Stanbic Holdings Plc

Financial performance for the half year ended 30 June 2017

Stanbic Bank Moving Forward™
A member of Standard Bank Group

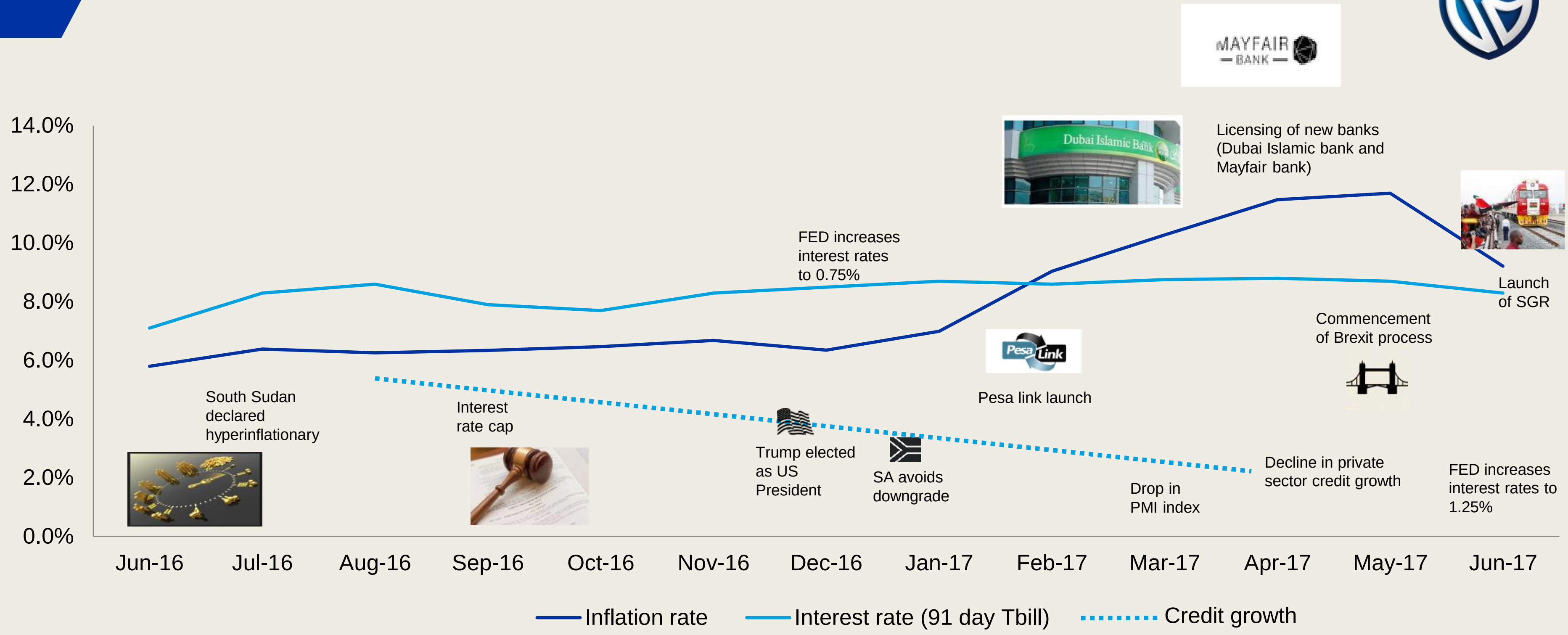
Welcome and remarks

Half year review

Philip Odera

Chief Executive, Stanbic Bank

Operating environment



	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
USDKES Exchange rate	101.2	101.4	101.4	101.2	101.5	101.9	102.6	104.0	103.4	103.0	103.3	103.3	103.8

