



# STERLING BANK PLC



## DataPro Limited

Ground Floor, Foresight House

163-165 Broad Street

By Marina Water Front

☎ 234-1-4605395, 4605396

Email: info@datapronigeria.net

dataprong@gmail.com

Website: www.datapronigeria.net

May, 2019

# STERLING BANK PLC

This report is provided by **DataPro** subject to the terms & condition stipulated in our *Terms of Engagement*

## CORPORATE RATING REPORT

### References

Abiodun Adeseyoju, *FCA*.  
Abimbola Adeseyoju  
Oladele Adeoye

### EVALUATION

**VALID TILL: May, 2020**

**DataPro Rating:** BBB+  
**Short term Rating:** A2  
**Previous Rating:** BBB+  
**Rating Outlook:** Stable  
**Trend:** UP  
**Currency:** Naira

### SUMMARY

• **Rating:**  
**BBB+**

• **Report Type:**  
Corporate Rating

• **Client:**  
Sterling Bank PLC

• **Date Compiled**  
18-Jun-19

### EXECUTIVE SUMMARY

	2018 N'M	2017 N'M	2016 N'M	2015 N'M	2014 N'M
Gross Earnings	151,247	133,022	111,238	110,194	103,677
Profit Before Tax	9,739	8,039	6,019	11,016	10,748
Shareholders' Funds	98,009	101,599	84,889	95,565	84,715
Deposit Liabs	760,608	684,834	584,734	590,889	655,944
Loans & Advances	621,017	598,073	468,250	338,726	371,246
Total Assets	1,085,876	1,068,798	830,805	799,451	824,538

### RATING EXPLANATION

The Short term rating of **A2** indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

*The long term rating of BBB+ indicates Slight Risk. It shows fair financial strength, operating performance and business profile when compared to the standard established by DataPro. This Bank, in our opinion, has a very strong ability to meet its ongoing obligations, but their financial strength is vulnerable to adverse changes in economic conditions.*

*This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.*

## RATING SYNOPSIS

The rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used was based on industry and market intelligence including public information.

The quantitative information was obtained from the company's audited and management accounts.

The risk factors were assessed using the company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Risk and Sustainability of subject's current healthy profile in the medium to long term period.

Overall, the following were observed:

### Strengths:

- Diversified revenue base
- Strong Brand

### Weaknesses:

- Concentration Risk
- Average Liquidity

### SUMMARY

- **Rating:**

**BBB<sup>+</sup>**

- **Report Type:**  
Corporate  
Rating

- **Client:**  
Sterling Bank  
Plc

- **Date  
Compiled**  
18-Jun-19

## BACKGROUND

*Sterling Bank ("The Bank")* began operations in Nigeria in the year 1960. It became Public Company in April 1992. Presently, it operates as full-fledged commercial Banks.

Over the years, the Bank has grown its operation by playing actively in the retail end of the banking industry. This began with the acquisition of *Equitorial Trust Bank* in the year 2011. The Bank also launched Agent Banking and obtained non-interest banking license in the year 2013.

In order to enhance its customer reach, *Sterling Bank* operates through 179 branches, 847 ATMs and 7,853 POS. The number of its USSD users grossed 839,000 while customer base was 3million in the year 2018.

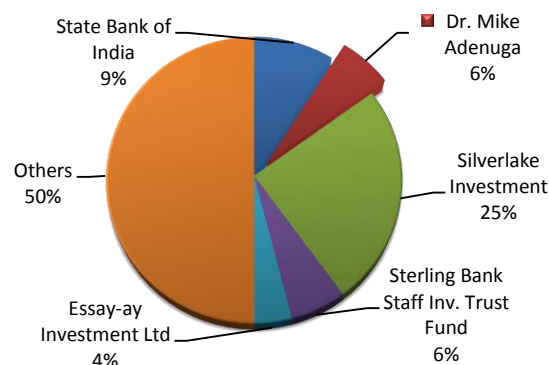
The bank launched a bouquet of digital products during the year 2018. These include *Specta Basic & Xtreme*. The *Specta Digital* product is a retail lending platform that allows users to borrow within five (5) minutes.

Other digital products are; *AltMall, I-Invest, Imperium, GoMoney, Chat Pay, FarePay* and *Switch*. These digital platform allow customers to conduct banking and non-banking transactions with ease.

As at the year ended 2018, the Bank is owned by a total number of 86,777 shareholders.

The shareholding structure is as presented.

### ANALYSIS OF SHAREHOLDERS' FUNDS



Source: Sterling Bank Plc

## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19

## KEY FINANCIAL INDICATORS

Item Year	Gross Earning ₦'M	PBT ₦'M	Equity ₦'M	Deposit Liabs ₦'M	Loan & Advances ₦'M	Total Assets ₦'M
2018	151,247	9,739	98,009	760,608	621,017	1,085,876
2017	133,022	8,039	101,599	684,834	598,073	1,068,798
2016	111,238	6,019	84,889	584,734	468,250	830,805
2015	110,194	11,016	95,565	590,889	338,726	799,451
2014	103,677	10,748	84,715	655,944	371,246	824,538

*Source: Sterling Bank Audited Accounts*

**Sterling Bank** recorded growth in all its Key Financial Indicators except Equity which declined by 4% in the year 2018. The decline was due to the adoption of **IFRS 9 Standard** under the **International Financial Reporting Standards (IFRS)** to replace the **International Accounting Standard (IAS) 39** effective 1<sup>st</sup> January, 2018.

