



Investors & Analysts Presentation

FY 2019

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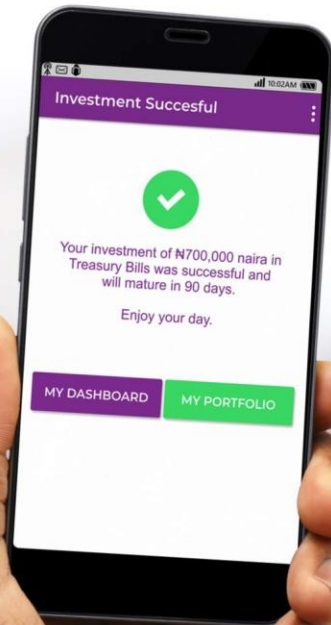
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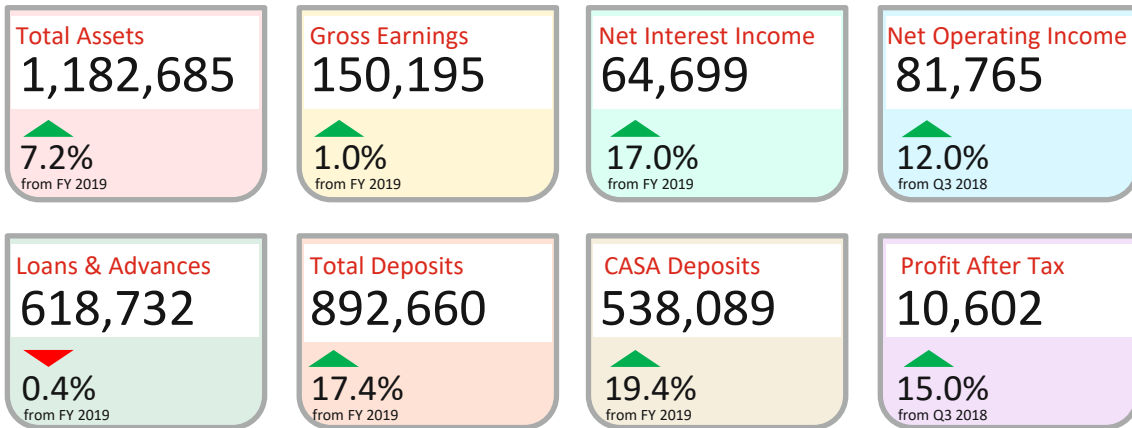
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Financial & Non-Financial Highlights

We delivered solid growth across key metrics during the year reflecting positive results of strategic decisions and investments in our focus areas.

Financials (N' millions)



Ratings

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

Channels

POS	ATM	USSD Users	Branches	Customers	Professional Staff
10,667	858	>1.1M	161	>3M	2,401

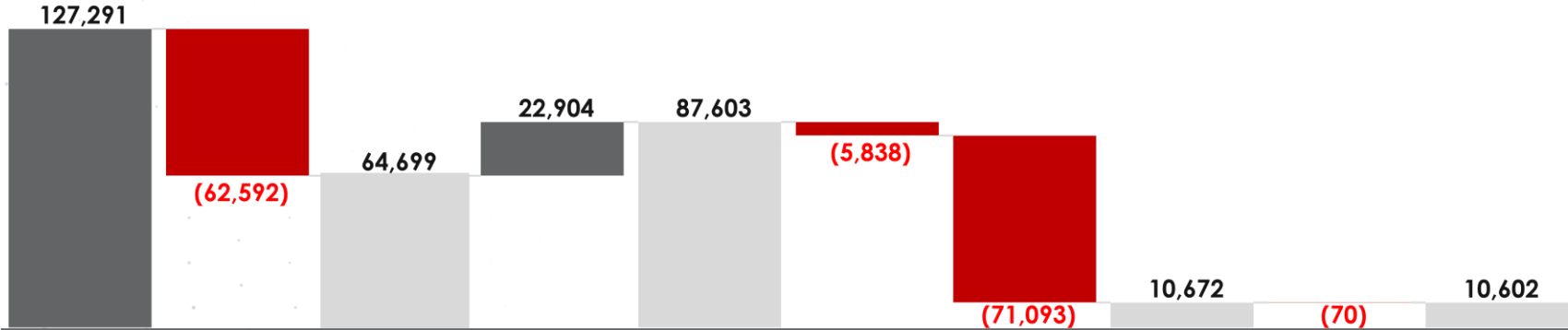


Performance snapshot (1/2)

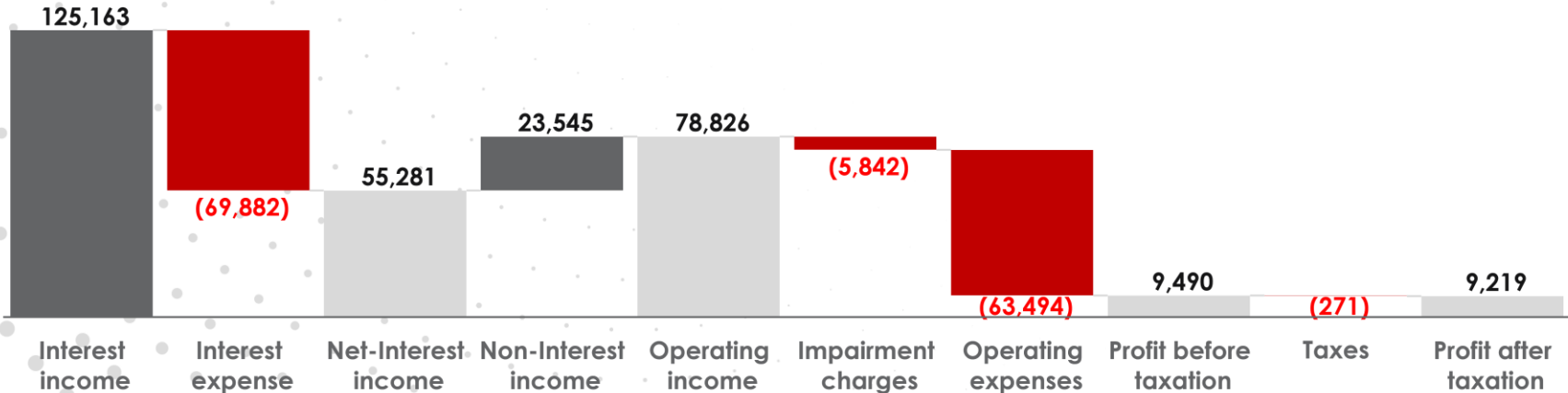
Despite a marginal growth in earnings, we delivered double digit growth in our bottom-line through a concerted effort in improving the quality of our funding base

