



Investors & Analysts Presentation

9M 2020

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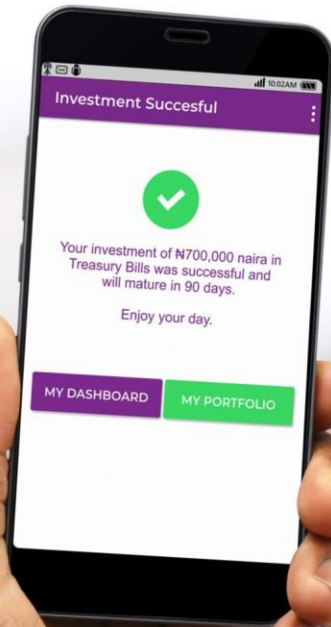
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(9M 2020)

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Strategic Objectives

In line with our business model we continue to leverage on industry knowledge, advanced technology & ethical financing to empower our stakeholders



Strengthened Balance Sheet

- ✓ Maintained a resilient balance sheet with adequate liquidity and capital buffers while improving the quality of our funding base.



Strategic Partnerships

- ✓ Forging strategic relationships and using finance and technology to build capacity and scale businesses across The HEART sectors (Health, Education, Agriculture, Renewable Energy and Transportation).



Workforce Empowerment

- ✓ In line with our commitment to create a great place to work and institute a knowledge-based culture, we have fully adopted flexible working arrangements enabled by our investments in remote working digital platforms.



Differentiated Digital Platforms

- ✓ Our digital platforms (i.e. lending, payments, investments and commerce) have allowed all customers self-serve both online and offline.



Strategic Objectives

In line with our business model we continue to leverage on industry knowledge, advanced technology & ethical financing to empower our stakeholders

Business stability

Market share gains

through Digital Capabilities

Capital,
Liabilities and
Liquidity Buffers

Cost
Optimization

Stronger
governance and
underwriting
frameworks

Stable liability
mix and lower
cost of funds:
CASA Ratio
>60%

Continued
focus on
growing our
Retail/ MSE
business

Accelerate
strategic
partnerships
across the
HEART
sectors

Corporate flows
and Cross sell
through
Transaction
banking

Continued
investment in our
people and
encouraging a great
place to work

**Predictable and Sustainable
Earnings
Return value to shareholders**

Solidify the foundation & calibrate growth (Immediate)

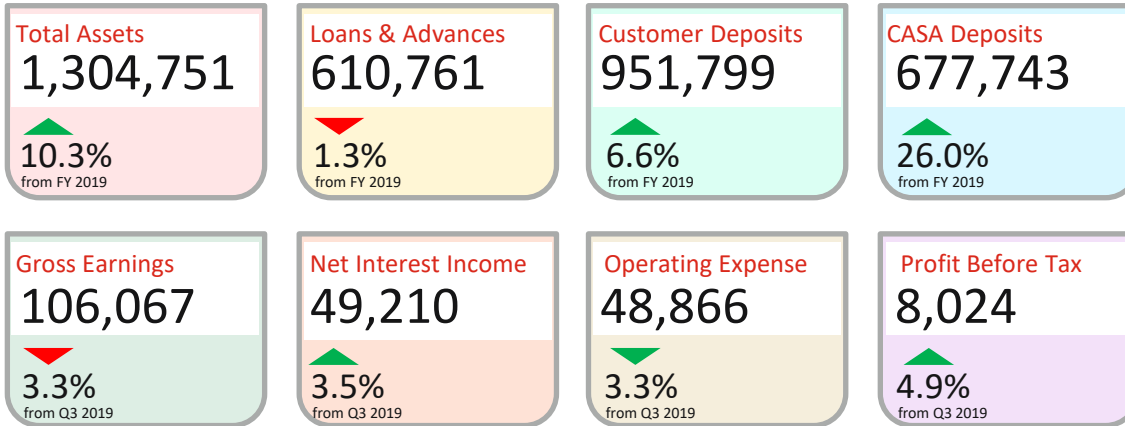
Short - Medium Term Objectives



Financial & Non-Financial Highlights

We continued to strengthen our financial position through effective funding optimization and our drive for efficiency during the period under review

Financials (N' millions)



Ratings

MOODY'S	FitchRatings
B2	B-
GCR GLOBAL CREDIT RATING CO	DataPro Data Analytics Company
BBB	BBB+

Key Ratios

NPL 2.9% ▲	Cost of Risk 2.1% ▲
LDR 64.2% ▼	Coverage Ratio 232.0% ▼
Liquidity 32.5% ▼	CAR 16.1% ▲
Cost of Funds 5.1% ▼	

Channels

POS 10,667	ATM 858	USSD Users >1.1M	Branches 160	Customers >3M	Professional Staff 2,401
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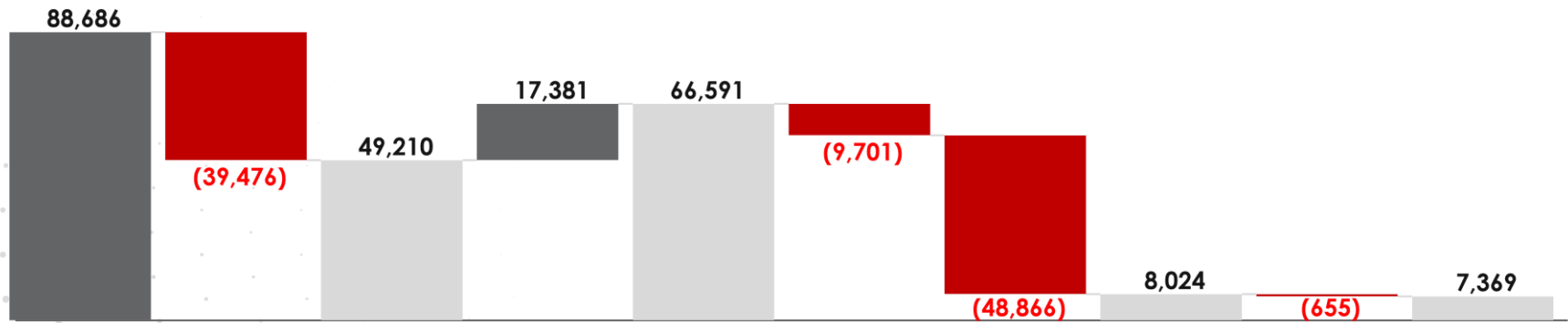


