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STERLING FINANCIAL HOLDINGS PLC Q1 2026

Earnings Report Update

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Company Overview

Sterling Financial Holdings Company Plc is a leading Nigerian financial services group providing retail, commercial, corporate, investment, and non-interest banking services to individuals, SMEs, institutions, and large corporate clients across key sectors of the economy.

The Group operates through six core business segments: Retail Banking, Commercial Banking, Institutional Banking, Corporate & Investment Banking, Non-Interest Banking, and Special Purpose Vehicles, offering services including deposits, lending, trade finance, treasury and foreign exchange solutions, digital banking, payments, business advisory, and structured financing solutions.

Founded in 1960 and headquartered in Lagos, Sterling Financial Holdings has built a strong franchise in digital banking, SME financing, non-interest banking, and enterprise banking, supported by technology-driven platforms and an expanding financial services network.

Key Margins & Performance Metrics Comparison

Metrics	Q1 2025	Q1 2026	Change (bps)
Net Interest Margin	60.52%	61.04%	+52bps
Cost of Funds Ratio	39.48%	38.97%	-51bps
Net Fee Margin	10.63%	9.94%	-69bps
Operating Income Margin	67.51%	69.28%	+177bps
Credit Cost Ratio	3.81%	9.85%	+604bps
PBT Margin	19.18%	20.71%	+153bps
PAT Margin	18.09%	17.34%	-75bps

Source: *Computed from the Company's Q1 Financial Statement*

Income Analysis

Billion NGN	Q1 2025	Q1 2026	YOY
Interest income	78.36	106.26	35.62%
Net interest income	47.42	64.86	36.77%
Operating income	64.30	93.41	45.27%
Net operating income after impairment	61.86	84.21	36.14%
Profit before income tax	18.26	27.92	52.85%
Profit for the period	17.23	23.38	35.70%

Source: *Company's Q1 Financial Statement*

Cost Analysis

Billion NGN	Q1 2025	Q1 2026	YOY
Interest expense	30.93	41.41	33.86%
Credit loss	2.45	9.20	276.17%
Operating expenses	43.59	56.30	29.14%
Income tax expense	1.03	4.53	338.92%

Source: *Company's Q1 Financial Statement*

Sterling Financial Holdings' Q1 2026 income performance was driven primarily by stronger core banking income. Gross earnings rose 41.56% YoY to ₦134.82bn, while operating income expanded faster at 45.27% YoY to ₦93.41bn. This shows that the Group did not only grow topline income but also improved revenue conversion at the operating level, supported by stronger interest income, fee income, trading income, and other operating income.

The strongest driver was interest income, which increased 35.62% YoY reflecting improved asset yields from loans, investment securities, and treasury placements in a high-interest-rate environment. Given that loans and advances to customers also expanded to ₦1.44trn by March 2026, the Group benefited from both loan book repricing and better yield capture on earning assets.

Interest expense also rose 33.85% YoY, reflecting the higher cost of customer deposits, bank funding, and borrowings. However, interest income grew faster in absolute terms than interest expense, allowing net interest income to rise 36.77% YoY. This indicates improved spread management and stronger earning-asset productivity despite a more expensive funding environment.

The Group experienced notable cost pressure during the quarter as total operating expenses rose 29.14% YoY given that personnel expenses increased 43.98% YoY to ₦15.32bn, reflecting wage adjustments, workforce expansion, and inflationary pressures. Other operating expenses also rose 31.48% YoY to ₦16.30bn, while general and administrative expenses increased 13.97% YoY to ₦16.39bn.

Non-interest income also supported performance. Net fees and commission income rose 32.36% YoY to ₦13.40bn, indicating stronger transaction volumes across digital channels, account services, payment activity, and customer-related banking services. This shows that income growth was not purely interest-rate driven; the Group also benefited from increased customer activity and broader platform usage.

Trading income increased 16.14% YoY to ₦3.37bn, suggesting improved treasury market activity and gains from financial instruments. Although trading income remains a smaller part of total income, its positive contribution helped diversify earnings. Other operating income was particularly strong, rising 205.52% YoY to ₦11.79bn, supported by recoveries, investment-related income, and non-core operating inflows.