FY 2019 N'mn

■ Increase ■ Decrease ■ Total



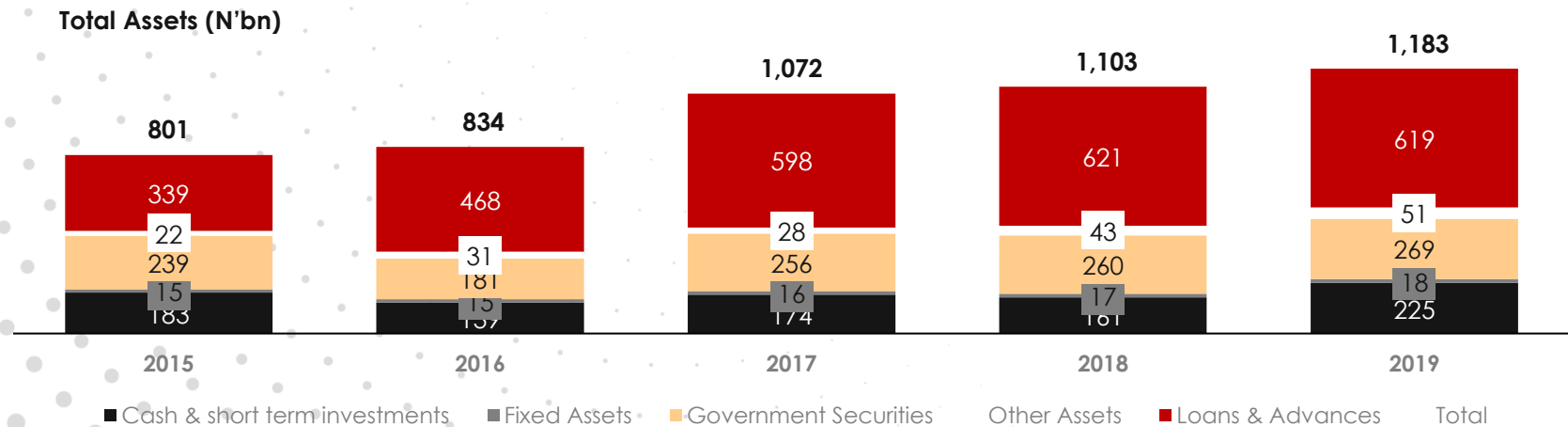
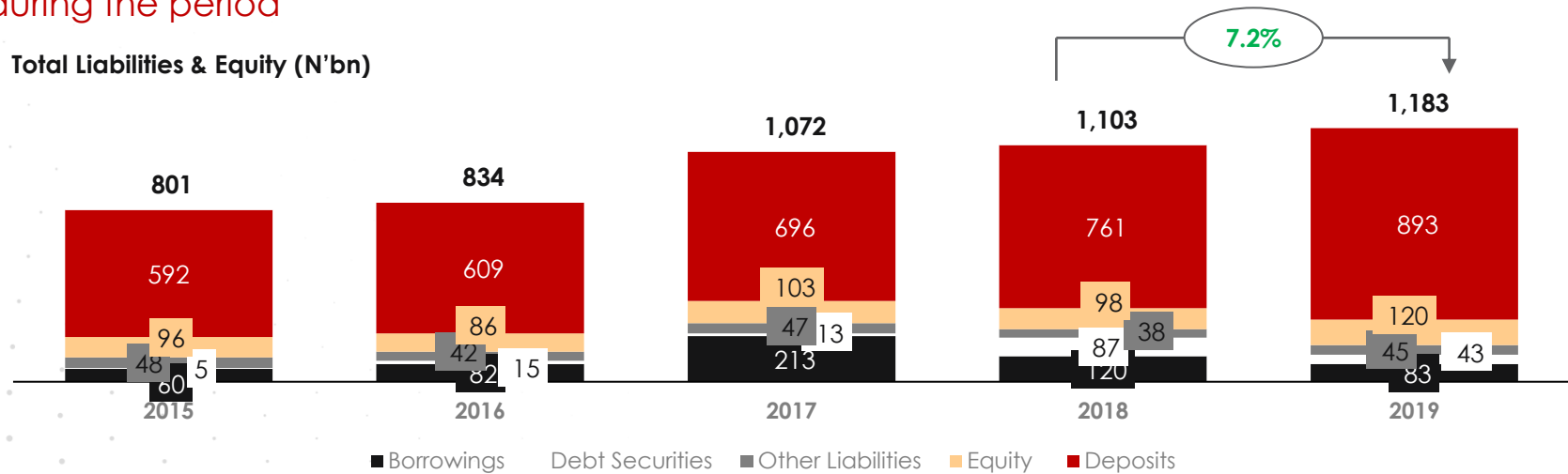
FY 2018 N'mn





