



STANBIC HOLDINGS PLC
FINANCIAL RESULTS
PRESENTATION
1H19

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Welcome and remarks



Operating environment
Charles Mudiwa
Chief Executive, Stanbic Bank

Complex operating environment



Macro-economic environment

Inflation

- June 2019 5.7% vs. June 2018 4.3%

91-day T-bill

- June 2019 6.7% vs. 2018 7.7%

USD exchange rate

- June 2019 102.29 vs. June 2018 101.0

Regulatory environment

- Interest rate caps
- IFRS 16 on leases
- New regulations in the insurance industry
- Banking sector charter
- Demonetisation

Market opportunities

- Government's Big 4
- Technological innovations
- Infrastructure projects
- Diaspora remittances

Market threats

- Cyber security risk
- Increased competition from non-traditional players
- Hyperinflation in South Sudan



Our response
Charles Mudiwa
Chief Executive, Stanbic Bank

Recap of our strategy



Our Purpose
the reason we exist

Kenya is our home, we drive her growth

Our Vision
what we aspire to be

To be a **leading** financial services organisation **in Kenya**, delivering **exceptional client experiences** and **superior value**

In executing our strategy our key focus areas are



Client centricity

Do valuable things for clients



Digitisation

Digitise front to back



Integration

Seamlessly deliver relevant, holistic solutions

We measure our progress using five strategic value drivers



SEE = Social, economic and environmental

We continue to live our purpose by driving Kenya's growth through various initiatives



We believe that in order to be a truly sustainable business, we must pursue and create value that goes beyond financial outcomes. We express this belief through our SEE* model which can be obtained from our sustainability report via www.stanbicbank.co.ke/kenya/About-Us/Investor-relations

Social

The shared value our business generates for our clients and other stakeholders, through deepening financial inclusion, investing in infrastructure and education, supporting job creation through enterprise development and financing people, businesses and entrepreneurs

Economic

The value we create for our shareholders and more broadly for society, by driving inclusive economic growth, developing and implementing better ways of doing business, and supporting regional economic integration and development

Environmental

The value we create for the natural environment, through businesses we finance or do not finance, investments towards reducing carbon emissions and any other environmental degradation, and by helping our clients to lessen and adapt to the impacts of climate change



**SEE - Social, Economic and Environmental*



Driving Kenya's growth through the Big 4 Agenda



Affordable Housing

Invested in
Kenya Mortgage
Refinance Company
(KMRC)



Manufacturing

20% of our total loan book
relates to financing to
manufacturing sector



Food Security

9% of our total loan book relates to
financing to agriculture sector



Affordable Healthcare

Africa banking partner to the
global fund





Driving Kenya's growth through financial markets



Lead transaction advisor and placement agent for one of the biggest equities transaction in Kenya

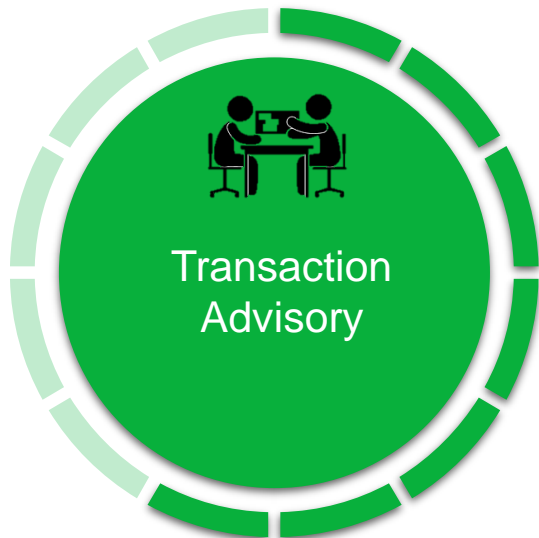
Award winning transaction - Deal of the year award by Deal Makers Africa



Partnered with NSE to launch derivatives market in Kenya



17.4% market share despite decline in market turnover



Closed significant Investment banking deals to support infrastructure, foreign direct investments and investments by local entities in Africa



Driving Kenya's growth through financial inclusion, job creation and enterprise development



Financial Fitness Academies

Completed financial fitness sessions for 13 Corporates in 2019, 26 Corporates

since inception



UBER

509 drivers supported to purchase their own cars to date

M-kopa

Stanbic continues to partner with M-Kopa to provide affordable and clean energy solutions to over 600k low income households



Supporting upcoming artistes

92 artistes currently onboarded



517 women currently onboarded with a total of 560 accounts

Financial outcome



Total revenue

2019: KES 12.8b
2018: KES 11.2b

15%
Up

Customer loans

2019: KES 161.9b
2018: KES 136.5b

19%
Up

PAT

2019: KES 4.1b
2018: KES 3.6b

14%
Up

Customer deposits

2019: KES 201.6b
2018: KES 167.3b

20%
Up

ROE (incl goodwill)

2019: 18%
2018: 17%

6%
Up

CTI

2019: 47.1%
2018: 51.3%

8%
Down

ROE excl goodwill
2019 – 22.5% , 2018 – 21.6%

- The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 4.1b
- Total revenue grew by 15% on account of strong balance sheet growth, growth in market share in the brokerage business, growth in fees and commission on electronic banking and successful closure of key deals in Investment Banking
- The Group continues to focus on cost management
- The Board of Directors have declared a dividend of KES 1.25 per share

Tier 1 capital ratio (Bank only)

2019: 14.2%
2018: 14.7%

Minimum statutory requirement: 10.5%

Total capital ratio (Bank only)

