



# Investors & Analysts Presentation

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**FY 2020**



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## Content

1. Performance Snapshot (FY 2020)

2. Operating Performance (FY 2020)

3. 2020 Scorecard

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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)**

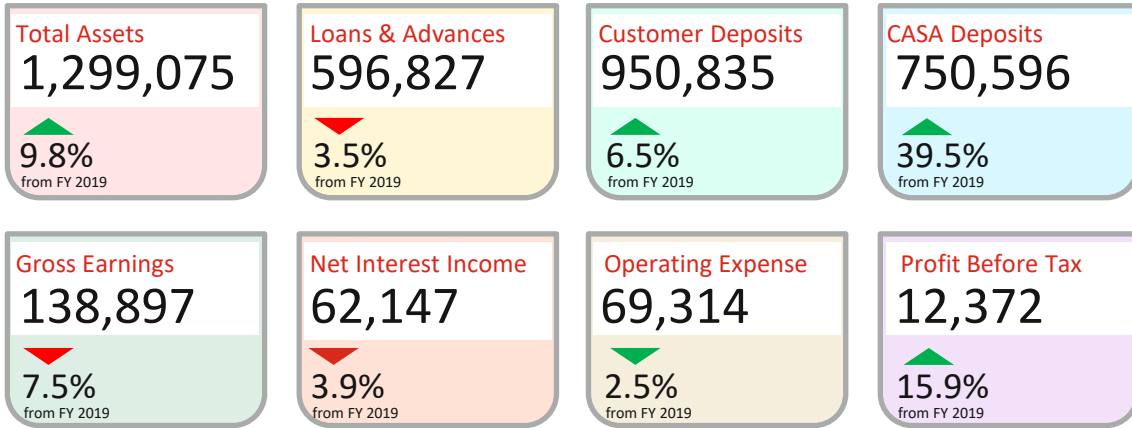
**Short - Medium Term Objectives**



# Financial & Non-Financial Highlights

We continued to strengthen our financial position through effective funding optimization and our drive for operational efficiency during the year

## Financials (N' millions)



## Ratings

<b>MOODY'S</b>	<b>FitchRatings</b>
B2	B-
GCR GLOBAL CREDIT RATING CO	DataPro Data Analytics & Consulting
BBB	BBB+

## Key Ratios

<b>NPL</b> 1.9% ▼	<b>Cost of Risk</b> 1.0% ▲
<b>LDR</b> 62.4% ▼	<b>Coverage Ratio</b> 236.2% ▼
<b>Liquidity</b> 34.9% ▼	<b>CAR</b> 18.0% ▲
<b>Cost of Funds</b> 4.7% ▼	

## Channels

<b>POS</b>  10,667	<b>ATM</b>  689	<b>USSD Users</b>  >1.5M	<b>Branches</b>  157	<b>Customers</b>  >3M	<b>Professional Staff</b>  2,367
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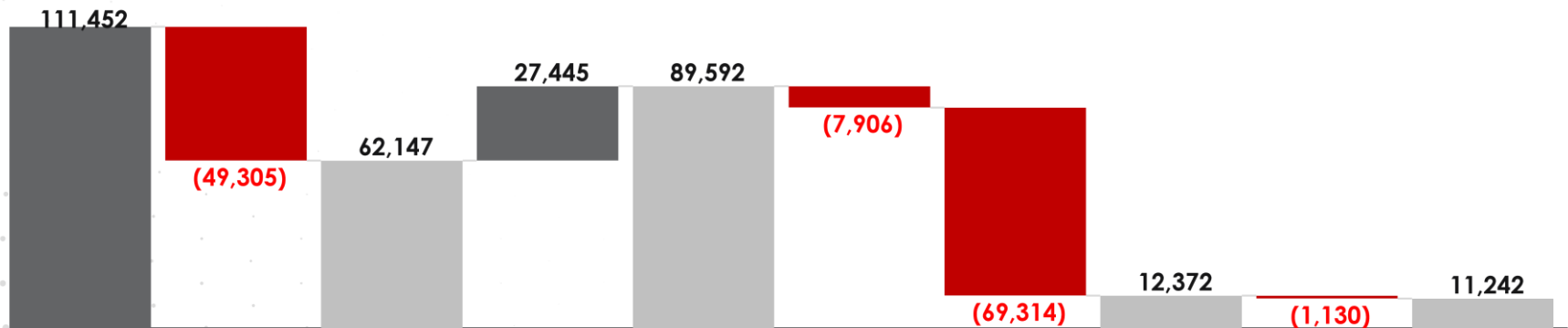


# Performance Snapshot (1/2)

Top-line earnings hindered by a decline in interest income, in spite of a 21.2% drop in interest expense