Performance Snapshot (1/2)

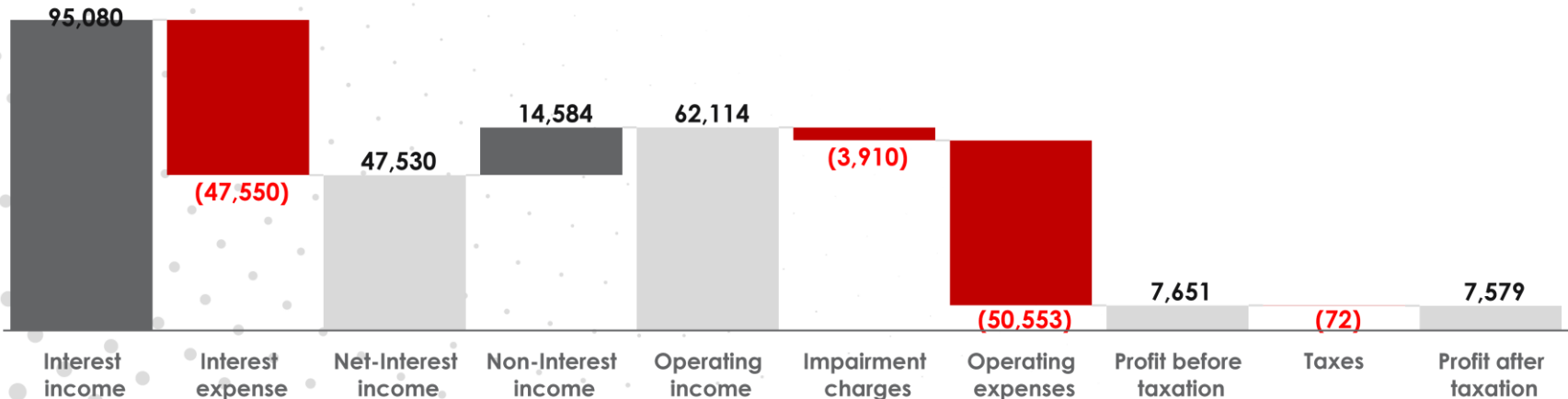
Top-line earnings hindered by a decline in interest income, in spite of a 17.0% drop in interest expense

Q3 2020 N'million

■ Increase ■ Decrease ■ Total



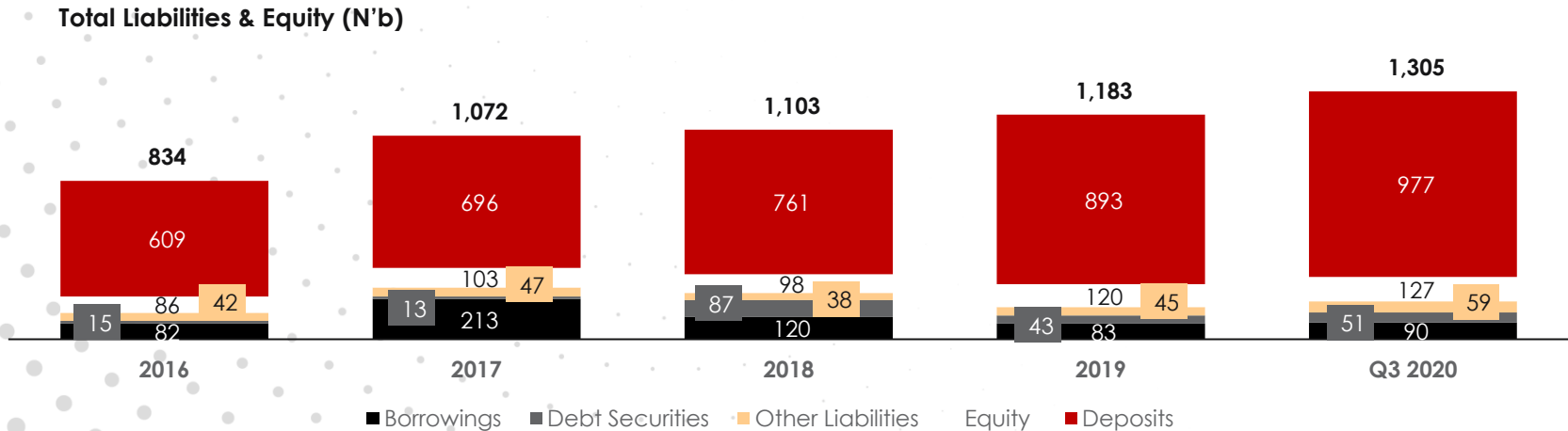
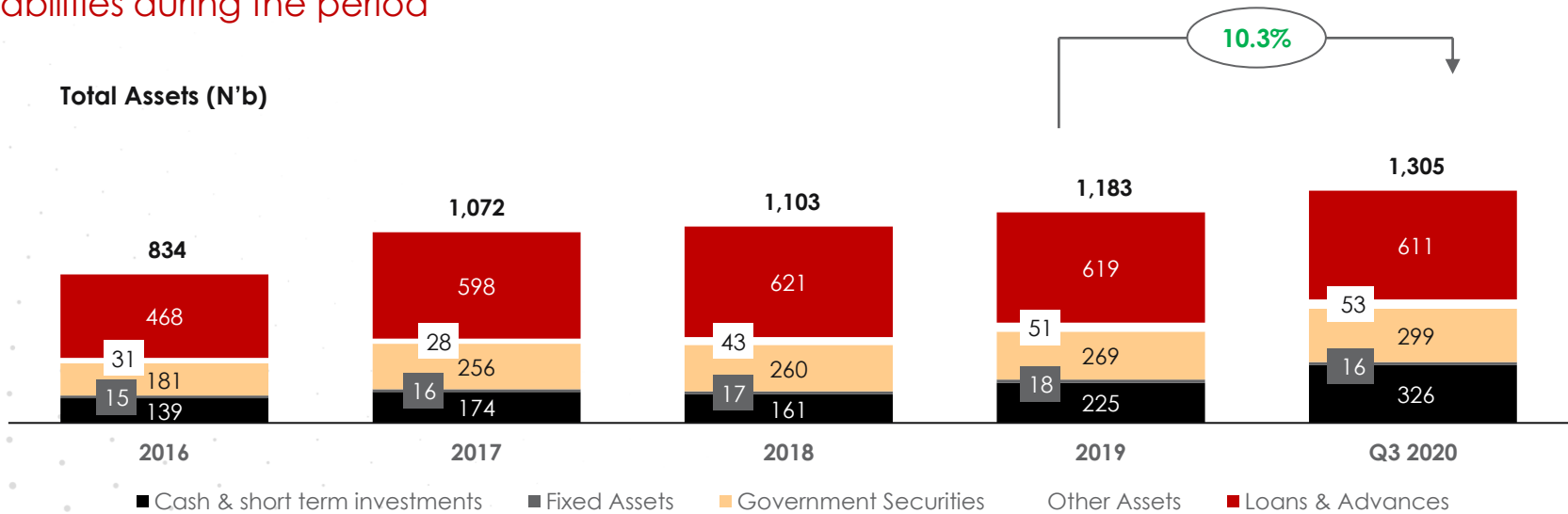
Q3 2019 N'million