Results highlights

KES 9,169m
Total revenue
2016: KES 9,224m

KES 117.9b
Customer loans
2016: KES 109.9b

11%
ROE net of goodwill
2016: 14%

KES 1,737m
PAT
2016: KES 1,976m

KES 130.3b
Customer deposits
2016: KES 111.8b

103.13
Net asset value per share
2016: 96.95

56%
CTI
2016: 56%

KES 234.3b
Total assets
2016: KES 215.1b

1.25
DPS
2016: 1.77

- The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 1.7b
- Net interest income declined to KES 5.0b compared to KES 5.5b over the same period in 2016 due to decrease in asset yields which was partly offset by a 7% growth in customer loans and advances. In addition, the growth in transactional accounts resulted in lower cost of funds
- Non interest revenue reported strong performance as the Bank leveraged on technology to improve our customers' banking experience and successful closure of key deals in Investment Banking
- Loan loss provisions increased compared to June 2016 on account of a challenging operating environment for some of our clients
- The Group continues to focus on cost discipline
- Despite the challenging operating environment in South Sudan, the branch continues to report positive results

Detailed financial analysis

Abraham Ongenge

Chief Finance Officer

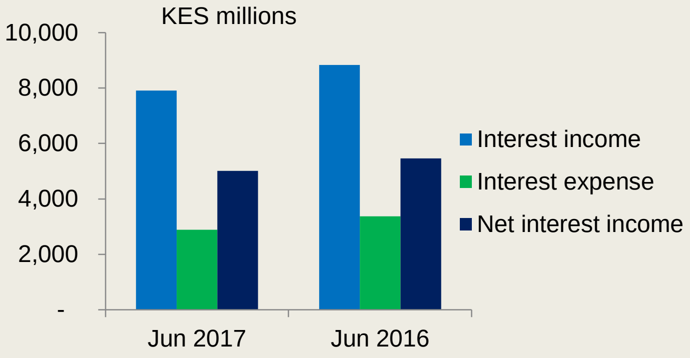
Summary income statement

	June 2017 KES millions	June 2016 KES millions	Change %
Net interest income	5,012	5,463	(8)
Non-interest revenue	4,157	3,761	11
Total income	**9,169**	**9,224**	**(1)**
Operating expenses	(5,143)	(5,196)	1
Pre-provision profit	**4,026**	**4,028**	**(0)**
Credit impairment charges	(1,818)	(834)	>100
Taxation	(471)	(1,218)	61
Profit after tax	**1,737**	**1,976**	**(12)**

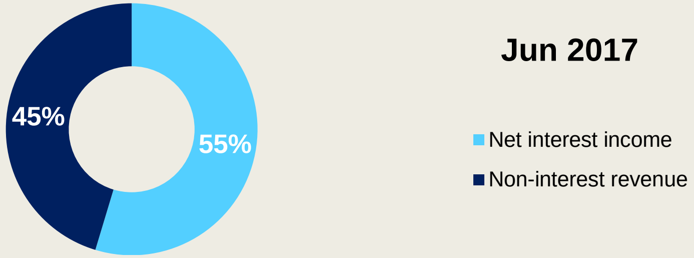
To ensure that we compare like for like results, we have rebased 2016 numbers to reflect the adoption of hyperinflation accounting

Revenue

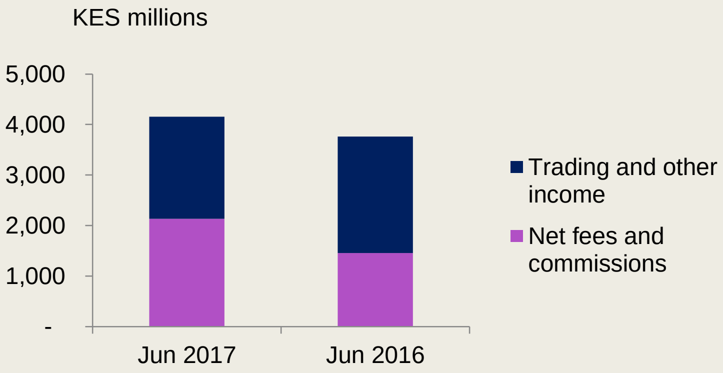
Net interest revenue



Net interest income decreased year on year by 8% explained by decrease in asset yields. This was partly offset by growth in loans and advances and efficient management of cost of funds