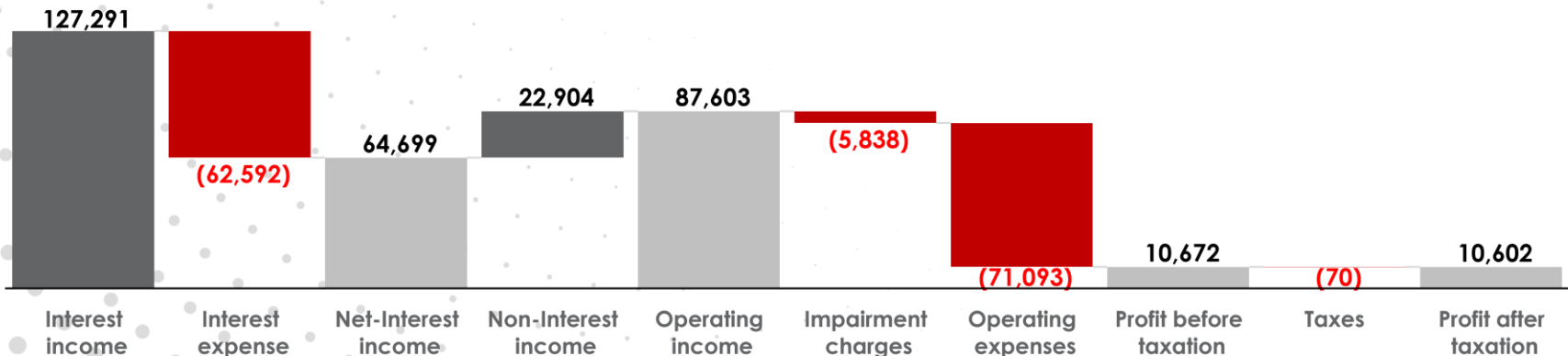
FY 2020 N'million

■ Increase ■ Decrease ■ Total



FY 2019 N'million

■ Increase ■ Decrease ■ Total



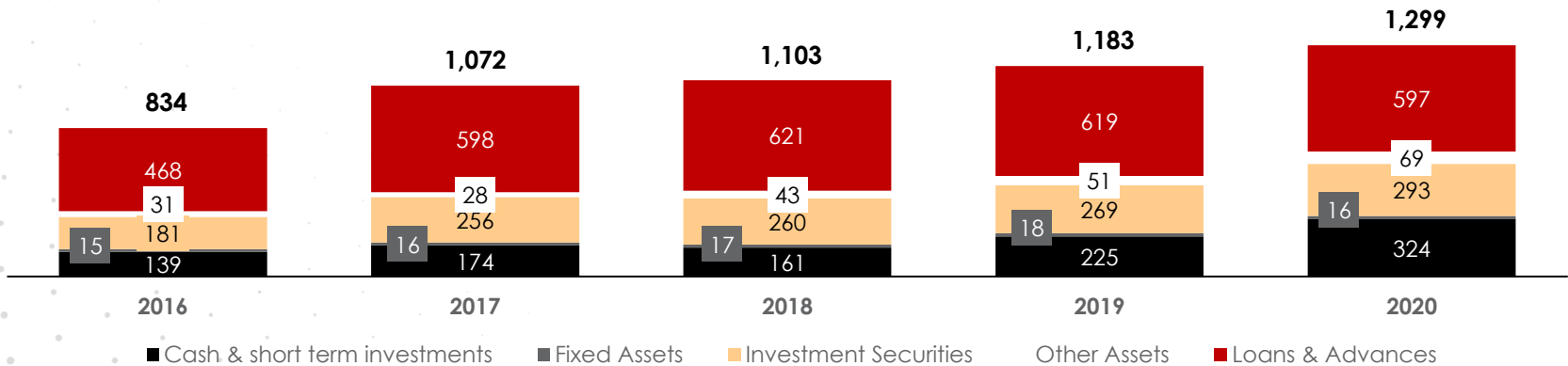


# Performance Snapshot (2/2)

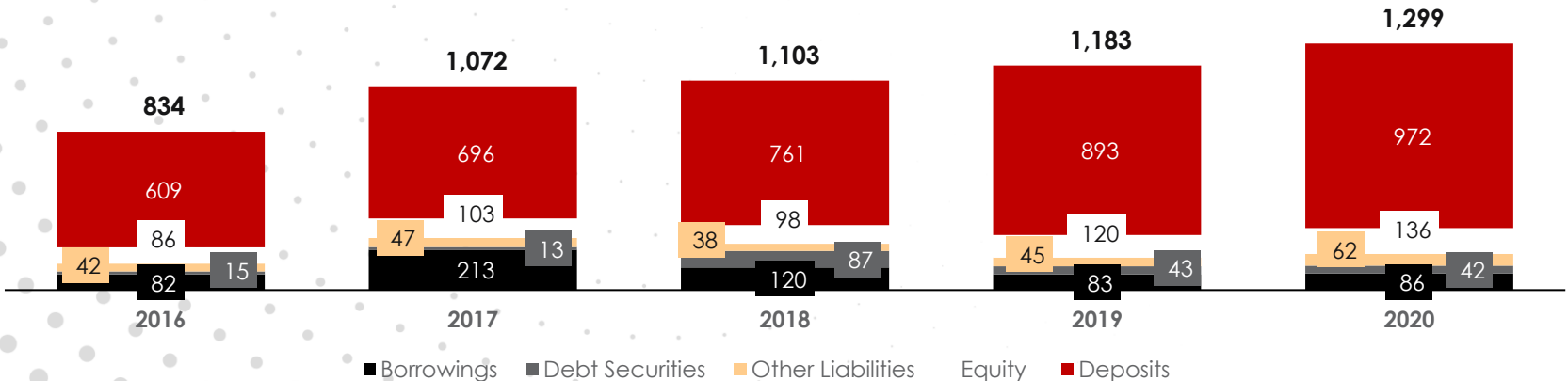
Rise in customer deposits and other financial liabilities continue to drive growth in total assets and liabilities during the period

9.8%

Total Assets (N'bn)



Total Liabilities & Equity (N'bn)







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## Content

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(FY 2020)

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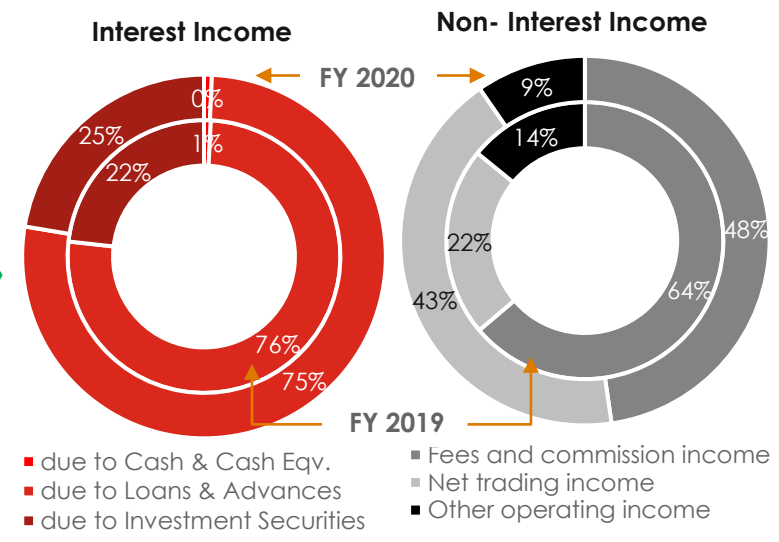
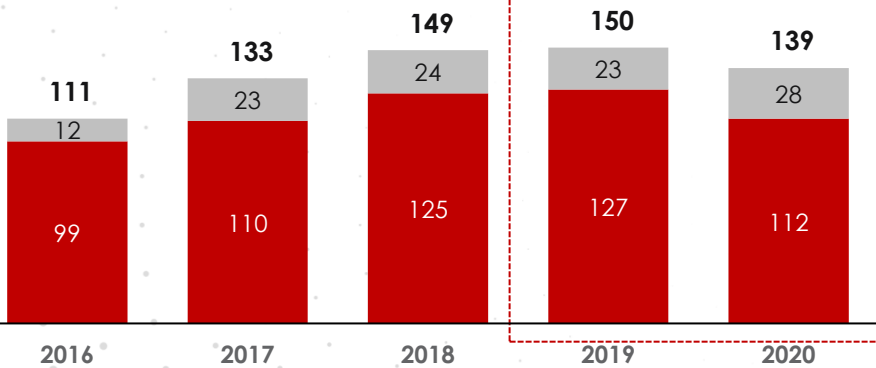