Performance Snapshot (2/2)

Rise in customer deposits and other financial liabilities continue to drive growth in total assets and liabilities during the period





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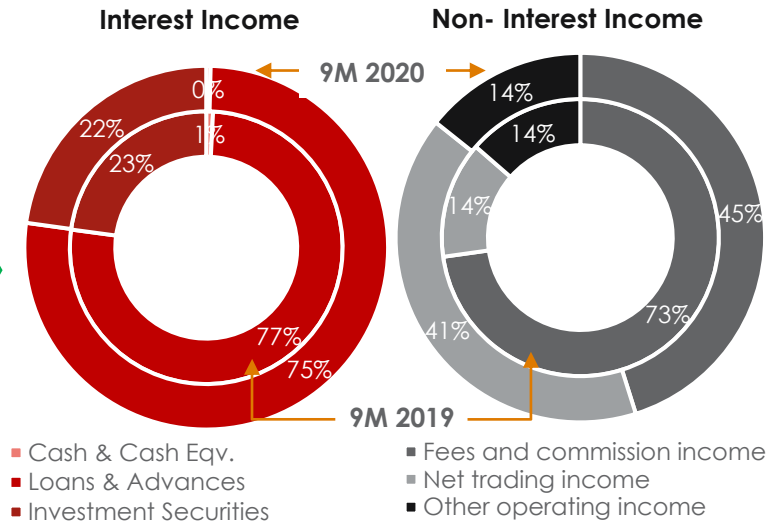
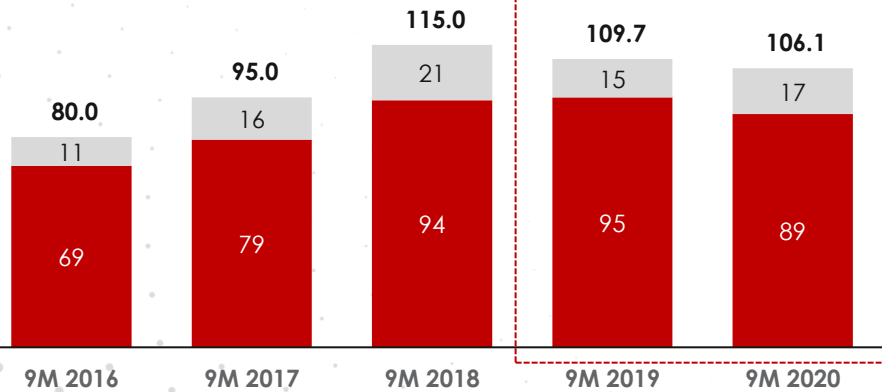


Revenue Evolution

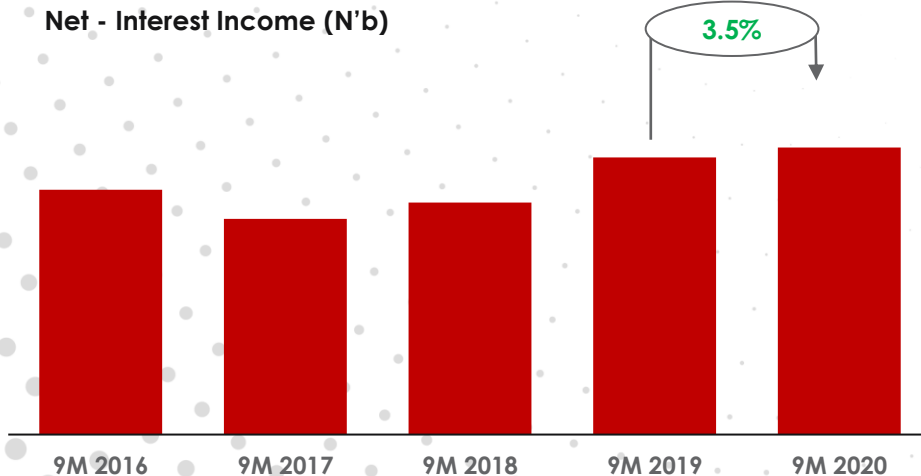
We sustained growth in net-interest income despite a decline in interest income, driven by lower funding costs as we continue to ramp up our retail deposits

Gross Earnings (N'b)

- Interest Income
- Non - Interest Income



Net - Interest Income (N'b)