Non-interest revenue



Net fees and commission income

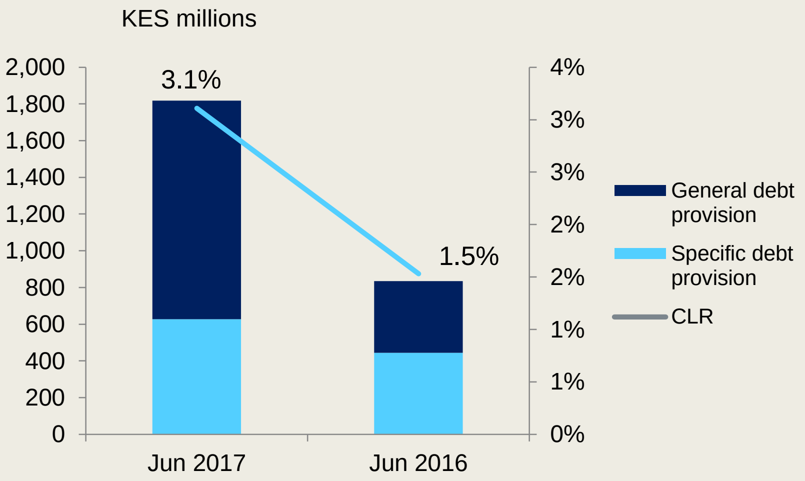
- Increase in net fees and commission income explained by increases in the following income lines:
  - Electronic banking commissions
  - Trade finance
  - Brokerage commission

Trading revenue

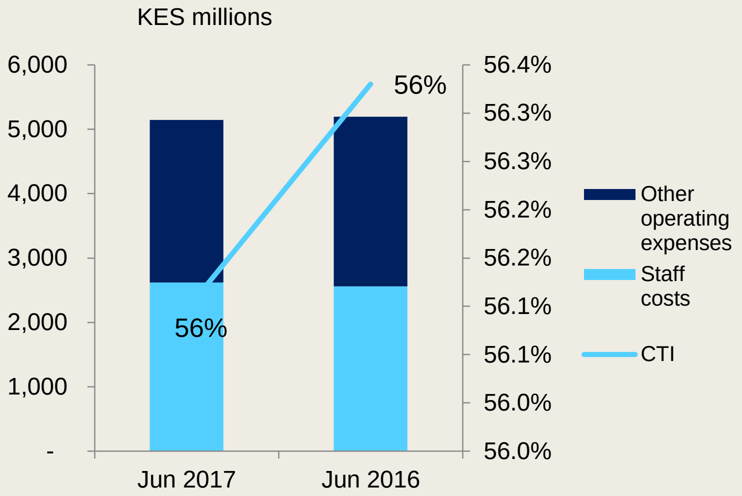
- Income from trading decreased from KES 2,283m to KES 2,022m due to slow interest rate volatility. This was partly offset by customer foreign exchange volumes increasing by 13% year on year and foreign exchange margins increasing by 48%

Credit impairment and operating expenses

Credit impairment charges



Operating expenses



- Impairment charges have increased year on year due to:
  - Downgrade of some corporate clients
  - Growth in loan book

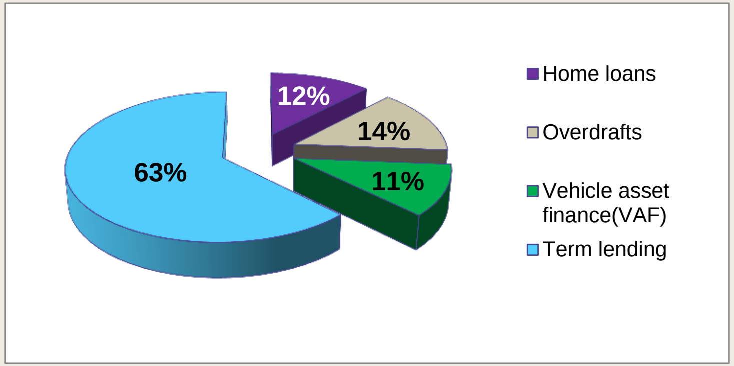
- The cost to income ratio was relatively flat. The Group continues to maintain growth in costs below inflation