2019: 17.5%
2018: 17.4%

Minimum statutory requirement: 14.5%

NIMs

2019: 4.8%
2018: 4.7%

DPS

2019: 1.25
2018: 2.25



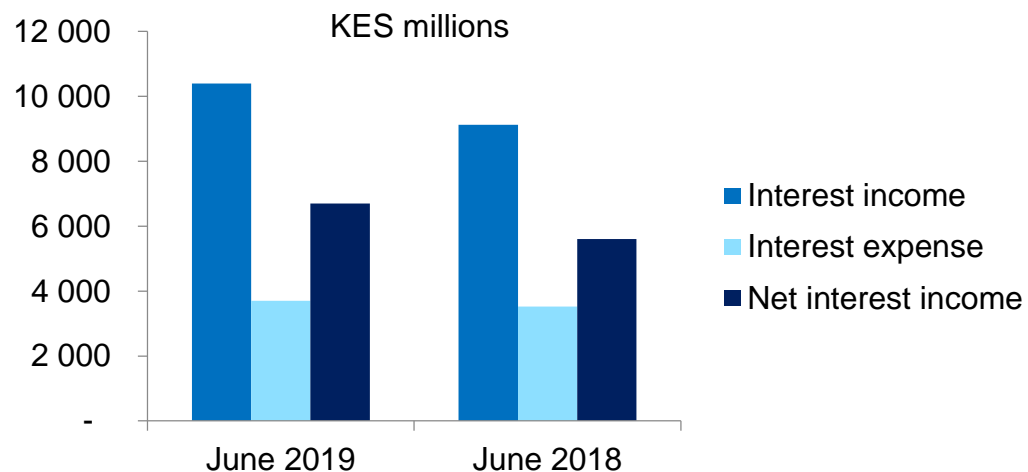
Drivers of performance
Abraham Ongenge
Chief Finance Officer

Summary income statement

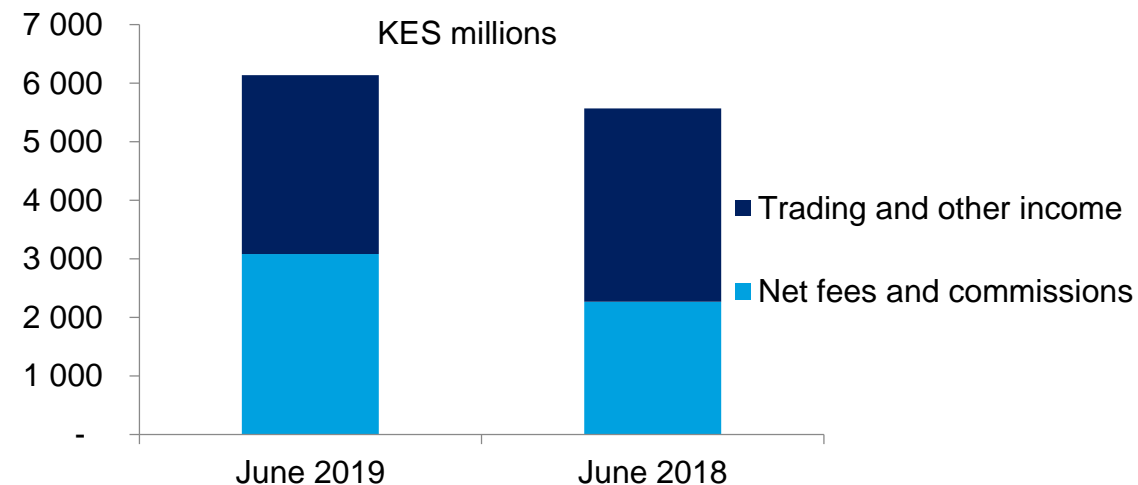


	June-2019 KES m	June-2018 KES m	change %
Net interest income	6,702	5,608	20
Non-interest revenue	6,135	5,569	10
Total income	12,837	11,177	15
Operating expenses	(6,041)	(5,730)	(5)
Pre-provision profit	6,796	5,447	25
Credit impairment charges	(1,235)	(253)	>(100)
Tax	(1,498)	(1,642)	9
Profit after tax	4,063	3,552	14
Customer loans	161,912	136,477	19
Customer deposits	201,551	167,306	20

Revenue



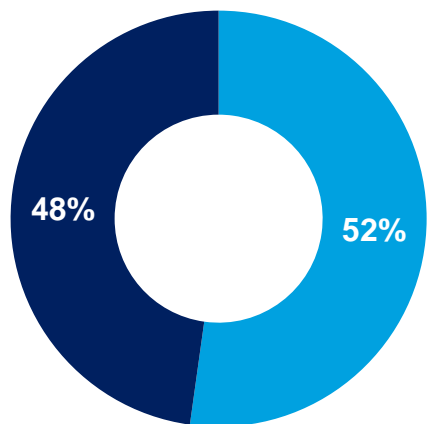
■ Net interest income increased year on year by 20% explained by growth in loans and advances



Net fees and commission income

■ Increase in net fees and commission income explained by:

- Key investment banking deals closed in the first half of the year
- Continued growth of electronic banking revenues



