



Stanbic Holdings Plc
Financial performance for the full year ended
31 December 2018



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Welcome and remarks



Operating environment

Charles Mudiwa

Chief Executive, Stanbic Bank

Operating environment

Macro-economic environment

Inflation

- Dec 2018 5.7% vs. Dec 2017 4.5%

91-day T-bill

- Dec 2018 7.3% vs. Dec 2017 8.0%

USD exchange rate

- Dec 2018 102.00 vs. Dec 2017 103.10

Regulatory environment

- 1st year adoption of IFRS 9
- Central Bank Rate cut in March and further rate cut in July

Market opportunities

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

Market threats

- Cyber security risk & impact on customer safety
- New laws e.g. changes in excise duty
- Unregulated lending & its impact on customer credit scoring
- Hyperinflation in South Sudan



Recap of our strategy

Charles Mudiwa

Chief Executive, Stanbic Bank



Recap of our strategy

Our Purpose

Kenya is our home, we drive her growth

Our Vision

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

We want to do valuable things for clients



Digitisation

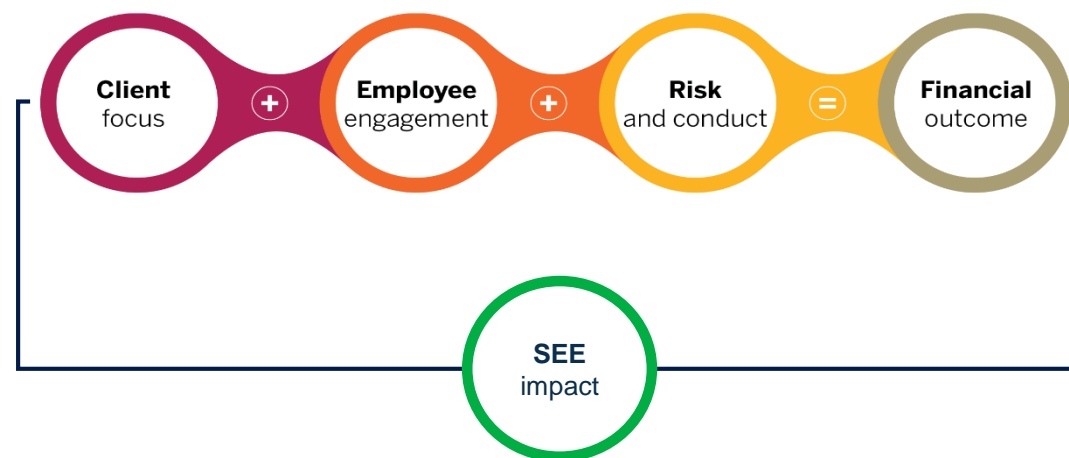
Via digital platforms



Integrated Bank

Delivering a seamless universal financial services proposition

We measure our progress using five strategic value drivers



SEE = Social, economic and environmental



Measuring our strategic progress

Charles Mudiwa

Chief Executive, Stanbic Bank



Measuring our progress on client focus



Valuable things for our clients through;

- ❑ Accelerating access to working capital and financing requirements evidenced by a 12% growth in loans
- ❑ We completed landmark investment banking transactions



Through digital platforms;

- ❑ We continue to transform our branches into digital experience centers
- ❑ We have enabled digitized payment on taxes, bills, school fees



We deliver an integrated bank;

- ❑ We completed financial fitness sessions for 13 Corporates
- ❑ We understand our clients ecosystem and support them across the value chain

How we measure our progress;

- Net promoter score (NPS) for Personal and Business Banking (PBB): Improvement to 33 in 2018 from 28 in 2017
- Customer satisfaction index (CSI) for Corporate and Investment Banking (CIB) – 8.1 out of 10

2019 focus areas;

- ❑ Continue to simplify processes to respond more precisely to our clients' needs
- ❑ Deepen existing client relationships in support of their growth journeys
- ❑ Continue to implement digitally enabled solutions that improve client convenience
- ❑ Continue to provide our clients with the choice to interact with us digitally or through our branch networks





Measuring our progress on employee engagement

Growth and development through;

- ❑ Investment in employees development and career growth (2018 training cost): KES 61m
- ❑ International assignments to develop new skills
- ❑ Comprehensive wellness program including flexi hours



Enabling environment to thrive;

- ❑ We continue to digitize and simplify processes to improve experience and functionality
- ❑ Competitive compensation and recognition



Diversity, inclusion and delivering an integrated bank;

- ❑ We maintained our focus on identifying and developing diverse talent
- ❑ Instituted gender and diversity programs for inclusivity
- ❑ Created new roles for effective execution of strategy



How we measure our progress;

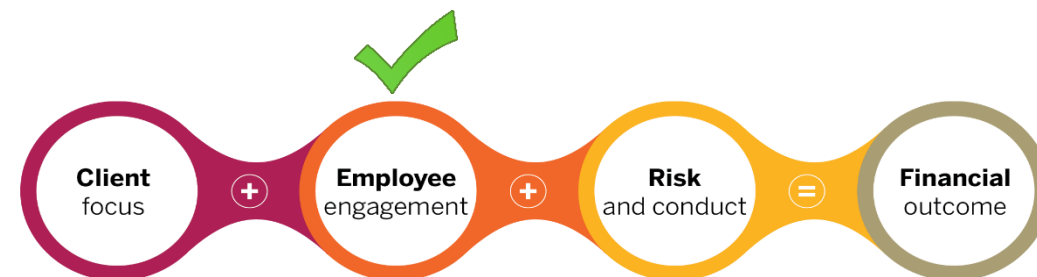
Employee Net promoter score (eNPS)

- Kenya scored +32
- South Sudan scored +45

**Global benchmarks: Any score over +20 is great. Over +50 is outstanding*

2019 focus areas;

- ❑ Continue to create an enabling environment for people to thrive and deliver to full potential
- ❑ Continue to empower employees through investing in their development and offering career growth opportunities
- ❑ Provide learning solutions to enable employees to deliver on our client promises
- ❑ Optimise and further enhance the digitisation and use of automated human capital processes





Measuring our progress on risk and conduct

2018 developments;

- ❑ We invested in new ways of working to improve efficiency and service delivery
- ❑ Reviewed our risk appetite to support our clients
- ❑ Enhanced controls and relations with third parties to ensure sustainable and competitive service delivery
- ❑ Leveraged on data analytics to proactively manage risk
- ❑ Embedded a risk culture at all levels of the organization to effectively manage risk and limit losses

2019 focus areas;

- ❑ Continue to regularly review and amend our risk appetite in response to changes in our operating environments and manage our exposures responsibly
- ❑ Continue to embed a culture of ethical behaviour and ensure that we keep doing the right business the right way
- ❑ Continue to invest in our capabilities to mitigate financial crime and cyber risks



How we measure our progress;

Our risk measures are regulatory requirements and indicate our ability to withstand financial stress and unexpected losses, and the quality and liquidity of the assets we hold;