# Revenue Evolution

Our commitment to lower funding costs and ramp up transactional and trading revenues supported top-line earnings, despite a decline in interest income

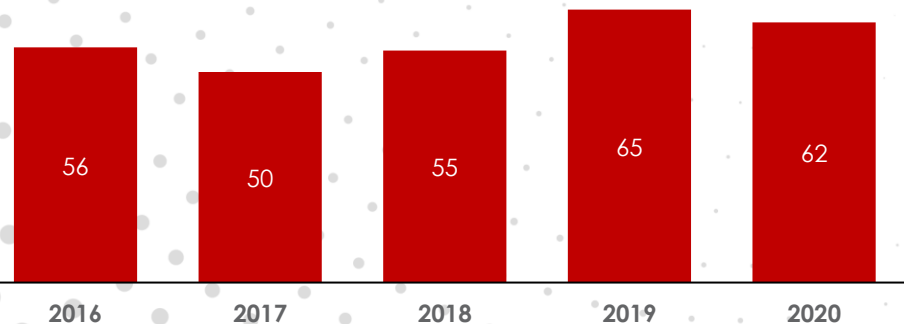
## Gross Earnings (N'b)

■ Interest Income  
■ Non - Interest Income



## Net - Interest Income (N'b)

-3.9%



- Revenue drop driven by a 12.4% decline in interest income, while non-interest income grew by 19.8%;
- Growth in non-interest income driven by a 131.6% growth in trading income while a decline in Fees & Commission income was attributable to slower loan origination;
- Consequently, we recorded a 2.3% growth in operating income.

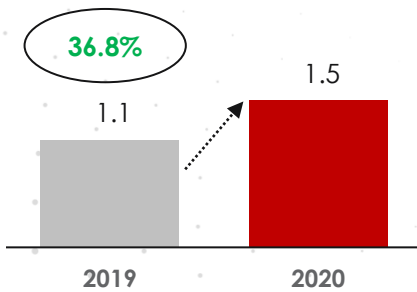


# Channel Performance

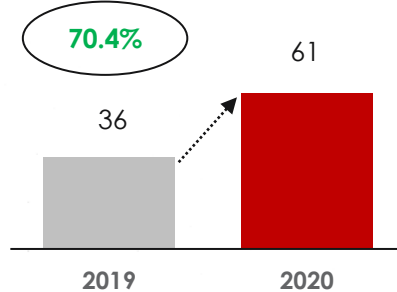
We recorded significant traction across our channels as NIP transaction volumes grew by 89.4% year on year