Performance Snapshot (2/2)

A healthy growth in customer deposits, contributed majorly in strengthening our financial position during the period





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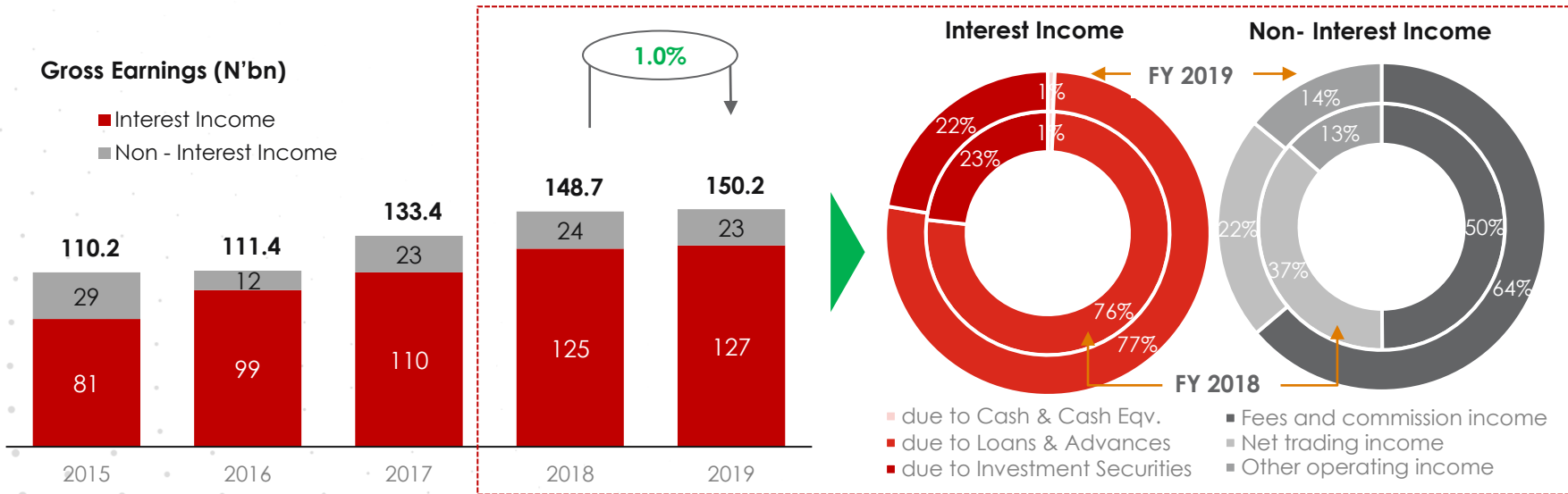


Revenue Evolution

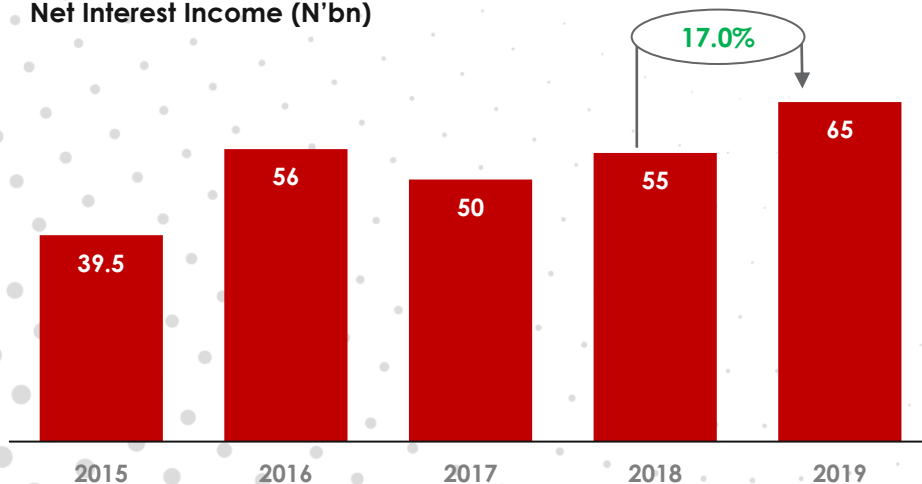
Our commitment to lower funding costs and ramp up transactional income continues to sustain top-line earnings, despite a slow growth in interest income and dip in trading activities

Gross Earnings (N'bn)

■ Interest Income
■ Non - Interest Income



Net Interest Income (N'bn)