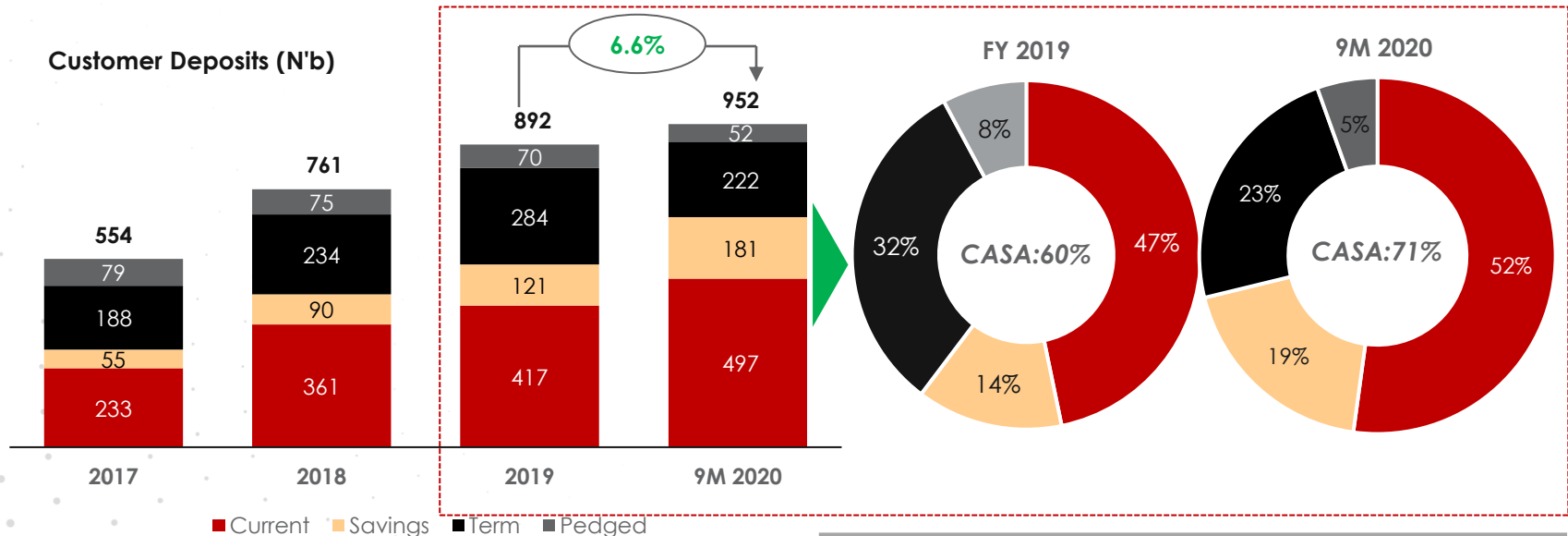


- Revenue drop driven by a 6.7% decline in interest income, while non-interest income grew by 19.2%;
- Growth in non-interest income hindered by a decline in Fees & Commission income following the downward review of electronic banking fees by the CBN and slower loan origination due to the protracted lock down;
- However this was offset by a 264.7% growth in net trading income;
- Consequently we recorded a 7.2% growth in operating income.

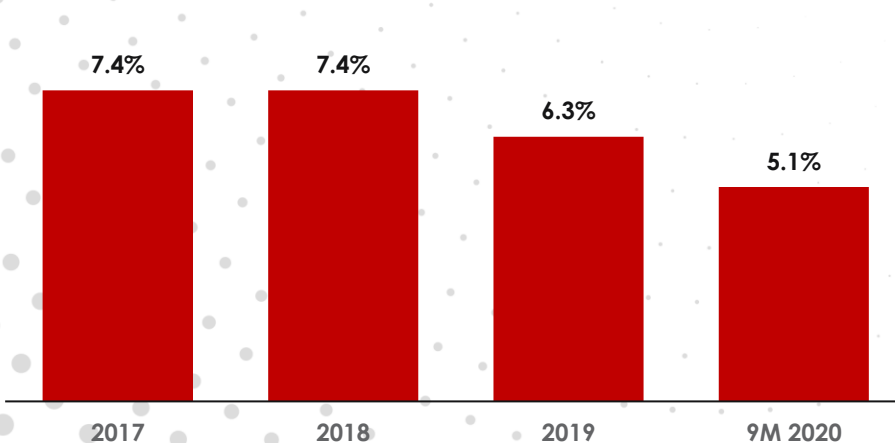


Funding & Liquidity (1/2)

Increased traction in the mobilization and retention of low-cost deposits contributed to a 17.0% decline in interest expense, as we continue to drive funding costs down



Cost of Funds (%)



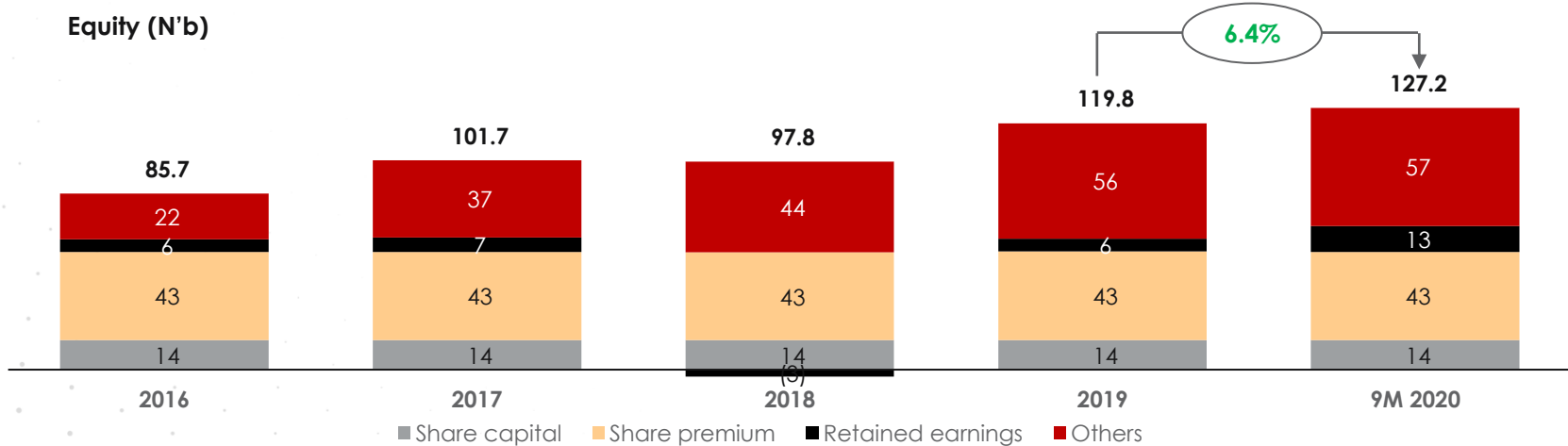
- We continued to improve the quality of our funding base, with current and savings (CASA) deposits growing by 26.0% contributing to the growth in customer deposits to reach N951.8bn while we recorded an improved CASA mix of 71% during the period;
- Consequently, cost of funds declined further by 120 bps to 5.1% from the start of the year as net interest margin improved to 8.0%;
- The bank continued to maintain a healthy liquidity position at 32.5% above minimum regulatory requirement.