Summarised group balance sheet

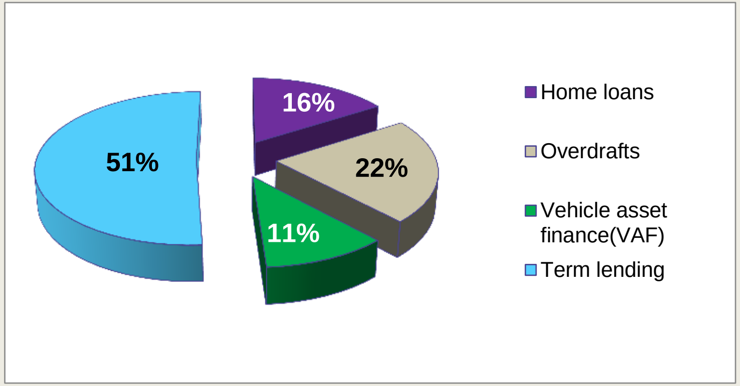
	June-17 KES millions	June-16 KES millions	Change %
Assets			
Financial investments	71,853	59,458	21%
Loans and advances to banks	15,571	13,662	14%
Loans and advances to customers	117,945	109,921	7%
Other assets	16,011	19,708	(19%)
Property and equipment	2,326	2,295	1%
Intangible assets	10,552	10,042	5%
Total assets	**234,258**	**215,086**	**9%**
Liabilities			
Deposits from banks	47,597	46,249	3%
Deposits from customers	130,263	111,784	17%
Borrowings	3,988	6,485	(39%)
Other liabilities	11,642	12,241	(5%)
Equity	40,768	38,327	6%
Liabilities and equity	**234,258**	**215,086**	**9%**
Contingents	**39,554**	**29,898**	**32%**
Letters of credit	3,891	6,954	(44%)
Guarantees	35,663	22,944	55%

