



STANBIC HOLDINGS PLC FINANCIAL RESULTS PRESENTATION

FOR THE YEAR ENDED 31 DECEMBER 2020

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1. 2020 OVERVIEW

- Reflecting on our Growth journey
- Operating Environment
- Purposeful In Our Response
- Trusted Financial Partner

2. MANAGING RISK AND CONDUCT

- Doing the right business, the right way

3. DELIVERING SUSTAINABLE RETURNS

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- Operating Expenses and Credit Impairment
- Summarised Group Balance Sheet
- Customer Loans and Advances
- Customer Deposits
- Funding, Liquidity And Capital
- Summary Performance of CIB, PBB, SIAL, SBGS

4. OUTLOOK

*Group - Stanbic Holdings Plc



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2020 OVERVIEW

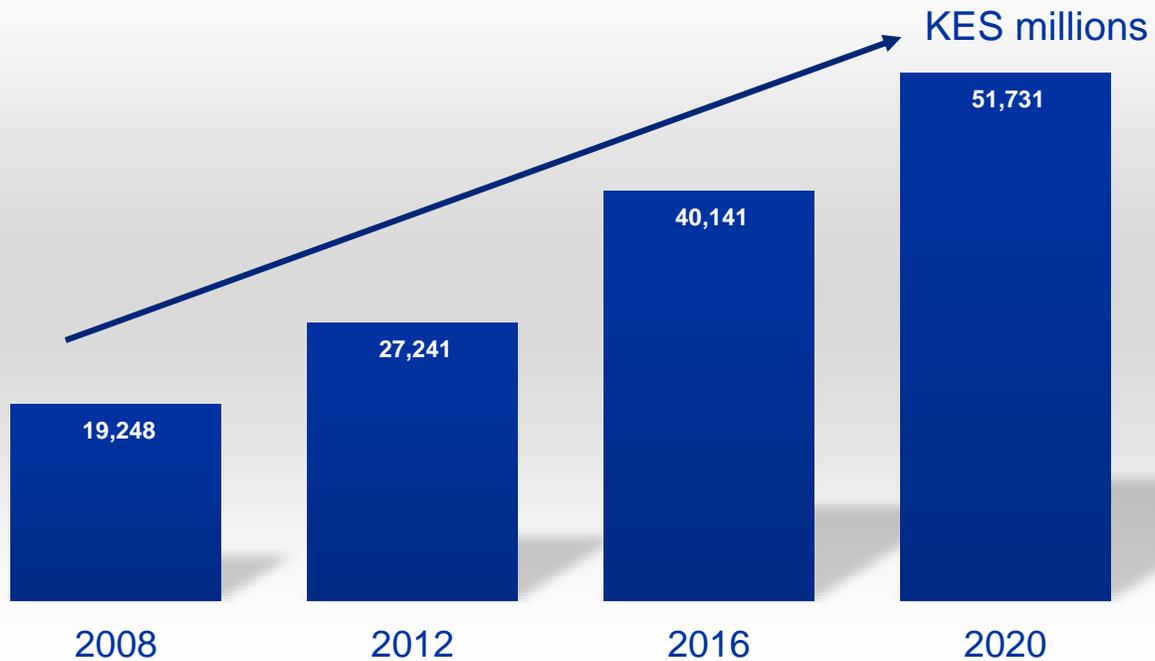
- Reflecting on our growth journey
- Operating Environment
- Purposeful In Our Response
- Trusted Financial Partner

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SHARE CAPITAL



Branches



- 2008- 12 Branches with Zero Cash Deposit Machines
- 2020- 26 Branches that all have Cash Deposit Machines

ATMs



- 2008- 40 ATMs
- 2020- 54 ATMs

Cash Deposit Machines (CDMs)



- 2015- 1st CDM installed in 2015 at Garden city branch
- 2020- 55 CDMs across the country

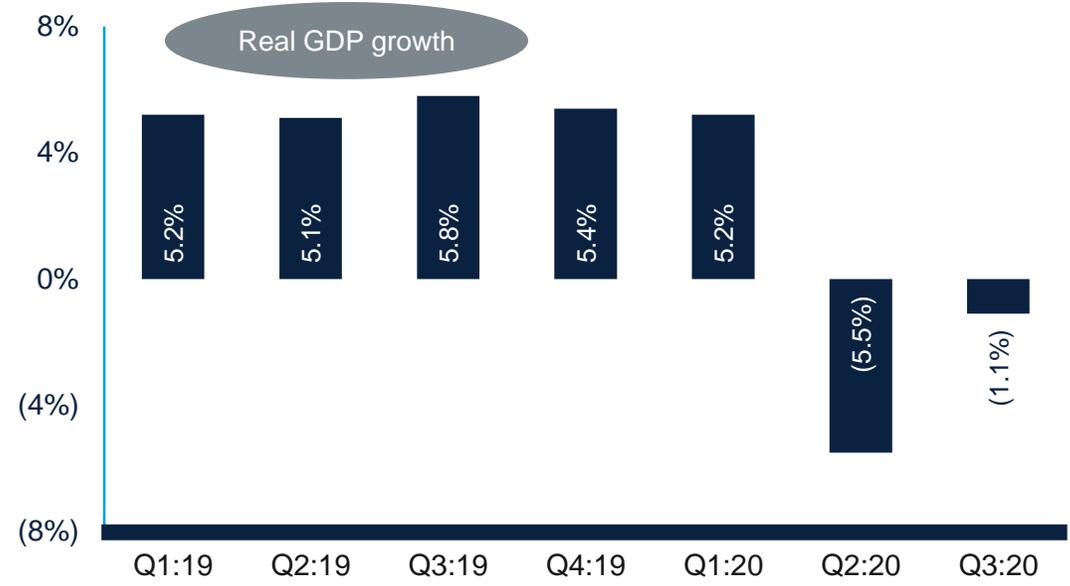
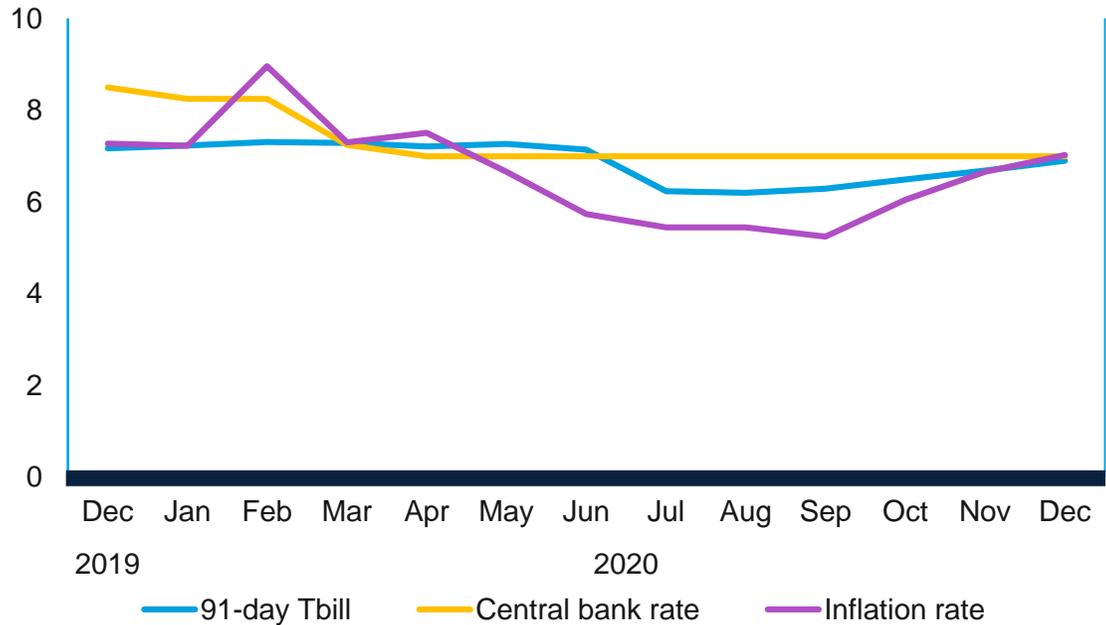
Agent Outlets



- 2019- 1st outlet went live in 2019
- 2020- 148 outlets



Macroeconomic indicators in Kenya



❑ Inflation remained within the Government target range with pockets of uptick at the start and end of the year

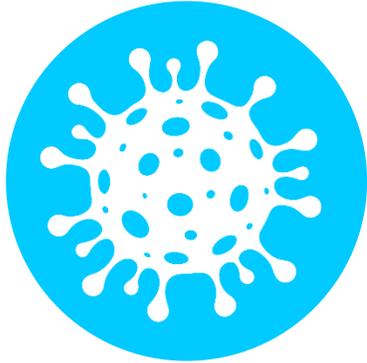
❑ Contraction in Kenya's GDP in Q2 and Q3 of 2020 due to economic disruptions occasioned by Covid-19