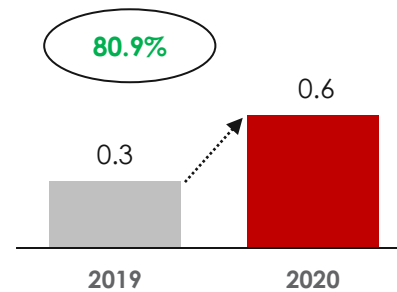
USSD Users - Mn



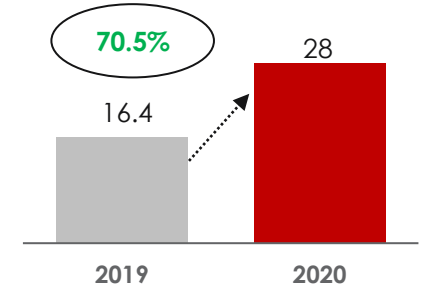
USSD Trans. Count - Mn



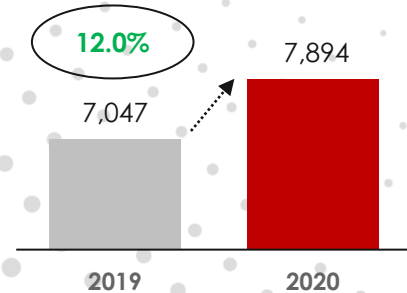
Mobile Users - Mn



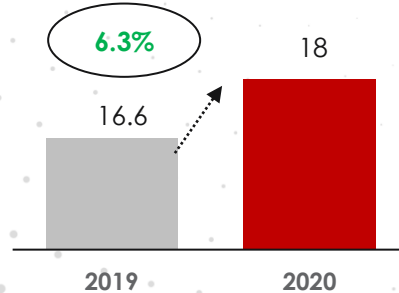
Mobile Trans. Count - Mn



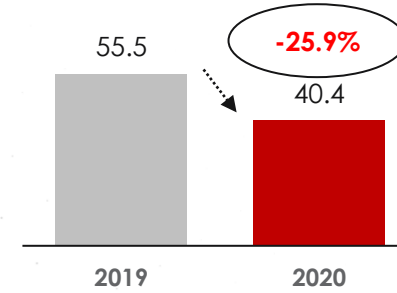
Active POS Count



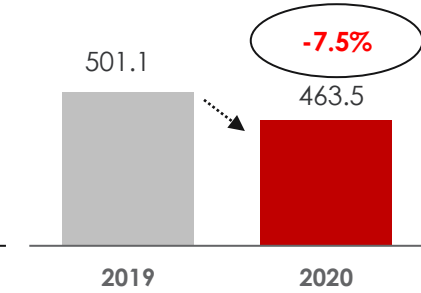
POS Trans. Count - Mn



ATM Trans. Count - Mn



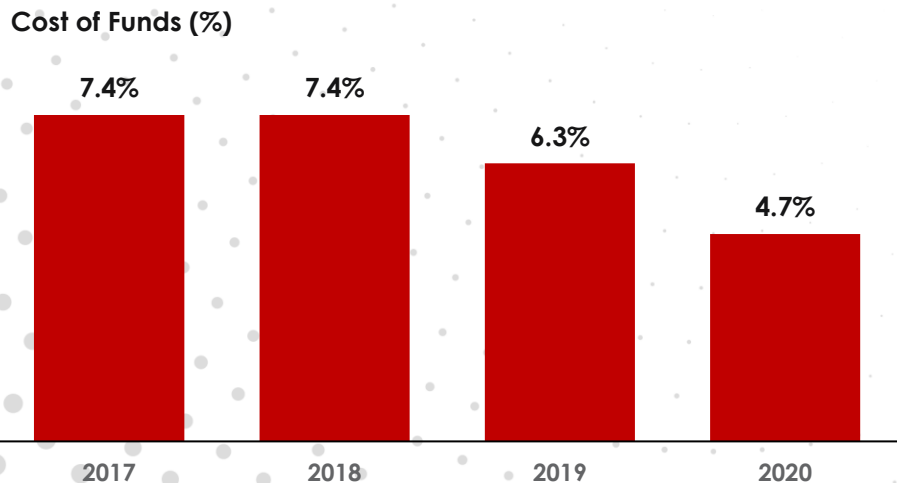
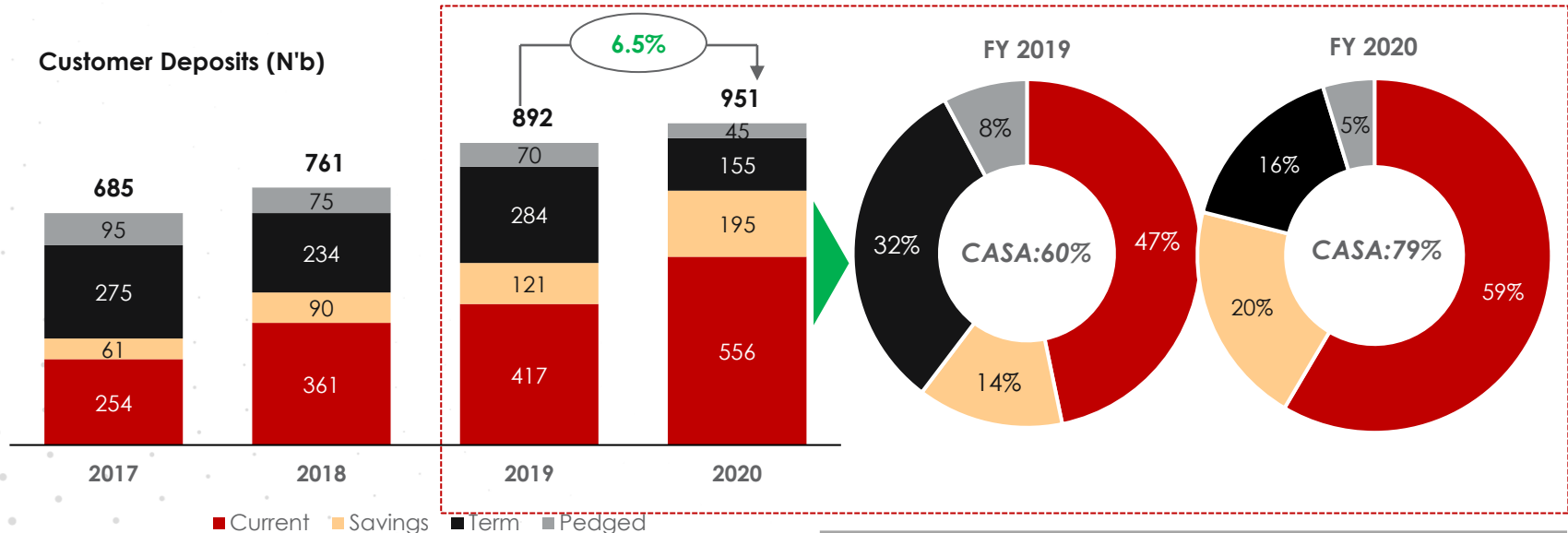
ATM Trans. Volume - Bn





# Funding & Liquidity (1/2)

Increased traction in the mobilization and retention of low-cost deposits contributed to a 21.2% decline in interest expense, as we continue to drive funding costs down