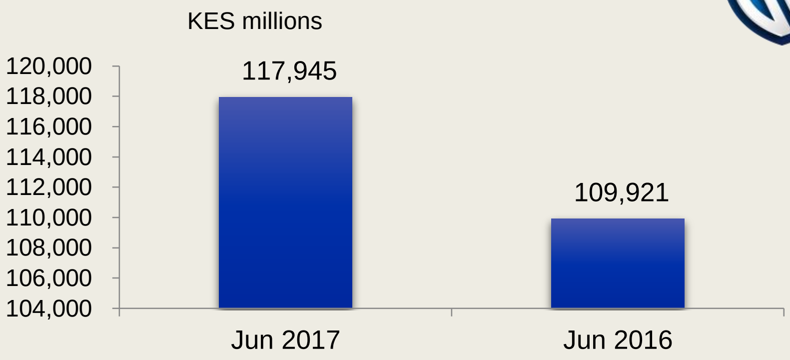
Customer loans and advances

June 2017 Loans and advances by product



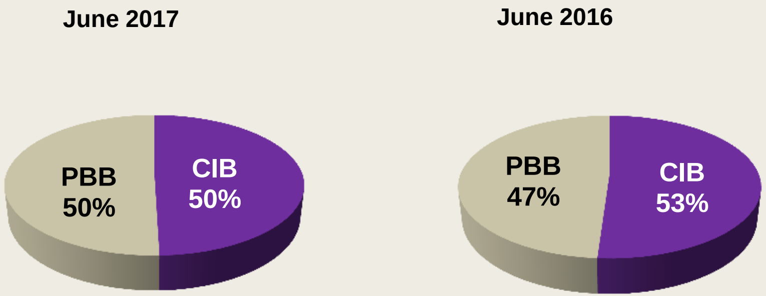
June 2016 Loans and advances by product



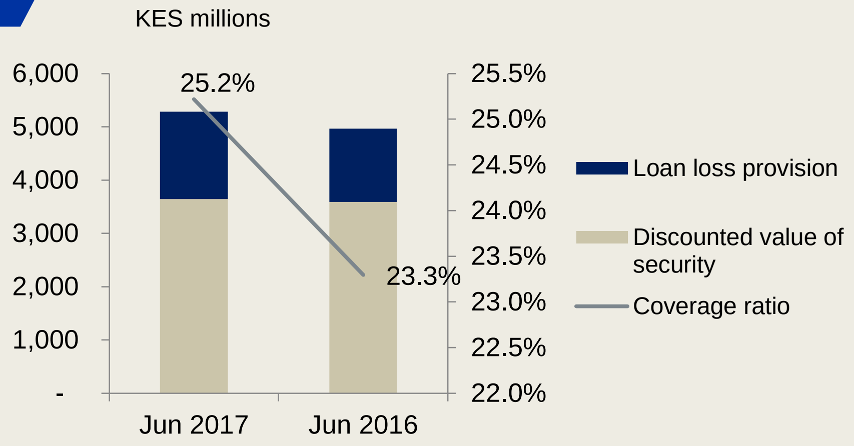


- Customer loans and advances grew by 7% year on year mainly on term lending

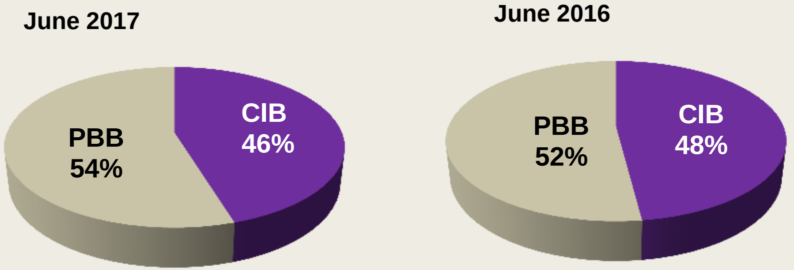
Loans and advances by business unit



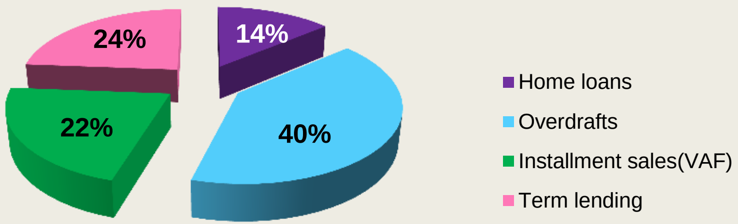
Customer loans and advances – Non performing loans (NPLs)



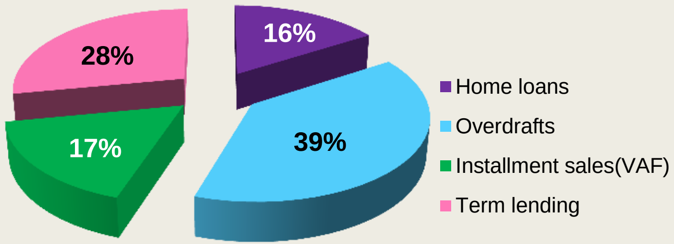
NPLs by business unit



June 2017 NPLs by product



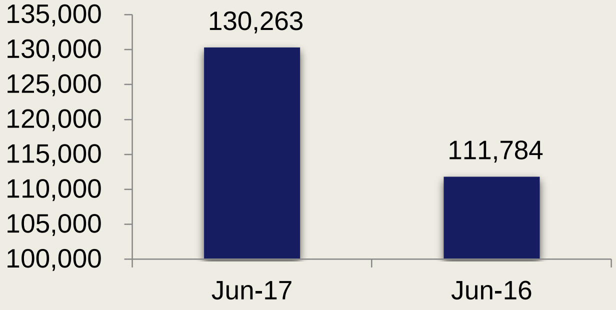
June 2016 NPLs by product



Customer deposits

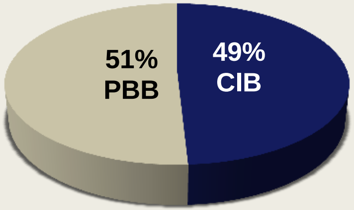
- Customer deposits grew by 17% year on year with core accounts accounting for 79 % of total deposits