❑ Continued pressure on the currency

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Period End exchange rate (KES/USD)	101.34	100.59	100.98	104.69	107.29	106.94	106.52	107.71	108.21	108.5	108.82	110.05	109.17

Source : CBK

Stability in a shifting landscape



GLOBAL HEALTH EMERGENCY (COVID-19)

- Disruption of supply chain
- Currency volatility
- Job insecurity



CLIMATE CHANGE

- Higher inflation due to failed crops
- Reduced agricultural exports
- Food insecurity



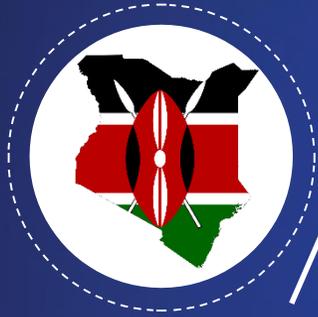
REGULATORY RISK

- Changing competitive landscape
- Increased regulation e.g. Proposed laws to regulate mobile lending





Gradual reopening of Economies with moderate restrictions to contain the spread of Covid-19



KENYA

- Partial re-opening of schools in 2020 with 100% reopening in January 2021
- Scaling back of public activities and political rallies
- Revised operating hours for bars and restaurants
- Resumption of local and international flights
- Reinforcement of no mask no service mantra and culture
- Revised curfew hours 10pm - 4am

Revised curfew hours 10pm – 4am



SOUTH SUDAN

- Resumption of local and international flights
- Resumption of the normal Bank opening hours of 8am - 5pm
- Nationwide curfew 9pm - 6am

Nationwide curfew 9pm – 6am



UGANDA

- Partial re-opening of schools and places of worship. Bars remain closed
- Resumption of international flights
- Nationwide curfew 9pm - 6am

Nationwide curfew 9pm – 6am



RWANDA

- Resumption of the normal Bank opening hours of 8am - 4pm
- Revised curfew hours 8pm - 5am

Revised curfew hours 8pm – 5am



Our strategy is anchored on supporting our clients, employees and the community in the face of Covid-19

Our purpose – the reason we exist – Kenya is our home, we drive her growth

Our vision – what we aspire to – to be the leading financial services organisation in Kenya, delivering exceptional client experiences and superior value





Focused and deliberate in our actions to keep Kenya moving

THREE PHASE APPROACH

1.

RESPOND

Address immediate Covid-19 threat

Rapid response strategies with positive societal impact

- Focus on business resilience
- Ensure employee safety and wellbeing
- Implement client relief plans
- Manage risk, capital and liquidity
- Engage regulator and industry bodies
- Engage with shareholders
- Support communities

2.

RESTORE

Facilitate return to growth

Coming out of the crisis

- Manage/mitigate economic fallout
- Allocate capital to support clients and communities

3.

REBOUND

Adapt to the new normal

Remain human-centric and digital

- Assess client behaviours/demand – new opportunities
- Accelerate digital adoption
- Deliver a future-ready group



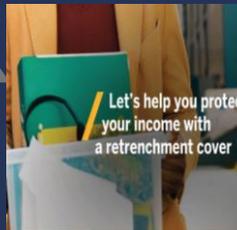
Uplifting Our Clients Financially

- 1st Bank to issue moratoriums. Repayment holidays and moratoriums to **7,203 clients**
- Lowered interest rate in line with regulations saving our clients **KES 665m** in interest
- Restructured loans worth **KES 40b**, **KES 3.1b** was to SMEs
- Issued loans worth **KES 844m** to support DADAs



Accelerated Digital Banking – Safety and Efficiency

- Waiver of charges on digital channels - **KES 157m**
- Digital Instant cash advance – **KES 685m** disbursed since mid-July 2020
- Rolled out Mobile Banking **self pin reset** capability and digital account opening
- YTD **92%** of accounts opened digitally



Safe guarding our client's future

- Retrenchment claims - **Over 400 claims** fully paid

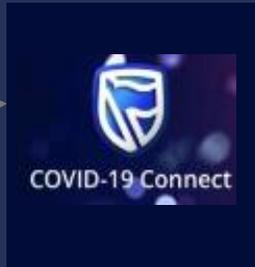


Building Resilience

- Business survival bootcamps – **50 SMEs trained**
- **Over 500** business owners trained - to market their goods and services digitally
- Financial fitness academies for 9 corporates training **681 individuals**



Provided **psychosocial support** to all employees and their dependents



- Over **KES 7.8m** spent on protective gears - face masks, sanitizers and thermometers for all staff
- Over **60%** of staff enabled to work remotely
- Catered for the **cost of testing and treating** Covid-19 cases
- Where employees were taken on mandatory quarantine, the Bank met the costs
- Held **several** Covid-19 awareness sessions



Trained staff on **future skills** and signature programs



- Stanbic and partners collaboratively spent over **KES 147m**
- Donated **192 Oxygen Therapy Units** in partnership with various partners



- Donated Personal Protective Equipments (PPEs)



- Donated **1,000** handwashing stations across Kenya



- Facilitated cancer screening for **over 3,000** people in 5 counties **free of charge**



- Over **KES 3m** spent on education to support needy children





2 MANAGING RISK AND CONDUCT

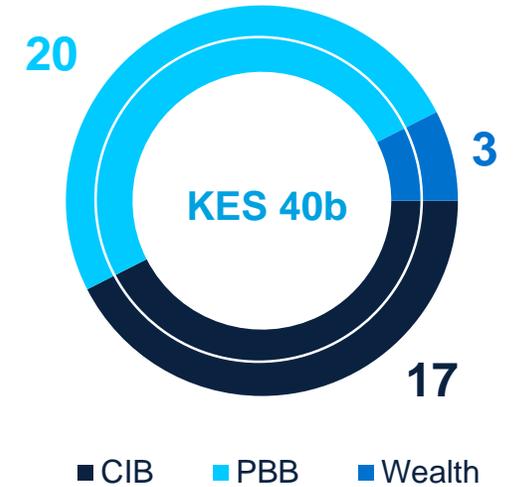
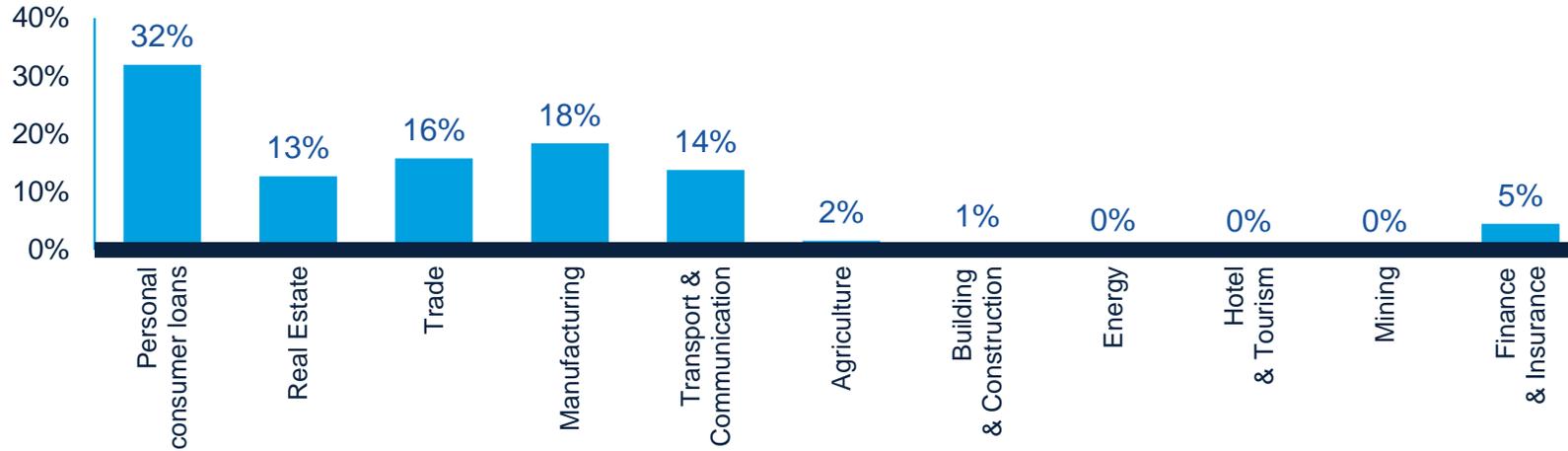


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Restructures



Aligned collection to customer cashflows on payment dates



Managing costs



Digitisation in assets & collections process





DELIVERING SUSTAINABLE RETURNS

3

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Financial Highlights

▼ 19%

KES
5,192 million

Profit after tax
2019: KES 6,380 million

▼ 6%

KES
23,236 million

Total revenue
2019: KES 24,781 million

▼ 28%

10%**Return on equity**

2019: 14%

▼ 7%

52.2%**Cost to income**

2019: 56.2%

▼ 46%

3.80**Dividend per share**

2019: 7.05

▲ 4%

KES
158,181 million

Customer loans

2019: 152,817 million

▲ 12%

KES
217,444 million

Customer deposits

2019: KES 194,222 million

▼ 19%

13.13**Earnings per share**

2019: 16.14

Our performance reflects resilience in a challenging operating environment characterized by Covid-19 induced restrictions, subdued interest rates, weakening of the local currency and increased regulations