Gross Earnings, Profit before Tax and Deposit liabilities grew by 14%, 21, and 11% respectively.

Similarly, Total Assets and Loans & Advances surged by 2% and 4% respectively. The growth achieved during the year was significantly due to the increases in both retail and customer loans which went up by 108% during the year.

## DIRECTORS PROFILE

The Bank benefited from its stable management team. There were minor changes to the Board during the year under review. The Board comprises of individuals with considerable experience in banking and other related business.

The following served on the board during the year 2018; **Mr. Asue Ighodalo - Chairman, Mr. Abubakar Suleiman - Managing Director/CEO, Dr. (Mrs.) Omolara Akanji, Mr. Olaitan Kajero, Mrs. Tairat Tijani, Mr. Michael Jituboh, Mr. Sujit Kumar Varma, Mrs. Folashade Kilaso, Mr. Michael Ajukwu, Mr. Grama Narasimhan, Mr. Yemi Odubiyi and Mr. Emmanuel Emeifienim.**

### SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate  
Rating
- **Client:**  
Sterling Bank  
Plc
- **Date  
Compiled**  
18-Jun-19

The profile of the bank directors are as stated below:

- 1. Name:** Mr. Asue Ighodalo  
**Position:** Chairman  
**Education:**
  - B.Sc - University of Ibadan, 1981
  - LL.B - London School of Economics, 1984
  - B.L - Nigerian Law School, 1985**Experience:** Partner, Banwo & Ighodalo  
**Experience (Years):** 27 years  
**Year of Appointment:** July 2014
  
- 2. Name:** Dr. (Mrs) Omolara Akanji  
**Position:** Non- Executive Director  
**Education:**
  - University of Ibadan
  - University of Reading
  - University of Kent
  - European-American University
  - Harvard Kennedy School (HKS) of Monetary Policy and Management**Experience:**
  - Central Bank of Nigeria (CBN)
  - Petroleum Revenue Special Task Force**Experience (Years):** 40 years  
**Year of Appointment:** February 2014
  
- 3. Name:** Mr. Olaitan Kajero  
**Position:** Non-Executive Director  
**Education:**
  - University of Lagos
  - Olabisi Onabanjo University
  - Chartered Institute of Bankers of Nigeria**Experience:**
  - Communication Associates of Nigeria Ltd
  - Aircom Nigeria Limited
  - STB Building Society Limited**Experience (Years):** 21 years  
**Year of Appointment:** August 2014
  
- 4. Name:** Mrs. Tairat Tijani  
**Position:** Non-Executive Director  
**Education:**
  - Lancaster University
  - University of Birmingham
  - Association of Chartered Certified Accountants (ACCA)

## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
  
- **Report Type:**  
Corporate Rating
  
- **Client:**  
Sterling Bank Plc
  
- **Date Compiled**  
18-Jun-19

## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19

•Institute of Chartered Secretaries & Administrators of Nigeria  
 •Financial Times Diploma for Non-Executive Directors, 2016  
 •Wharton School  
**Experience:** FBN Capital  
**Year of Appointment:** November 2014

**5. Name:** Mr. Michael Jituboh  
**Position:** Non-Executive Director  
**Education:**

- Federal City College (University of Washington DC)
- Stanford University

**Experience:**

- Harvard Business School
- African Development Bank
- Devcom Bank
- Equitorial Trust Bank
- Globalcom Limited.

**Year of Appointment:** December 2015

**6. Name:** Mr. Sujit Kumar Varma  
**Position:** Non-Executive Director  
**Education:**

- Ranchi University
- India Institute of Bankers

**Experience:**

- State Bank of India

**Experience (Years):** 31 years  
**Year of Appointment:** February 2017

**7. Name:** Mrs. Folasade Kilaso  
**Position:** Non-Executive Director  
**Education:**

- University of Kent
- LLM, University of Cambridge

**Experience:**

- Clifford Chance, UK
- Supreme Court of England and Wales
- Berkeley Legal
- Standard Chartered Bank Nigeria
- Sterling Bank

**Year of Appointment:** June 2018

## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate  
Rating
- **Client:**  
Sterling Bank  
Plc
- **Date  
Compiled**  
18-Jun-19

- 8. Name:** Mr. Michael Ajukwu  
**Position:** Independent Director  
**Education:**
  - University of Lagos
  - New York University**Experience:**
  - United Bank for Africa Plc
  - Intafact Beverages Ltd.
  - Mobax Nigeria Ltd.
  - Tiger Brands SA
  - Sterling Bank**Year of Appointment:** June 2018
- 9. Name:** Mr. Abubakar Suleiman  
**Position:** Managing Director/Chief Executive Officer  
**Education:**
  - University of Abuja
  - University of Oxford
  - Wharton School
  - INSEAD Business School
  - Harvard Business School
  - Said Business School**Experience:**
  - Arthur Anderson (now KPMG Nigeria)
  - MBC International Bank (now First Bank)
  - Citibank Nigeria
  - Sterling Bank**Year of Appointment:** April 2014
- 10. Name:** Mr. Grama Narasimhan  
**Position:** Executive Director  
**Education:**
  - Bangalore University, 1982
  - India Institute of Bankers**Experience:** State Bank of India (SBI)  
**Experience (Years):** 31 years  
**Year of Appointment:** October 2014
- 11. Name:** Mr. Yemi Odubiyi  
**Position:** Executive Director  
**Education:**
  - University of Lagos, 1994
  - University of Lagos, 1998
  - London Business School
  - Harvard Business School



## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19

**Experience:**

- Nigeria International Bank (now CitiBank)
- Trust Bank of Africa
- Sterling Bank

**Experience (Years):** 23 years

**Year of Appointment:** December 2014

**12. Name:** Mr. Emmanuel Emefienim

**Position:** Executive Director

**Education:**

- University of Lagos, 1994
- University of Lagos, 1998
- London Business School
- Harvard Business School

**Experience:**

- Oceanic Bank Plc (now EcoBank Nigeria)
- United Bank for Africa Plc
- Savannah Bank Plc and FSB Int'l Bank Plc (now Fidelity Bank Plc)
- United Bank for Africa Plc
- Equitorial Trust Bank (ETB)
- Sterling Bank

**Experience (Years):** 25 years

**Year of Appointment:** December 2017

## CAPITAL ADEQUACY

Item	2018 ₦'M	2017 ₦'M	2016 ₦'M
Shareholders' Funds	98,009	101,599	84,889
Total Assets	1,085,876	1,068,798	830,805
Fixed Assets	16,942	16,451	14,604
Loans & Advances	621,017	598,073	468,250
Equity/Total Assets (%)	9.03	9.51	10.22
Equity/Loan & Adv. (%)	15.78	16.99	18.13
Fixed Assets/Equity (%)	17.29	16.19	17.20

**Source:** Sterling Bank Audited Accounts

The Bank adopted **IFRS 9** in the presentation of its Equity during the year under review. Consequently, the previous year

Equity was adjusted by a charge of ₦10.4b while there was a further charge of ₦3.8b in the year 2018. Therefore Equity was eroded by 4% from ₦102b (Yr. 17) to ₦98b (Yr. 18).

Total assets grew marginally by 2%. The growth was supported by increase in Investment Securities, Loans and Advances and Other Assets. Cash balance with CBN, Pledged Assets and cash due from banks declined in the year 2018.

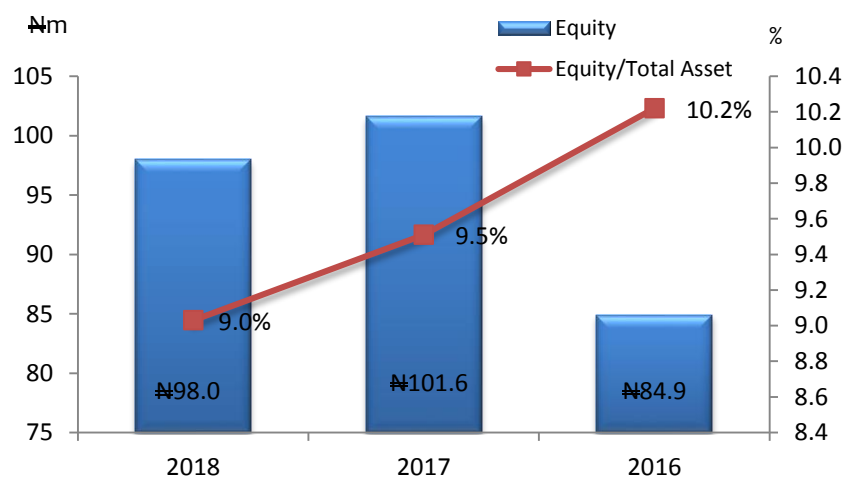
### COMPONENT OF TOTAL ASSETS

Year \ Item	2018 ₦'M	%	2017 ₦'M	%
Liquid Assets	44,820	4	69,344	6
Net Loans & Advances	621,017	57	598,073	56
Fixed Assets	16,942	2	16,451	2
Other Assets	403,097	37	384,930	36
<b>TOTAL ASSETS</b>	<b>1,085,876</b>	<b>100</b>	<b>1,068,798</b>	<b>100</b>

*Source: Sterling Bank Audited Accounts*

The Bank's exposure to risk increased in the year under review. Net Loan and Advances as a proportion of total assets increased slightly from 56% (Yr. 17) to 57% (Yr. 18). Equity as a proportion of total assets dipped from 10% (Yr. 17) to 9% (Yr. 18). This was as a result of the decline in equity during the year.