KES millions

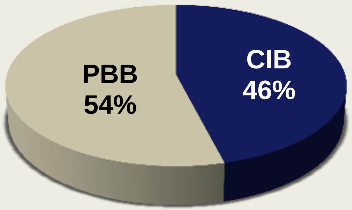


Customer deposits by business unit

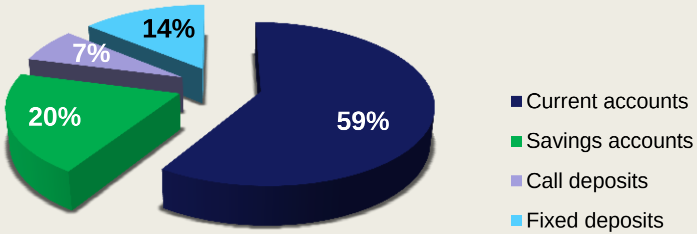
June 2017



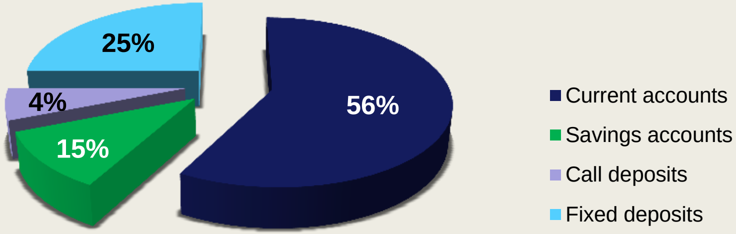
June 2016



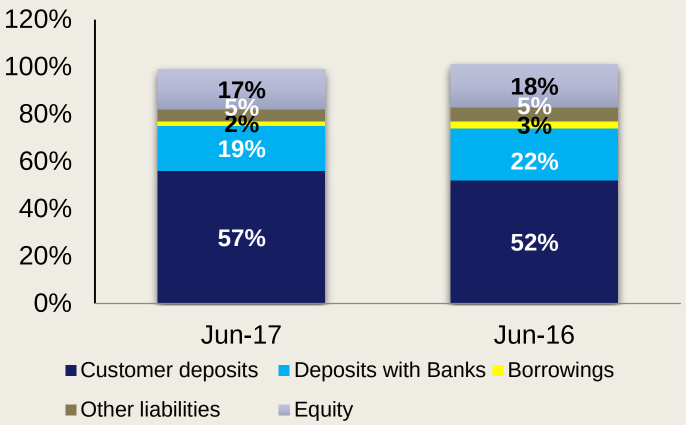
June 2017 customer deposits per product



June 2016 customer deposits per product

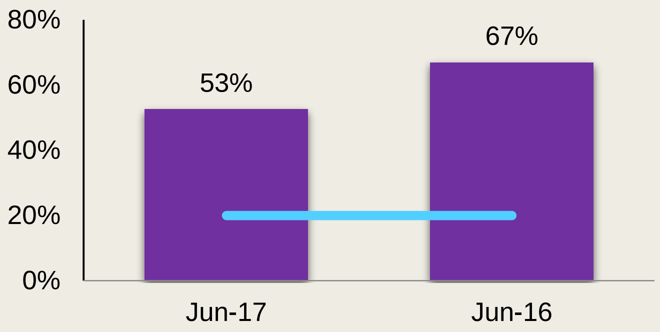


Funding, liquidity and capital

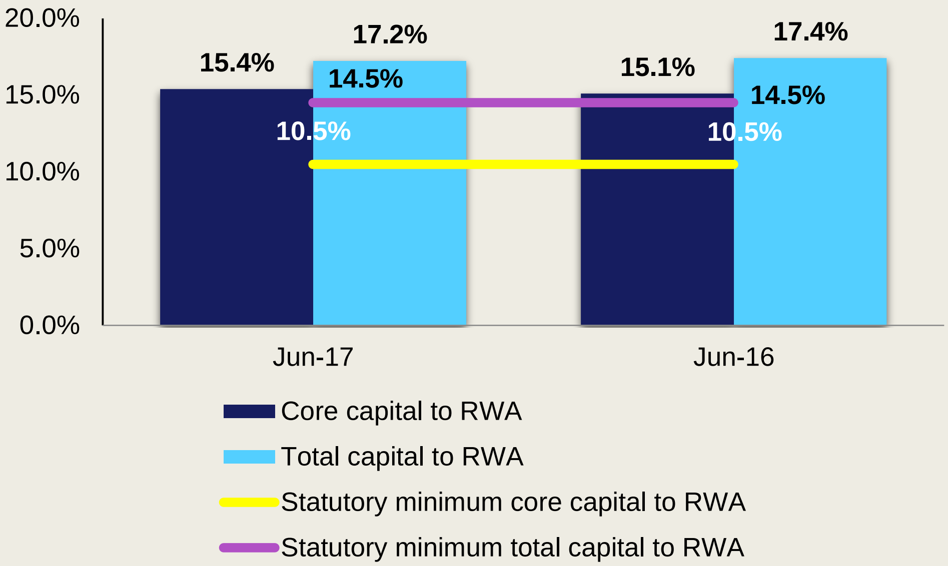


- Assets funded mainly from customer deposits

Liquidity ratio (Bank only)



Capital adequacy ratio (Bank only)



RWA- Risk weighted assets

Corporate and Investment Banking

Anton Marais

Executive, Corporate and Investment Banking

CIB summary performance

	June 2017 KES millions	June 2016 KES millions	Change %
Net interest income	2,734	2,637	4
Non interest revenue	3,146	2,747	15
Total revenue	**5,880**	**5,384**	**9**
Credit loss ratio	5.1%	0.4%	
Customer loans and advances	58,436	58,448	(0)
Customer deposits	64,081	51,197	25
Contingents	35,608	26,471	35%
Letters of credit	2,995	5,518	(46%)
Guarantees	32,612	20,953	56%

- Net interest income grew by 4% mainly driven by increase in LCY current accounts and trade book
- Fees and commissions revenues were above prior year mainly as a result of increased trade, cash management and Investor Services fees driven by higher volumes
- Credit loss ratio was higher than 2016 due to change in risk grades of some clients
- Increase in customer deposits mainly on current account balances
- Assets have not shown any growth YoY

CIB 2017 strategic priorities

- Focus on priority growth and target clients
- Banking the eco-system around our key clients
- Digital transformation
- Superior transactional banking
- Increase in customer deposits mainly on current account balances
- Increase in client assets

Personal Business Banking (PBB)

Adam Jones

Executive, Personal and Business Banking

PBB summary performance

	June 2017 KES millions	June 2016 KES millions	Change %
Net interest income	2,279	2,826	(19)
Non interest revenue	1,010	1,015	(0)
Total revenue	**3,289**	**3,841**	**(14)**
Credit loss ratio	1.1%	1.4%	
Customer loans and advances	59,509	51,473	16
Customer deposits	66,182	60,587	9
Contingents	3,947	3 427	15%
Letters of credit	896	1 436	(38%)
Guarantees	3 051	1 991	53%