Funding & Liquidity (2/2)

Overall, we maintained a healthy capital position well above regulatory limits

Equity (N'b)



Items (N'mn)	Sept. 2020	Dec. 2019	% Growth
Tier 1 capital*	89,500	82,494	8.49%
Tier 2 capital**	29,833	27,498	8.49%
Total regulatory capital	119,333	109,992	8.49%
Risk-weighted assets	740,812	748,119	(0.98%)
Tier 1 ratio	12.08%	11.03%	1.05%
Tier 2 ratio	4.03%	3.68%	0.35%
Capital adequacy ratio	16.11%	14.70%	1.41%

- Shareholders funds grew by 6.4% to N127.2 billion (FY 2019: N119.6 billion) driven by growth in retained earnings;
- Overall, the Bank's capital adequacy ratio improved to 16.11% as at September 2020.

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

Consumer loans portfolio moderated downwards as we took a cautionary approach to lending considering the impact of COVID-19. Our Oil and Gas exposure also declined further by 8.0%

Gross Loans & Advances by Sector	Sept-2020		Dec-2019		Growth
	Sectors	N'm	% of Total	N'm	
Agriculture	54,763	8.7%	50,477	8.0%	8.5%
Communication	16,493	2.6%	15,505	2.5%	6.4%
Consumer	35,031	5.5%	45,932	7.3%	(23.7%)
Education	748	0.1%	783	0.1%	(4.5%)
Finance and insurance	26,991	4.3%	28,922	4.6%	(6.7%)
Government	78,332	12.4%	68,078	10.8%	15.1%
Manufacturing	6,674	1.1%	5,754	0.9%	16.0%
Mortgage	3,746	0.6%	4,407	0.7%	(15.0%)
Oil & Gas – downstream	43,378	6.9%	58,998	9.3%	(26.5%)
Oil & Gas – upstream	81,284	12.9%	80,081	12.7%	1.5%
Oil & Gas – Services	73,499	11.6%	76,336	12.1%	(3.7%)
Others	33,546	5.3%	42,349	6.7%	(20.8%)
Power	26,478	4.2%	23,875	3.8%	10.9%
Real Estate & Construction	83,353	13.2%	70,383	11.1%	18.4%
Transportation	45,645	7.2%	37,777	6.0%	20.8%
Non-interest banking	22,365	3.5%	25,038	4.0%	(10.7%)
TOTAL	632,326	100.0%	631,698	100.0%	0.1%



Loans and Advances by Currency – 9M 2020

While we continue to effectively manage our FCY loan book, which contracted by 24% year-on-year to N149.5 billion from N195.7 billion in the same period in the preceding year

Gross Loans & Advances by Currency					
Sectors	N'm	FCY		LCY	
		% of Total	N'm	Total	FCY % of Total
Agriculture	-	-	54,763	54,763	-
Communication	-	-	16,493	16,493	-
Consumer	23.9	0.0%	35,007	35,031	0.1%
Education	-	-	748	748	-
Finance and insurance	-	-	26,991	26,991	-
Government	-	-	78,332	78,332	-
Manufacturing	-	-	6,674	6,674	-
Mortgage	-	-	3,746	3,746	-
Oil & Gas – downstream	531	0.4%	42,847	43,378	1.2%
Oil & Gas – upstream	67,136	44.9%	14,147	81,284	474.6%
Oil & Gas – Services	34,026	22.8%	39,474	73,499	86.2%
Others	1	0.0%	33,545	33,546	0.0%
Power	-	-	26,478	26,478	-
Real estate & construction	13,916	9.3%	69,437	83,353	20.0%
Transportation	22,992	15.4%	22,653	45,645	101.5%
Non-interest banking	10,904	7.3%	11,460	22,365	95.1%
TOTAL	149,531	100.0%	482,795	632,326	31.0%



Loans and Advances by Currency – 9M 2019

While we continue to effectively manage our FCY loan book, which contracted by 24% year-on-year to N149.5 billion from N195.7 billion in the same period in the preceding year

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%
TOTAL	195,668	100.0%	461,055	656,733	29.8%