### COMPARISON OF SHAREHOLDERS' FUNDS



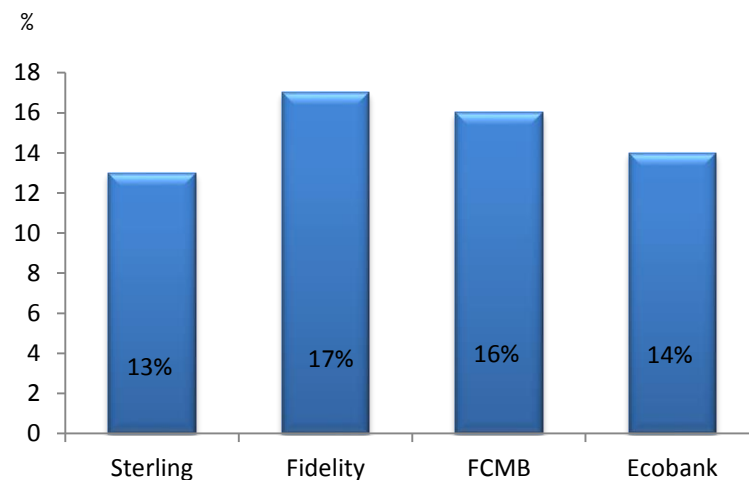
*Source: Sterling Bank Plc*

## SUMMARY

- **Rating:**  
**BBB+**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled:**  
18-Jun-19

However, the total qualifying capital of the bank increased from ₦82b (Yr. 17) to ₦92b (Yr. 18). This led to an increase in Capital Adequacy Ratio (CAR) from 12% (Yr. 17) to 13% (Yr. 18). This is also 300 basis points above the statutory CBN minimum requirements. However, the bank performance fell below the attainment of some of its peers within the industry for the same period under review.

#### STERLING BANK CAR PEER COMPARATIVES AS AT 2018



Source: DataPro Limited

### ASSET QUALITY

Year \ Item	2018 ₦'M	2017 ₦'M	2016 ₦'M
Gross Loan & Advances	640,678	617,578	476,714
Classified Loan	55,646	38,468	47,400
Provisions	19,661	19,505	8,464
Classified Loans Prov./Classified Loans (%)	19.66	50.70	17.86
Classified Loans/Equity (%)	20.06	19.20	55.84
Classified Loans/Gross Loans (%)	8.69	6.23	9.94

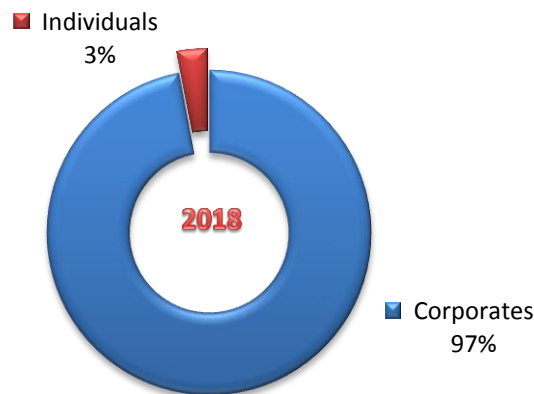
Source: Sterling Bank Audited Accounts

#### SUMMARY

- Rating: **BBB+**
- Report Type: Corporate Rating
- Client: Sterling Bank Plc
- Date Compiled: 18-Jun-19

Gross loans and advances increased by 4% from ₦618b (Yr. 17) to ₦641b (Yr. 18). The loans were significantly concentrated in corporate customers. Corporate entities accounted for 97% of the loan book.

**DISTRIBUTION OF LOAN PORTFOLIO**

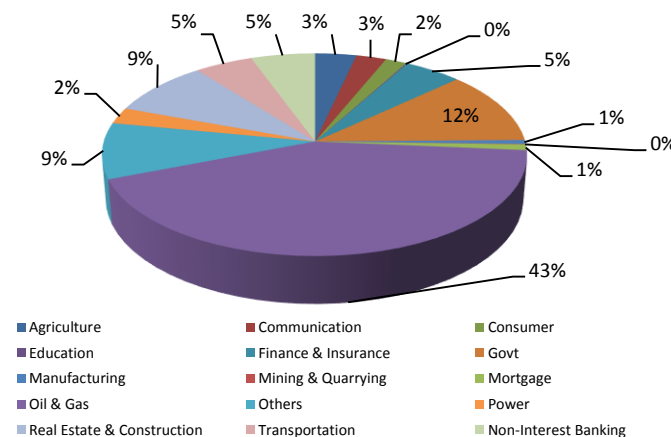


Source: Sterling Bank Plc

Loans granted to corporate entities increased from ₦602b (Yr. 17) to ₦621b (Yr. 18). Similarly, loans to individuals went up from ₦15b (Yr. 17) to ₦19b (Yr. 18).

The Bank's loans were distributed among 13 sectors as presented below:

**COMPOSITION OF LOAN PORTFOLIO**



Source: Sterling Bank Plc

The largest exposure of the bank in year 2018 was Oil & Gas and Government. Oil & Gas accounted for 43% of the bank's loans while Government was 12%. Aside these, no other got up to 10% of the entire loan portfolio.

**SUMMARY**

- Rating: **BBB+**
- Report Type: Corporate Rating
- Client: Sterling Bank Plc
- Date Compiled: 18-Jun-19

However, the bank is currently concentrating efforts to diversify its loan portfolio to **HEART** sectors (*Health, Education, Agriculture, Renewable Energy & Transportation*). This is expected to deconcentrate exposure to Oil & Gas.

The secured loan of the bank dropped from ₦615b (Yr. 17) to ₦605b (Yr. 18). The loans were mostly secured by Real Estate which accounted for 35% of the entire portfolio. However, other forms of security were cash (18%), Debenture (17%) and other Securities (25%). The unsecured loan of the bank grew from ₦3b (Yr. 17) to ₦35b (Yr. 18). This translated to 6% of the loan book being unsecured in the year under review.