- Decline in net interest income growth due to lower margins post interest capping
- Non interest revenue for prior year includes KES 300m relating to South Sudan. In current year South Sudan has been reported entirely as CIB. Excluding this impact, the growth in NIR was 46% due to better trade finance, digital fees and transactional related fees
- Credit loss ratio – good result reflecting the quality of the asset book and customer base
- Strong balance sheet growth within Commercial Banking, SME, Wealth & Investments and Private Banking segments
- Growth in customer deposits achieved with good growth in current accounts & savings accounts

PBB 2017 strategic priorities

Leading with Business Banking	• Eco-system approach aligned to CIB customer opportunities
Focus on non interest revenue generating activities	• Transactional account growth – Smart banking launch • Insurance – opportunities on both stand alone product and advisory business • Trade financing
Raise cheaper deposits to improve margins	• Focus on transactional account growth and eco systems opportunities in Business Banking
Market leading customer experience	• Further automation of our branches using market leading technologies • Continued investment in our people
Digital transformation	• Digital Branches - Two Rivers, The Hub & ILH • Remote account opening • Further automation of key products and processes
Maximize return on investment	• Leverage existing investments; investments limited to revenue generating initiatives • Keep costs below inflation

Stanbic Insurance Agency Limited (SIAL)

Adam Jones

Executive, Personal and Business Banking

SIAL summary performance

	June 2017 KES millions	June 2016 KES millions	Change %
Net interest income	3	-	100
Brokerage commission	84	69	22
Total revenue	**87**	**69**	**26**
Total expenses	(47)	(29)	(62)
Profit before tax	**40**	**40**	**0**
Tax	(13)	(12)	(8)
Profit after tax	**27**	**28**	**(1)**

- Stanbic Insurance Agency Limited (SIAL) is a fully-fledged subsidiary wholly owned by Stanbic Bank established in April 2015
- The performance reflects;
  - Increase in revenue from embedded products following growth in the loan book
  - Improved revenue from stand alone business after acquiring an agency license
  - Investment in people to boost customer engagements and sales
- The strategic focus is on driving increased penetration on stand alone products and increasing advisory business by leveraging CIB and Business Banking customer base

SIAL 2017 strategic priorities

- Increase penetration on stand alone products
- Growing the advisory business- CIB and Business Banking customer base
- Full insurance intermediary service capabilities
- Diverse insurance product offerings
- Value added services (risk management surveys & arranging premium financing)
- Competitive pricing and service delivery
- Risk management advice & expertise

SBG Securities (SBGS)

Abraham Ongenge

Chief Finance Officer

SBGS summary performance

	June 2017 KES millions	June 2016 KES millions	Change %
Brokerage commission	145	114	27
Other revenue	24	47	(49)
Total revenue	**169**	**161**	**5**
Total expenses	(127)	(149)	15
Profit before tax	**42**	**12**	**>100%**
Tax	(14)	**(10)**	**(40)**
Profit after tax	**28**	2	>100%

- SBG Securities posted revenues of KES 169m for the half year ending 30th June 2017 indicating an increase from KES 161m recorded in the same period last year
- This performance reflects:
  - Growth in market share in equities trading. SBG Securities market share YTD June 2017 stood at 20.41% from 13.77% in December 2016 and 12.20% in June 2016
  - YTD market turnover as at 30th June 2017 was higher by 15% from the previous year
- SBG Securities closed the first half of the year at position 2 compared to position 3 the previous year in terms of market share

SBGS 2017 strategic priorities

Perspective 2017

- The Kenya equities market has improved year on year evidenced by growth in volumes and valuations despite the existing political and macro-economic risks. Notably, domestic institutional investors have increased market participation, which has partly driven market activity for the last few months
- SBGS will continue to re-invest in the business and maintain a leading position across our respective client base, momentum in our corporate access service and establish a dominant product in our chosen African frontier markets

2017 strategic priorities

- Maintain sustainable financial performance and market share.
  - Kenya : Maintain Top 2
  - Uganda : Maintain No.1
  - Rwanda :Maintain Top 3
- Maintain high quality products and services for both retail and institutional segments in East Africa
- Leverage on technology and digital channels

Q & A