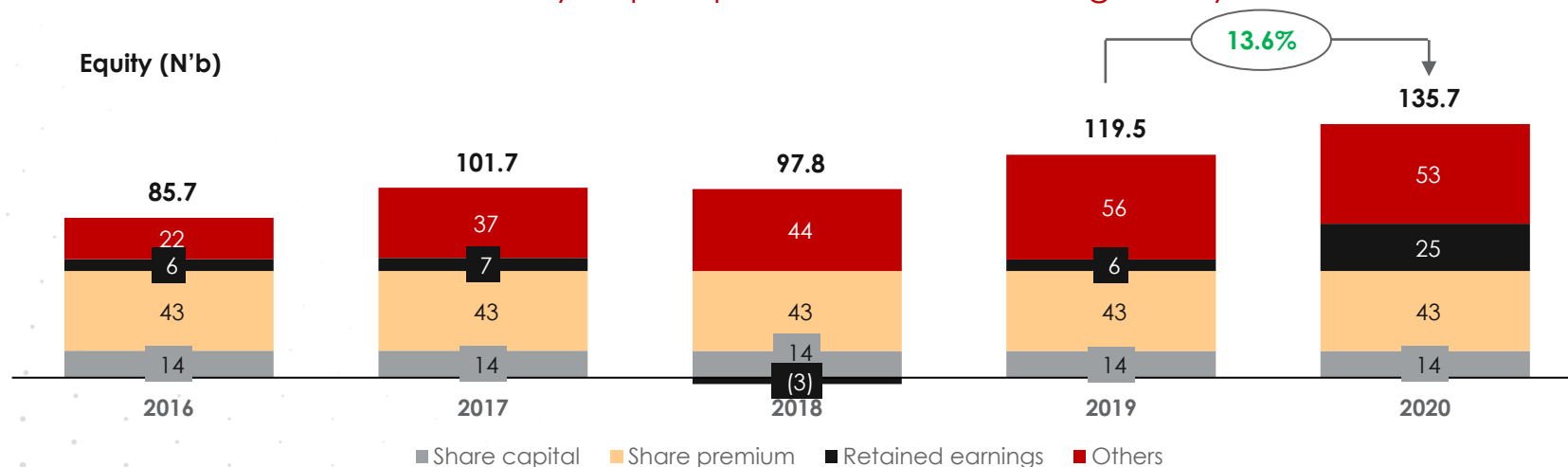


- We continued to improve the quality of our funding base, with current and savings (CASA) deposits growing by 39.5% contributing to the growth in customer deposits to reach N950.8bn while we recorded an improved CASA mix of 79% during the period;
- Consequently, cost of funds declined further by 160 bps to 4.7% from the start of the year recording a net interest margin of 7.8%;
- The bank continued to maintain a healthy liquidity position at 34.9% 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)	Dec. 2020	Dec. 2019	% Growth
Tier 1 capital*	104,390	82,725	26.19%
Tier 2 capital**	34,797	27,575	26.19%
<b>Total regulatory capital</b>	<b>139,187</b>	<b>110,300</b>	26.19%
<b>Risk-weighted assets</b>	<b>771,981</b>	<b>748,358</b>	<b>3.16%</b>
Tier 1 ratio	13.52%	11.05%	<b>2.47%</b>
Tier 2 ratio	4.51%	3.68%	<b>0.83%</b>
<b>Capital adequacy ratio</b>	<b>18.03%</b>	<b>14.74%</b>	<b>3.29%</b>

- Shareholders funds grew by 13.6% to N135.7 billion (FY 2019: N119.5 billion) driven by growth in comprehensive income as a result of gains recorded from investments in debt securities and growth in retained earnings;
- Overall, the Bank's capital adequacy ratio improved to 18.03% as at December 2020.

Notes: \*Tier 1 capital includes ordinary share capital, share premium, retained earnings, 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 debt, 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 6.8%.

Gross Loans & Advances by Sector	Dec-2020		Dec-2019		Growth
	N'm	% of Total	N'm	% of Total	
Agriculture	55,471	9.0%	50,477	8.0%	9.9%
Communication	16,493	2.7%	15,505	2.5%	6.4%
Consumer	36,692	6.0%	45,932	7.3%	-20.1%
Education	1,551	0.3%	783	0.1%	98.1%
Finance and insurance	26,724	4.4%	28,922	4.6%	-7.6%
Government	84,277	13.7%	68,078	10.8%	23.8%
Manufacturing	7,166	1.2%	5,754	0.9%	24.5%
Mortgage	3,526	0.6%	4,407	0.7%	-20.0%
Oil & Gas – downstream	40,400	6.6%	58,998	9.3%	-31.5%
Oil & Gas – upstream	85,689	14.0%	80,081	12.7%	7.0%
Oil & Gas – Services	74,687	12.2%	76,336	12.1%	-2.2%
Others	29,431	4.8%	42,349	6.7%	-30.5%
Power	26,386	4.3%	23,875	3.8%	10.5%
Real Estate & Construction	81,596	13.3%	70,383	11.1%	15.9%
Transportation	20,419	3.3%	37,777	6.0%	-45.9%
Non-interest banking	22,852	3.7%	25,038	4.0%	-8.7%
<b>TOTAL</b>	<b>613,359</b>	<b>100.0%</b>	<b>631,698</b>	<b>100.0%</b>	<b>-2.9%</b>



# Loans and Advances by Currency – FY 2020

While we continue to effectively manage our FCY loan book, which contracted by 5% year-on-year to N137.7 billion from N144.6 billion in the same period in the preceding year

Gross Loans & Advances by Currency	FCY		LCY		
	Sectors	N'm	% of Total	N'm	Total FCY % of Sector
Agriculture	-	-	55,471	55,471	-
Communication	-	-	16,493	16,493	-
Consumer	35	0.0%	36,658	36,692	0.1%
Education	-	-	1,551	1,551	-
Finance and insurance	-	-	26,724	26,724	-
Government	-	-	84,277	84,277	-
Manufacturing	-	-	7,166	7,166	-
Mortgage	-	-	3,526	3,526	-
Oil & Gas – downstream	486	0.4%	39,914	40,400	1.2%
Oil & Gas – upstream	71,453	51.9%	14,235	85,689	83.4%
Oil & Gas – Services	36,306	26.4%	38,380	74,687	48.6%
Others	0	0.0%	29,430	29,431	0.0%
Power	-	-	26,386	26,386	-
Real estate & construction	12,908	9.4%	68,689	81,596	15.8%
Transportation	5,456	4.0%	14,962	20,419	26.7%
Non-interest banking	11,089	8.1%	11,763	22,852	48.5%
<b>TOTAL</b>	<b>137,733</b>	<b>100.0%</b>	<b>475,626</b>	<b>613,359</b>	<b>22.5%</b>





# Loans and Advances by Currency – FY 2019

While we continue to effectively manage our FCY loan book, which contracted by 5% year-on-year to N137.7 billion from N144.6 billion in the same period in the preceding year

Gross Loans & Advances by Currency		FCY		LCY	
Sectors	N'm	% of Total	N'm	Total	FCY % of Sector
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%
<b>TOTAL</b>	<b>144,648</b>	<b>100.0%</b>	<b>487,051</b>	<b>631,698</b>	<b>22.9%</b>