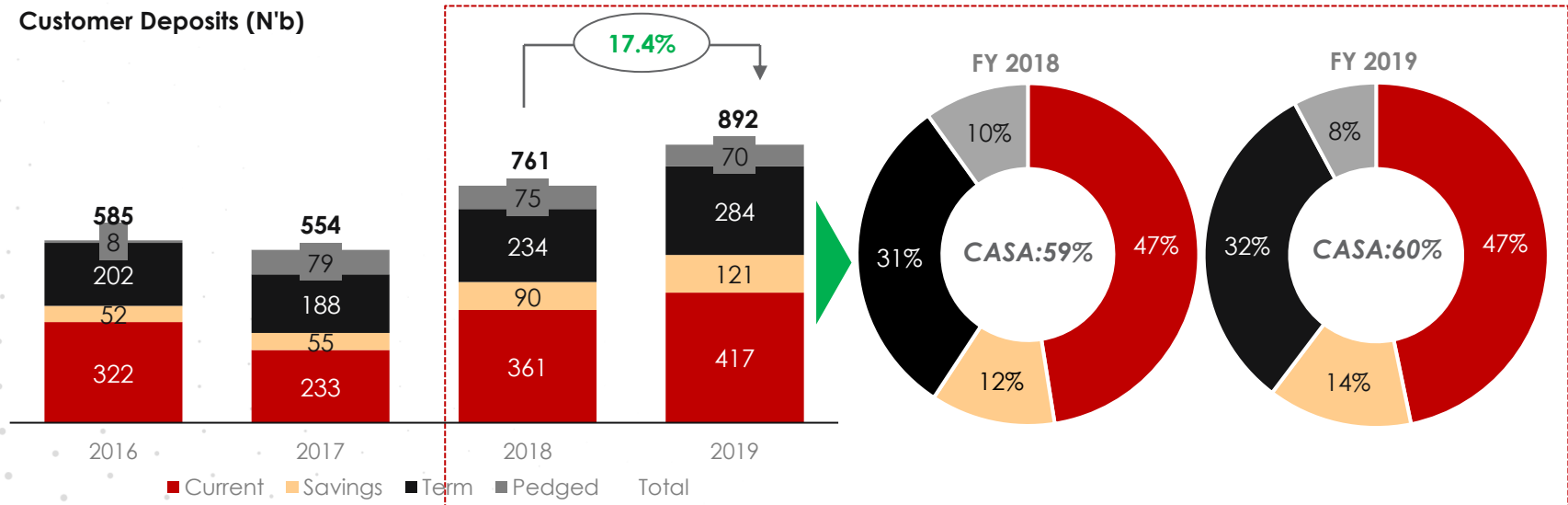


- Gross earnings grew marginally by 1.0% to N150.2 billion;
- A combination of a 1.7% growth in interest income; a 10.4% decline in interest expense; a 24.3% growth in fees & commission income; and a 41.3% decline in net trading income resulted in an 11.1% growth operating income;
- Contribution of Fees & Commission to the non-interest income grew to 64% from 50% as at 2018.

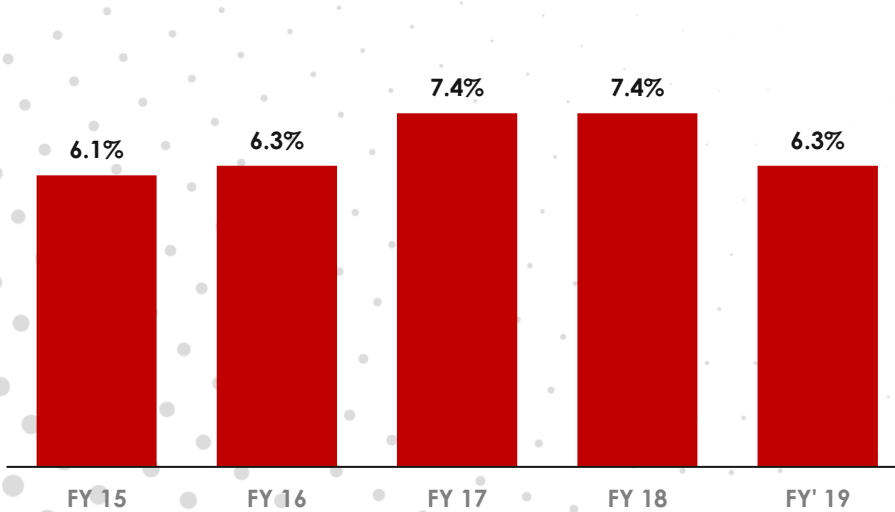
Funding & Liquidity (1/2)

Increased traction in the mobilization and retention of low-cost deposits contributed to a 10.4% decline in interest expense, as we continue to drive funding costs down

Customer Deposits (N'b)



Cost of Funds (%)