Summary Income statement

	Dec 2020 KES m	Dec 2019 KES m	Change %
Net interest income	12 795	13 348	(4)
Non-interest income	10 441	11 433	(9)
Total income	23 236	24 781	(6)
Operating expenses	(12 133)	(13 920)	13
Pre-provision profit	11 103	10 861	2
Credit impairment charges	(4 876)	(3 151)	(55)
Profit before tax	6 227	7 710	(19)
Tax	(1 035)	(1 330)	22
Profit after tax	5 192	6 380	(19)

NIM 3.99%
2019: 4.68%

ROE 10%
2019: 14%

CTI 52.2%
2019: 56.2%

CLR 3.01%
2019: 1.88%

NPL 11.48%
2019: 9.40%

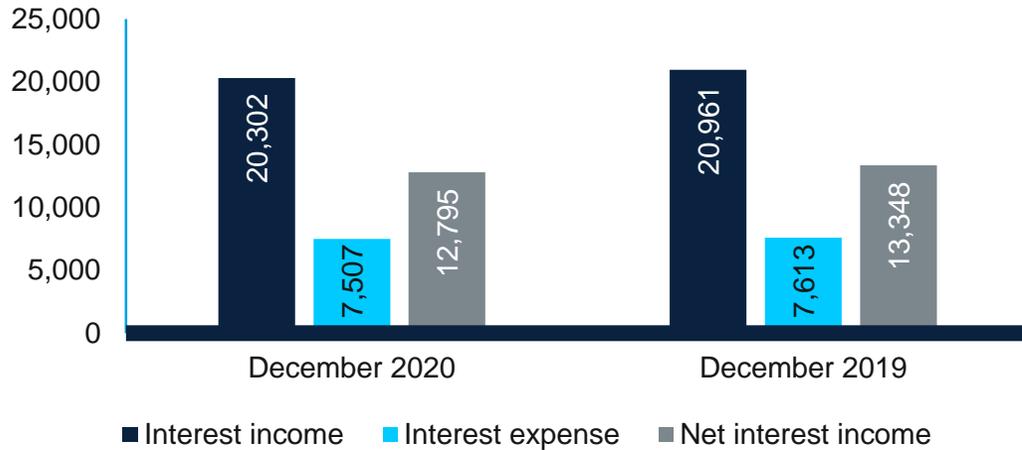
KEY TAKEOUTS

The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 5.2b;

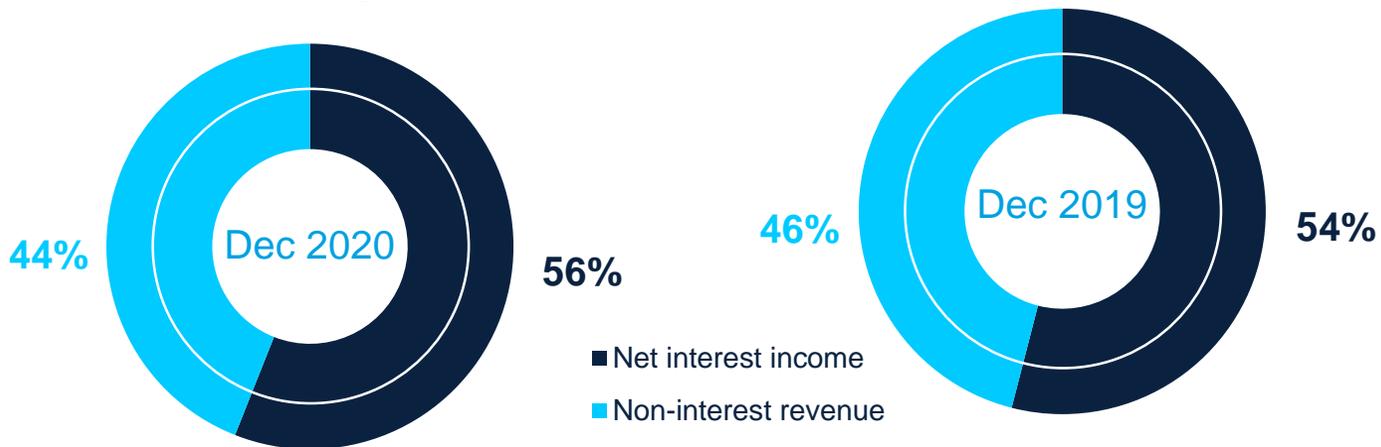
- ❑ Reduction in Central Bank rate by 200bps, subdued interbank rates and hushed yields on short term government paper resulted in a 4% decline in net interest income
- ❑ Covid-19 and its ripple effects to the economy including the waivers on mobile transactions granted by the bank to support clients and reduction in brokerage fees has negatively impacted non interest income. In addition, there were two non-recurring significant investment banking deals in the first quarter of 2019
- ❑ Increase in credit impairment charges reflects worsening credit risk on the back of layoffs and liquidity constraints on businesses caused by the pandemic
- ❑ The Group continues to focus on cost management



KES millions



Net interest income decreased year on year by 4% mainly explained by margin compression