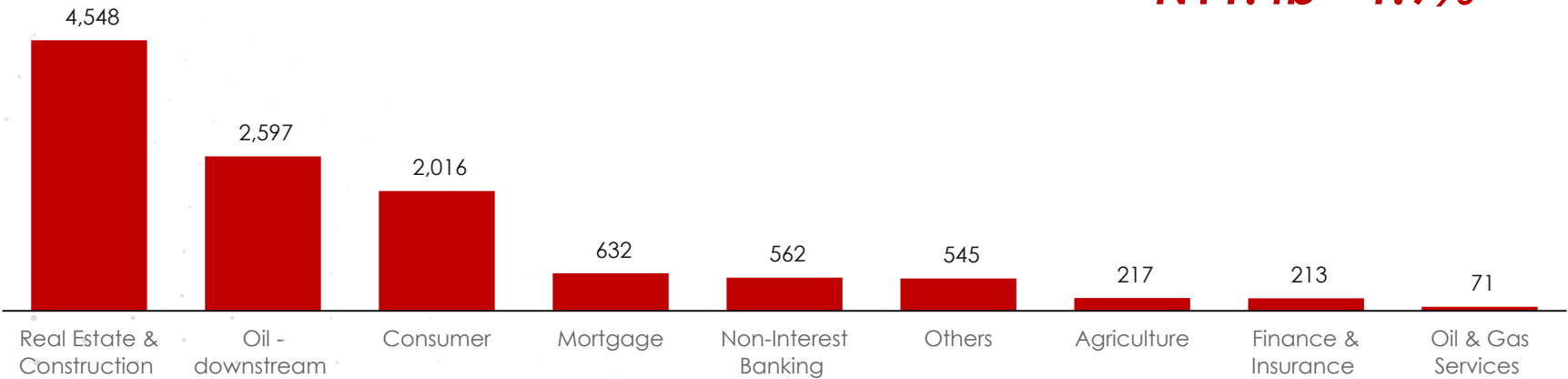


# Asset Quality – NPL by Sector

In terms of asset quality, we sustained the significant improvement in our non-performing loans during the period under review reducing to N11.4 billion

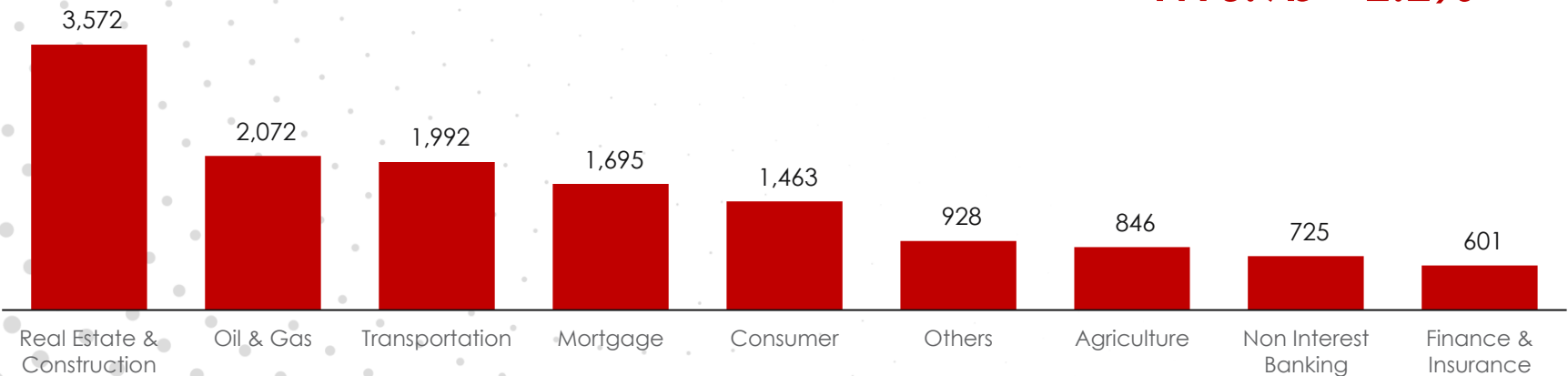
NPL by Sector (N'm) – FY 2020

**N11.4b - 1.9%**



NPL by Sector (N'm) – FY 2019

**N13.9b - 2.2%**

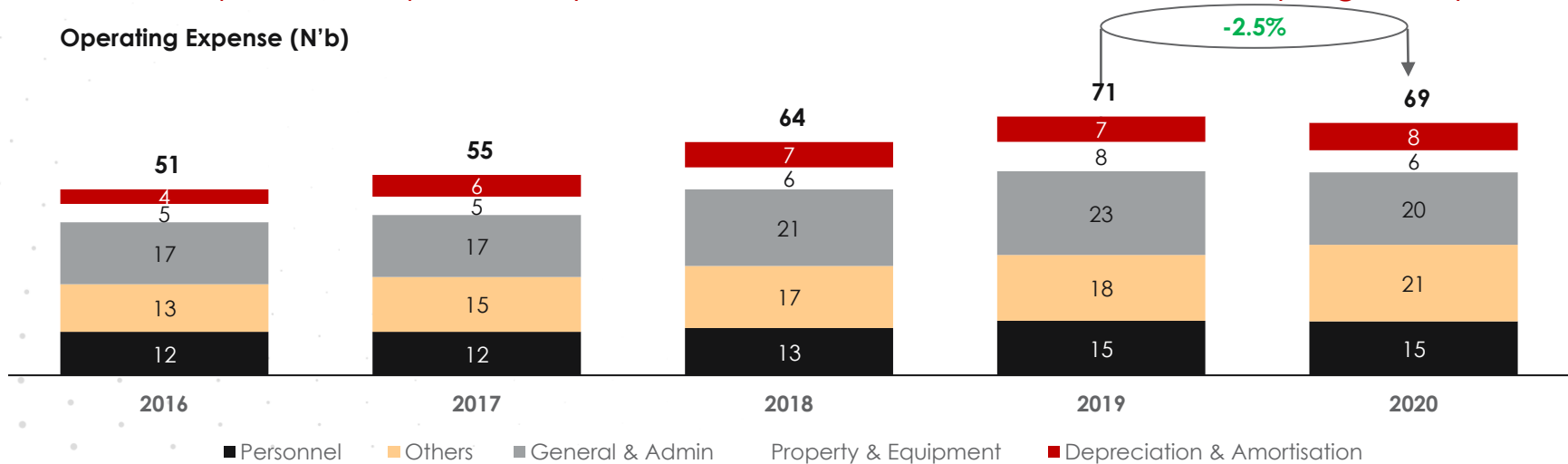




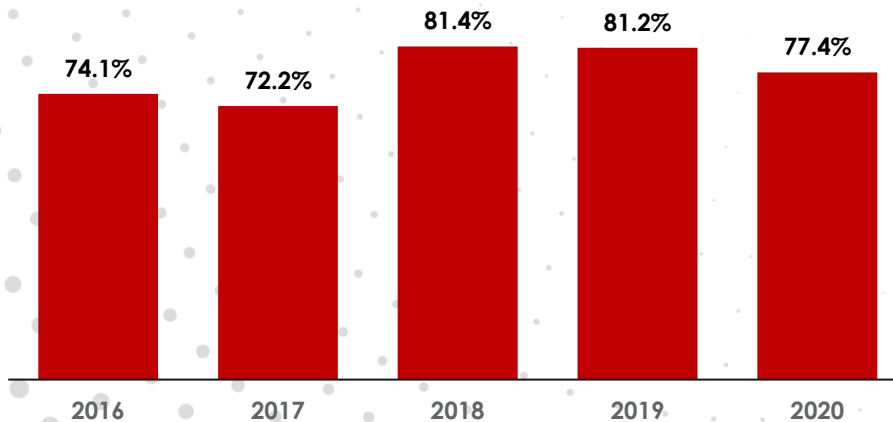
# Operating Efficiency

We continued to moderate operating expenses particularly administrative spend despite growth in other expense lines particularly FX revaluation losses and other mandatory regulatory costs