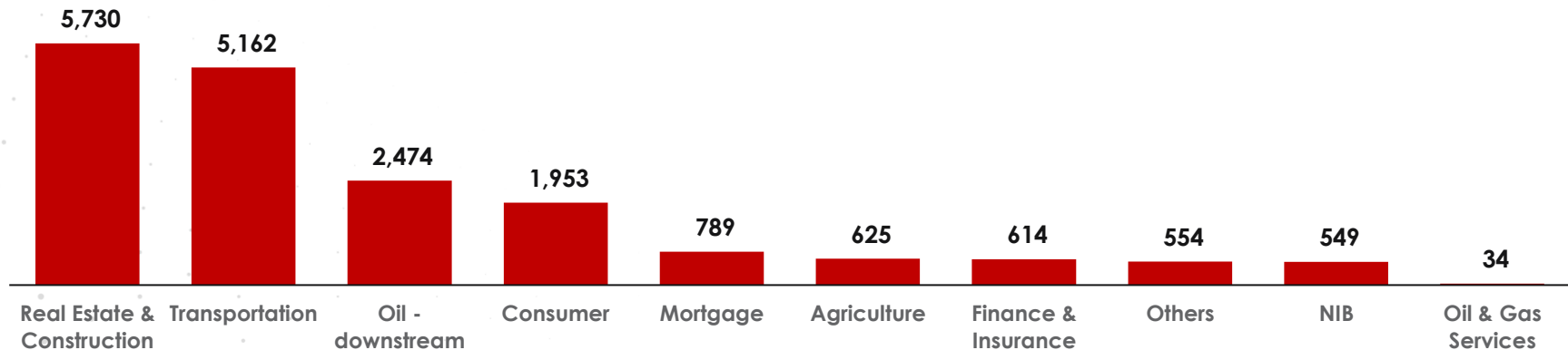


Asset Quality – NPL by Sector

In terms of asset quality, we sustained the significant improvement in our non-performing loans during the period under review reducing to N18.5 billion from N55 billion from start of the year