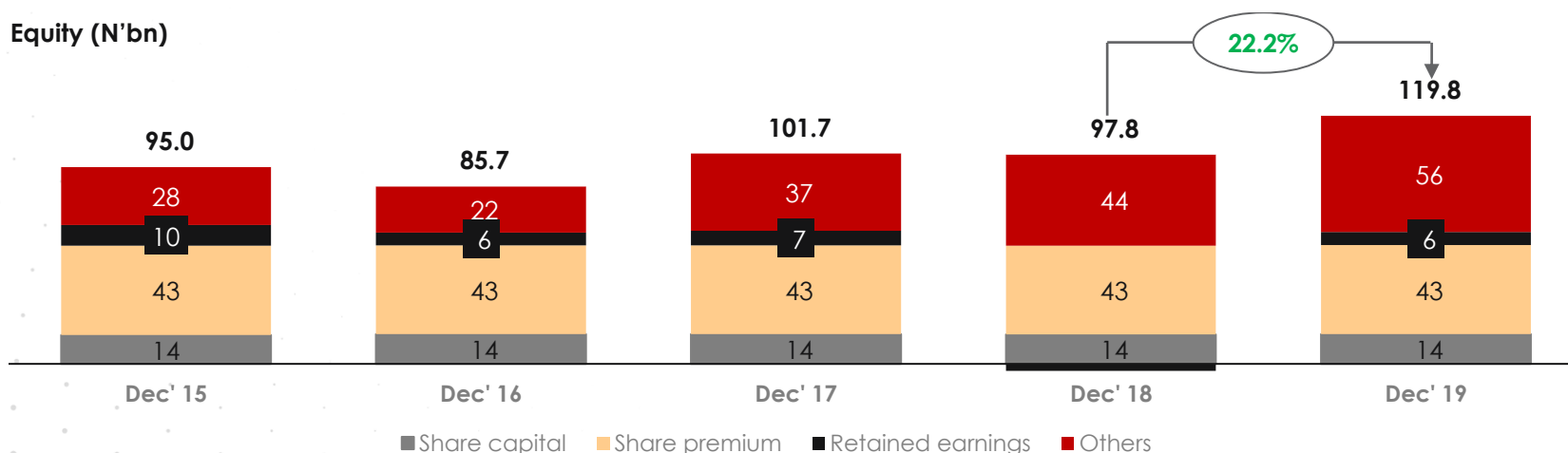


- We continued to improve the quality of our funding base, with current and savings (CASA) deposits growing by 19.4% contributing to the growth in customer deposits to reach N892.7bn. While term deposits grew by 21.2%, we recorded a 60% CASA mix at the end of the year;
- Consequently, cost of funds declined by 130 bps to 6.3% as net interest margin improved to 7.9% (6.6% FY 2018);
- The bank maintained a healthy liquidity position at 39.5% well above minimum regulatory requirement

Funding & Liquidity (2/2)

Overall, we recorded an improved equity position and an increase in CAR in 2019

Equity (N'bn)



Items (N'mn)	Dec. 2019	Dec. 2018	% Growth
Tier 1 capital*	82,494	71,317	15.67%
Tier 2 capital**	27,498	23,772	15.67%
Total regulatory capital	109,992	95,089	15.67%
Risk-weighted assets	748,119	712,274	5.03%
Tier 1 ratio	11.03%	10.01%	1.02%
Tier 2 ratio	3.68%	3.34%	0.3%
Capital adequacy ratio	14.70%	13.35%	1.35%

- Incremental contribution to retained earnings (year-to-date) has supported growth in shareholders funds by 22.2% to N119.8 billion (FY 2018: N97.8 billion);
- Our improved equity position was also driven by the 3.5x growth in Comprehensive Income as a result of gains recorded from investments in debt securities;
- Overall, the Bank's capital adequacy grew to 14.70%

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 recorded significant growth in our consumer loans portfolio and a wind down of our Oil & Gas portfolio in line with our strategic targets . . .

Gross Loans & Advances by Sector	Dec-2019		Dec-2018		Growth
	Sectors	N'm	% of Total	N'm	% of Total
Agriculture	50,477	8.0%	55,073	8.6%	(8.3%)
Communication	15,505	2.5%	16,653	2.6%	(6.9%)
Consumer	45,932	7.3%	11,914	1.9%	285.5%
Education	783	0.1%	646	0.1%	21.2%
Finance and insurance	28,922	4.6%	32,096	5.0%	-9.9%
Government	68,078	10.8%	42,260	11.6%	61.1%
Manufacturing	5,754	0.9%	4,078	0.6%	41.1%
Mortgage	4,407	0.7%	5,857	0.9%	(24.8%)
Oil & Gas – downstream	58,998	9.3%	53,152	8.3%	11.0%
Oil & Gas – upstream	80,081	12.7%	120,962	18.9%	(33.8%)
Oil & Gas – Services	76,336	12.1%	100,019	15.6%	(23.7%)
Others	42,349	6.7%	57,140	8.9%	(25.9%)
Power	23,875	3.8%	16,638	2.6%	43.5%
Real Estate & Construction	70,383	11.1%	56,531	8.8%	24.5%
Transportation	37,777	6.0%	32,226	5.0%	17.2%
Non-interest banking	25,038	4.0%	35,168	5.5%	(28.8%)
TOTAL	631,698	100.0%	640,412	100.0%	(1.4%)



Loans and Advances by Currency

... with our FCY loan book accounting for under a third of the Bank's total loan book, contracting by 27% year-on-year

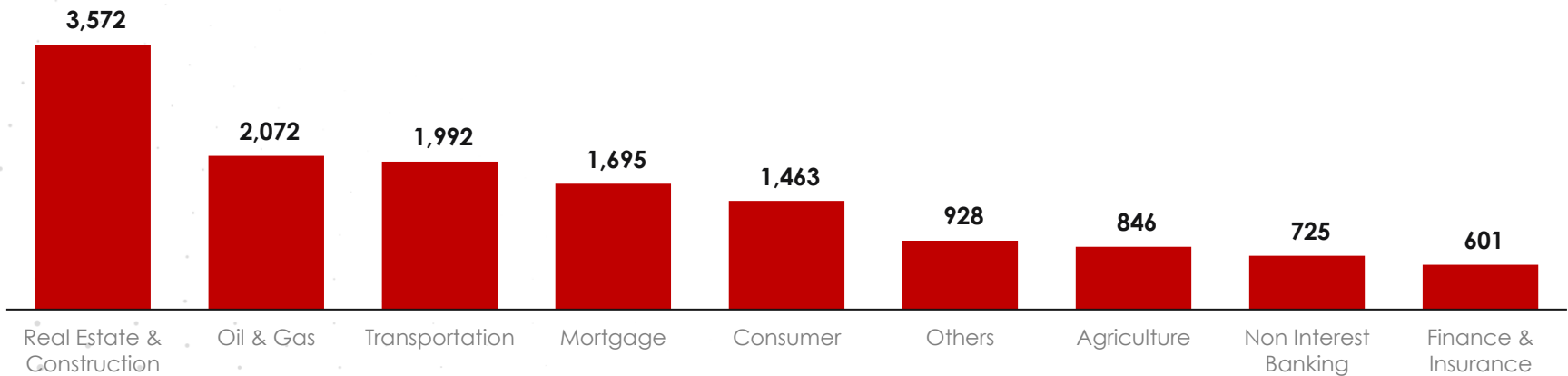
Gross Loans & Advances by Currency					
Sectors	FCY		LCY		
	N'm	% of Total	N'm	Total	FCY % of Total
Agriculture	-	-	50,477	50,477	-
Communication	-	-	15,505	15,505	-
Consumer	96	0.1%	42,835	42,932	0.2%
Education	-	-	783	783	-
Finance and insurance	-	-	28,922	28,922	-
Government	-	-	68,078	68,078	-
Manufacturing	-	-	5,754	5,754	-
Mortgage	338	0.2%	4,069	4,407	7.7%
Oil & Gas – downstream	673	0.4%	58,325	58,998	1.1%
Oil & Gas – upstream	65,890	46.5%	14,191	80,081	82.3%
Oil & Gas – Services	33,669	23.3%	42,666	76,336	44.1%
Others	-	-	42,349	42,349	0.0%
Power	-	-	23,875	23,875	0.0%
Real estate & construction	12,515	8.7%	57,868	70,383	17.8%
Transportation	21,917	15.2%	15,860	37,777	58.0%
Non-interest banking	9,549	6.6%	15,489	25,038	38.1%
TOTAL	144,648	100.0%	487,051	631,698	22.9%