June 2019

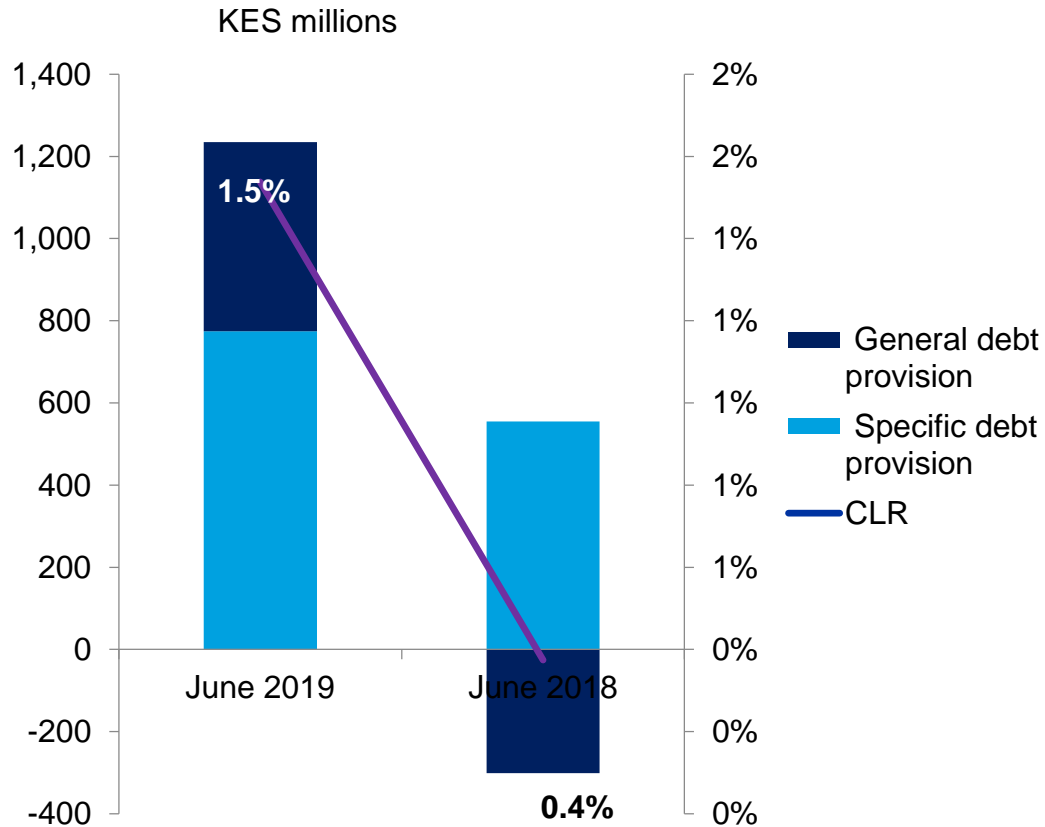
- Net interest income
- Non-interest revenue

Trading revenue

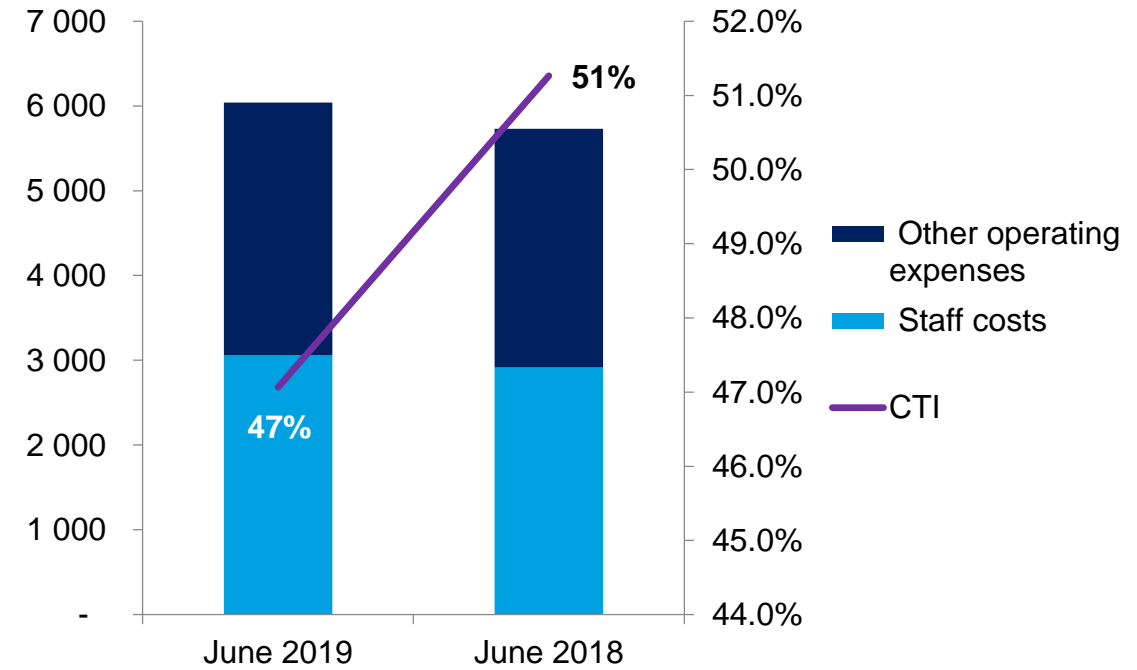
■ Income from trading decreased due to reduction in client flows in the South Sudan business. However, the decline was partly offset by increase in foreign exchange income in the Kenya business by 15% supported by increase in client volumes



Credit impairment and operating expenses



- Impairment charges have increased year on year due to:
 - Increase in provisions for the non-performing book
 - Growth in the performing book



- Decline in cost to income as revenues grew at a higher rate than costs. Revenue increased by 15% while costs grew by 5%