- Capital adequacy ratios
- Liquidity ratios
- Efficiency ratios



Measuring our progress: Becoming more relevant in our communities

Social, Economic and Environmental impact (SEE)



Our Heritage



We have partnered with KMRC to support the Government agenda of affordable housing



We continue to support infrastructural and energy development projects in the country



Accelerating access to working capital and financing requirements



KES 30m invested and over 500 clients trained on entrepreneurial skill in partnership with Strathmore Business School



Financial fitness sessions that facilitate a culture of saving and long term financial security, satisfying functional, emotional and life changing needs of our clients



Promote local artists - 45 artist currently onboarded



1st Bank in Kenya to launch BNAs

We continue to partner with our clients by offering meaningful solutions to help them solve for cash



Enable SME clients enjoy banking services from the convenience of their businesses



Enable clients to easily reconcile bulk collections and generate proper records

Measuring our progress: Becoming more relevant in our communities

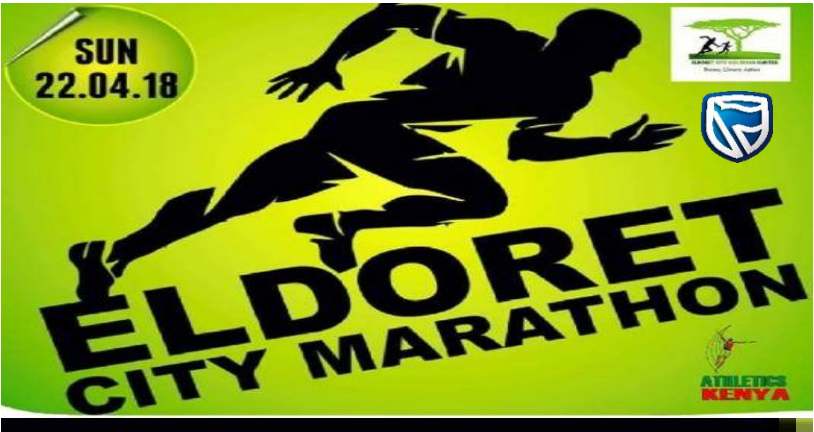
Social, Economic and Environmental impact (SEE)



We are the title sponsors for Kenya's national 7'circuit



We responded to a fire in a busy trading market by providing sewing machines to affected start up traders



We were platinum sponsors for Eldoret Marathon. Eldoret is famously known as "Home of Champions"



It has been 8 years since we partnered with Palmhouse Foundation to sponsor bright and needy students through their secondary school education

Currently, 16 students are enrolled in various secondary schools across the country with 32 having successfully completed their secondary education since the inception of the program

Throughout the year, Stanbic Bank staff are constantly involved in the mentoring of these students during the school holidays

Measuring our progress: 2018 results highlights

Total revenue

2018: KES 22b
2017: KES 19b



Customer loans

2018: KES 146.6b
2017: KES 130.5b



PAT

2018: KES 6.3b
2017: KES 4.3b



Customer deposits

2018: KES 191.6b
2017: KES 154.7b



ROE (net of goodwill)

2018: 18%
2017: 13%



*ROE incl goodwill – 14%
2017 – 10%*

Net asset value per share

2018: 112.88
2017: 108.66



CTI

2018: 50.2%
2017: 57.2%



DPS

2018: 5.80
2017: 5.25

EPS

2018: 15.88
2017: 10.90

- The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 6.3b
- Total revenue grew by 16% on account of strong balance sheet growth, increased trading revenue, growth in fees and commission on electronic banking and trade finance and successful closure of key deals in Investment Banking
- Low credit impairment charges on account of improved asset quality of the performing book
- The Group continues to focus on cost management
- The Board of Directors have declared a dividend of KES 5.80 per share

Tier 1 capital ratio (Bank only)

2018: 14.6%
2017: 15.4%

Total capital ratio (Bank only)

2018: 17.4%
2017: 16.9%



Financial Outcome
Andrew Njonjo
Financial Controller

Summary income statement



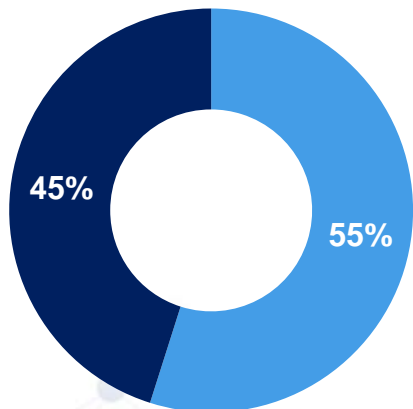
	Dec-2018 KES millions	Dec-2017 KES millions	Change %
Net interest income	12,130	10,644	14
Non-interest revenue	9,965	8,420	18
Total income	22,095	19,064	16
Operating expenses	(11,082)	(10,902)	(2)
Pre-provision profit	11,013	8,162	35
Credit impairment charges	(2,065)	(2,761)	25
Taxation	(2,671)	(1,092)	>(100)
Profit after tax	6,277	4,309	46

Revenue

Net interest revenue



- Net interest income increased year on year by 14% explained by growth in loans and advances partly offset by reduction in the Central Bank rate two times within the year



Dec 2018

- Net interest income
- Non-interest revenue

Non-interest revenue



Net fees and commission income

- Increase in net fees and commission income explained by:
 - Increase in trade finance revenues as letters of credit and guarantees grew by over 100%
 - Key investment banking deals closed in the year
 - Continued growth of electronic banking revenues
 - Growth in market share in the equities market

Trading revenue

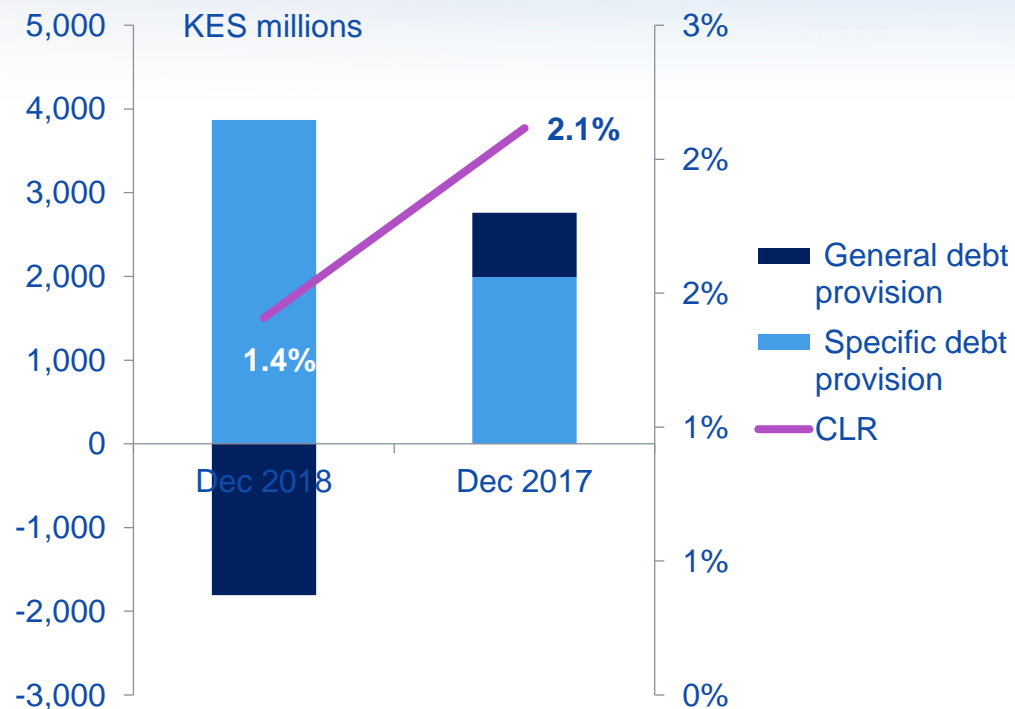
- Income from trading increased by 22% driven by mark to market gains on money market and fixed income trading desks. Foreign exchange income also increased by 13% supported by increase in client volumes by 15%