KES millions

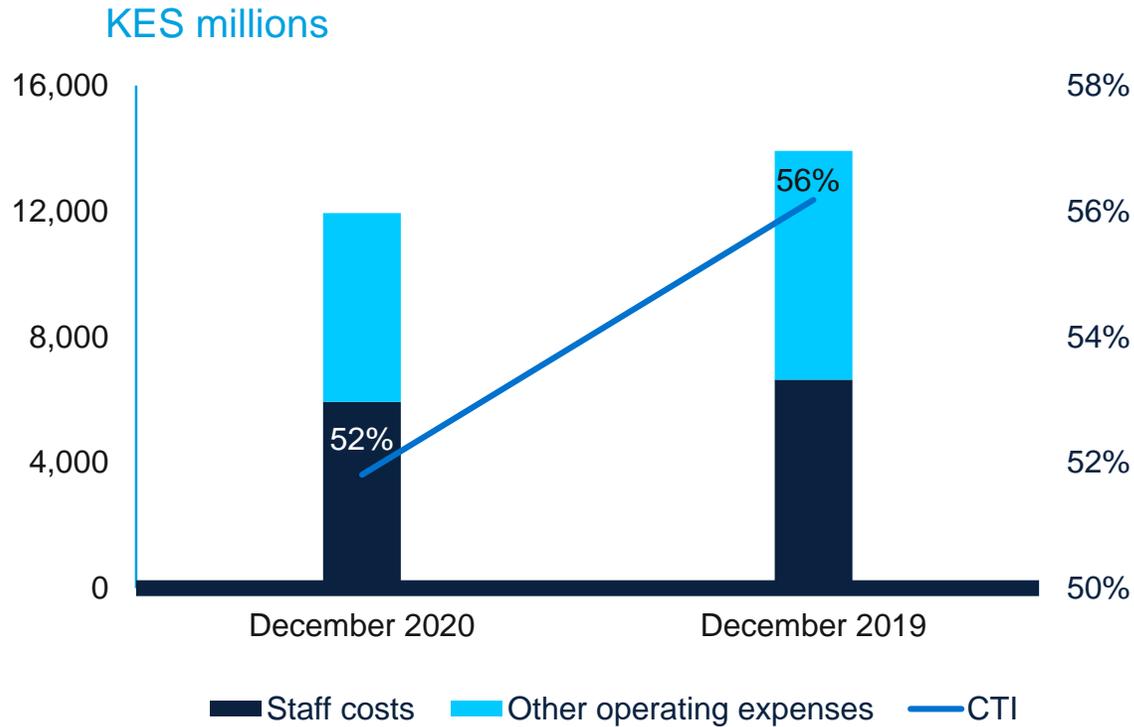


Net fees and commission income

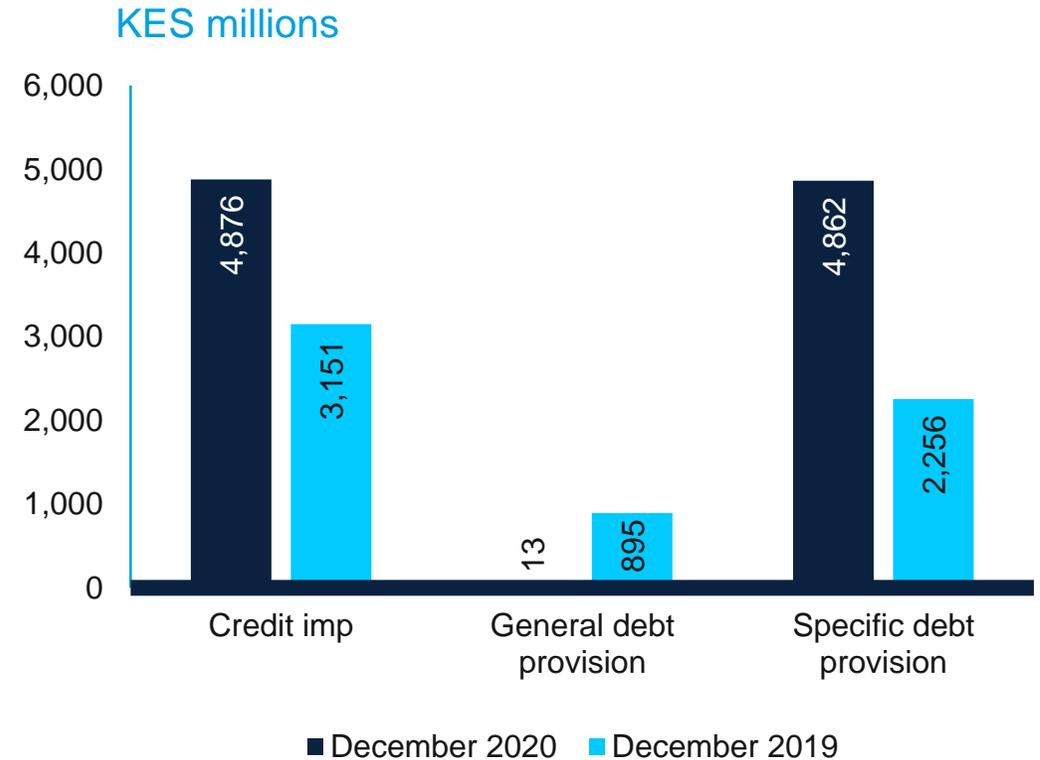
- Decrease in net fees and commission income explained by:
 - Key investment banking deals closed in the first quarter of 2019 that did not recur in 2020
 - Decline in electronic banking revenues and slow trade finance activity
 - Decline in fees from brokerage and insurance franchises

Trading revenue

- Growth in trading income due to increased client flows and higher trading activity supported by foreign exchange volatility



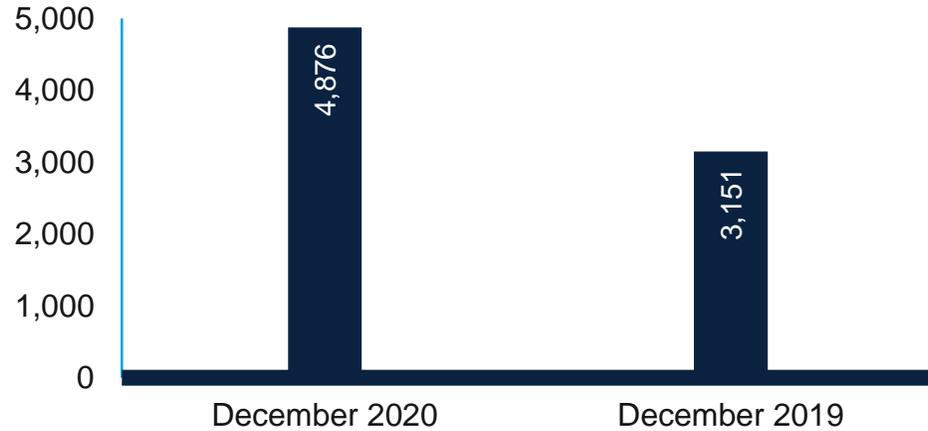
- Decline in cost to income ratio arising from cost containment measures



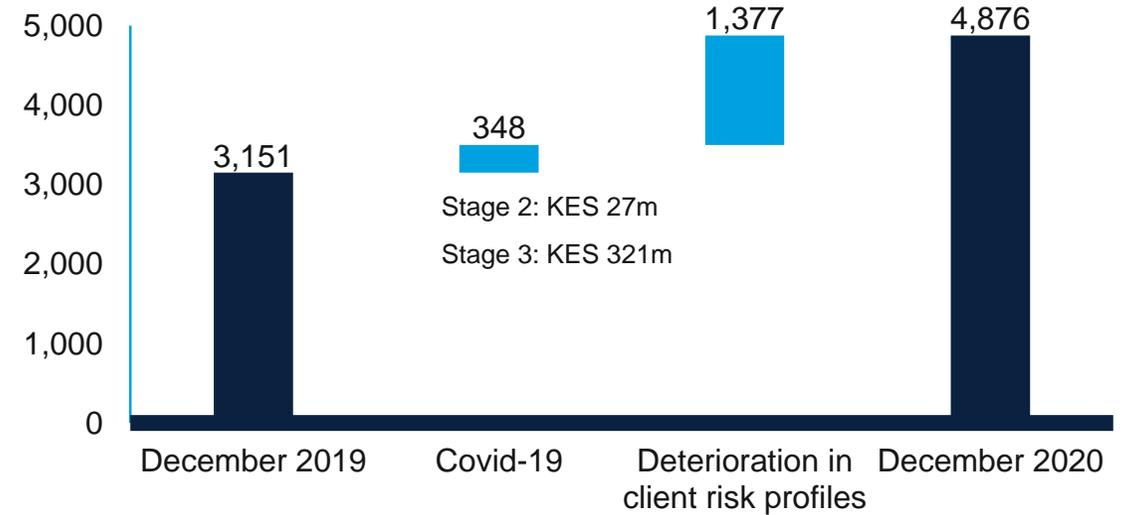
- Impairment charges have increased year on year due to increase in provisions for the non-performing book



KES millions

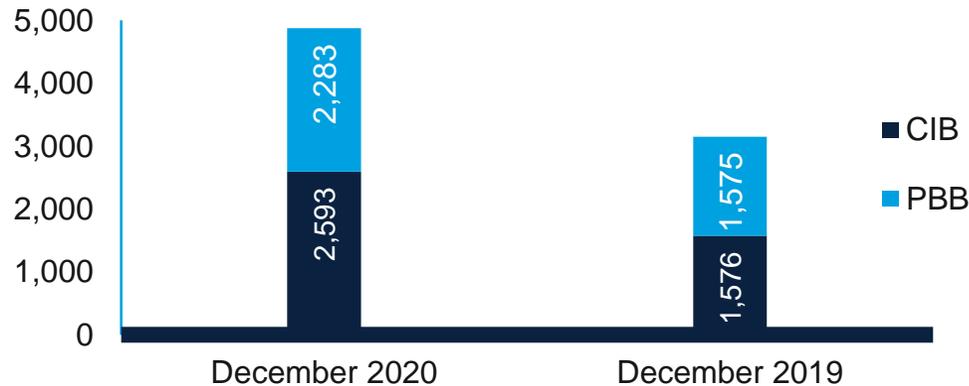


KES millions



Credit impairment charges by business unit

KES millions



Stage 3 impairments

- Clients impacted by job losses and income reductions
- Constrained collections environment driven by lockdowns
- Protracted legal foreclosure process due to slow down in the courts under lockdown regulations
- Deterioration in client risk profiles

Covid-19 provisions

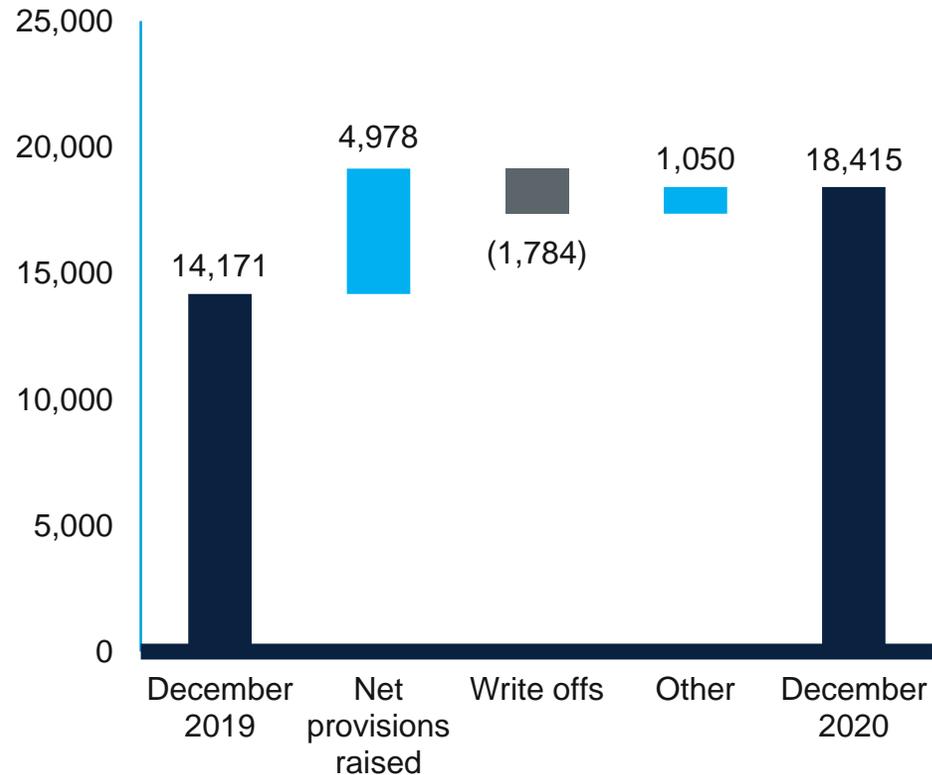
- Client specific reviews led to pro-active staging amendments



