STANBIC HOLDINGS PLC

FINANCIAL RESULTS PRESENTATION

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

Welcome and remarks

Operating environment

Charles Mudiwa

Chief Executive, Stanbic Bank

Operating environment in 2019

1

Macro-economic environment

Inflation
- Dec 2019 5.8% vs. Dec 2018 5.7%

91-day T-bill
- Dec 2019 7.2% vs. Dec 2018 7.3%

USD exchange rate
- Dec 2019 100.9 vs. Dec 2018 102.0

2

Regulatory environment

- Interest rate caps
- IFRS 16 on leases
- New regulations in the insurance industry
- Banking Sector Charter
- Data Protection Act

3

Market threats

- Cyber security risk
- Increased competition from non-traditional players
- Hyperinflation in South Sudan
- Brexit
- US China trade war

4

Market opportunities

- Technological innovations
- Infrastructure projects
- Diaspora remittances
- Common free trade area

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 organization **in Kenya**, delivering **exceptional client experiences** and **superior value**

In executing our strategy our key focus areas are

Client centricity
Deliver exceptional client experiences

Digitisation
Leverage our digital platforms

Integration
Seamlessly deliver relevant, holistic solutions

We measure our progress using five strategic value drivers

SEE = Social, economic and environmental

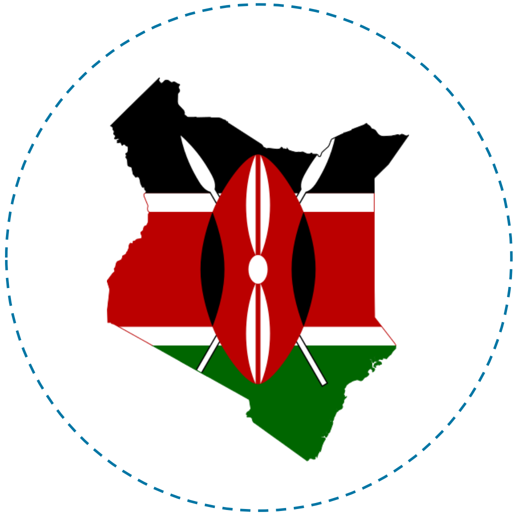
We continue to live our purpose by driving Kenya’s growth through various initiatives

Affordable Housing

Invested in
Kenya Mortgage
Refinance Company
(KMRC)

Manufacturing

21% of our total loan book relates to financing to manufacturing sector



Food Security

10% of our total loan book relates to financing the agriculture sector

Affordable Healthcare

Africa banking partner to the global fund

Spurring the growth of Kenya’s financial markets

Trusted Financial Partner

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

Deal of the year award by Deal Makers Africa

Transaction advisory

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

Lead arranger – Green Bond

Lead arranger and placement agent for the 1st green and project bond in East Africa

Derivatives market in Kenya

One of the two Banks participating in the derivatives market in Kenya

Number 1 broker in Kenya

- 17.4% market share despite decline in market turnover

Commodities market

- Exploring Commodities market

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

DADA

DARE TO ASPIRE DARE TO ACHIEVE

External

- Interacted with over 5,000 women with 54% conversion rate
- Lent over Kes 550m

Internal

Stanbic - composition of women

- Board (NEDS): 50%
- Executive Committee (ExCo): 38%
- Employees: 48%

M-kopa

- Stanbic continues to partner with M-Kopa to provide affordable and clean energy solutions to over 750k low income households

Financial Fitness Academies

Completed financial fitness sessions for:

- 28 Corporates in 2019
- 41 Corporates since inception

Supporting upcoming artistes

- 107 artistes currently onboarded

UBER

- 510 drivers supported to purchase their own cars to date

Financial outcome

Total revenue

2019: KES 24.8b
2018: KES 22.1b

12% up

Customer loans

2019: KES 152.8b
2018: KES 146.6b

4% up

PAT

2019: KES 6.4b
2018: KES 6.3b

2% up

Customer deposits

2019: KES 194.2b
2018: KES 191.6b

1% up

ROE (incl goodwill)