## SUMMARY

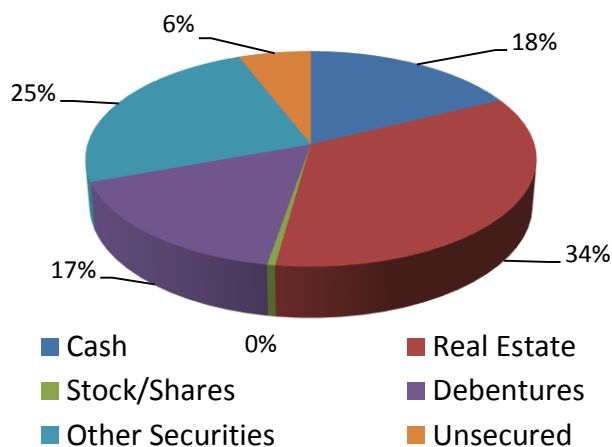
- Rating:  
**BBB<sup>+</sup>**

- Report Type:  
Corporate Rating

- Client:  
Sterling Bank Plc

- Date Compiled  
18-Jun-19

### DISTRIBUTION OF LOAN PORTFOLIO BY SECURITY



*Source: Sterling Bank Plc*

Classified loans and advances increased from ₦38b (Yr. 17) to ₦56b (Yr. 18). This represents a growth rate of 45%. It impaired the gross loans and advances by 9% (Yr. 18) as against 6% (Yr. 17). Provisions for Classified loans during the year 2018 was 35% as against 51% (Yr. 17).

## LIQUIDITY

Item \ Year	2018	2017	2016
Loan & Advances/Total Assets (%)	57.19	55.96	56.36
Liquid Assets/Total Assets (%)	4.13	6.49	10.98
Liquid Assets/Total Deposits (%)	5.89	10.13	15.60
Loans & Advances/Total Deposits (%)	81.65	87.33	80.08

*Source: Sterling Bank Audited Accounts*

### SUMMARY

The bank's deposit increased in the year under review. It grew from ₦685b (Yr. 17) to ₦761b (Yr. 18). Deposits from Savings and Current accounts accounted for the growth during the year. Savings Account went up by 48% (Yr. 18) while Current Account surged by 42% (Yr. 18). Term Deposits and Pledged Deposits recorded decline of 15% and 20% respectively.

• Rating:  
**BBB+**

• Report Type:  
Corporate  
Rating

• Client:  
Sterling Bank  
Plc

• Date  
Compiled  
18-Jun-19

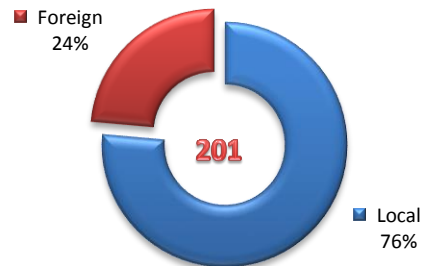
### ANALYSIS OF DEPOSITS BASED ON TYPE

Item \ Year	2018 ₦'M	%	2017 ₦'M	%
Current Account	361,212	47%	254,476	37%
Savings Account	89,546	12%	60,687	9%
Term Deposits	234,437	31%	275,141	40%
Pledged Deposits	75,413	10%	94,530	14%
<b>TOTAL</b>	<b>760,608</b>	<b>100%</b>	<b>684,834</b>	<b>100%</b>

*Source: Sterling Bank Audited Accounts*

The Bank's deposits can be classified by currency. The Bank's local currency deposit constitutes 76% (Yr. 18) of the entire deposit base as against 83% (Yr. 17). Foreign currency deposits increased from ₦115b(Yr. 17) to ₦180b (Yr. 18).

### COMPOSITION OF DEPOSITS BASED ON CURRENCY TYPE



Source: Sterling Bank Plc

### SUMMARY

Corporate customers represents 52% of the total deposits for the year 2018. The bank also attracted 48% of the total deposit through private banking relationship. Public sector and banking institutions contributed a total of 13% to the deposit pool in the year 2018.

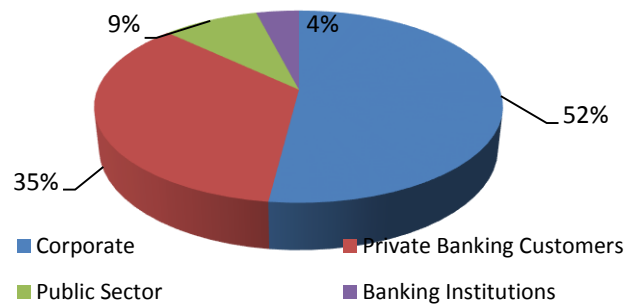
• Rating:  
**BBB<sup>+</sup>**

• Report Type:  
Corporate Rating

• Client:  
Sterling Bank Plc

• Date Compiled  
18-Jun-19

### COMPOSITION OF DEPOSIT PORTFOLIO



The maturity profiles of the bank are majorly in short term. Depositor's fund maturing within a month is 38% (Yr. 18). This will increase to 53% in 12 months. However, the bank was able to attract long tenured funds during the year. This constitutes 48% of the total deposit.