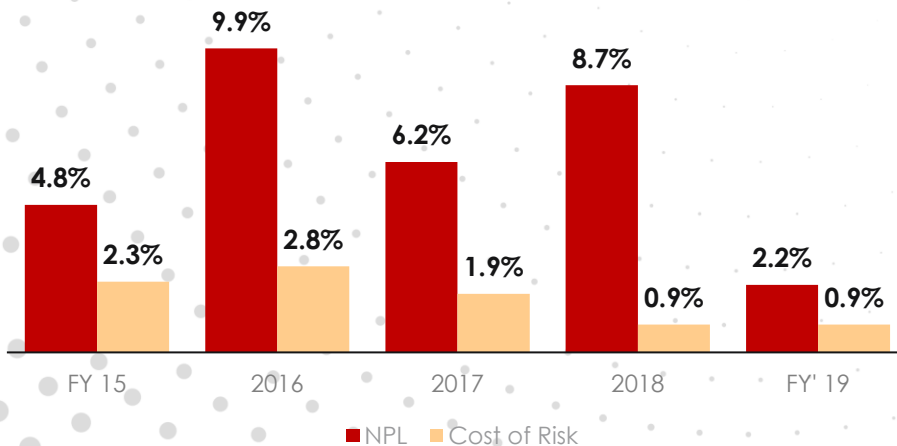
Asset Quality

We recorded significant improvement in our non-performing loans (NPLs) during the period under review

NPL by Sector (N'm)



NPL & Cost of Risk (%)



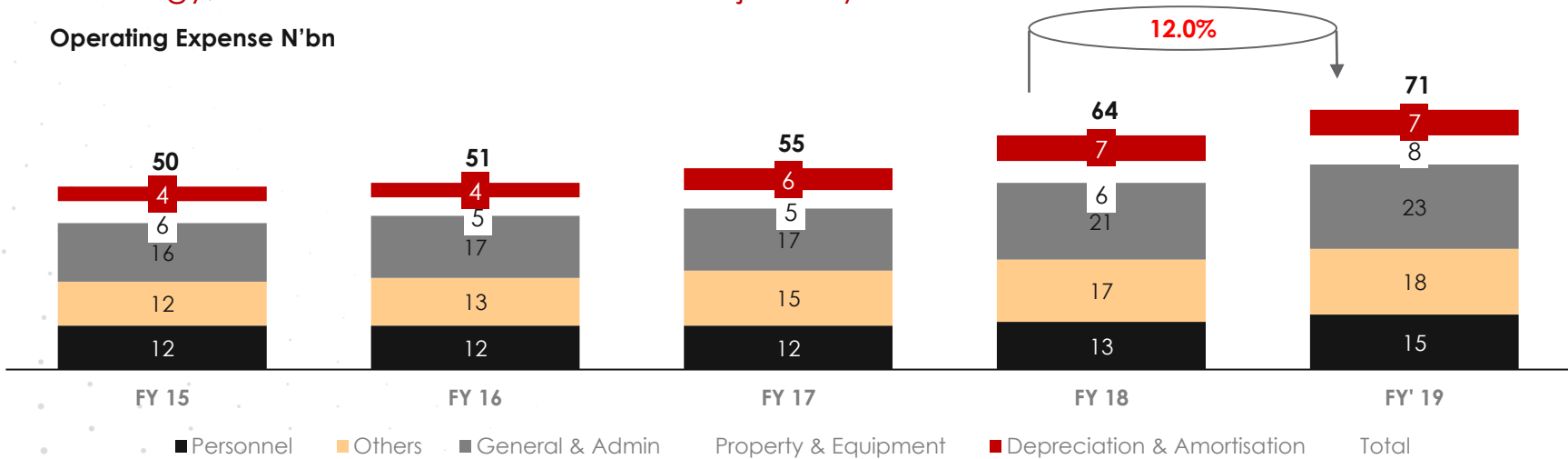
- Cost of risk stayed steady at 0.9% while NPL ratio also reduced by 650 bps to 2.2% on the back of improved performance in some previously classified loans;
- NPL balance stood at N13.9bn as at FY 2019 (FY 2018: N55.5bn) with a much-improved coverage ratio of 247.0% as at December 2019;