Increase in provisions as behaviour scores and client ratings deteriorated and defaults rose

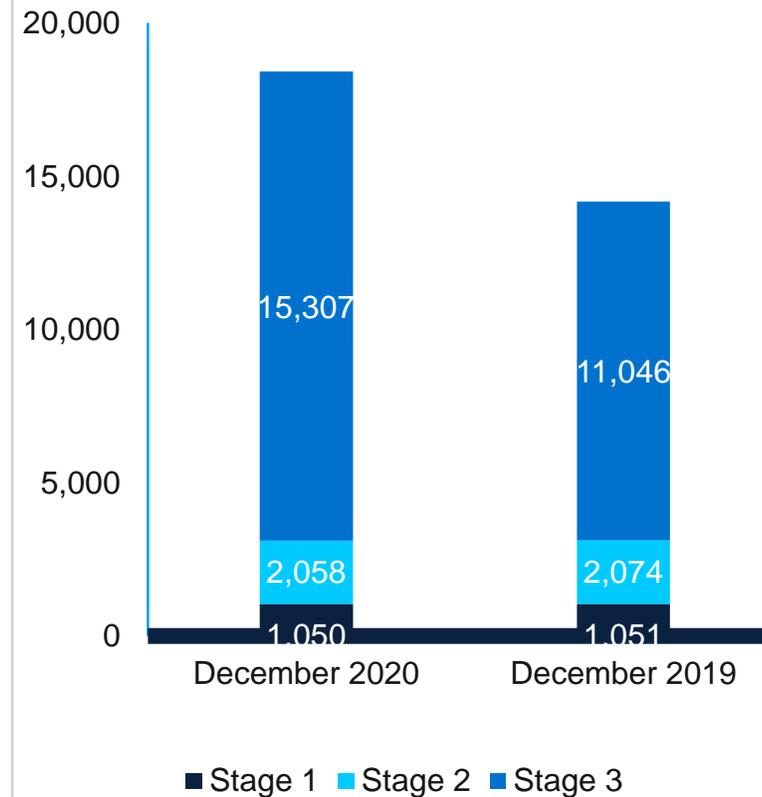
Balance sheet provision movement

KES millions



Balance sheet provision split

KES millions



KEY TAKEOUTS

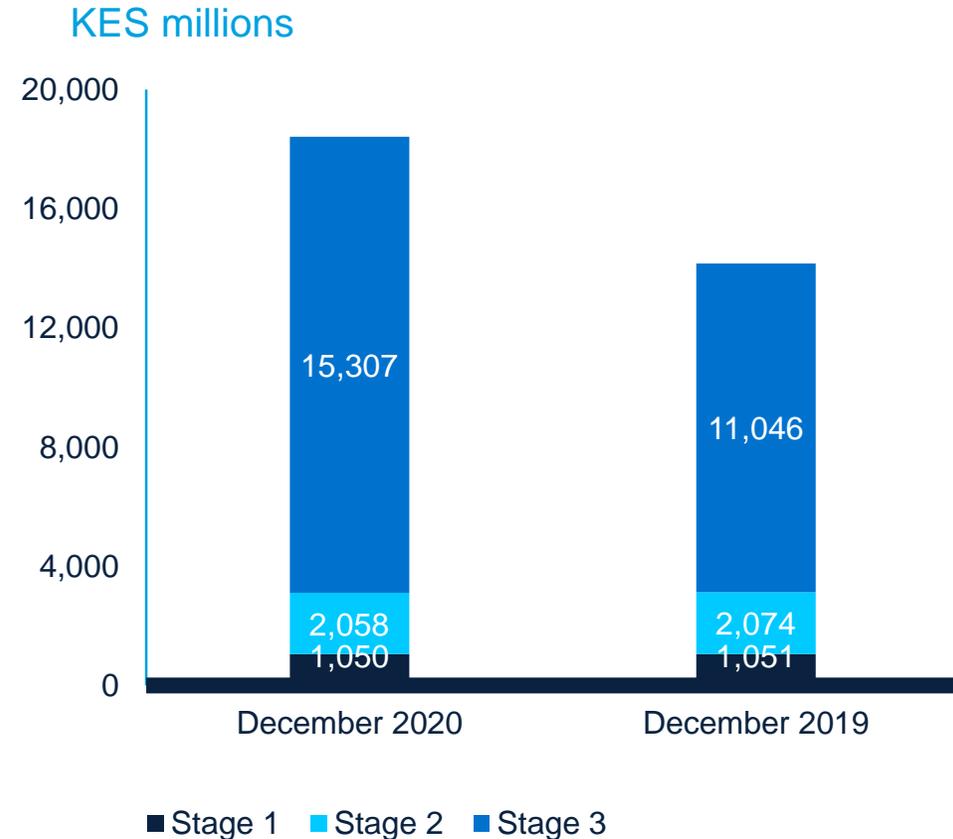
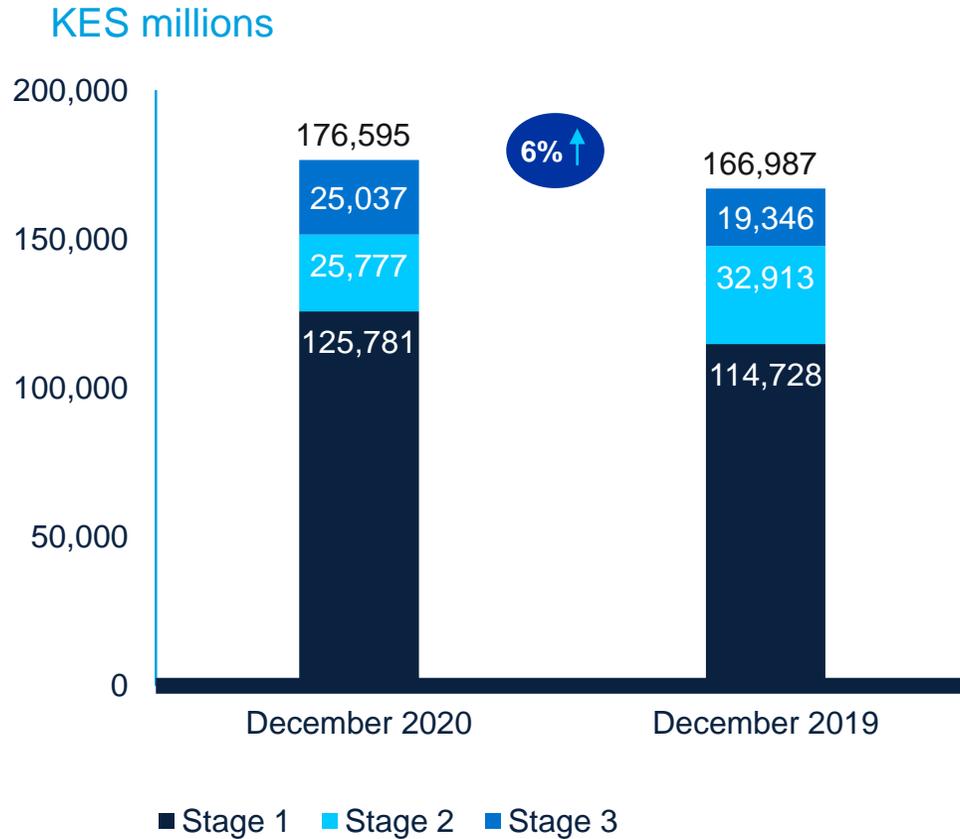
- Provisions increased as net provisions raised exceeded write-offs
- Stage 1 – driven by balance sheet growth
- Stage 2 – decline driven by offloading forward-looking provisions to NPL provision
- Stage 3 – a higher number of client defaults resulted in:
 - Existing stage 1 and 2 provisions rolling into stage 3
 - An increase in provisions raised on those exposures