Credit impairment and operating expenses

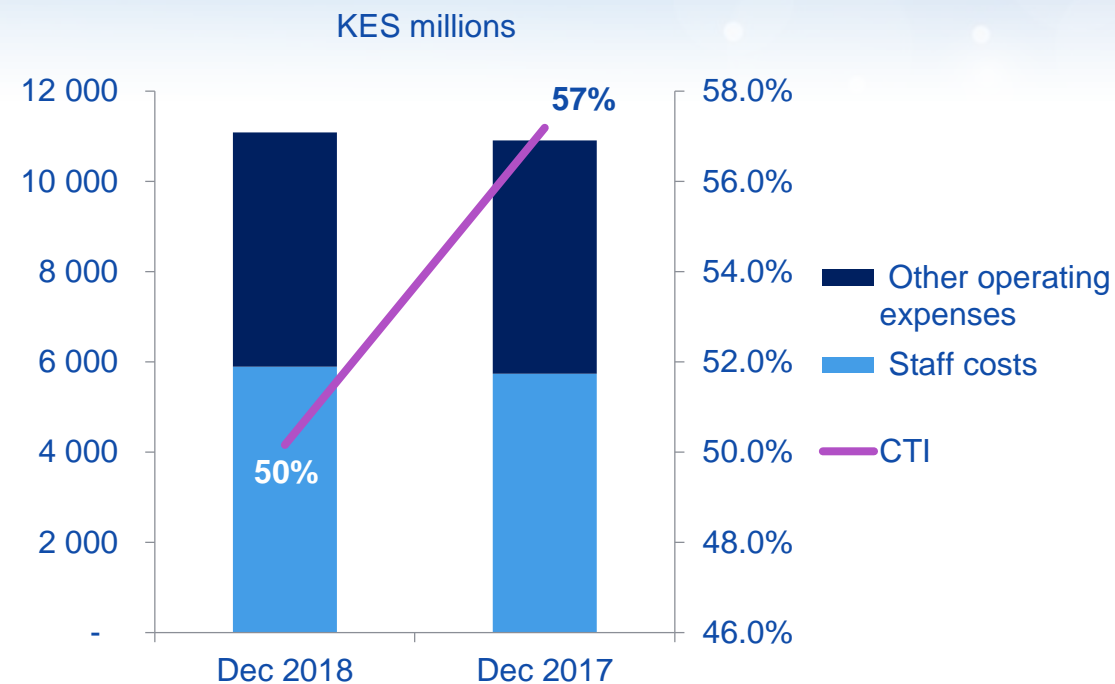


Credit impairment charges



- Improved asset quality explains the reversal of General debt provisions partly offset by downgrade of some CIB clients to Non performing loans
- We continue to assess the adequacy of provisions relating to NPLs based on various recovery milestones

Operating expenses



- Decrease in cost to income as revenues grew at a higher rate than costs. Revenue increased by 16% compared to the growth in costs by 2%

Summarised group balance sheet

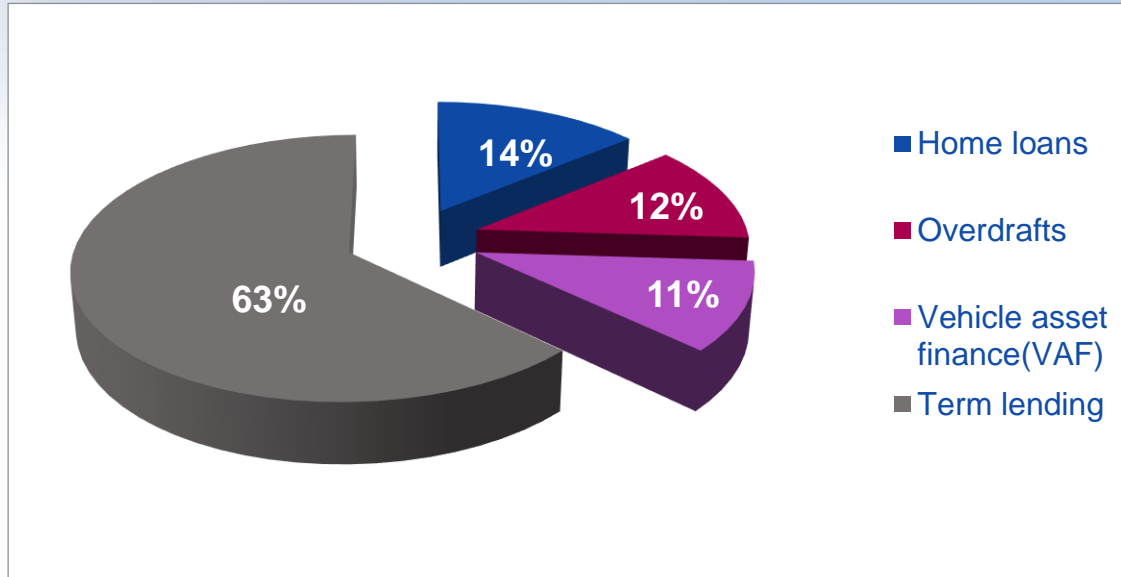


	Dec-18 KES millions	Dec-17 KES millions	Change %
Assets			
Financial investments	72,260	76,245	(5%)
Loans and advances to banks	28,381	12,744	>100%
Loans and advances to customers	146,604	130,536	12%
Other assets	30,491	16,201	88%
Property and equipment	2,234	2,307	(3%)
Intangible assets	10,600	10,706	(1%)
Total assets	290,570	248,739	17%
Liabilities			
Deposits from banks	27,909	38,707	(28%)
Deposits from customers	191,585	154,661	24%
Borrowings	7,064	3,989	77%
Other liabilities	19,389	8,426	>100%
Equity	44,623	42,956	4%
Liabilities and equity	290,570	248,739	17%
Contingents	78,372	38,664	>100%
Letters of credit	3,527	4,686	(25%)
Guarantees	74,845	33,978	>100%