2019: 13.6%
2018: 14.3%

5% Down

ROE excl goodwill
2019 – 17.0% , 2018 – 18.2%

CTI

2019: 56.2%
2018: 50.2%

12% up

Tier 1 capital ratio (Bank only)

2019: 15.2%
2018: 14.6%
Minimum statutory requirement: 10.5%

Total capital ratio (Bank only)

2019: 18.3%
2018: 17.4%
Minimum statutory requirement: 14.5%

EPS

2019: 16.14
2018: 15.88

DPS

2019: 7.05
2018: 5.80

- The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 6.4b
  - Total revenue grew by 12% driven by balance sheet growth, growth in market share in the brokerage business, increase in transactional fees and successful closure of key deals in Investment Banking
  - The South Sudan business continued to be profitable despite the challenging operating environment

The growth was partly offset by;

- Increase in costs arising from reorganising the business and one off guarantee payment

Drivers of performance

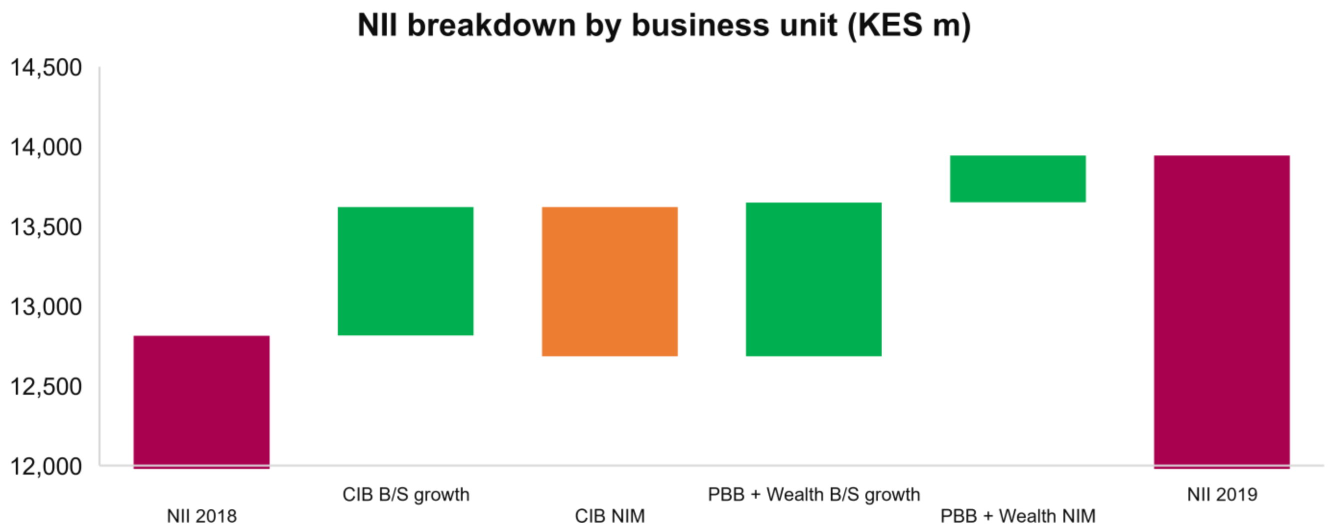
Abraham Ongenge

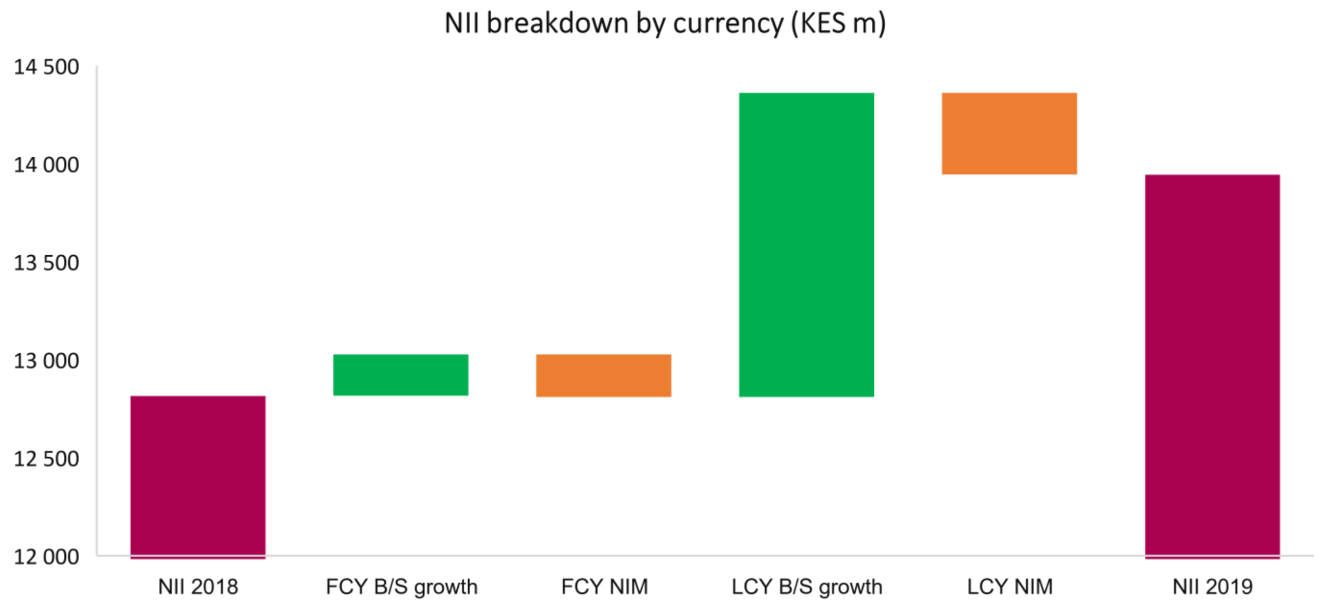
Chief Finance Officer

Summary income statement

	Dec-2019 KES m	Dec-2018 KES m	change %
Net interest income	13 348	12 130	10
Non-interest revenue	11 433	9 965	15
Total income	**24 781**	**22 095**	**12**
Operating expenses	(13 920)	(11 082)	(26)
Pre-provision profit	**10 861**	**11 013**	**(1)**
Credit impairment charges	(3 151)	(2 064)	(53)
Tax	(1 329)	(2 671)	50
Profit after tax	**6 381**	**6 278**	**2**
Customer loans	152 817	146 604	4
Customer deposits	194 222	191 585	1