### ANALYSIS OF DEPOSITS BASED ON MATURITY

Months	2018 ₦'M	%
Demand	309,618	38
Less than 3 months	43,803	5
3 - 12 Months	78,832	10
1 – 5 Years	219,812	27
Over 5 years	170,253	21

Source: Sterling Bank Audited Accounts

The loans and advances maturity profile was long termed. Loan and advances maturing for payments within three (3) months was 7%. This increased to 30% in twelve (12) months. In absolute term, Loans and Advances maturing for payment within five (5) years band was ₦448b (Yr. 18). This constituted 60% of the entire loan book.

### ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Months	2018 ₦'M	%
Less than 3 months	50,318	7
3 - 6 Months	44,519	6
6 - 12 Months	124,682	17
1 - 5 Years	448,337	60
Over 5 years	76,111	10

*Source: Sterling Bank Audited Accounts*

There exists maturity mismatch between the loans and advances and the Bank's deposits liabilities. The liquid assets could not provide adequate coverage for the shortfall. Consequently, there exist a gap of ₦33.5b (Yr. 18).

### LIQUIDITY GAP ANALYSIS

Year	2018 Loans & Advances ₦'M	2018 Deposit Liabilities ₦'M	Net Liquidity Gap ₦'M
Liquid Assets	44,820		44,820
Less than 3 months	50,318	309,618	(214,480)
3 - 6 Months	44,519	43,803	(213,764)
6 - 12 Months	124,682	78,832	(167,914)
1 - 5 Years	448,337	219,812	60,611
Over 5 years	76,111	170,253	(33,531)

*Source: Sterling Bank Audited Accounts*

Liquid assets as a proportion of total assets was 4% (Yr. 18) as against 6% (Yr. 17). Loan to deposit ratio was 82% (Yr. 18) as against 87% (Yr. 17). Despite the improvement, it is still above the regulatory limit of 80%. However, the Bank achieved a

## SUMMARY

- **Rating:**

**BBB<sup>+</sup>**

- **Report Type:**

Corporate  
Rating

- **Client:**

Sterling Bank  
Plc

- **Date**

**Compiled**  
18-Jun-19



better statutory Liquidity ratio than its attainment in the year 2017. This was 42% (Yr. 18) compared to 33% (Yr. 17).

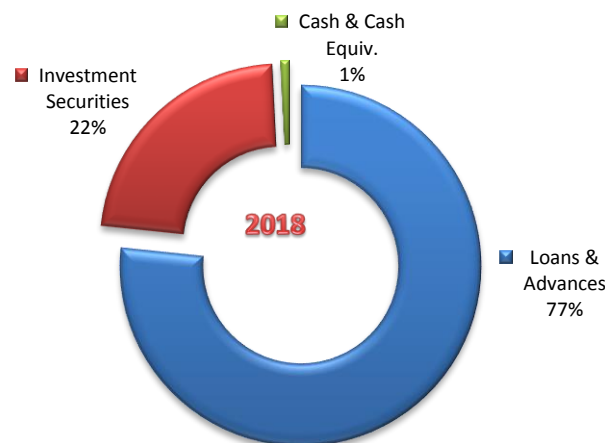
## PROFITABILITY

Interest Earnings surged by 13% in the year under review. It increased from ₦110b (Yr. 17) to ₦124b (Yr. 18). The growth was supported by the increases in loans & advances and investment securities. Loans and advances contributed 77% (Yr. 18) to the total Interest Earnings during the year under review.

### SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19

### DISTRIBUTION OF INTEREST INCOME

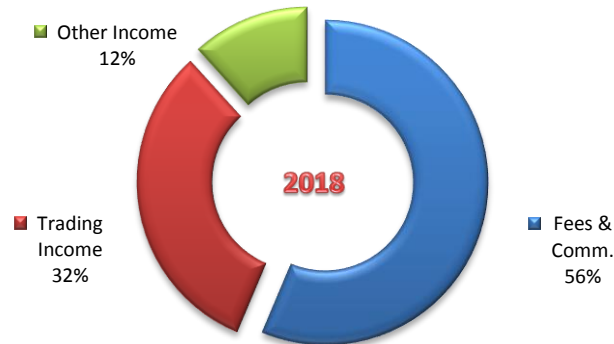


*Source: Sterling Bank Plc*

Interest expenses grew by 15% from ₦60b (Yr. 17) to ₦69b (Yr. 18). The increase in Interest Expenses which outweighs that of Interest Earnings constrained Net Interest Margin to 45% (Yr. 18) as against 46% (Yr. 17).

The Non-Interest elements of the bank income was ₦27b (Yr. 18). It was better than the previous year performance by 16%. Fees & Commission and Trading Income growths accounted for the increase in Non-Interest Income for the year 2018.