Provisions increased more than loans

Gross loans and advances

Provisions



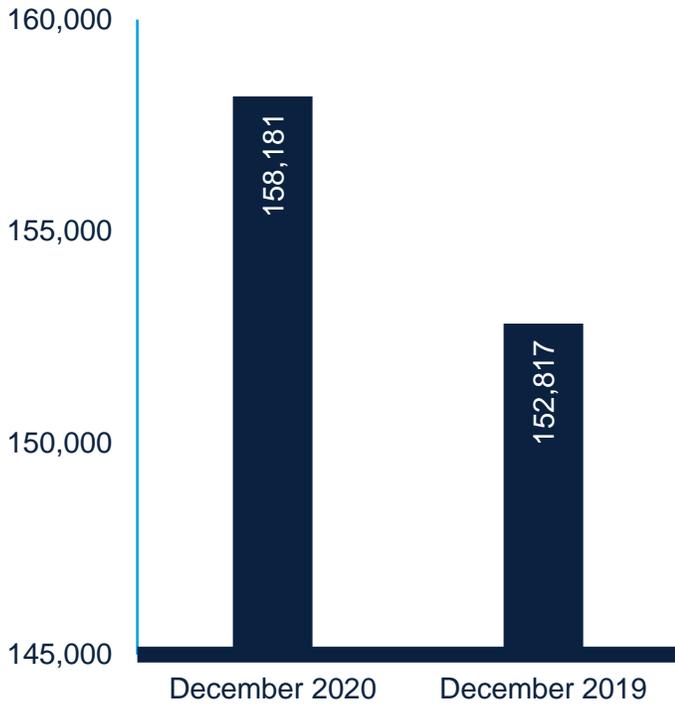


KES millions	2020	2019	% change
Assets			
Financial investments	87 584	70 078	25%
Loans and advances to banks	38 119	38 377	(1%)
Loans and advances to customers	158 181	152 817	4%
Other assets	30 733	28 316	9%
Property and equipment	3 762	3 661	3%
Intangible assets	10 214	10 375	(2%)
Total assets	328 593	303 624	8%
Liabilities			
Deposits from banks	42 526	30 451	40%
Deposits from customers	217 444	194 222	12%
Borrowings	5 504	9 127	(40%)
Other liabilities	11 388	20 789	(45%)
Total liabilities	276 862	254 589	9%
Equity			
Total equity	51 731	49 035	5%
Liabilities and equity	328 593	303 624	8%
Contingents	70 849	69 392	2%
Letters of credit	3 427	7 379	(54%)
Guarantees	67 422	62 013	9%