Summarised group balance sheet

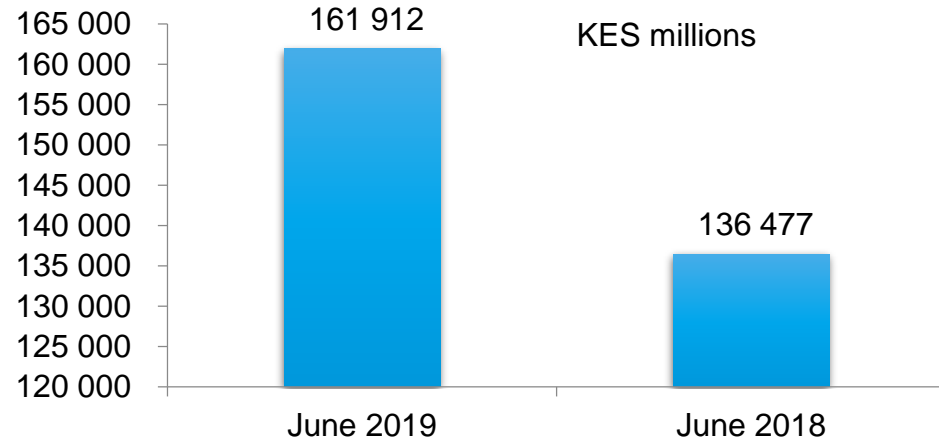


	June-2019 KES millions	June-2018 KES millions	Change %
Assets			
Financial investments	94,099	91,541	3%
Loans and advances to banks	15,172	17,558	(14%)
Loans and advances to customers	161,912	136,477	19%
Other assets	28,287	20,371	39%
Property and equipment	3,306	2,271	46%
Intangible assets	10,534	10,563	(0%)
Total assets	313,310	278,781	12%
Liabilities			
Deposits from banks	36,433	48,466	(25%)
Deposits from customers	201,551	167,306	20%
Borrowings	9,185	7,032	31%
Other liabilities	19,312	13,767	40%
Equity	46,829	42,210	11%
Liabilities and equity	313,310	278,781	12%
Contingents	74,606	72,479	3%
Letters of credit	2,532	6,286	(60%)
Guarantees	72,074	66,193	9%