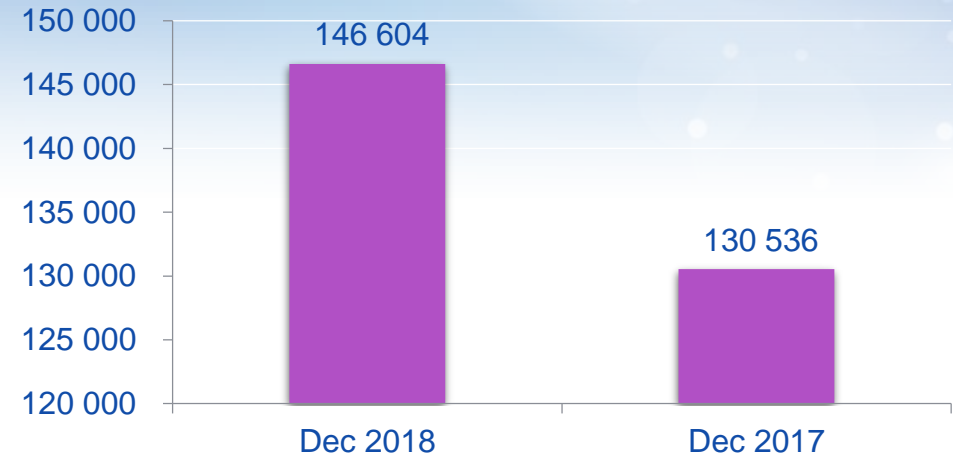
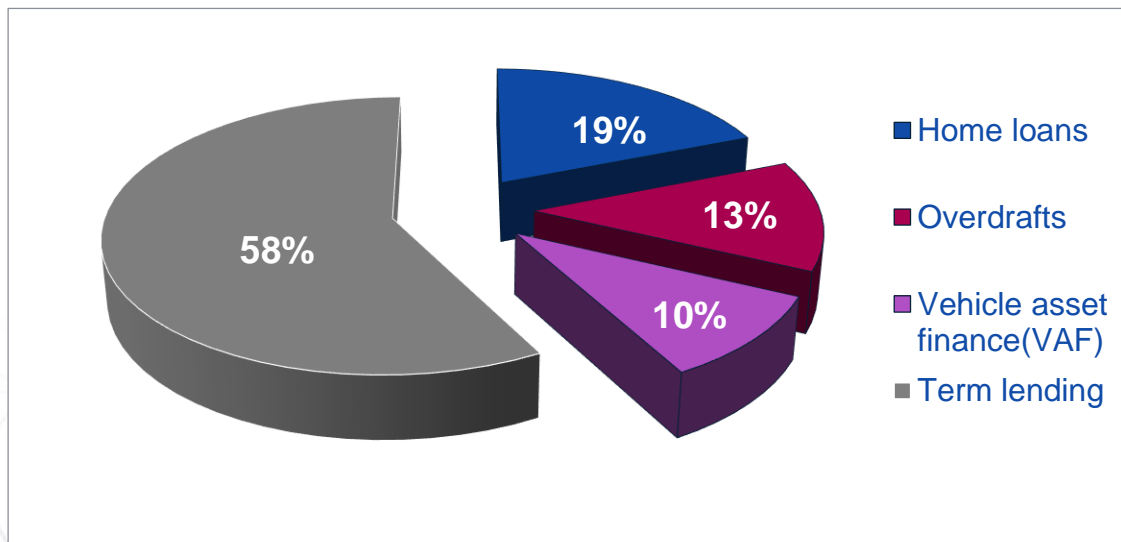
Customer loans and advances



Dec 2018 Loans and advances by product



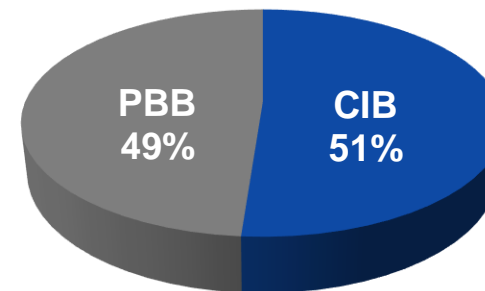
Dec 2017 Loans and advances by product



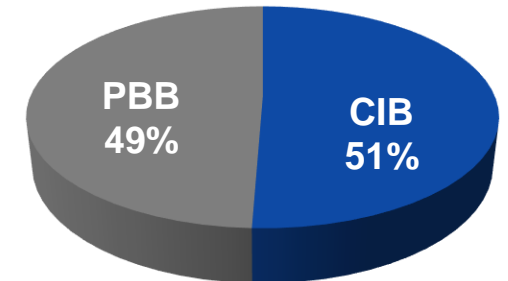
Customer loans and advances grew by 12% year on year mainly on Corporate lending and secured personal lending

Loans and advances by business unit

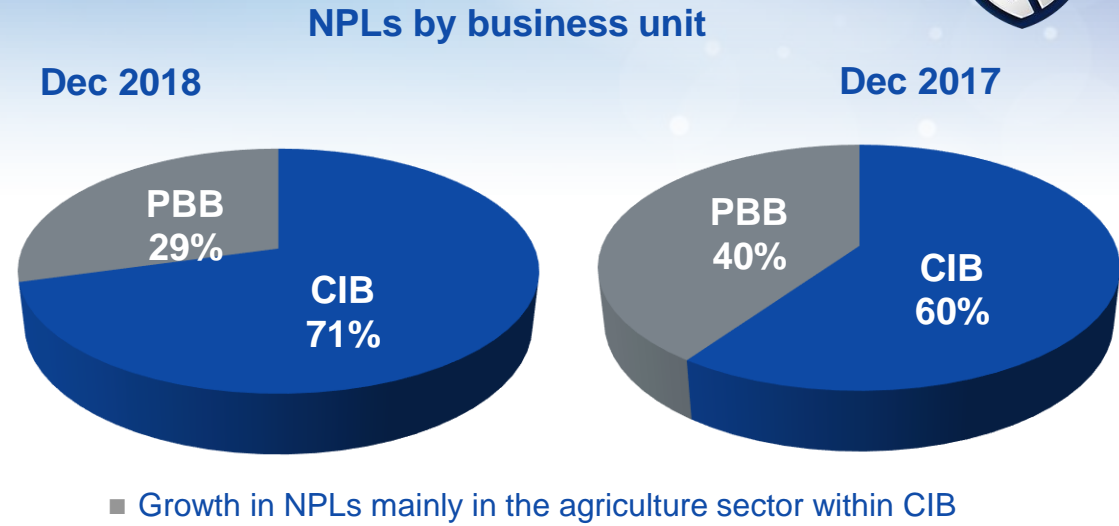
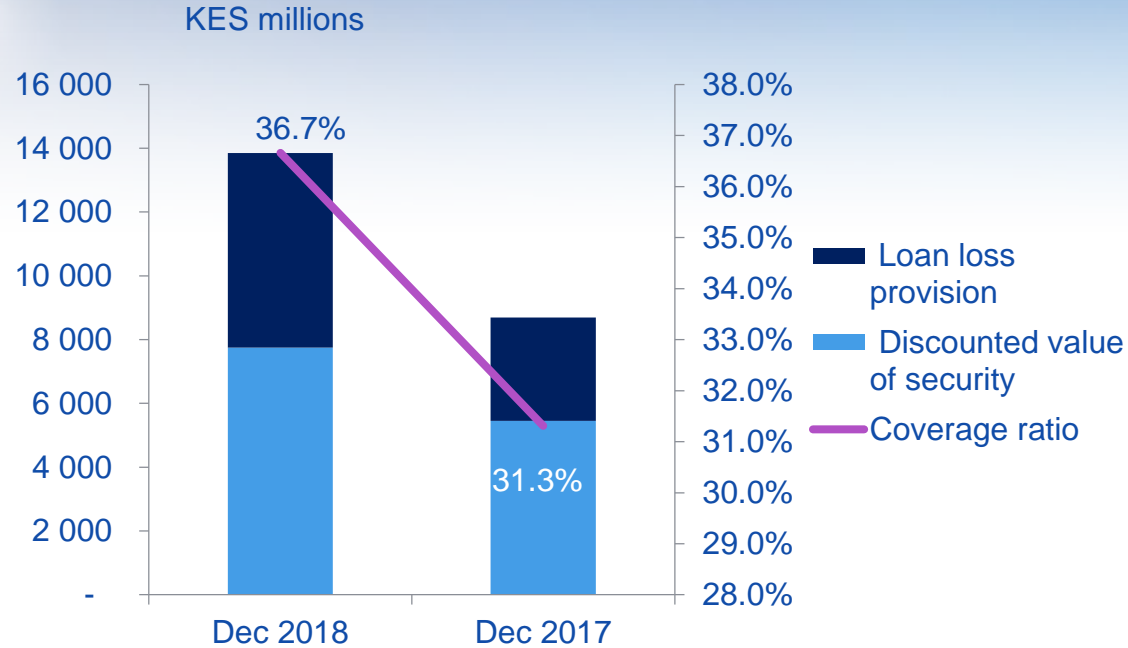
Dec 2018