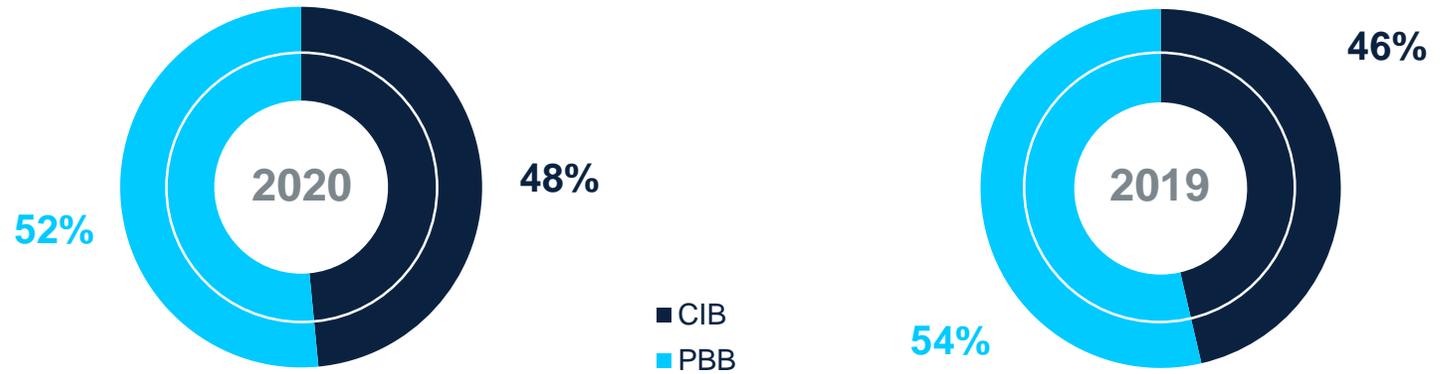


Net Loans and advances to customers

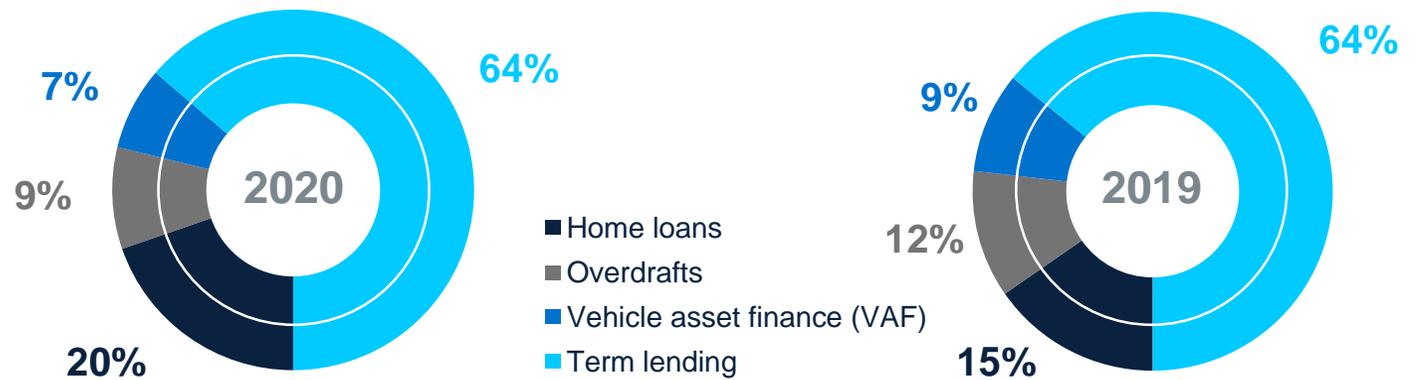
KES millions



Loans and advances by business unit

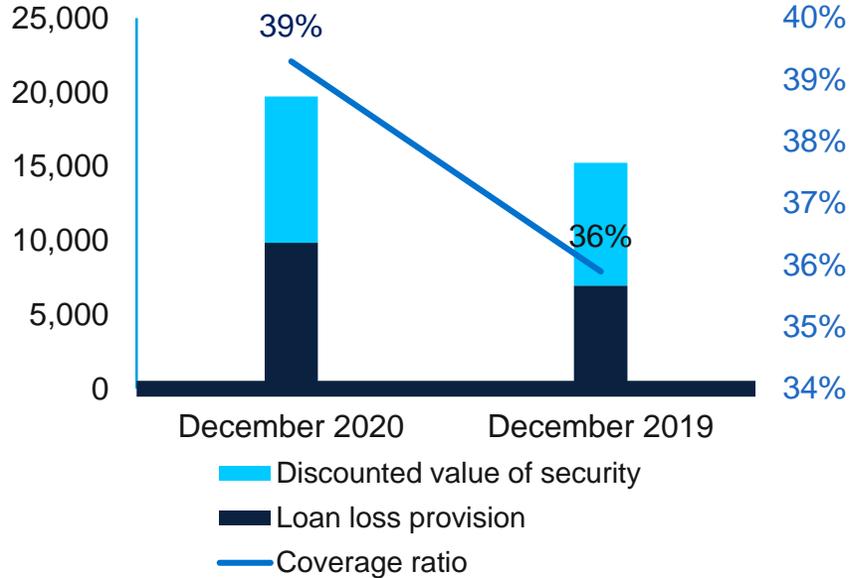


Loans and advances by product

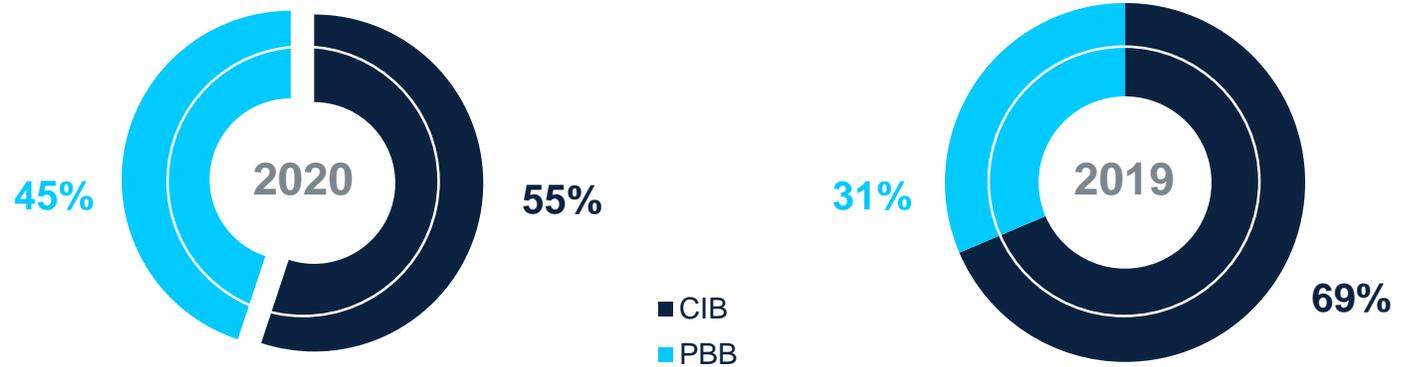




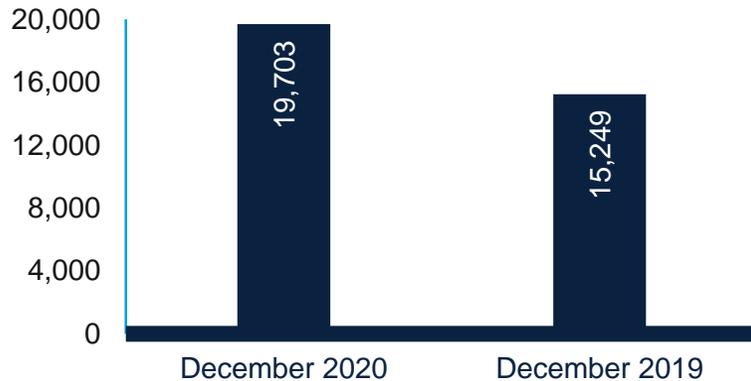
KES millions



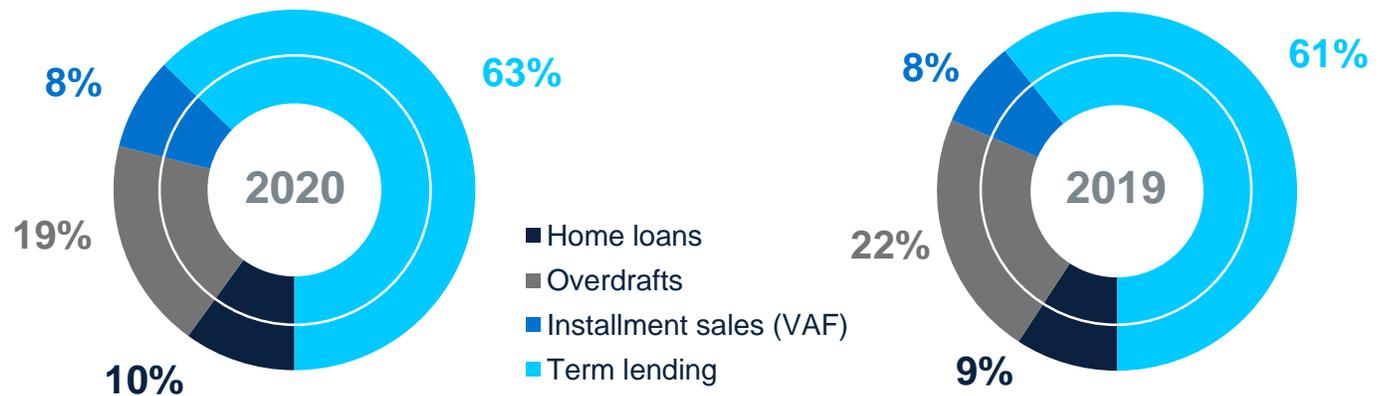
NPLs by business unit



KES millions

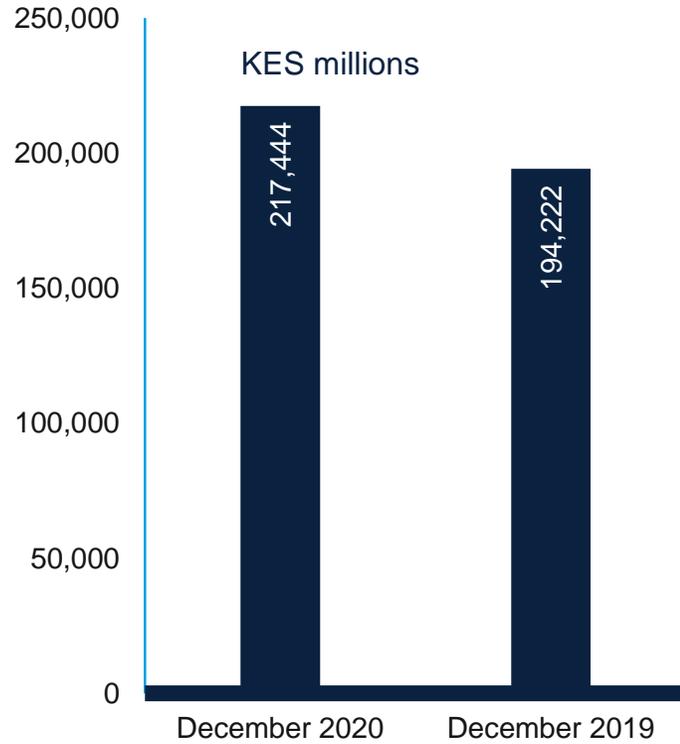


NPLs by product



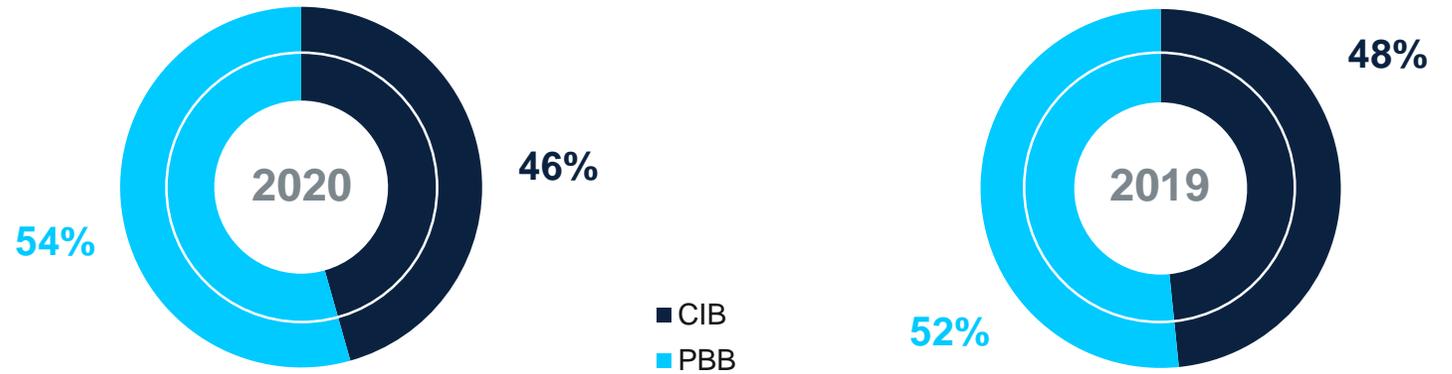


Deposits

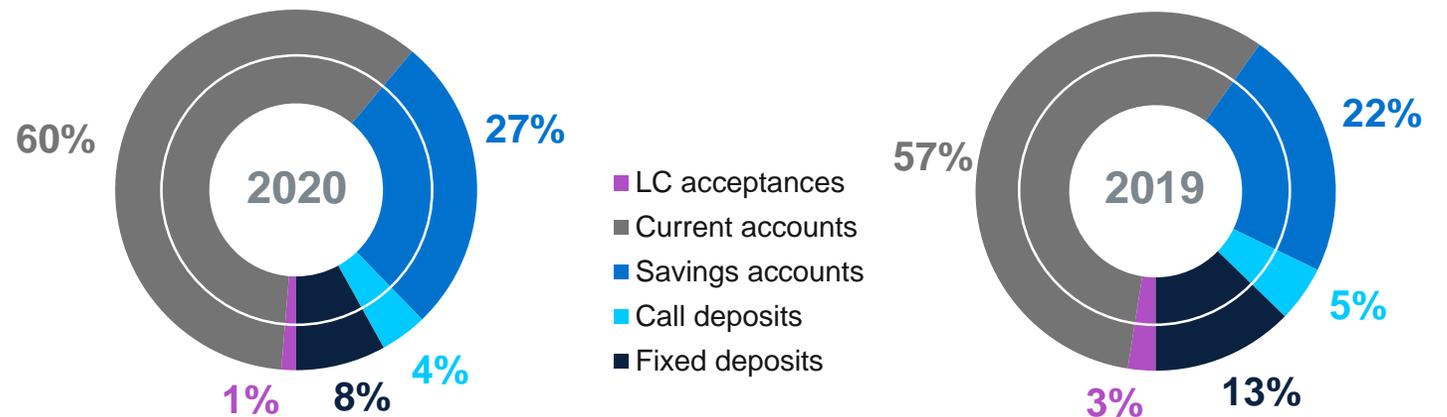


Customer deposits grew by 12% year on year with core accounts accounting for 86% of total deposits