Customer loans and advances

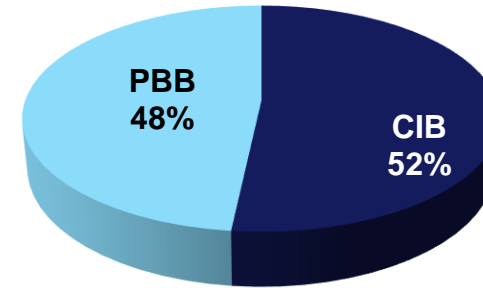


- Customer loans and advances grew by 16% year on year mainly on term lending

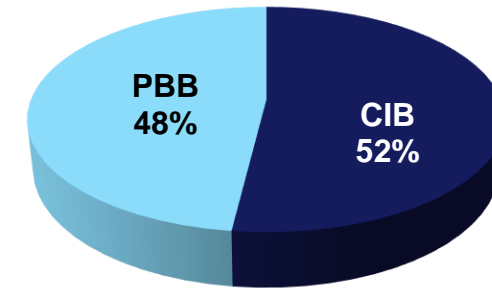


Loans and advances by business unit

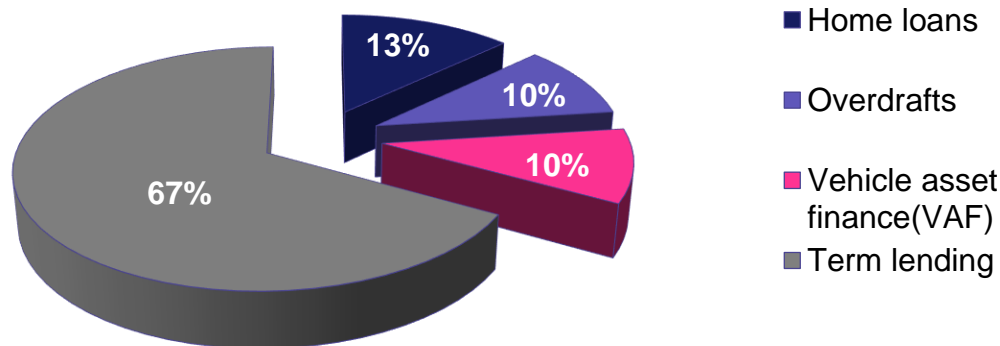
June 2019



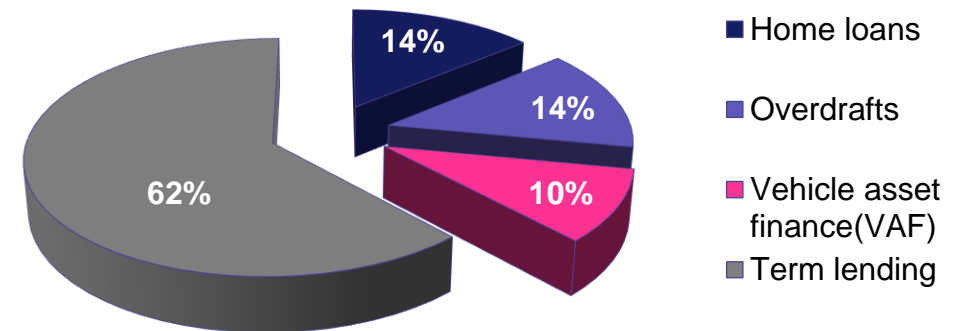
June 2018



June 2019 Loans and advances by product

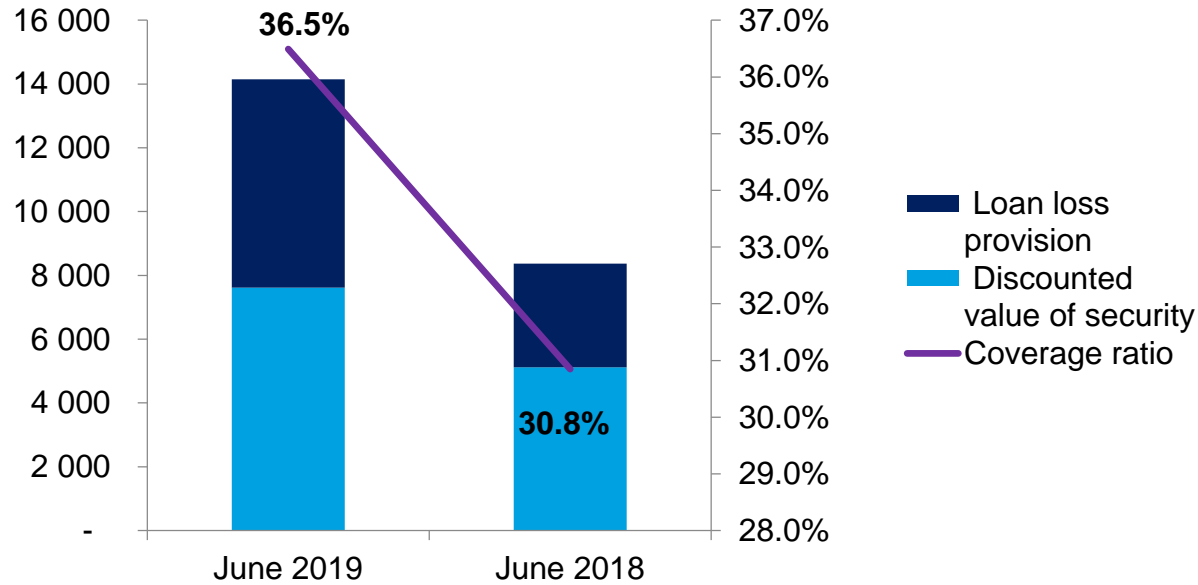


June 2018 Loans and advances by product

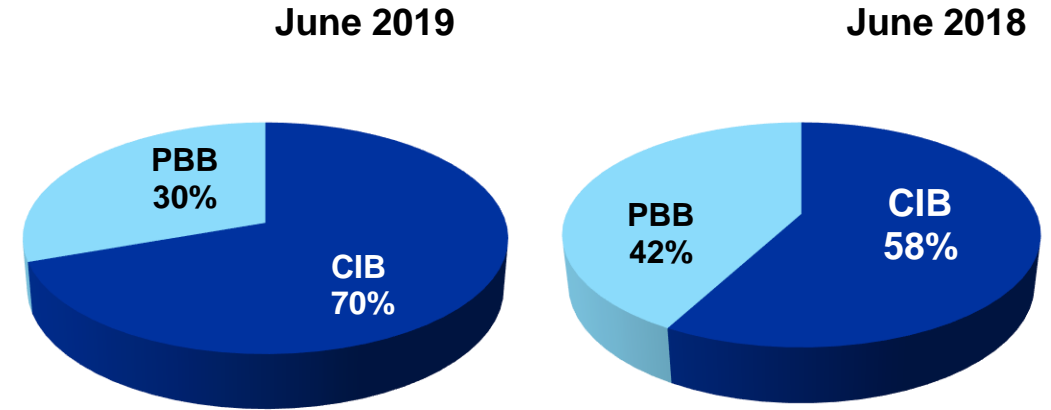




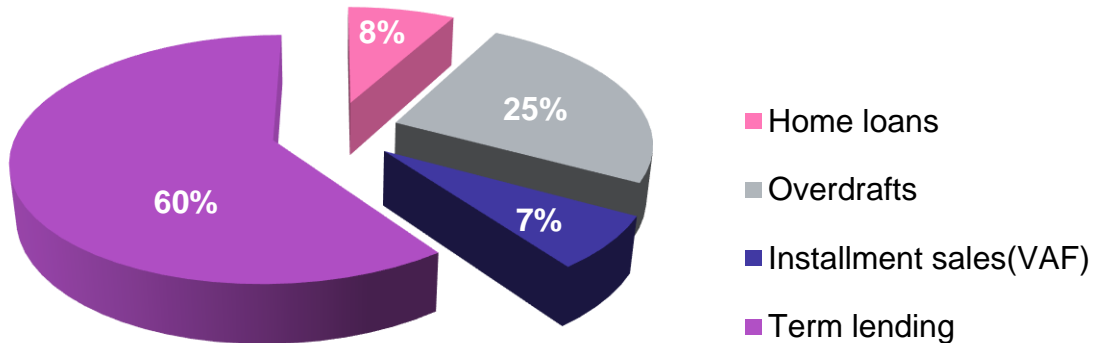
Customer loans and advances: Non performing loans (NPLs)