Balance sheet growth especially in PBB drives increase in net interest income

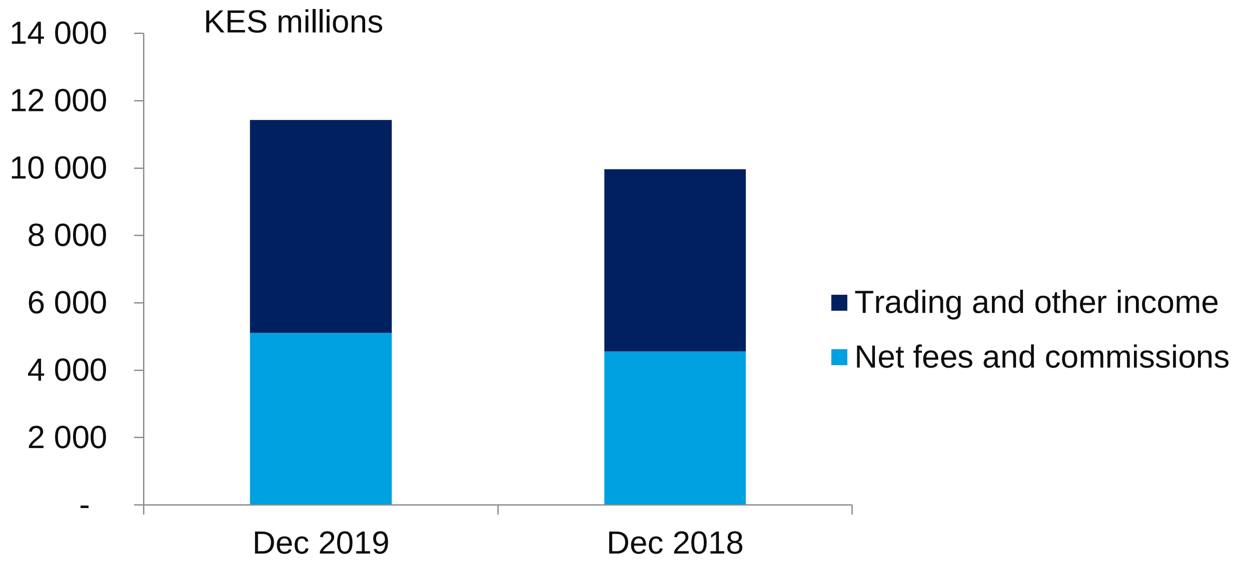


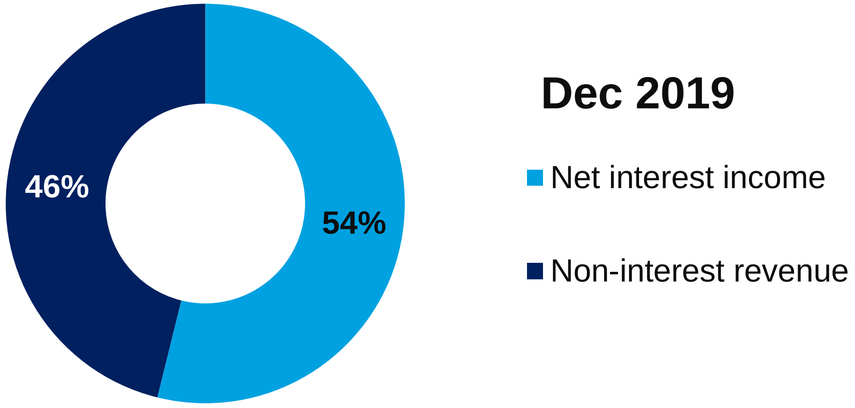


- ❑ Average balance sheet growth in all business units contributed to increased NII
- ❑ Personal and Business Banking registered improved margins despite rate cuts during the year. This is largely on account of decrease in cost of funds
- ❑ At a currency level Net Interest Margin dropped for both local currency and foreign currency. This is attributed to CBR rate cuts during the year and decrease in pricing for foreign currency loans for some Key CIB clients
- ❑ Balance sheet growth offset the decreases in margins

PBB – Personal and Business Banking, NII – Net Interest Income

Non-interest revenue





Net fees and commission income

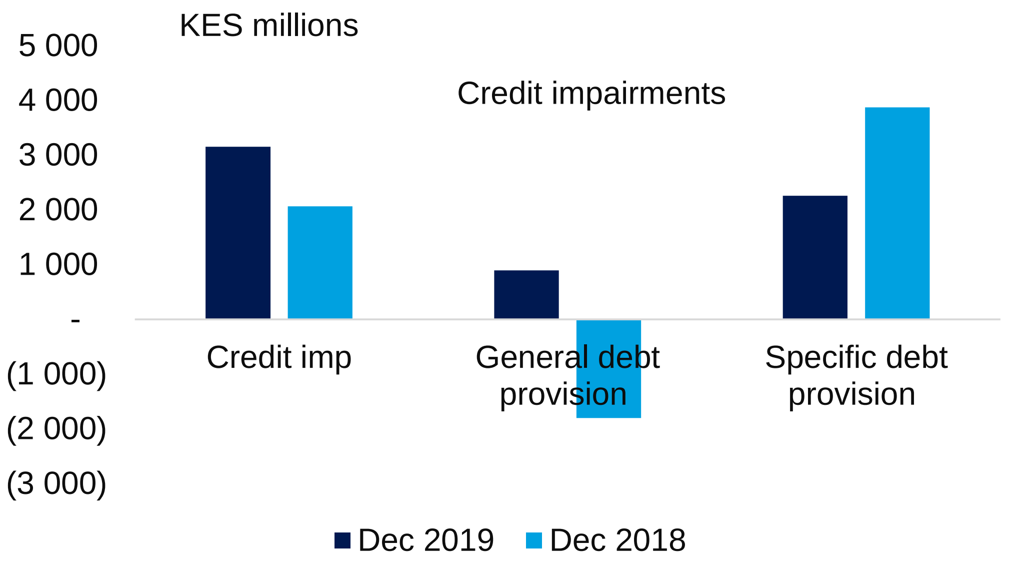
Increase in net fees and commission income explained by:

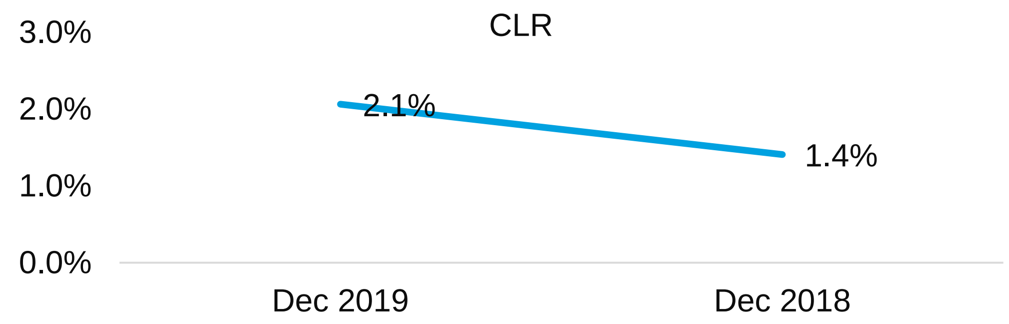
- Key investment banking deals closed within the year
- Continued growth in electronic banking revenues
- Growth in market share in SBG Securities

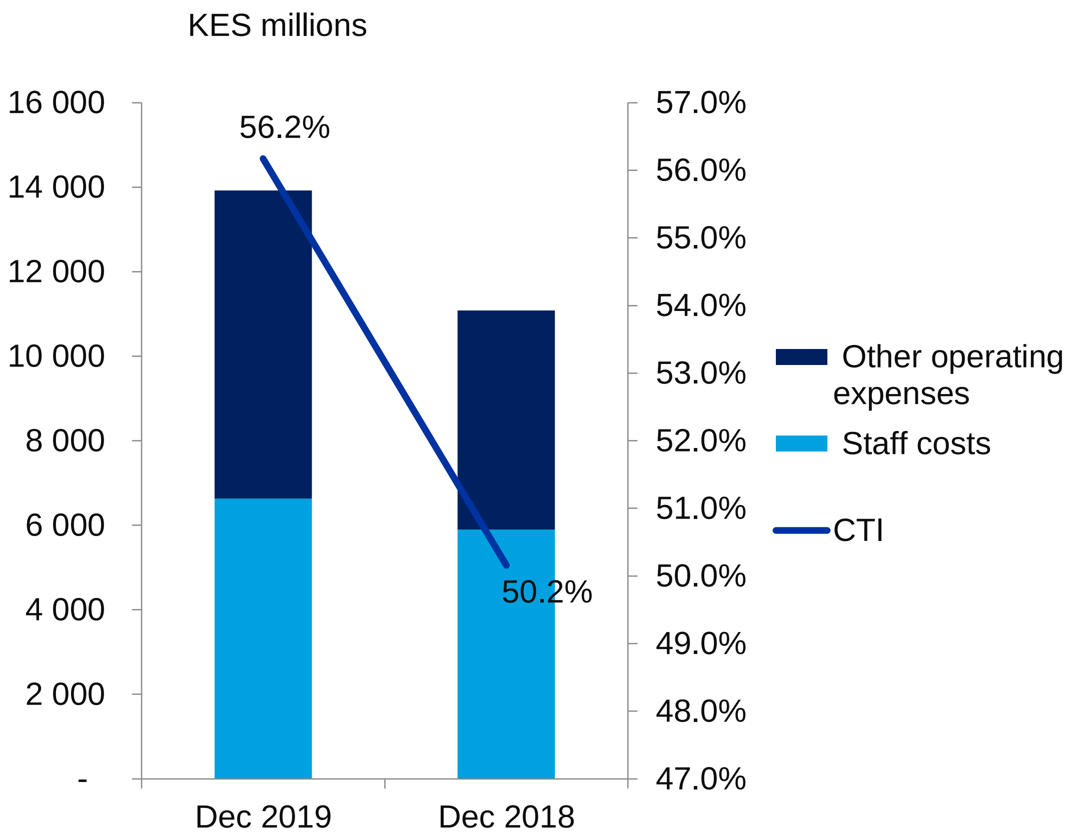
Trading revenue and other income

- Growth in trading income due to increase in foreign exchange margins by 16%
- Higher other income as a result of gains from disposal of financial investments

Credit impairment and operating expenses







- Impairment charges have increased year on year due to:
  - Additional provisions on pre 2019 NPL book
  - Growth in the performing book
- Increase in cost to income due to;
  - One off costs arising from reorganizing the business
  - One off guarantee payment

Summarised group balance sheet

	Dec-2019 KES millions	Dec-2018 KES millions	Change %
Assets			
Financial investments	70 078	72 260	(3)
Loans and advances to banks	38 378	28 381	35
Loans and advances to customers	152 817	146 604	4