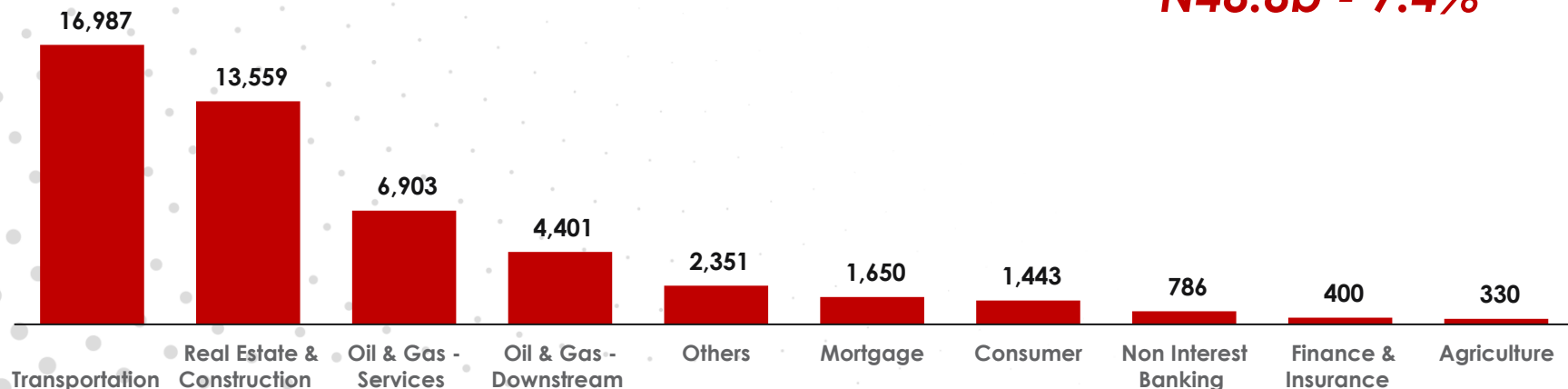
NPL by Sector (N'm) – Q3 2020

N18.5b - 2.9%



NPL by Sector (N'm) – Q3 2019

N48.8b - 7.4%

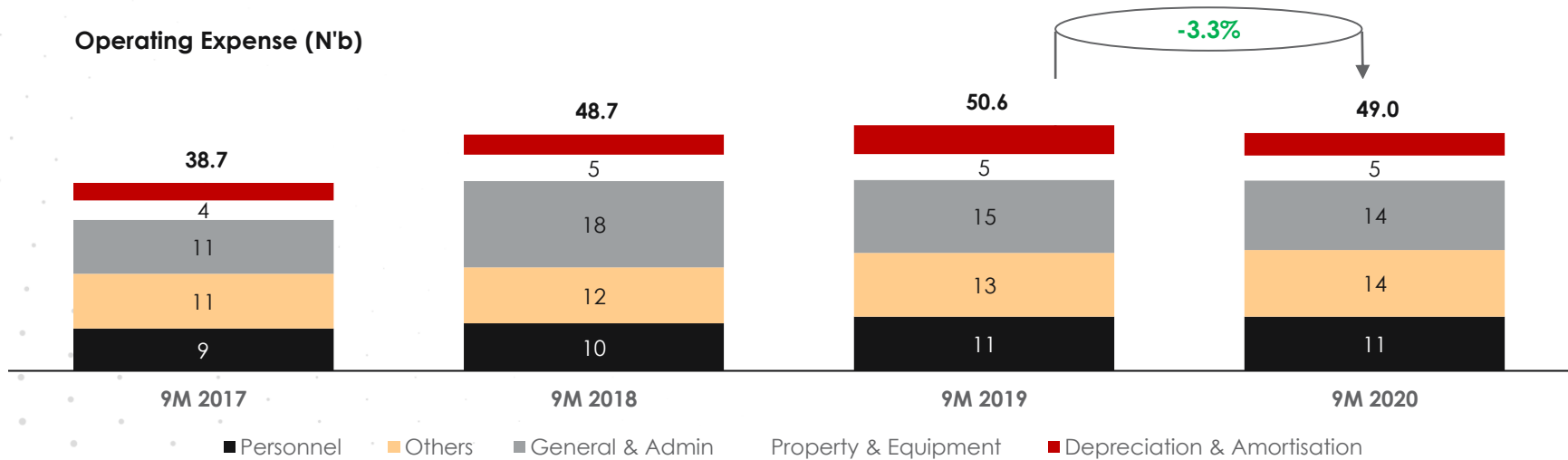




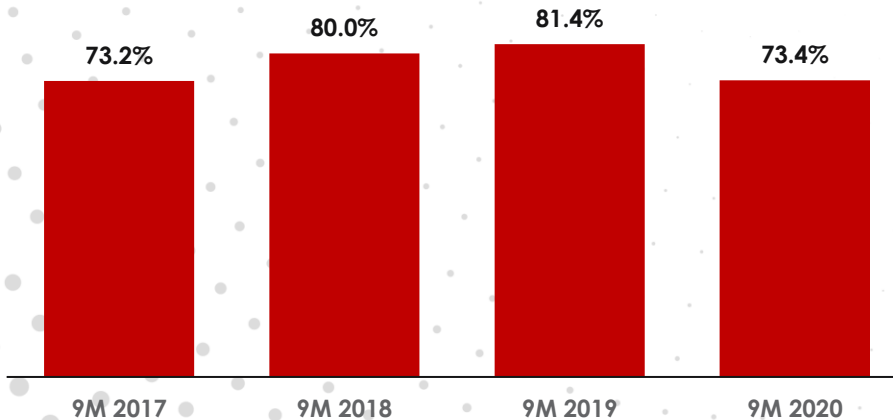
Operating Efficiency

We continued to moderate operating expenses particularly administrative spend despite growth in other expense lines including AMCON charges and deposit insurance premiums

Operating Expense (N'b)



Cost-to-Income (%)



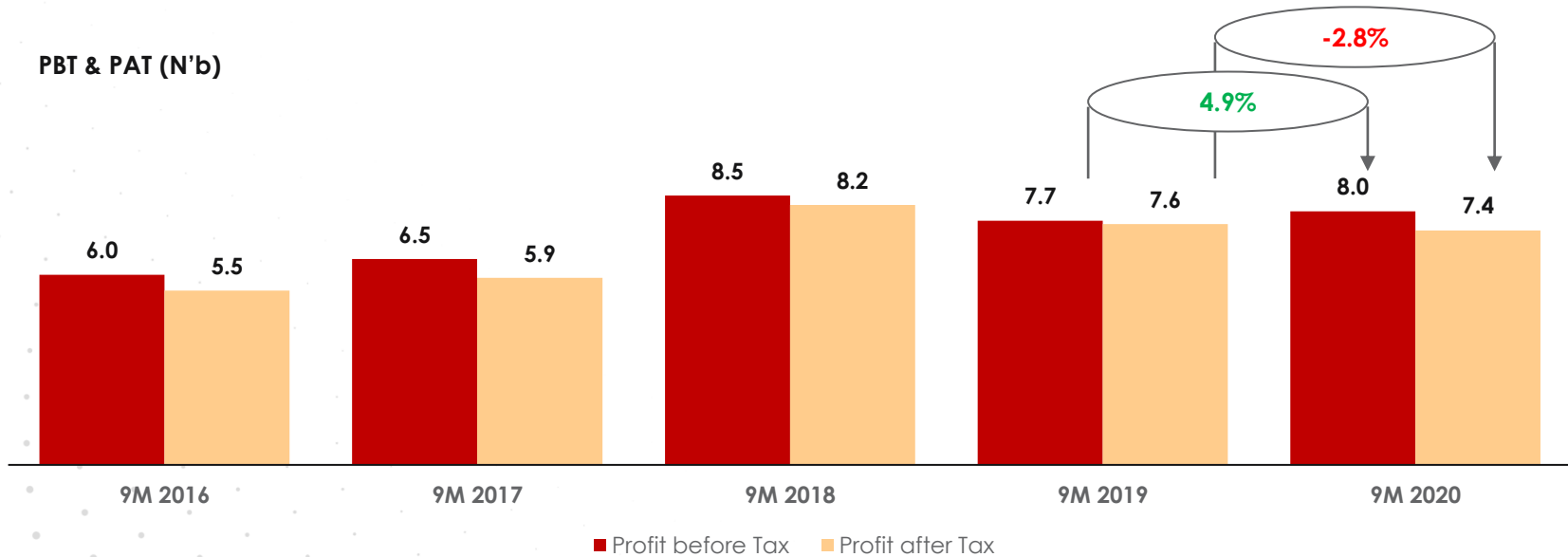
- Operating expenses declined by 3.3% to N48.7bn (9M 2019: N50.6bn), driven by moderating administrative spend despite growth in other operating expenses including AMCON and insurance fees;
- Consequently, cost to income ratio (CIR) improved to 73.4% as Q3 2020.



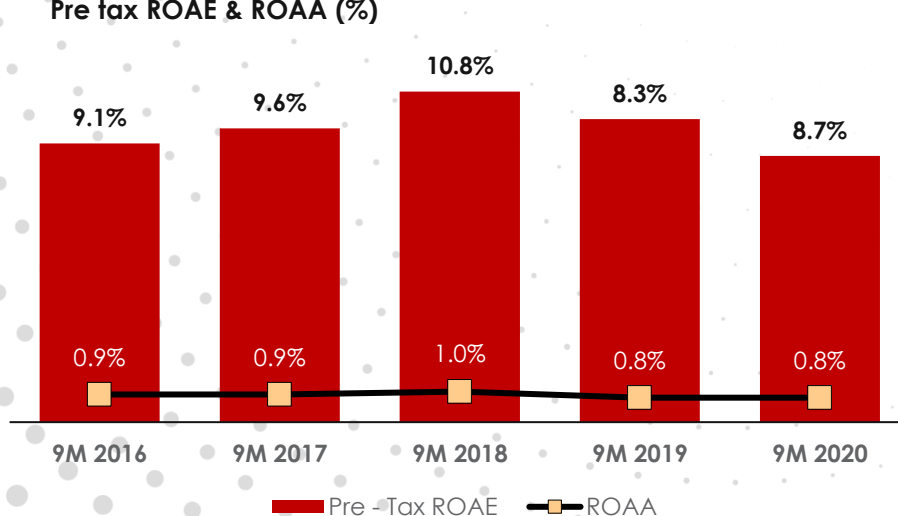
Profitability

Overall, the Bank recorded a profit after tax to N7.4 billion for the first nine months of the year

PBT & PAT (N'b)



Pre tax ROAE & ROAA (%)



- Profit before and after tax stood at N8.0 billion and N7.4 billion respectively;
- While Annualized Pre-tax Return on Average Equity (ROAE) and Return on Assets stood at 8.7% and 0.8% respectively for the period.