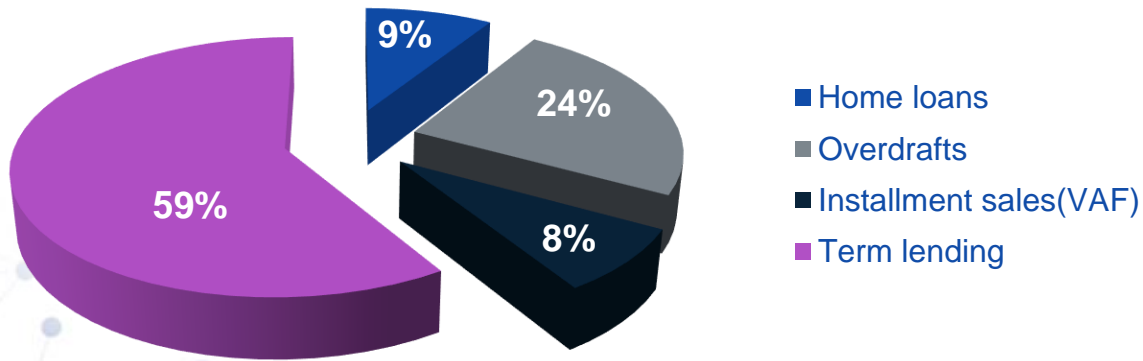
Dec 2017



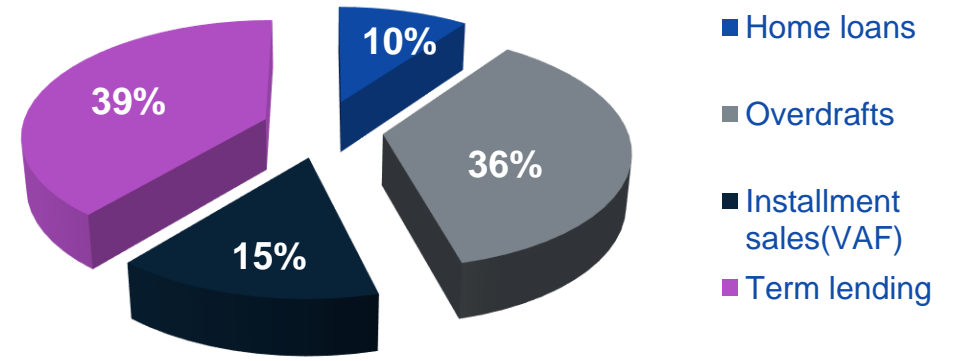
Customer loans and advances: Non performing loans (NPLs)