Customer deposits by business unit

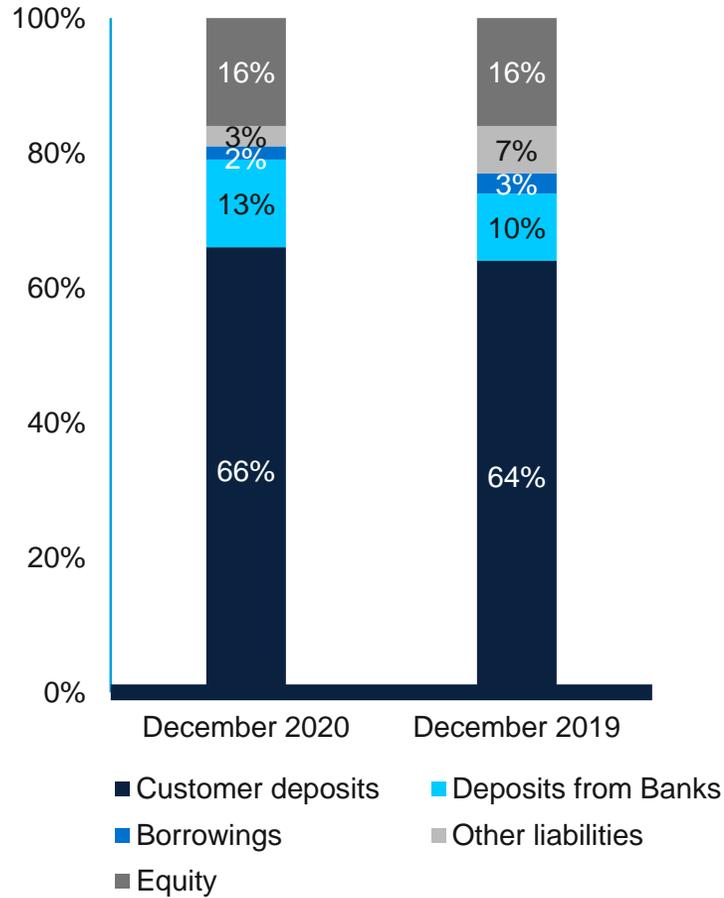


Customer deposits by product

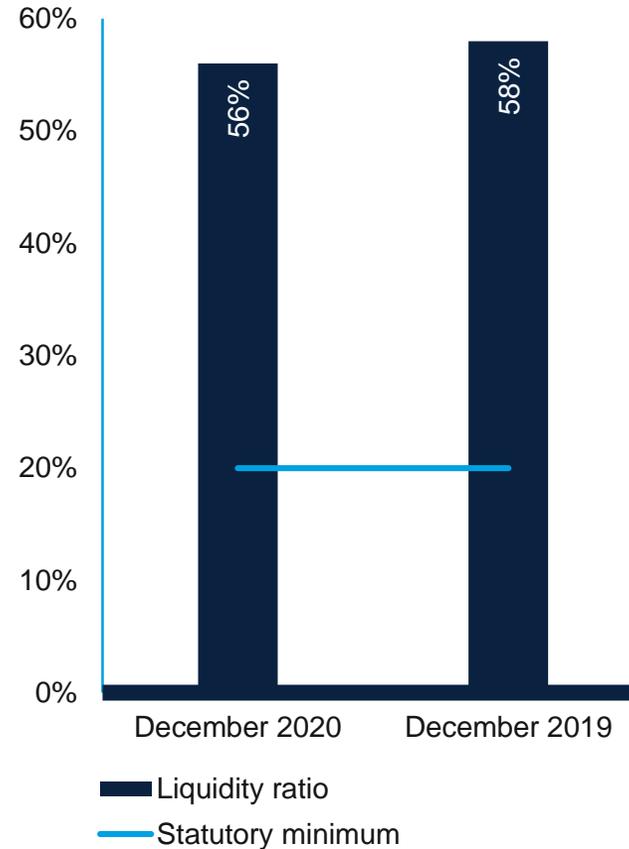




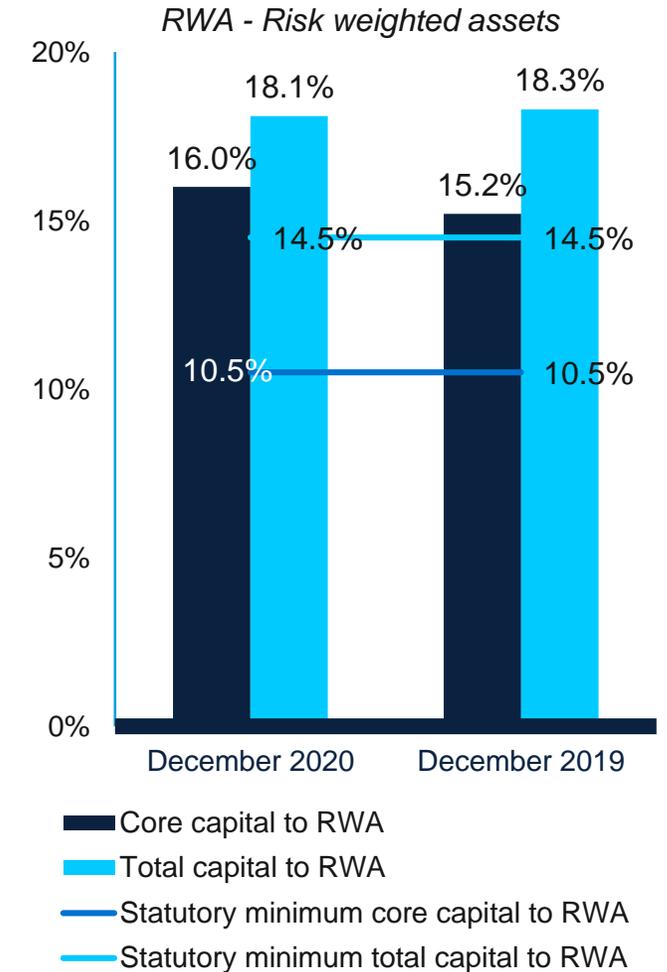
Funding



Liquidity ratio (Bank only)



Capital adequacy ratio (Bank only)





KES millions	2020	2019	% change
Net interest income	5 924	6 433	(8%)
Non-interest revenue	8 130	8 789	(7%)
Total Income	14 054	15 222	(8%)
Credit loss ratio	3.4%	1.9%	
Customer loans and advances	76 684	70 859	8%
Customer deposits	99 195	93 981	6%
Contingents	65 788	66 367	(1%)
Letters of credit	2 167	6 895	(69%)
Guarantees	63 621	59 472	7%

KEY TAKEOUTS

- ❑ Decline in interest income as a result of margin squeeze
- ❑ Lower non-interest revenue due to lower fees from reduced transaction volumes and delay/postponement of investment banking deals. In addition, last year benefited from key Investment Banking deals which did not recur this year. This was partly offset by strong performance from the trading revenue line
- ❑ Credit loss ratio was higher in 2020 as a result of increased provision for non - performing loans
- ❑ Growth in customer loans and advances was mainly driven by increased working capital needs by our clients
- ❑ Increase in customer deposits largely on current account balances



KES millions	2020	2019	% change
Net interest income	6 871	6 915	(1)
Non-interest revenue	2 312	2 644	(13)
Total Income	9 183	9 560	(4)
Credit loss ratio	2.6%	1.9%	
Customer loans and advances	81 497	81 958	(1)
Customer deposits	118 249	100 241	18%
Contingents	5 061	3 025	67%
Letters of credit	1 260	484	>100
Guarantees	3 801	2 541	50%

KEY TAKEOUTS

- ❑ Decline in interest income as a result of margin squeeze and muted growth in customer loans
- ❑ Decline in non interest revenue mainly driven by reduction in fees on our digital channels as a result of regulatory action on fee waivers and low client activity
- ❑ Credit loss ratio was higher in 2020 as a result of increased provision for non performing loans due to the impact of Covid-19 on the economy
- ❑ Growth in customer deposits mainly on local current accounts



KES millions	2020	2019	% change
Net interest income	9	9	(3)
Fees and commission	215	277	(22)
Total revenue	224	286	(22)
Total expenses	(133)	(147)	(10%)
Profit before tax	91	139	(34)
Tax	(31)	(48)	(35)
Profit after tax	60	91	(34)

KEY TAKEOUTS

This performance reflects:

- ❑ Decreased revenue from embedded products
- ❑ Slow uptake on standalone insurance products owing to the pandemic
- ❑ Impact of increased retrenchment claims as we supported our clients to cushion against the pandemic
- ❑ Regulatory changes impacting override commissions previously paid by Insurers
- ❑ Continued focus on cost management



KES millions	2020	2019	% change
Brokerage commission	189	253	(25)
Other revenue	71	162	(56)
Total revenue	260	415	(37)
Total expenses	(211)	(237)	11
Profit before tax	49	178	(72)
Tax	(14)	(56)	75
Profit after tax	35	122	(71)

KEY TAKEOUTS

- ❑ SBG Securities posted total revenue of KES 260m for the full year ending 31st December 2020, indicating a 37% year-on-year decline.

This revenue performance reflects:

- ❑ Decline in brokerage revenue, driven by a 3% y/y drop in equities market turnover and a decline in equities trading market share
- ❑ Decline in 'other revenue' due to base effects arising from significant advisory fees earned in 2019
- ❑ Overall, SBG Securities' equities trading market share was 12.9% in 2020, from 17.4% reported in 2019



4 OUTLOOK

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Covid-19 has given us a unique opportunity to **re-invent ourselves** as we continue to **respond** to the **evolving needs** of our clients, employees and the community at large

Supported by client led capabilities



Adapt to evolving risks

Optimise resource allocation and drive returns

Leverage our core strengths

Seek new ways to expand our offering

Diversify our revenue streams



THANK YOU

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