Depreciation and amortization charges rose 42.57% YoY to ₦2.61bn, while property and equipment-related costs increased 30.65% YoY to ₦5.67bn, reflecting ongoing investment in physical infrastructure and technology platforms. Despite rising operating costs, revenue growth outpaced expense growth, allowing profitability to improve materially during the period.

A key offset was the sharp increase in credit loss expense, which surged 276.17% YoY. This reduced the quality of the income expansion because a larger portion of earnings had to be absorbed by impairment provisioning. Net operating income after impairment still rose 36.14% YoY, but the impairment trend suggests that credit risk is becoming more visible.

Despite higher impairment and operating cost pressure, profitability improved meaningfully. Profit before tax rose 52.85% YoY, while profit after tax increased 35.70% YoY. The faster growth in PBT relative to operating income suggests operating leverage, but the slower Profit after tax growth reflects a heavier tax charge, with income tax expense rising significantly to ₦4.53bn from ₦1.03bn. The main takeaway is that Sterling's earnings momentum is strong, but sustainability will depend on controlling funding costs, managing impairment growth, and maintaining non-interest income expansion.

Balance Sheet and Cash Flow Summary

Billion NGN	Q1 2025	Q1 2026	YOY
Total assets	3,636.60	4,070.58	11.93%
Total liabilities	3,315.16	3,528.11	6.42%
Total equities	321.44	542.48	68.77%
Net cash from operations	-157.38	65.14	141.39%
Net cash from financing	-69.06	107.58	255.76%
Net cash from investing	-103.87	-150.99	-45.37%
Net change in cash	-330.32	21.72	106.58%

Source: *Company's Q1 Financial Statement*

Total assets increased 4.06% QoQ to ₦4.07trn from ₦3.91trn at FY2025, supported by growth in investment securities, loans, and other assets. Loans and advances to customers rose modestly by 2.18% QoQ to ₦1.44trn, while debt instruments measured at fair value through other comprehensive income increased 25.63% QoQ to ₦812.18bn, indicating stronger allocation toward fixed-income assets. Other assets also rose 18.82% QoQ to ₦308.86bn.

Customer deposits declined slightly by 1.21% QoQ to ₦2.95trn, although the Group recorded ₦99.94bn in deposits from banks, helping support liquidity. Shareholders' funds strengthened significantly by 26.54% QoQ to ₦542.48bn, driven by retained earnings growth and fresh equity injection from the rights issue.

Cash flow performance improved materially compared to Q1 2025. Net cash generated from operating activities stood at ₦65.14bn versus a negative ₦157.38bn in the prior year, supported by stronger operating income and improved liability movements. Financing cash flow also strengthened to ₦107.58bn, driven mainly by ₦94.40bn proceeds from share issuance and additional borrowings.

Investor Concerns

The sharp increase in credit loss expense and slight deterioration in Non-performing loan ratio to 4.93% from 4.70% indicate emerging asset quality pressure amid Nigeria's elevated interest rate and macroeconomic environment. The rapid growth in impairment charges suggests that risk costs may remain elevated if borrower conditions weaken further.

The Group also recorded negative other comprehensive income arising from fair value losses on investment securities, reflecting mark-to-market pressure from volatile interest rates and fixed-income market repricing. In addition, customer deposits declined marginally during the quarter despite balance sheet expansion, which may indicate increasing funding competition within the banking sector.

Our Insight

"Sterling Financial Holdings delivered a resilient Q1 2026 performance, supported by strong revenue expansion, improved interest spread management, stronger treasury income, and growing digital banking activity. Operating efficiency strengthened during the period, with both operating income margin and PBT margin improving, reflecting better monetisation of earning assets within the elevated interest rate environment. The Group also benefited from stronger capitalisation and improved operating cash flow generation following its rights issue.

Risk pressures became slightly pronounced during the quarter. The 604bps increase in the credit cost ratio highlights rising impairment provisioning and increasing asset quality concerns, while higher operating expenses and valuation pressure on investment securities continue to weigh on earnings quality.

The stronger liquidity and capital position provide an important buffer, and sustaining earnings momentum will depend on disciplined risk management, stable funding growth, cost containment, and the Group's ability to maintain revenue expansion without materially worsening credit exposure."

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