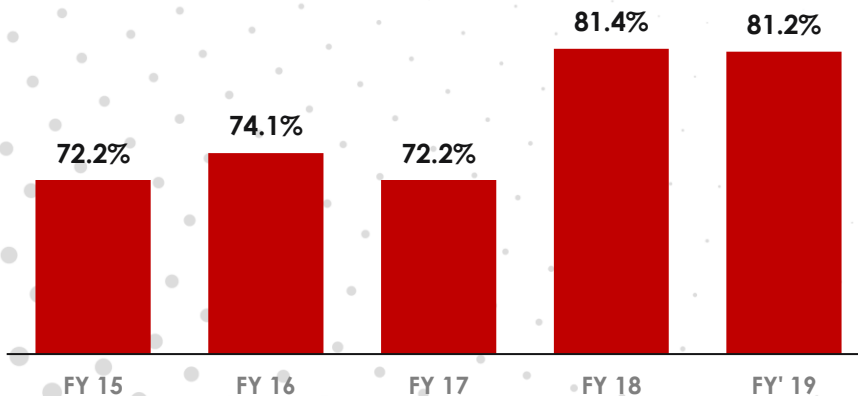
Operating Efficiency

Growth in expenses was driven primarily by increased investments in human capital and technology, reflective of our transformation journey

Operating Expense N'bn



Cost-to-Income (%)



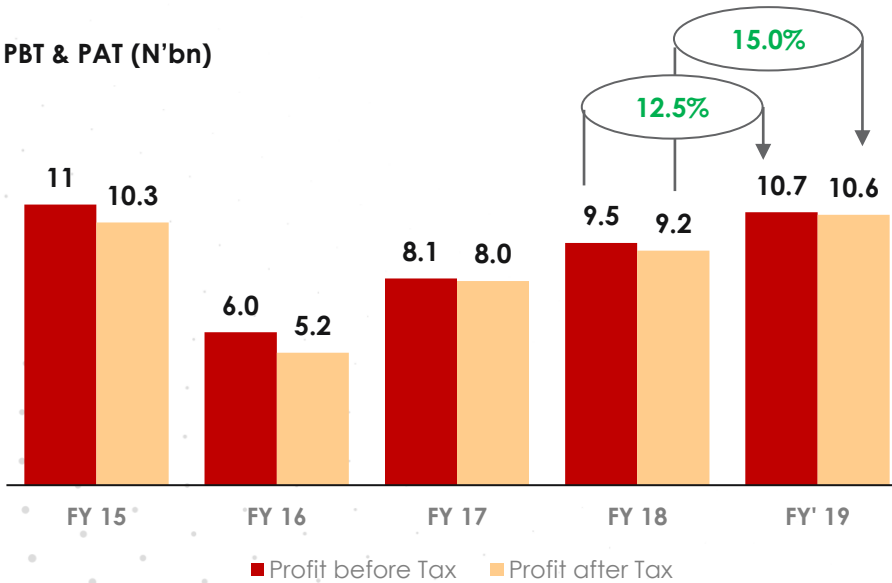
- Personnel costs grew by 13% on the back of an increase in employee benefits and cost of new hires, while ongoing remodeling of our Head Office contributed to an increase in depreciation and amortization expense by 37.9%;
- Overall, operating expenses grew by 12.0% to 71.0bn (FY 2018: N63.4bn), with general and administrative expenses remaining the single largest contributor;
- Consequently, cost to income ratio (CIR) declined marginally to 81.2% as FY:2018

Profitability

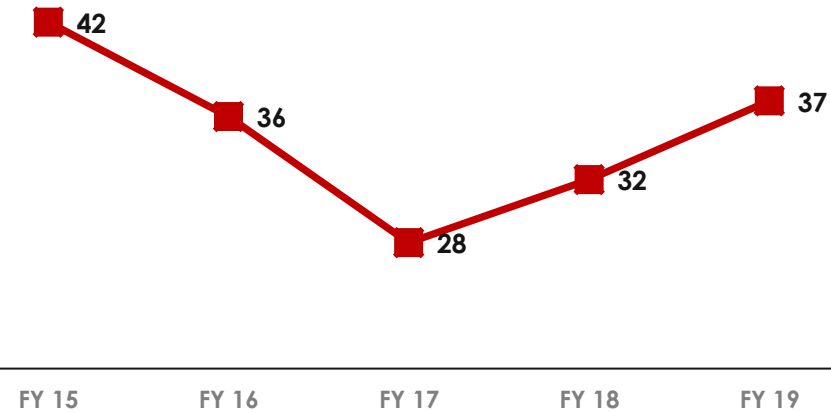


Overall, the Bank recorded a doubled digit growth of 15% in profit after tax to N10.6 billion

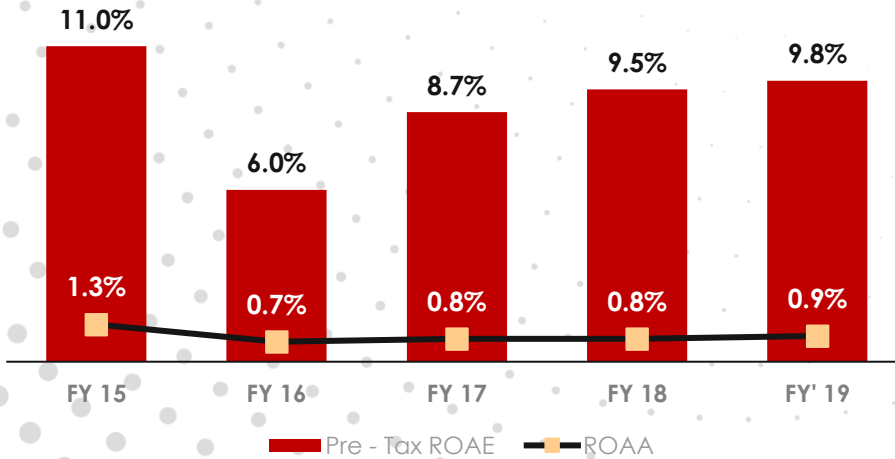
PBT & PAT (N'bn)