Content

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2020 Guidance



On Track
Not on Track



2020 Target

2020 Actual

	2020 Target	2020 Actual
Deposit growth	5% - 10%	6.6%
Net loans growth	<5%	-1.3%
Pre-tax Return on average Equity (ROAE)	>10%	8.7%
Cost-to-income	<75%	73.4%
NPL ratio	<5%	2.9%
Cost of funds	<5%	5.1%
HEART Sector Contribution	20% - 25%	15.2%



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Key Performance Ratios

Indicator	FY 2018	9M 2019	FY 2019	9M 2020
Net Interest Margin	6.6%	7.0%	7.9%	8.0%
Cost to Income	81.4%	81.4%	81.2%	73.4%
Earnings per Share	32k	26k	37k	26k
Liquidity Ratio	42.2%	40.0%	39.5%	32.5%
Cost of Risk	1.0%	0.8%	0.9%	1.9%
Cost of Funds	7.4%	6.3%	6.3%	5.1%
Yield on Earning Assets	14.0%	14.6%	14.2%	13.2%
Return on Average Assets (Annualized)	0.8%	0.8%	0.9%	0.8%
Post-Tax Return on Average Equity (Annualized)	9.2%	8.2%	9.8%	8.0%
Pre-Tax Return on Average Equity (Annualized)	9.5%	8.3%	9.9%	8.7%
NPL Ratio	8.7%	7.4%	2.2%	2.9%
Coverage Ratio	75.0%	89.9%	247.0%	232.0%
Capital Adequacy Ratio	13.3%	13.9%	14.7%	16.1%
Loans to Deposit Ratio	81.6%	74.4%	69.3%	64.2%

Highlights of Income Statement



<i>In millions of Naira</i>	9M 2020		9M 2019		Growth
	N'M	% of Total	N'M	% of Total	%
Gross earnings	106,067	100.0%	109,664	100.0%	(3.3%)
Interest income	88,686	83.6%	95,080	86.7%	(6.7%)
Interest expense	(39,476)	37.2%	(47,550)	43.4%	(17.0%)
Net interest income	49,210	46.4%	47,530	43.3%	3.5%
Net fees & commission income	7,868	7.4%	10,663	9.7%	(26.2%)
Net trading income	7,050	6.6%	1,933	1.8%	264.7%
Other operating income	2,463	2.3%	1,988	1.8%	23.9%
Non-interest income	17,381	16.4%	14,584	13.3%	19.2%
Operating income	66,591	62.8%	62,114	56.6%	7.2%
Impairment charges	(9,701)	9.1%	(3,910)	3.6%	148.1%
Net operating income	56,890	53.6%	58,204	53.1%	(2.3%)
Personnel expenses	(11,151)	10.5%	(11,238)	10.2%	(0.8%)
Other operating expenses	(13,699)	12.9%	(13,067)	11.9%	4.8%
General and administrative expenses	(14,260)	13.4%	(14,977)	13.7%	(4.8%)
Other property, plant and equipment costs	(5,087)	4.8%	(5,290)	4.8%	(3.8%)
Depreciation and amortisation	(4,669)	4.4%	(5,981)	5.5%	(21.9%)
Total expenses	(48,866)	46.1%	(50,553)	46.1%	(3.3%)
Profit before income tax	8,024	7.6%	7,651	7.0%	(4.9%)
Income tax expense	(655)	0.6%	(72)	0.1%	(809.7%)
Profit after income tax	7,369	6.9%	7,579	6.9%	(2.8%)



Highlights of Financial Position

Items	September 2020		December 2019		Growth
	N'M	% of Total	N'M	% of Total	%
ASSETS					
Cash & balances with CBN	297,481	22.8%	156,059	13.2%	90.6%
Due from banks	28,405	2.2%	69,361	5.9%	(59.0%)
Pledged financial assets	42,385	3.2%	11,831	1.0%	258.3%
Derivative financial assets	2,119	0.2%	-	-	-
Loans and advances	610,761	46.8%	618,732	52.3%	(1.3%)
Investment securities	256,745	19.7%	257,003	21.7%	(0.1%)
Other assets	24,877	1.9%	28,581	2.4%	(13.0%)
Property, plant and equipment	16,453	1.3%	18,476	1.6%	(10.9%)
Right-of-use asset	8,417	0.6%	8,896	0.8%	(5.4%)
Investment property	7,773	0.6%	4,141	0.4%	87.7%
Intangible assets	1,663	0.1%	1,933	0.2%	(14.0%)
Deferred tax assets	6,971	0.5%	6,971	0.6%	0.0%
Non-current assets held for sale	701	0.1%	701	0.1%	0.0%
Total Assets	1,304,751	100.0%	1,182,685	100.0%	10.3%
LIABILITIES					
Deposits from banks	24,947	1.9%	-	-	-
Deposits from customers	951,799	72.9%	892,660	75.5%	6.6%
Current income tax payable	308	0.0%	201	0.0%	53.2%
Other borrowed funds	90,157	6.9%	82,702	7.0%	9.0%
Debt securities issued	51,286	3.9%	42,655	3.6%	20.2%
Other liabilities	58,770	4.5%	44,677	3.8%	31.5%
Lease liability	72	0.0%	65	0.0%	11.1%
Provisions	172	0.0%	167	0.0%	3.0%
Total Liabilities	1,177,512	90.2%	1,063,127	89.9%	10.8%
Total Equity	127,240	9.8%	119,558	10.1%	6.4%
Total Liabilities and Equity	1,304,752	100.0%	1,182,685	100.0%	10.3%

Contact Details

Investor Relations:

Ifeoluwa Feyisitan

M: +234 802 350 5849

E: ifeoluwa.feyisitan@sterling.ng

Adetunji Onamusi

M: +234 810 498 2986

E: adetunji.onamusi@sterling.ng

E: INVESTOR.RELATIONS@sterling.ng