Operating Expense (N'bn)



Cost-to-Income (%)



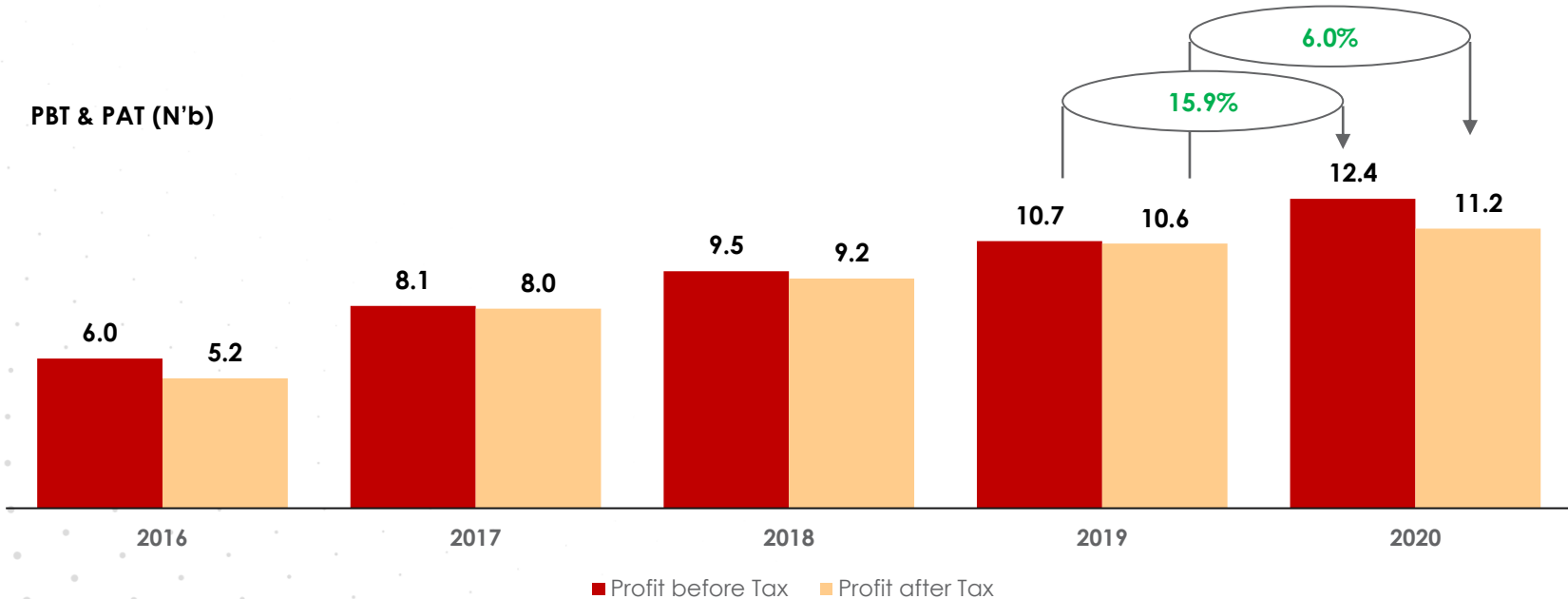
- Operating expenses declined by 2.5% to N69.3bn (FY 2019: N71.1bn), driven by moderating administrative spend despite growth in other expense lines including FX revaluation losses and AMCON and insurance fees;
- Consequently, cost to income ratio (CIR) improved to 77.4% as at FY 2020.



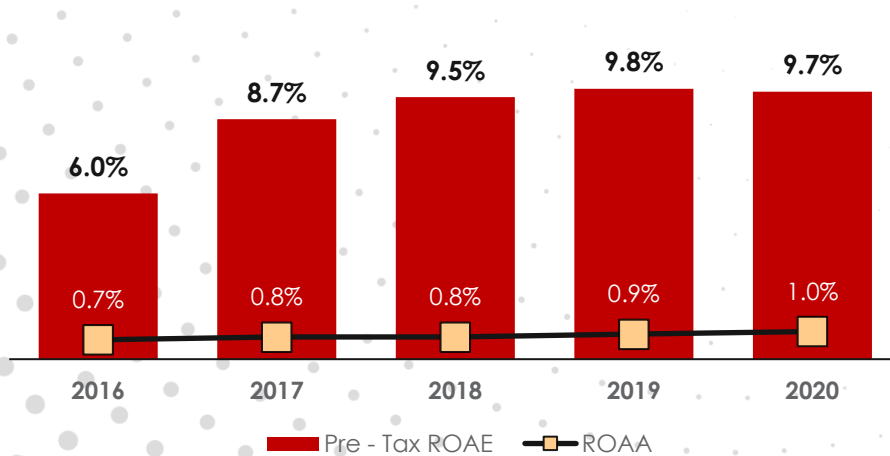
# Profitability

Overall, the Bank recorded a profit after tax to N11.2 billion for the year

PBT & PAT (N'b)



Pre tax ROAE & ROAA (%)



- Profit before and after tax stood at N12.4 billion and N11.2 billion respectively on account of higher tax liabilities;
- While Pre-tax Return on Average Equity (ROAE) and Return on Assets stood at 9.7% and 1.0% respectively for the period.