Earnings Per Share (K)



Pre tax ROAE & ROAA (%)



- Profit before and after tax grew by 12.5% and 15.0% to N10.7 billion and N10.6 billion, respectively, compared with N9.5 billion and N9.2 billion in the same period in 2018;
- Annualized Pre-tax Return on Average Equity (ROAE) also grew to 9.8% (FY 2018: 9.5%) while recording a 15.0% increase in earnings per share to 37K (FY 2018: 32k)



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2019 Score Card



On Track ■
 Not on Track ■

2019 Target

2019 Actual

Deposit growth	>15%	17.4%
Net loans growth	<10%	-0.4%
Pre-tax Return on average Equity (ROAE)	>15%	9.8%
Cost-to-income	<75%	81.2%
NPL ratio	<5%	2.2%
Cost of funds	<5%	6.4%
HEART Sector Contribution	>20%	12.8%



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1. Performance Snapshot
(Q1 2019)

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(Q1 2019)

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Key Performance Ratios

Indicator	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net Interest Margin	7.7%	9.3%	6.9%	6.6%	7.7%
Cost to Income	72.2%	74.1%	72.1%	81.4%	81.2%
Earnings per Share	36k	18k	30k	32k	37k
Liquidity Ratio	31.5%	35.5%	35.3%	42.2%	39.5%
Cost of Risk	2.2%	2.8%	1.9%	1.0%	0.9%
Cost of Funds	6.1%	6.3%	7.4%	7.4%	6.3%
Yield on Earning Assets	13.8%	15.5%	14.3%	14.0%	14.2%
Return on Average Assets (Annualized)	1.4%	0.7%	0.9%	0.8%	0.9%
Post-Tax Return on Average Equity (Annualized)	11.4%	5.7%	9.0%	9.2%	9.8%
Pre-Tax Return on Average Equity (Annualized)	12.2%	6.6%	9.1%	9.5%	9.8%
NPL Ratio	4.8%	9.9%	6.2%	8.7%	2.2%
Coverage Ratio	65.0%	69.0%	70.2%	75.0%	247.0%
Capital Adequacy Ratio	17.5%	11.2%	12.2%	13.3%	14.7%
Loans to Deposit Ratio	57.3%	80.1%	87.0%	71.0%	65.5%



Highlights of Income Statement

<i>In millions of Naira</i>	FY 2019		FY 2018		Growth
	N'M	% of Total	N'M	% of Total	%
Gross earnings	150,195	100.0%	148,708	100.0%	1.0%
Interest income	127,291	84.8%	125,163	84.2%	1.7%
Interest expense	(62,592)	41.7%	(69,882)	47.0%	(10.4%)
Net interest income	64,699	43.1%	55,281	37.2%	17.0%
Fees & commission income	14,613	9.7%	11,755	7.9%	24.3%
Net trading income	5,058	3.4%	8,618	5.8%	(41.3%)
Other operating income	3,233	2.2%	3,172	2.1%	1.9%
Non-interest income	22,904	15.2%	23,545	15.8%	(2.7%)
Operating income	87,603	58.3%	78,826	53.0%	11.1%
Impairment charges	(5,838)	3.9%	(5,843)	3.9%	(0.1%)
Net operating income	81,765	54.4%	72,983	49.1%	12.0%
Personnel expenses	(14,912)	9.9%	(13,194)	8.9%	13.0%
Other operating expenses	(18,075)	12.0%	(16,715)	11.2%	8.1%
General and administrative expenses	(22,898)	15.2%	(20,827)	14.0%	9.9%
Other property, plant and equipment costs	(7,307)	4.9%	(7,028)	4.7%	4.0%
Depreciation and amortisation	(7,901)	5.3%	(5,730)	3.9%	37.9%
Total expenses	(71,093)	47.3%	(63,494)	42.7%	12.0%
Profit before income tax	10,672	7.1%	9,489	6.4%	12.5%
Income tax expense	(70)	0.5%	(271)	0.2%	(74.2%)
Profit after income tax	10,602	7.1%	9,218	6.2%	15.0%

Highlights of Financial Position



Items	December 2019		December 2018		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash & balances with CBN	156,059	13.2%	117,685	10.7%	32.6%
Due from banks	69,361	5.9%	43,542	3.9%	59.3%
Pledged financial assets	11,831	1.0%	11,423	1.0%	3.6%
Loans and advances	618,732	52.3%	621,017	56.3%	-0.4%
Investment securities	257,003	21.7%	248,827	22.6%	3.3%
Other assets	28,581	2.4%	29,446	2.7%	-2.9%
Property, plant and equipment	18,476	1.6%	16,942	1.5%	9.1%
Right-of-use asset	8,896	0.8%	-	-	-
Investment property	4,141	0.4%	-	-	-
Intangible assets	1,933	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	701	0.1%	5,218	0.5%	-86.6%
Total Assets	1,182,685	100.0%	1,102,921	100.0%	7.2%
LIABILITIES					
Deposits from customers	892,660	75.5%	760,608	69.0%	17.4%
Current income tax payable	201	0.0%	405	0.0%	-50.4%
Other borrowed funds	82,702	7.0%	119,526	10.8%	-30.8%
Debt securities issued	42,655	3.6%	86,609	7.9%	-50.7%
Other liabilities	44,742	3.8%	37,678	3.4%	18.7%
Provisions	167	0.0%	295	0.0%	-43.4%
Total Liabilities	1,063,127	89.9%	1,005,121	91.1%	5.8%
Total Equity	119,558	10.1%	97,800	8.9%	22.2%
Total Liabilities and Equity	1,182,685	100.0%	1,102,921	100.0%	7.2%

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