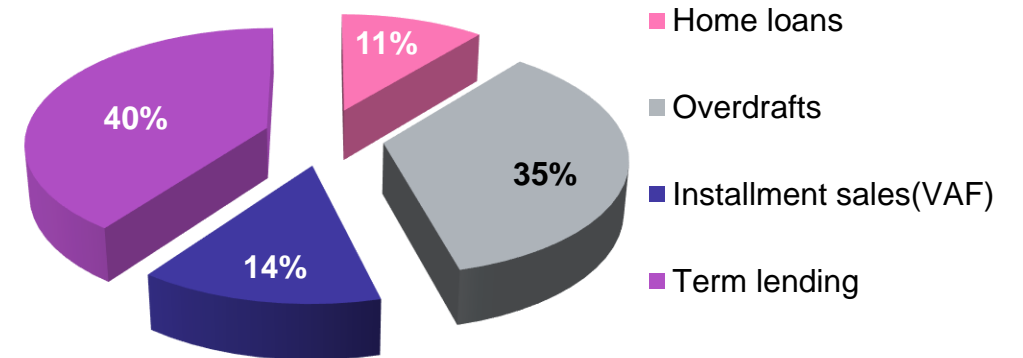
NPLs by business unit



June 2019 NPLs by product



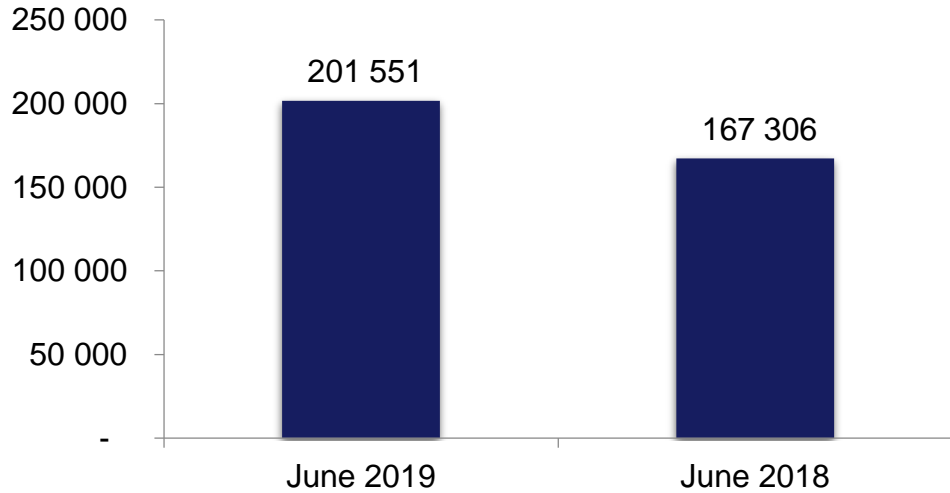
June 2018 NPLs by product



Customer deposits

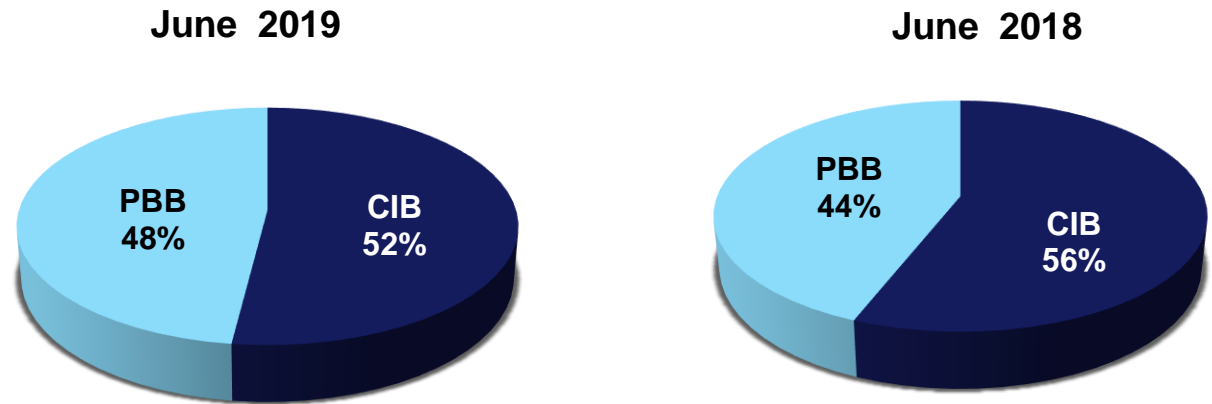


KES millions

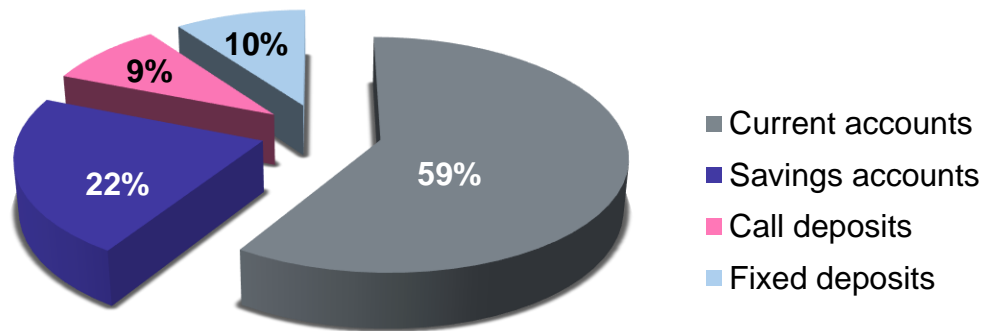


- Customer deposits grew by 20% year on year with core accounts accounting for 81% of total deposits