# Content

## At the Heart of tomorrow's smart city

Contactless transport card for Lagos BRT



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# 2020 Guidance



On Track  
Not on Track



**2020 Target**

**2020 Actual**

	2020 Target	2020 Actual
Deposit growth	5% - 10%	6.5%
Net loans growth	<5%	-3.5%
Pre-tax Return on average Equity (ROAE)	>10%	9.8%
Cost-to-income	<75%	77.4%
NPL ratio	<5%	1.9%
Cost of funds	<5%	4.7%
HEART Sector Contribution	20% - 25%	17.4%



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100%

RETURNS

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(FY 2020)

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# Key Performance Ratios

Indicator	FY 2017	FY 2018	FY 2019	FY 2020
Net Interest Margin	6.9%	6.6%	7.9%	6.9%
Cost to Income	72.2%	81.4%	81.2%	77.4%
Earnings per Share	28K	32k	37k	39k
Liquidity Ratio	35.3%	42.2%	39.5%	34.9%
Cost of Risk	1.9%	1.0%	0.9%	1.0%
Cost of Funds	7.4%	7.4%	6.3%	4.7%
Yield on Earning Assets	14.3%	14.0%	14.2%	12.4%
Return on Average Assets (Annualized)	0.8%	0.8%	0.9%	1.0%
Post-Tax Return on Average Equity (Annualized)	8.6%	9.2%	9.8%	8.8%
Pre-Tax Return on Average Equity (Annualized)	8.7%	9.5%	9.9%	9.7%
NPL Ratio	6.2%	8.7%	2.2%	1.9%
Coverage Ratio	92.0%	75.0%	247.0%	236.2%
Capital Adequacy Ratio	12.0%	13.3%	14.7%	18.0%
Loans to Deposit Ratio	80.6%	81.6%	69.3%	62.4%

# Highlights of Income Statement



	FY 2020		FY 2019		Growth
<i>In millions of Naira</i>	N'M	% of Total	N'M	% of Total	%
<b>Gross earnings</b>	<b>138,897</b>	<b>100.0%</b>	<b>150,195</b>	<b>100.0%</b>	<b>-7.5%</b>
Interest income	111,452	80.2%	127,291	84.8%	-12.4%
Interest expense	(49,305)	35.5%	(62,592)	41.7%	-21.2%
<b>Net interest income</b>	<b>62,147</b>	<b>44.7%</b>	<b>64,699</b>	<b>43.1%</b>	<b>-3.9%</b>
Net fees & commission income	13,087	9.4%	14,613	9.7%	-10.4%
Net trading income	11,716	8.4%	5,058	3.4%	131.6%
Other operating income	2,642	1.9%	3,233	2.2%	-18.3%
<b>Non-interest income</b>	<b>27,445</b>	<b>19.8%</b>	<b>22,904</b>	<b>15.2%</b>	<b>19.8%</b>
Operating income	89,592	64.5%	87,603	58.3%	2.3%
Impairment charges	(7,906)	5.7%	(5,838)	3.9%	35.4%
<b>Net operating income</b>	<b>81,686</b>	<b>58.8%</b>	<b>81,765</b>	<b>54.4%</b>	<b>-0.1%</b>
Personnel expenses	(14,841)	10.7%	(14,912)	9.9%	-0.8%
Other operating expenses	(21,001)	15.1%	(18,075)	12.0%	16.2%
General and administrative expenses	(19,914)	14.3%	(22,898)	15.2%	-13.0%
Other property, plant and equipment costs	(6,050)	4.4%	(7,307)	4.9%	-17.2%
Depreciation and amortisation	(7,508)	5.4%	(7,901)	5.3%	-5.0%
<b>Total expenses</b>	<b>(69,314)</b>	<b>49.9%</b>	<b>71,093)</b>	<b>47.3%</b>	<b>-2.5%</b>
<b>Profit before income tax</b>	<b>12,372</b>	<b>8.9%</b>	<b>10,672</b>	<b>7.1%</b>	<b>15.9%</b>
Income tax expense	(1,130)	0.8%	(70)	0.5%	1514.3%
<b>Profit after income tax</b>	<b>11,242</b>	<b>8.1%</b>	<b>10,602</b>	<b>7.1%</b>	<b>6.0%</b>



# Highlights of Financial Position



Items	December 2020		December 2019		Growth
	N'M	% of Total	N'M	% of Total	%
<b>ASSETS</b>					
Cash & balances with CBN	303,314	23.3%	156,059	13.2%	94.4%
Due from banks	21,084	1.6%	69,361	5.9%	-69.6%
Pledged financial assets	34,860	2.7%	11,831	1.0%	194.6%
Loans and advances	596,827	45.9%	618,732	52.3%	-3.5%
Investment securities	258,208	19.9%	257,003	21.7%	0.5%
Other assets	43,950	3.4%	28,581	2.4%	53.8%
Property, plant and equipment	15,956	1.2%	18,476	1.6%	-13.6%
Right-of-use asset	8,319	0.6%	8,896	0.8%	-6.5%
Investment property	8,004	0.6%	4,141	0.4%	93.3%
Intangible assets	1,582	0.1%	1,933	0.2%	-18.2%
Deferred tax assets	6,971	0.5%	6,971	0.6%	0.0%
Non-current assets held for sale	-	-	701	0.1%	-
<b>Total Assets</b>	<b>1,299,075</b>	<b>100.0%</b>	<b>1,182,685</b>	<b>100.0%</b>	<b>9.8%</b>
<b>LIABILITIES</b>					
Deposits from banks	21,289	1.6%	-	-	-
Deposits from customers	950,835	73.2%	892,660	75.5%	6.5%
Current income tax payable	551	0.0%	201	0.0%	174.1%
Other borrowed funds	86,367	6.6%	82,702	7.0%	4.4%
Debt securities issued	42,274	3.3%	42,655	3.6%	-0.9%
Other liabilities	61,552	4.7%	44,677	3.8%	37.8%
Lease liability	-	-	65	0.0%	-
Provisions	454	0.0%	167	0.0%	171.9%
<b>Total Liabilities</b>	<b>1,163,322</b>	<b>89.6%</b>	<b>1,063,127</b>	<b>89.9%</b>	<b>9.4%</b>
<b>Total Equity</b>	<b>135,753</b>	<b>10.4%</b>	<b>119,558</b>	<b>10.1%</b>	<b>13.5%</b>
<b>Total Liabilities and Equity</b>	<b>1,299,075</b>	<b>100.0%</b>	<b>1,182,685</b>	<b>100.0%</b>	<b>9.8%</b>

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