895	5.7%	86,609	7.9%	-21.6%
Other liabilities	40,726	3.4%	37,678	3.4%	8.1%
Provisions	145	0.0%	295	0.0%	-50.8%
<b>Total Liabilities</b>	<b>1,091,481</b>	<b>90.9%</b>	<b>1,005,121</b>	<b>91.1%</b>	<b>8.6%</b>
<b>Total Equity</b>	<b>109,535</b>	<b>9.1%</b>	<b>97,800</b>	<b>8.9%</b>	<b>12.0%</b>
<b>Total Liabilities and Equity</b>	<b>1,201,016</b>	<b>100.0%</b>	<b>1,102,921</b>	<b>100.0%</b>	<b>8.9%</b>

# Contact Details

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