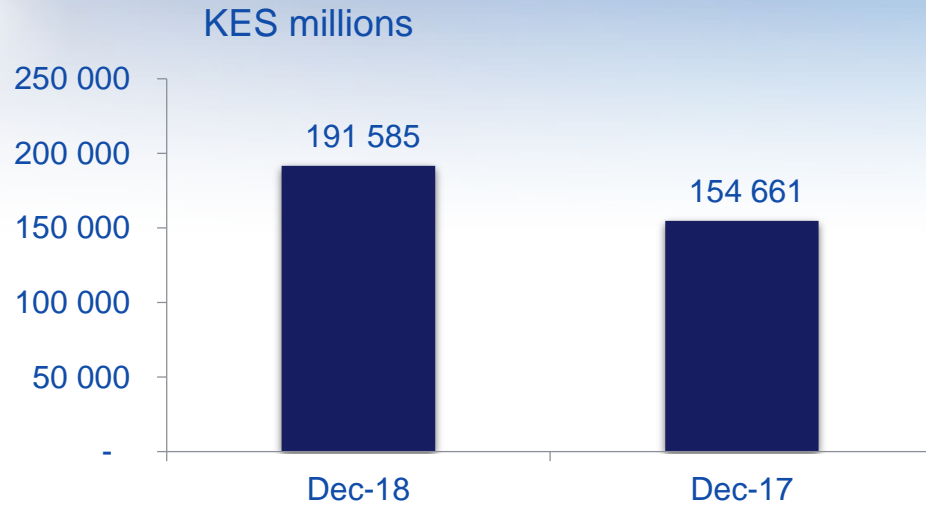
Dec 2018 NPLs by product



Dec 2017 NPLs by product

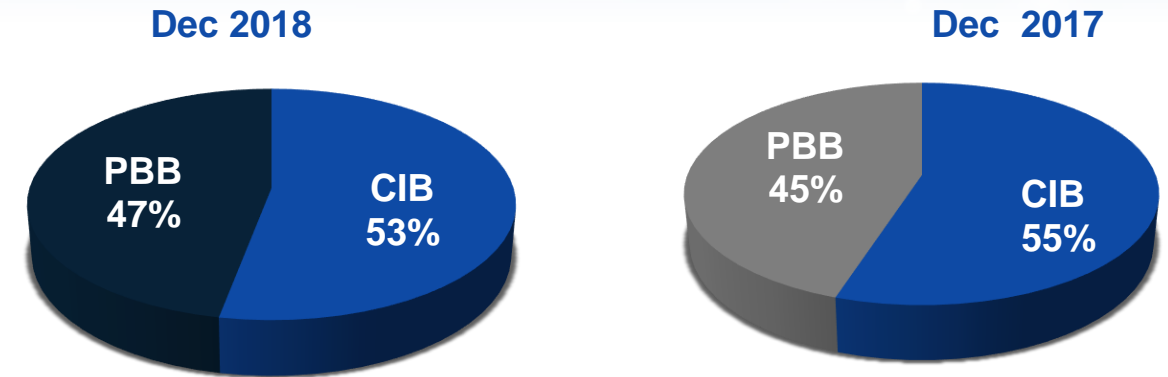


Customer deposits

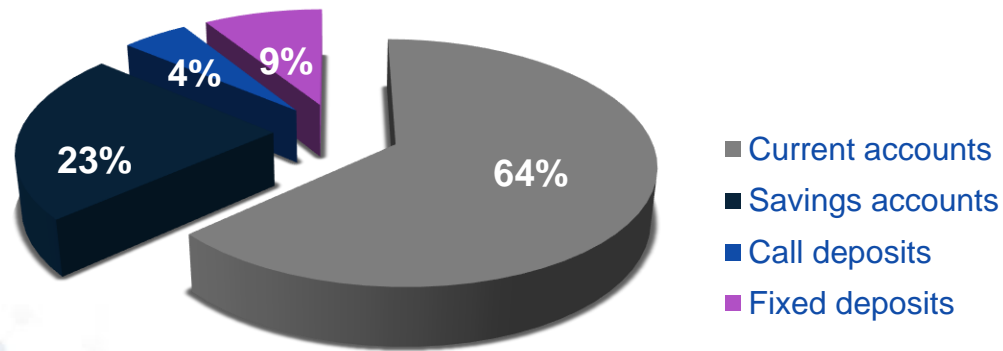


Customer deposits grew by 24% year on year with core accounts accounting for 87% of total deposits

