

Sterling Bank: driving impact through corporate entrepreneurship and venturing in emerging markets

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“Creating wealth by doing good is at our core as a financial institution, hence our focus on initiatives aimed at de-risking key sectors in the economy, supplying clean energy to households, ensuring food security and refining education and healthcare delivery, and providing these sectors with affordable finance.”

Sterling Bank Philosophy

Introduction

On January 28, 2024, Abubakar Suleiman gazed out from the 10th floor of Sterling Bank Tower and observed Lagos’s vibrant, bustling cityscape. He felt the immense responsibility of steering Sterling Bank through a new phase following a leadership transition from Yemi Adeola. Abubakar had played a key role in transforming Sterling Bank into a fully-fledged commercial bank through strategic reorganization. Despite this transformation, the bank now faced a new challenge: competing in a commercial banking landscape dominated by a few large banks, which required rethinking its business model.

To tackle this challenge, Abubakar and his executive team devised a bold three-pillar strategy focused on agility, digitization, and specialization. They targeted the so-called HEART sectors—health, education, agriculture, renewable energy, and transportation—which were areas traditionally underserved by Nigerian banks. This innovative strategy aimed to differentiate Sterling Bank by carving out a unique niche in the competitive landscape. Abubakar believed that, if executed well, this strategy could pave the way for sustainable and profitable growth. He recognized that its execution would require reorganizing the bank’s activities and resources. Additionally, it would involve changing the corporate culture and embracing new, external ideas.

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However, Abubakar was convinced that for Sterling Bank to survive and thrive in Nigeria's market, its core strategy and competitive advantage should be hinged on relentless innovation and the exploration of business sectors that contributed to societal needs.

Abubakar's background

After receiving his Bachelor of Science in Economics in 1995, Abubakar began working for the then Arthur Andersen & Co. in corporate taxation and compliance auditing. In 1999, he moved to MBC International Bank, which later merged with First Bank of Nigeria. At that time, MBS International was one of the few commercial banks in Nigeria. Abubakar's main responsibilities were delivering financial services to governments, large corporations, and institutional clients. In the treasury department, he acquired valuable knowledge of the inner workings of Nigeria's banking operations.

In January 2000, Abubakar joined Citibank, an international bank that had a significant presence in Nigeria. There, he worked on managing market risks associated with interest and exchange rate fluctuations and on optimizing the bank's loan portfolio. He gained a deep understanding of the Nigerian financial market by trading securities such as stocks and bonds on the floor of the Nigeria Stock Exchange on behalf of the bank. Additionally, he oversaw the management of the bank's assets and liabilities to maintain liquidity and meet investment opportunities.

Argentina's peso crisis of 2001, triggered by the devaluation of its currency, significantly affected Citibank, leading the bank to reduce its activities in other emerging markets, including Nigeria. The bank reduced its retail footprint, making it solely a corporate and investment bank. While Abubakar had the option of moving abroad for career advancement, he chose to remain in Nigeria, believing he could make a greater impact by developing a world-class bank in his home country. Yemi Odubiyi, the group CEO of Sterling Bank Holding, who had been Abubakar's colleague at Citibank, explained their mindset at the time:

We felt that we could build a Nigerian bank. We didn't see any, based on our assessment at the time. We felt we could bring some of Citibank's best attributes into our market while remaining true to our local African roots. Having garnered all the years of experience that we had, we wanted to build a world-class African platform. It didn't matter to us whether it was public or private.

An opportunity arose when Adeola, a senior colleague and executive of Citibank, left to form an investor group aimed at acquiring the distressed Trust Bank of Africa, a troubled Nigerian bank. Seeing the extent of Abubakar's and Yemi's ambitions, Adeola invited them to be part of the bank's leadership team. Then, in 2003, Abubakar then left Citibank to drive the growth of what would eventually become Sterling Bank.

Sterling's origins

The foundations of Sterling Bank began in 2005 when the Central Bank of Nigeria (CBN) introduced a significant reform to the Nigerian banking sector (**Exhibit 1** provides a brief history of the Nigerian banking industry), which included raising the minimum capital requirement for banks to 25 billion naira¹. This policy was part of a broader agenda aimed at strengthening Nigeria's financial sector.

In a bid to meet CBN's new regulatory requirements, Trust Bank of Africa agreed to merge with Nigeria Acceptance Limited, Magnum Trust Bank, NBM Bank, and Indo-Nigeria Bank to form a new

¹ The exchange rate was around 130 naira to \$1 in December 2005. Source: <https://www.cbn.gov.ng/rates/exrate.html>.



bank. The merger was more of an amalgamation of multiple banking operators to pool resources just to stay in business than it was for any strategic benefits or advantages. The banks were also predominantly investment banks, with very little experience in core banking activities.

Bringing together these distinct entities would prove challenging because of the differences in the banks' business cultures and legacy systems as well as the market segments in which they each operated. However, Abubakar and Yemi volunteered to manage the complexity of these mergers and integrate the businesses and operating platforms of the five banks. The merger was successful, and Abubakar became head of treasury of the new entity and Yemi was made head of trade finance. Yemi explained how the execution of the merger positioned them in the new bank:

Abubakar and I, even though we had very much been part of the project team to create the bank, were relatively young compared to several of the executives of the other banks. The CEOs of the five banks became the directors. We didn't have the experience, and we didn't have the investment commitment in the business or anything to have been directors, but we were in important senior roles.

As the global financial crisis of 2008 sent shockwaves through economies worldwide, Nigeria was not spared. By 2009, the crisis had uncovered deep vulnerabilities within the Nigerian banking sector, leading to a series of bank failures and forced mergers as well as to the government's intervention in institutions controlling nearly 40% of the market's assets. The situation was dire, particularly for banks with heavy exposure to the oil and gas sector, in which plummeting global oil prices had resulted in a surge in nonperforming loans.

Sterling Bank found itself at a crossroads. While it had managed to weather the initial storm, the bank was now grappling with capital inadequacies that threatened its survival. It knew it was running out of time. The next regulatory requirement from the CBN loomed large, and without sufficient capital, the bank's very existence was at stake.

In the face of these challenges, Sterling Bank, under the leadership of Adeola, made a bold move. Rather than succumbing to the pressures that had claimed many of its peers, the bank sought strategic capital from international investors, with \$95 million raised from Citibank. It was not just about raising capital; Sterling Bank was looking for partners who believed in its vision of transforming from an investment bank into a fully-fledged commercial banking operator.

The strategic pivot did not stop there. With the CBN's reversal of the universal banking policy in 2010, whereby it now required banks to specialize in core banking activities, Sterling Bank faced another crucial decision. After careful consideration, the bank chose to focus on national commercial banking. This decision led to the divestment of noncore subsidiaries, including Sterling Capital Markets Ltd. and Sterling Asset Management & Trustees Ltd., thereby allowing the bank to streamline its operations and strengthen its commercial banking capabilities.

In 2011, the CBN initiated another reform, this time to tackle the poor corporate governance and risk management and the inadequacy of liquidity that were endemic in the Nigerian banking industry². While this reform led to the closure or mergers of several top banks³, Sterling Bank came out of the process unscathed. Abubakar recalled, "When Sterling Bank survived the CBN review,

² African Business. "Nigeria's Banking Reforms: End In Sight?" African Business. Last modified October 17, 2011. <https://african.business/2011/10/economy/nigerias-banking-reforms-end-in-sight>.

³ BBC.com. "Nigeria's Lamido Sanusi Wins Forbes Award." BBC News. Last modified November 29, 2011. <https://www.bbc.com/news/world-africa-15935116>.