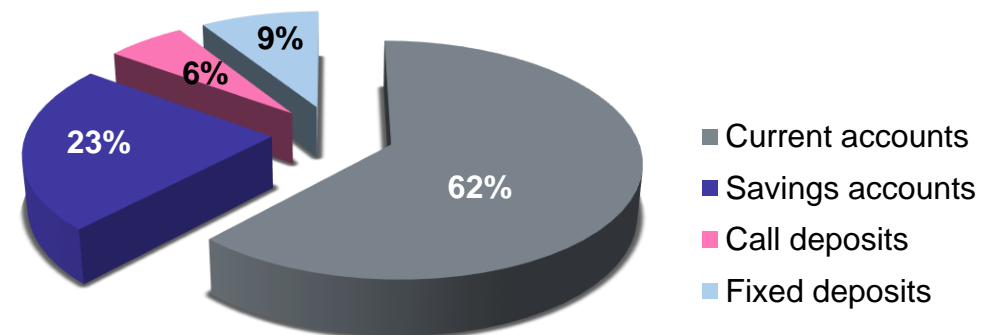
Customer deposits by business unit



June 2019 customer deposits per product

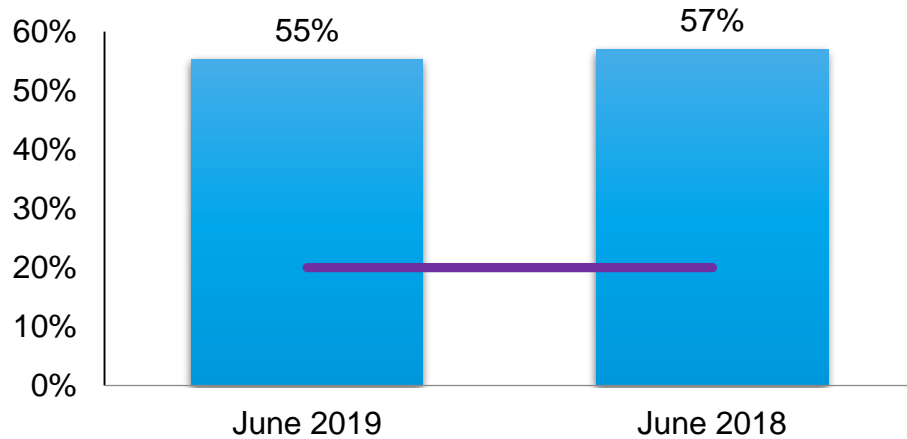
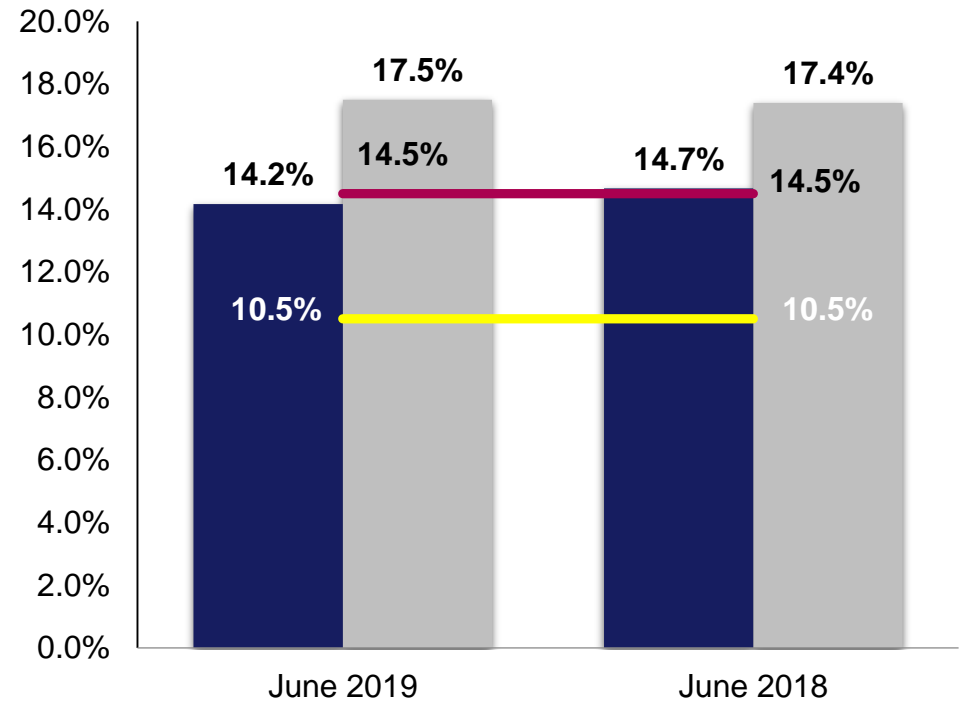
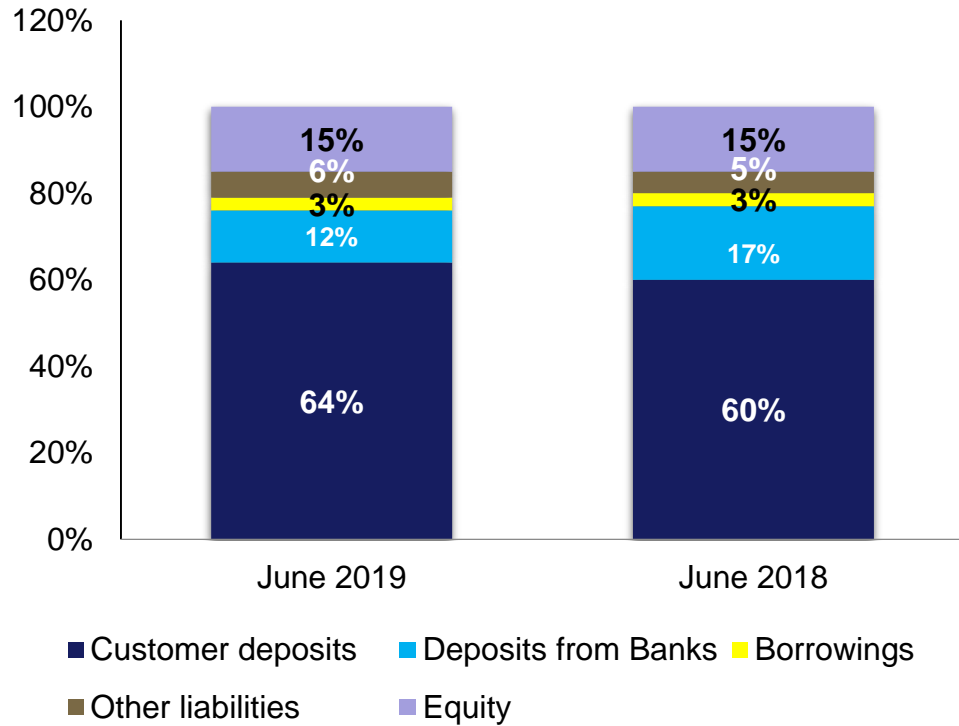