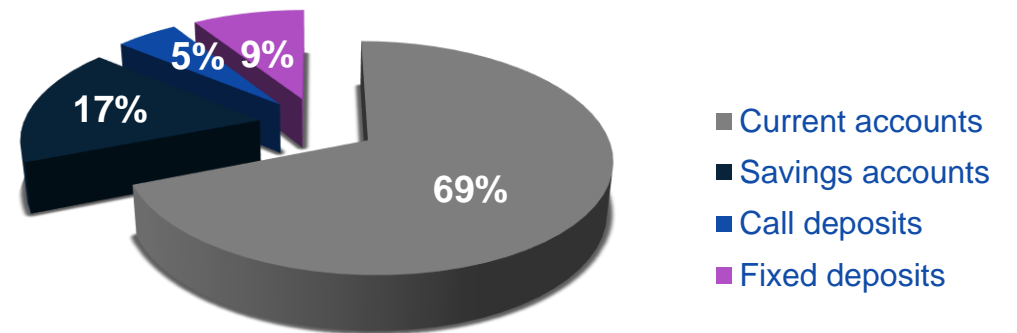
Customer deposits by business unit



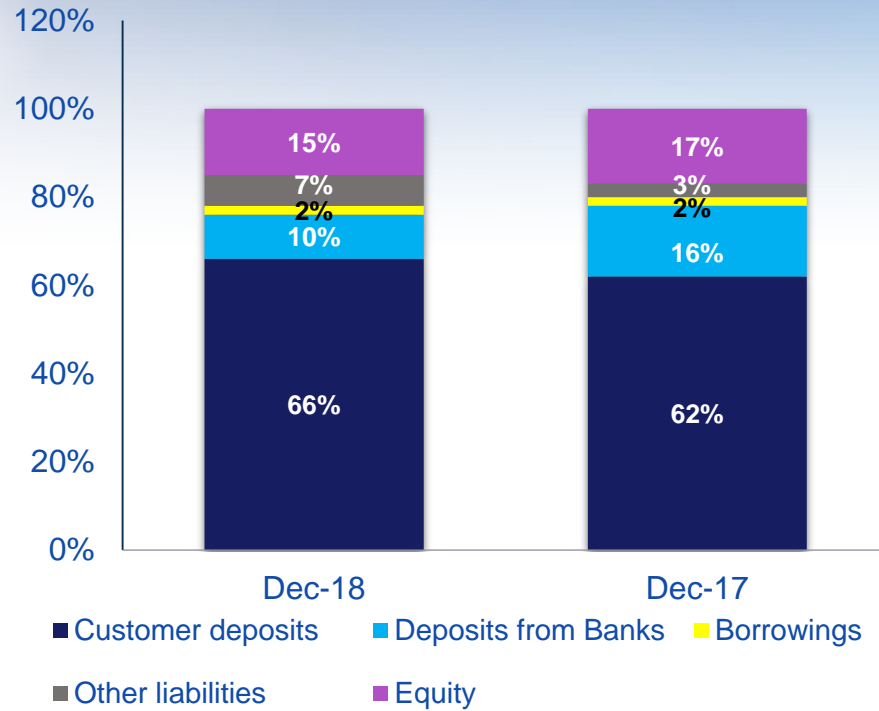
Dec 2018 customer deposits per product



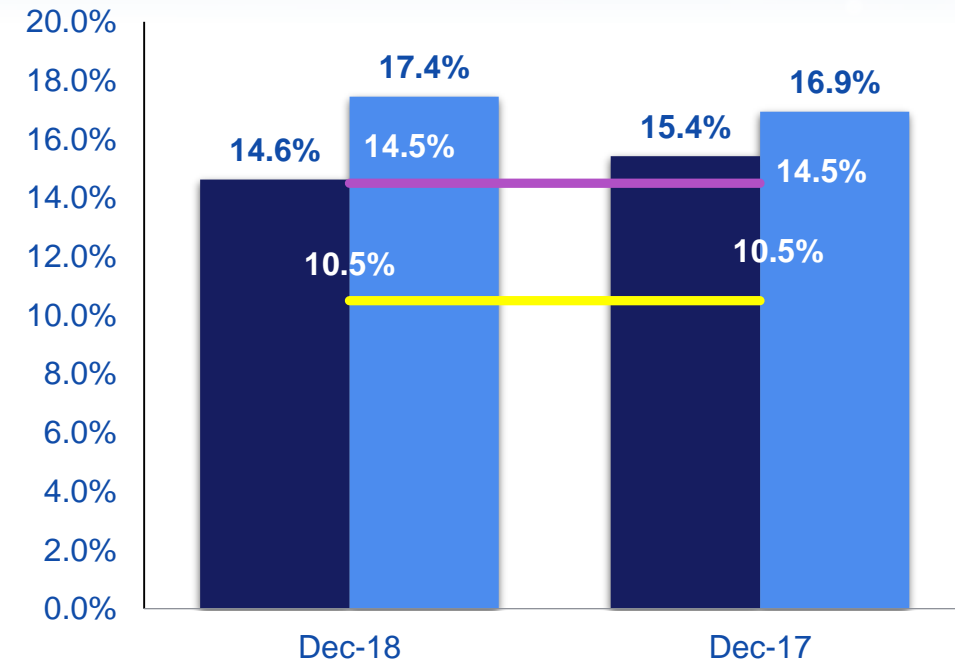
Dec 2017 customer deposits per product



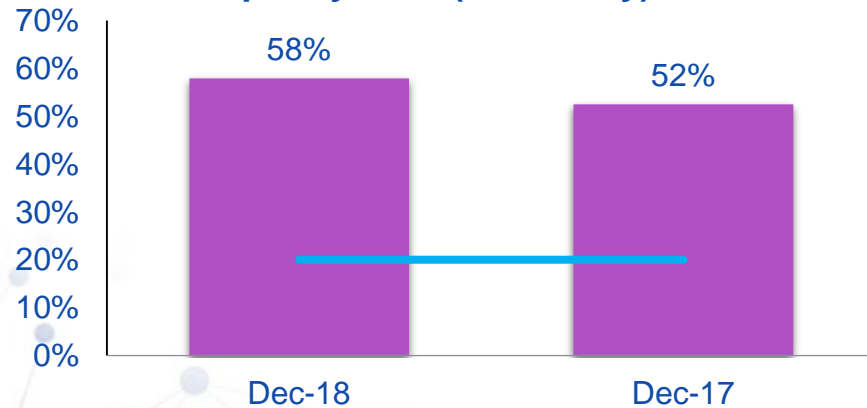
Funding, liquidity and capital



Capital adequacy ratio (Bank only)



Liquidity ratio (Bank only)



- 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 and Investment Banking

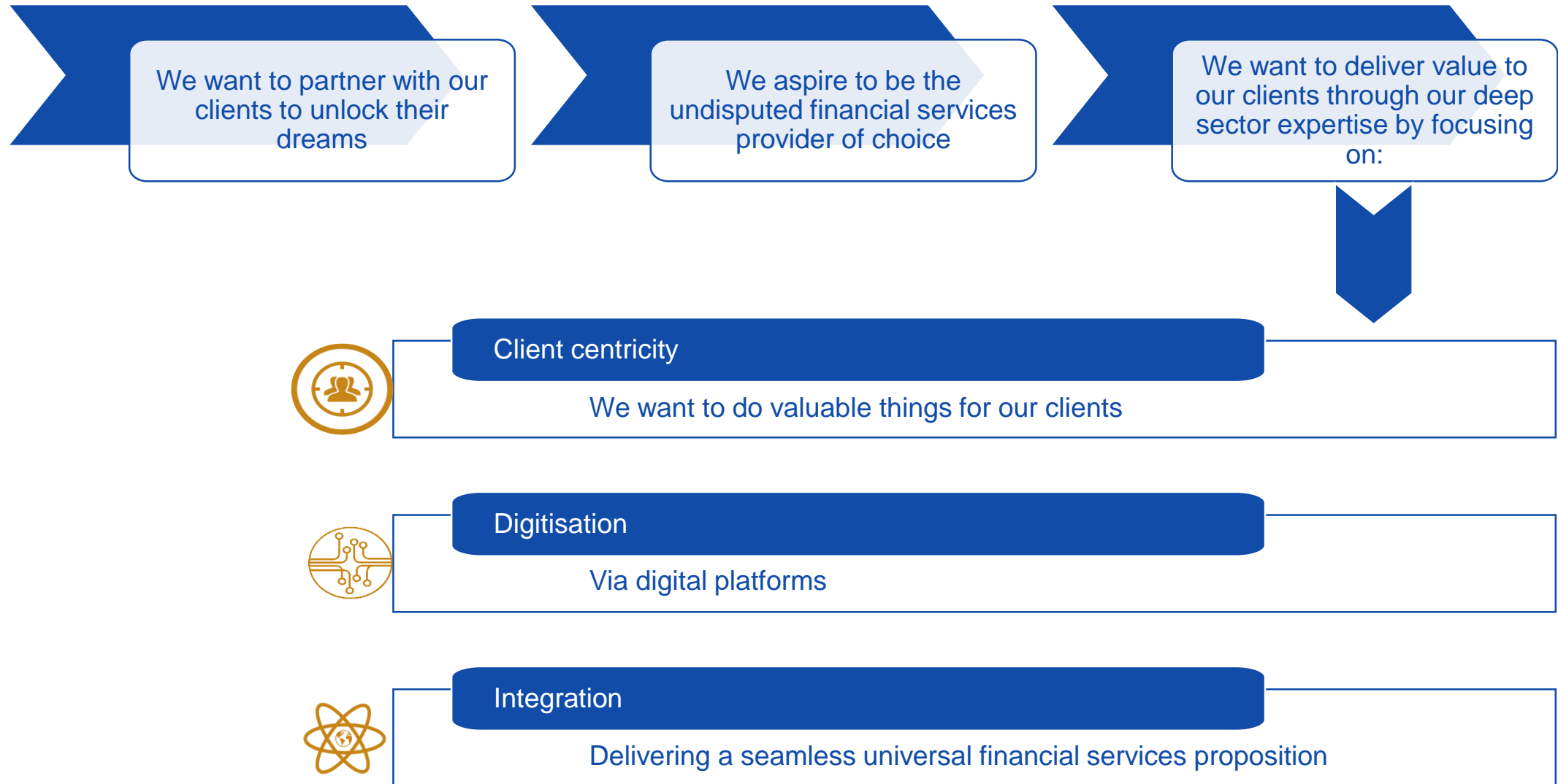
CIB summary performance



	Dec-2018 KES millions	Dec-2017 KES millions	Change %
Net interest income	6,412	5,718	12
Non-interest revenue	7,524	6,380	18
Total revenue	13,936	12,098	15
Credit loss ratio	1.1%	3.0%	
Customer loans and advances	75,017	66,066	14
Customer deposits	101,264	84,639	20
Contingents	74,299	34,447	>100
Letters of credit	2,767	3,529	(22)
Guarantees	71,532	30,918	>100

- Increase in net interest income as a result of growth in the customer balance sheet
- Higher non interest revenue due to fees from increased trade finance volumes, key deals in Investment Banking and mark to market gains on the trading revenue line
- Credit loss ratio was lower than 2017 due to improved asset quality of the performing 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 2019 strategic priorities





Personal Business Banking (PBB)

Maurice Matumo

Executive, Personal and Business Banking

PBB summary performance



	Dec-2018 KES millions	Dec-2017 KES millions	Change %
Net interest income	5,718	4,926	16
Non-interest revenue	2,441	2,040	20
Total revenue	8,159	6,966	17
Credit loss ratio	1.8%	1.2%	
Customer loans and advances	71,587	64,470	11
Customer deposits	90,321	70,022	29
Contingents	4,073	4,217	(3)
Letters of credit	760	1,157	(34)
Guarantees	3,313	3,060	8