### DISTRIBUTION OF NON INTEREST INCOME



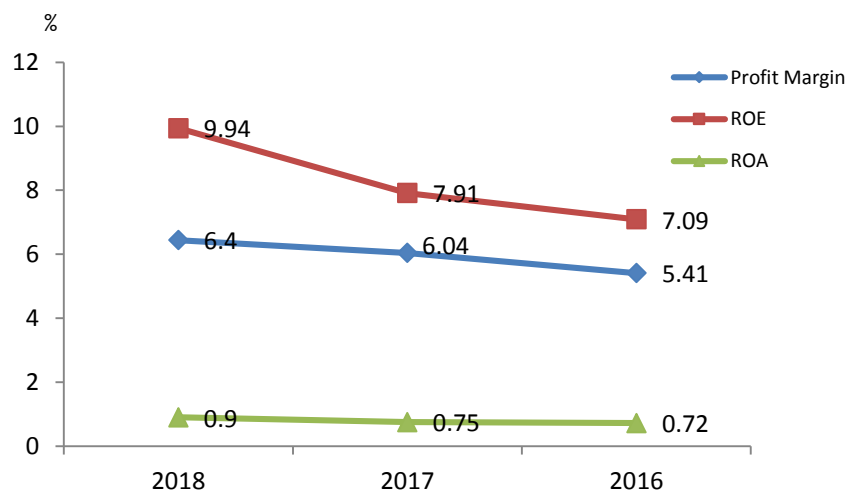
Source: Sterling Bank Plc

As a result of the dual growth recorded in Interest and Non-Interest Earning. Gross Earnings surged by 14% from ₦133b (Yr. 17) to ₦151b (Yr.18). Total operating expenses grew by 26% in the year 2018. The same growth rate of 26% was equally maintained at Net Operating Income level. This led to Cost to Income ratio of 87% for the years 2018 and 2017.

Consequently, Profit before Tax was enhanced by 21% from ₦8b (Yr. 17) to ₦10b (Yr. 18). Therefore, all profitability indices of the Bank for the year 2018 recorded significant growths.

However, the profit was not strong enough to upturn the effect of the adoption of *IFRS 9 Standard* during the year. Consequently, Dividend was not declared.

### PROFITABILITY INDICES



Source: Sterling Bank Audited Accounts

## SUMMARY

- Rating: **BBB+**
- Report Type: Corporate Rating
- Client: Sterling Bank Plc
- Date Compiled: 18-Jun-19

## RISK FACTORS

In the course of our review of the bank's documents, we observed the following risk factors:

- **REGULATORY RISK**

Regulatory Risk is the risk that a Bank may cease to operate due to its inability to meet regulatory requirements of its primary regulator (*Central Bank of Nigeria*).

The major requirement for the Bank is to maintain a *Capital Adequacy Ratio (CAR)* of 10%.

Based on our review, *Sterling Bank Plc* maintained *CAR* of 13%

- **CONCENTRATION RISK**

Concentration Risk is the risk of loss to income as a result of significant exposure to an individual, connected entity or a particular sector.

Based on our review, *Sterling Bank Plc.* exposure to oil & gas as a proportion of its entire loan portfolio was 43% (Yr. 18).

We therefore consider that adverse changes in the oil & gas sector may have negative impact on the Bank's earnings.

However, the likely effect of this risk is expected to decline over time as the bank pursue its initiative of concentrating on *HEART* sectors.

- **LIQUIDITY RISK**

Liquidity risk is the risk arising from inability to meet obligations as they fall due.

In line with *CBN* requirement a bank is supposed to maintain a Statutory Liquidity ratio of 30% and Loan to deposits of 80%.

Based on our review, *Sterling Bank* achieved a Statutory Liquidity ratio of 42% but its loan to deposit ratio was 82% for the year ended 2018.

### SUMMARY

- Rating:  
**BBB+**

- Report Type:  
Corporate  
Rating

- Client:  
Sterling Bank  
Plc

- Date  
Compiled  
18-Jun-19

## GOVERNANCE, RISK AND COMPLIANCE

*Sterling Bank* continues to conduct its affairs through the use of relevant committees. These committees include: Board Credit Committee, Board Finance and General Purpose Committee, Board Risk Management Committee, Board Audit Management Committee and Board Governance and Remuneration Committee.

The activities of the committees are detailed in the annual reports. The bank also subjected its Board to appraisal during the year under review.

### SUMMARY

## FUTURE OUTLOOK

- Rating:  
**BBB+**

- Report Type:  
Corporate  
Rating

- Client:  
Sterling Bank  
Plc

- Date  
Compiled  
18-Jun-19

The bank intends to become a leading and extremely efficient Financial Institution. It hopes to continuously create appreciable and sustainable value and ensuring that its stakeholders benefit from the success of the Institution.

In particular, the bank intends to have a market share of 5% measured by deposit by 2021.

Our rating took into consideration the milestone achieved in the retail business segment, diversified revenue base and stable management of the Bank.

Consequently, we consider the Bank an *"Investment Grade"*.