June 2018 customer deposits per product





Funding, liquidity and capital



- Core capital to RWA
- Total capital to RWA
- Statutory minimum core capital to RWA
- Statutory minimum total capital to RWA

RWA - Risk weighted assets



Corporate and Investment Banking (CIB)

Anton Marais

Executive, Corporate & Investment Banking

CIB summary performance



	June-2019 KES m	June-2018 KES m	change %
Net interest income	3,376	2,969	14
Non-interest revenue	4,825	4,373	10
Total income	8,201	7,342	12
Credit loss ratio	1.5%	(0.7%)	
Customer loans and advances	83,739	70,898	18
Customer deposits	104,988	93,267	13
Contingents	71,552	67,912	5
Letters of credit	1,870	5,202	(64)
Guarantees	69,682	62,710	11

- Increase in net interest income as a result of growth in the customer balance sheet
- Higher non interest revenue due to fees from key deals in Investment Banking and mark to market gains on the trading revenue line
- Credit loss ratio was higher in 2019 due to prudent provisioning and higher loan book
- Growth in customer loans and advances was mainly driven by a combination of long term investment needs as well as working capital requirements for our clients
- Increase in customer deposits mainly on current account balances which is in line with our strategy of growing the local currency customer balance sheet

CIB strategic priorities



We want to partner with our clients to unlock their dreams

We aspire to be the undisputed financial services provider of choice

We want to deliver value to our clients through our deep sector expertise by focusing on:



Client centricity

We want to do valuable things for our clients



Digitisation

In a digital way



Integration

Delivering a seamless universal financial services proposition



Personal Business Banking (PBB)
Thomas Bisonga
Executive, Business Banking

PBB summary performance



	June-2019 KES m	June-2018 KES m	change %
Net interest income	3,326	2,639	26
Non-interest revenue	1,310	1,196	10
Total income	4,636	3,835	21
Credit loss ratio	1.6%	1.5%	
Customer loans and advances	78,173	65,579	19
Customer deposits	96,563	74,039	30
Contingents	3,054	4,567	(33)
Letters of credit	662	1,084	(39)
Guarantees	2,392	3,483	(31)

- Strong balance sheet growth on our focus segments driven by acquisition of new to bank customers
- Increase in net interest income explained by balance sheet growth and improved margins as a result of accelerated growth in local currency current accounts
- Growth in non interest revenue mainly driven by increased transactions on our digital channels and forex



PBB strategic priorities



- Re-organising the business to better serve our clients
- Digital transformation
- Enhancing funding mobilization efforts
- Leveraging on ecosystems to drive growth in chosen markets
- Enhance risk awareness
- Effective cost management



Wealth

Julia Shisia

Executive, Stanbic Insurance Agency

Stanbic Insurance Agency summary performance



	June-2019 KES m	June-2018 KES m	change %
Net interest income	5	5	0
Fees and commission	126	133	(5)
Total income	131	138	(5)
Total expenses	(66)	(64)	3
Profit before tax	65	74	(12)
Tax	(25)	(23)	7
Profit after tax	40	51	(21)

- This performance reflects:
 - Decline in revenue due to slow uptake of stand alone products and reduction in advisory business
 - Cost increase due to investment in sales capabilities

Stanbic Insurance Agency strategic priorities



- Increase penetration on the Bank's customer base
- Review and leverage systems capabilities aligned to growth plan
- Manage regulatory environment
- Optimise relationship with other entities within the Group
- Investing in digital capabilities to offer relevant solutions to customers



SBG Securities (SBGS)

Bethuel Karanja

Executive Director, SBG Securities

SBGS summary performance



	June-2019 KES m	June-2018 KES m	change %
Brokerage commission	112	135	(17)
Other revenue	122	43	>100
Total income	234	178	31
Total expenses	(116)	(129)	10
Profit before tax	118	49	>100
Tax	(36)	(17)	>(100)
Profit after tax	82	32	>100

- SBG Securities posted revenues of KES 234m for the half year ending 30th June 2019, indicating 31% year-on-year growth
- This revenue performance reflects:
 - A reduction in equity market activity at the Nairobi Securities Exchange with market turnover declining by 27% year-on-year
 - However, the business recorded a significant increase in equities trading market share to 17.4% compared to 13.1% in the first half of 2018
 - Growth in other revenue from advisory fees and interest income
- Overall, SBG Securities was ranked 1st in equities trading market share, compared to the 3rd position held in the same period last year

SBGS strategic priorities



2019 H1 market highlights

- The equities market in Kenya posted a 27% decline in trading turnover while competition for market share continued to intensify
- The equities market activity was mainly driven by foreign institutional investors who accounted for 73% of the total equity market turnover with net inflows recorded at KES1.96b (approximately USD19m)

2019 strategic priorities

- Strong focus on advancing our regional and international client franchise to establish a dominant product offering in the EA regional market
- Maintain high quality and differentiated products and services for both institutional and regional retail client segments
- Driving uptake on digital channels and continuous innovation to drive efficiencies
- Maintaining strong market position



Thank You