- 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 increased penetration in bancassurance, forex and trade finance
- Credit loss ratio impacted mainly by one-off writebacks in 2017 that did not recur and higher provisions in line with the IFRS 9 guidelines

PBB 2019 strategic priorities

Re-organising the
business to better serve
our clients

Digital transformation

Enhancing our funding
mobilization efforts

Leveraging on ecosystems
to drive growth in chosen
markets

Enhance risk awareness

Effective cost
management



Stanbic Insurance Agency Limited (SIAL)

Julia Shisia

Executive, SIAL

Stanbic Insurance Agency summary performance



	Dec-2018 KES millions	Dec-2017 KES millions	Change %
Net interest income	9	8	13
Fees and commission	249	166	50
Total revenue	258	174	48
Total expenses	(144)	(122)	(18)
Profit before tax	114	52	>100
Tax	(42)	(17)	(>100)
Profit after tax	72	35	>100

- Revenue uplift due to:
 - Increased volumes from embedded products aligned to growth in the loan book
 - Improved revenue from stand alone and advisory business
- Cost increase due to investment in sales capabilities

Stanbic Insurance Agency 2019 strategic priorities

- Increase penetration on the Bank's customer base
 - Deeper collaboration with Corporate and Investment Banking sectors
 - Embedding insurance solutions to customers in personal markets and SME space
 - Partnerships with specific brokers locally and internationally on specialist risk
- Manage regulatory environment
- Optimise relationship with other entities within the Group



SBG Securities (SBGS)

Bethuel Karanja

Executive Director, SBG Securities

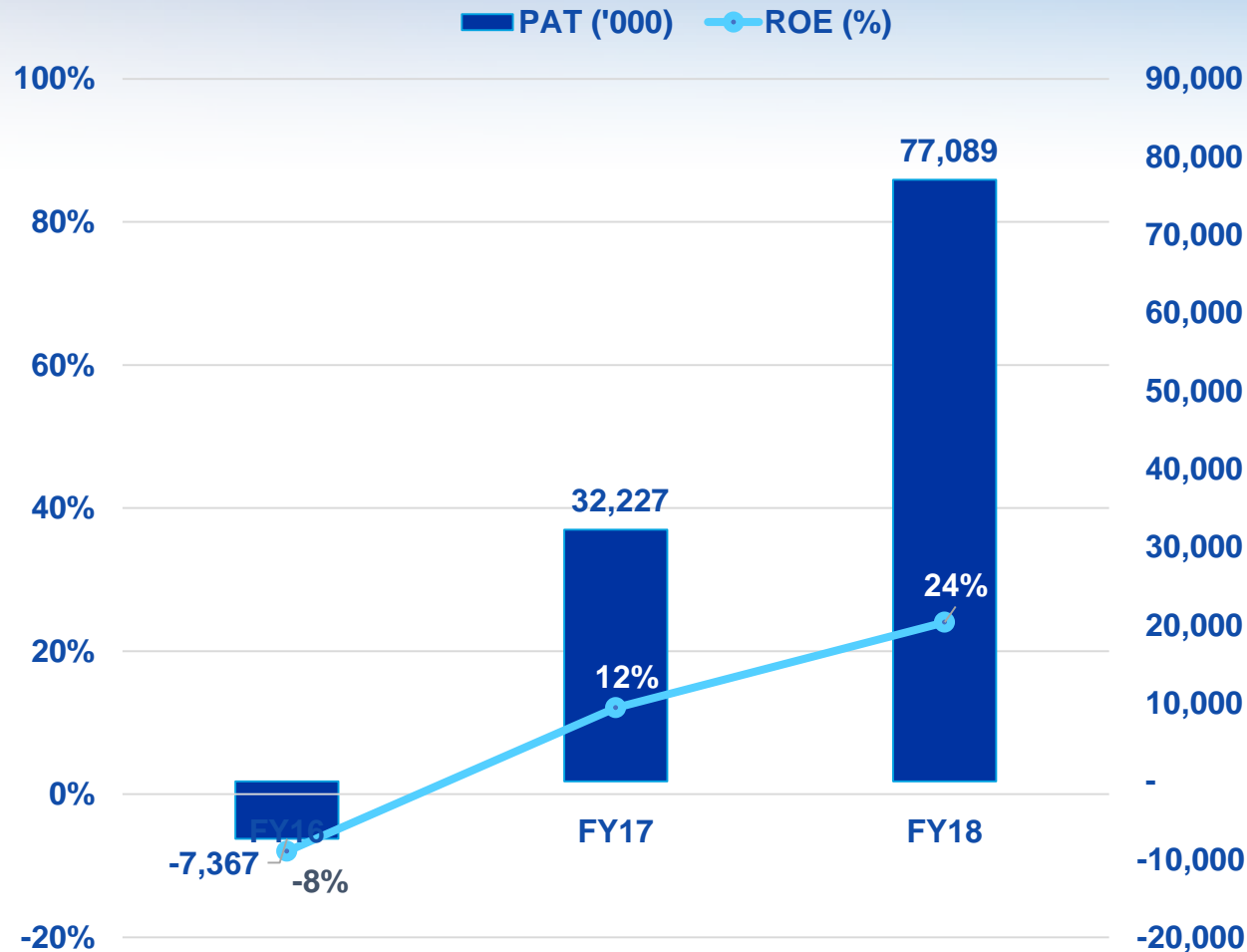
SBGS summary performance



	Dec-2018 KES millions	Dec-2017 KES millions	Change %
Brokerage commission	260	252	3
Other revenue	93	55	69
Total income	353	307	15
Total expenses	(239)	(261)	8
Profit before tax	114	46	>100
Tax	(37)	(14)	>(100)
Profit after tax	77	32	>100

- SBG Securities posted revenues of KES 353m for the full year ending 31st December 2018, indicating a 15% year on year growth
- This revenue performance reflects:
 - Stable equity market activity at the Nairobi Securities Exchange with market turnover increasing by 2% year on year
 - Slight increase in equities trading market share from 16.38% in 2017 to 16.41% in 2018
 - Growth in 'other revenue' from advisory and interest income
- Overall, SBG Securities was ranked 3rd in equities trading market share, compared to the 2nd position held in the previous year

Solid net income improvement over the last 3 years



- The improvement in net income over the last 3 years, as a result of:
 - A 20% cumulative growth in total income, supported by steady market share gains and growth in advisory revenues
 - Strong focus on cost efficiencies, resulting in a cumulative cost reduction of 18%
 - Significant operating expenses arising from investment in digital trading channels (i-Trader and M-Shares) in prior years are beginning to pay-off
- As a result, SBG Securities' ROE performance has improved sequentially from -8% in 2016 to 24% in 2018

SBGS 2019 strategic priorities



2018 market highlights

- The Kenya equities market posted stable turnover while competition for market share continued to intensify
- Although local investors were generally net buyers, the NASI index declined 18% in 2018, primarily driven by heightened sell-off activity by foreign investors

2019 strategic priorities

- Strong focus on advancing our 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

Q & A