## FINANCES

### Financial Position as at

	Dec, 2018 N'000	Δ%	Dec, 2017 N'000	Δ%	Dec, 2016 N'000
<b>ASSETS</b>					
Cash and balances with CBN	117,685	(4.03)	122,630	13.69	107,859
Due from other banks	43,435	(14.94)	51,066	63.21	31,289
Pledge assets	11,423	(92.13)	145,179	67.13	86,864
Derivative financial assets	-	-	-	(100.00)	8
Loans and advances to customers	621,017	3.84	598,073	27.73	468,250
Investment Securities	231,888	115.54	107,585	17.91	91,244
Investment in subsidiary	1	-	1	-	1
other assets	29,446	57.23	18,728	(13.60)	21,676
Property and Equipment	16,942	2.98	16,451	12.65	14,604
Intangible assets	1,850	(12.49)	2,114	3.78	2,037
Deferred tax asset	6,971	-	6,971	-	6,971
	<b>1,080,658</b>	<b>56</b>	<b>1,068,798</b>	<b>92</b>	<b>830,803</b>
Non-current assets held for sale	5,218	-	-	-	-
<b>TOTAL ASSETS</b>	<b>1,085,876</b>	<b>56</b>	<b>1,068,798</b>	<b>92</b>	<b>830,803</b>
<b>LIABILITES</b>					
Deposits from bank	-	(100.00)	11,048	(53.52)	23,769
Deposits from customers	760,608	11.06	684,834	17.12	584,734
Derivative financial liabs	-	-	-	(100.00)	8
Current income tax liabilities	405	74.57	232	(75.35)	941
Other borrowed funds	119,526	(43.84)	212,847	158.15	82,450
Debt securities issued	69,355	614.34	9,709	(18.93)	11,976
Other liabilities	37,678	(21.88)	48,234	17.79	40,950
Provision	295	-	295	-	295
	<b>987,867</b>	<b>534</b>	<b>967,199</b>	<b>(55)</b>	<b>745,123</b>
	<b>98,009</b>	<b>(478)</b>	<b>101,599</b>	<b>147</b>	<b>85,680</b>
<b>EQUITY</b>					
Share capital	14,395	-	14,395	-	14,395
Share premium	42,759	-	42,759	-	42,759
Retained earnings	(3,101)	(144.66)	6,944	11.19	6,245
Other components of equity	43,956	17.21	37,501	68.30	22,282
the bank	<u>98,009</u>	(3.53)	<u>101,599</u>	18.58	<u>85,681</u>
contingencies	<u>130,347</u>	(0.58)	<u>131,106</u>	17.84	<u>111,260</u>
<b>THE YEAR ENDED</b>					
Gross earnings	<u>151,247</u>	13.70	<u>133,022</u>	19.58	<u>111,238</u>
Profit before taxation	<u>9739</u>	21.15	<u>8,039</u>	33.56	<u>6,019</u>
Income tax	<u>(271)</u>	218.82	<u>(85)</u>	(89.84)	<u>(837)</u>
Profit after taxation	<u>9,468</u>	19.03	<u>7,954</u>	53.49	<u>5,182</u>

### SUMMARY

- Rating:  
**BBB<sup>+</sup>**
- Report Type:  
Corporate  
Rating
- Client:  
Sterling Bank  
Plc
- Date  
Compiled  
18-Jun-19

---

**Signed:**  
**Name:** Oladele Adeoye  
**Designation:** Chief Rating Officer  
**Date:** 31<sup>st</sup> May, 2018

For and on behalf of:  
**DataPro Limited**  
Ground Floor, Foresight House  
By Marina Water Front  
163/165 Broad Street, Lagos Island, Lagos.  
Tel: 234-1-4605395, 4605396  
Cell: 0805-530-3677  
Email: info@datapronigeria.net, datprong@gmail.com  
Website: www.datapronigeria.net

---

## SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate  
Rating
- **Client:**  
Sterling Bank  
Plc
- **Date  
Compiled**  
18-Jun-19

©

**DataPro 2018**  
All right reserved.

*This report is provided for your internal business use only and may not be reproduced or re-distributed in any manner whether mechanical or without the permission of DataPro.*

*Whilst DataPro attempts to ensure that the information provided is accurate and complete, however due to the immense quantity of detailed matter used in compiling the information and the fact that some of the data are supplied from sources not controlled by DataPro, we will not be responsible for any omission therefrom.*

## USER GUIDE

*DataPro's* credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA(f) through DD(f). Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

### SUMMARY

- **Rating:**  
**BBB<sup>+</sup>**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19

### LONG-TERM RATING

#### Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk	<i>(Superior)</i> Assigned to issuers which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have aExcellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to issuers which haveexcellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to issuers which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to issuers which have fair financial strength, operating performance and profile when compared to the standards

established by *DataPro Limited*. These funds, in our opinion, have an ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

#### Non-Investment Grade

Indicator	Meaning
BB	Moderate Risk

**Explanation**  
*(Marginal)* Assigned to issuers which have, marginal financial strength, operating performance and profile when compared to the standards established by *DataPro Limited*. These funds, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.

*(Weak)* Assigned to issuers which have, weak financial strength, operating performance and profile when compared to the standard established by *DataPro Limited*. These funds, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.

*(Poor)* Assigned to issuers, which have poor financial strength, operating performance and profile when compared to the standards established *DataPro Limited*. These funds, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

*(Very Poor)* Assigned to issuers, which have very poor financial strength, operating performance and profile when compared to the standards established by *DataPro Limited*. These funds, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

B	High Risk
---	-----------

CCC	Higher Risk
-----	-------------

DD	Highest Risk
----	--------------

## SUMMARY

- **Rating:**  
**BBB+**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19



**SHORT-TERM RATING**

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added "+" to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.
D		Indicates an entity that has defaulted on all its financial obligations.

**SUMMARY**

- **Rating:**  
**BBB+**
- **Report Type:**  
Corporate Rating
- **Client:**  
Sterling Bank Plc
- **Date Compiled**  
18-Jun-19