Other assets	28 303	30 491	(7)
Property and equipment	2 302	2 234	3
Right of use assets	1 360	-	100
Intangible assets	10 374	10 600	(2)
Total assets	**303 612**	**290 570**	**4**
Liabilities			
Deposits from banks	30 451	27 909	9
Deposits from customers	194 222	191 585	1
Borrowings	9 127	7 064	29
Other liabilities	19 393	19 389	0
Right of use liabilities	1 371	-	100
Equity	49 048	44 623	10
Liabilities and equity	**303 612**	**290 570**	**4**
Contingents	**69 392**	**78 372**	**(11)**
Letters of credit	7 379	3 527	>100
Guarantees	62 013	74 845	(17)

Implementation of IFRS 16

Right of use assets

- A single lessee model where a right of use asset together with a liability for future payments is to be recognized for all leases with a term of more than 12months, unless the underlying asset is of low value

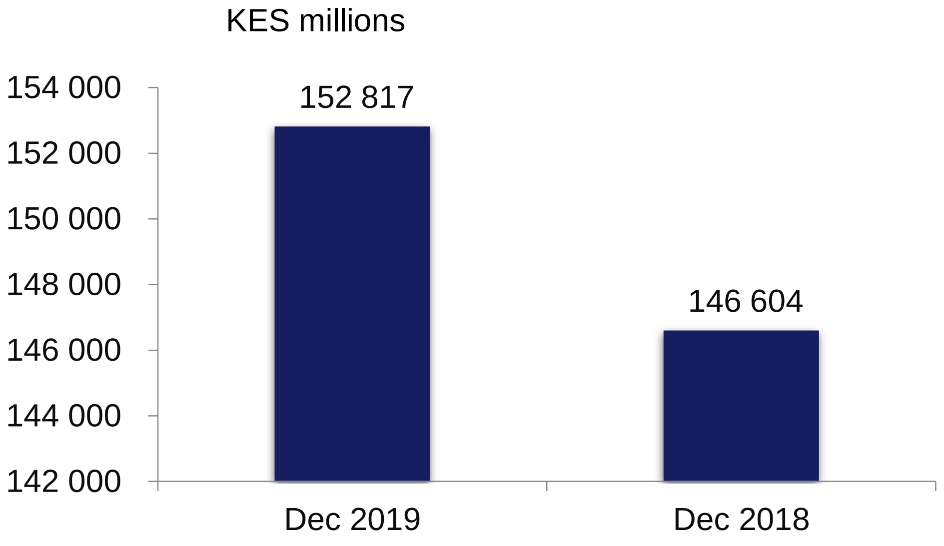
Stanbic perspective

- The group leases property for use as branches, offices, ATMs and parking spaces

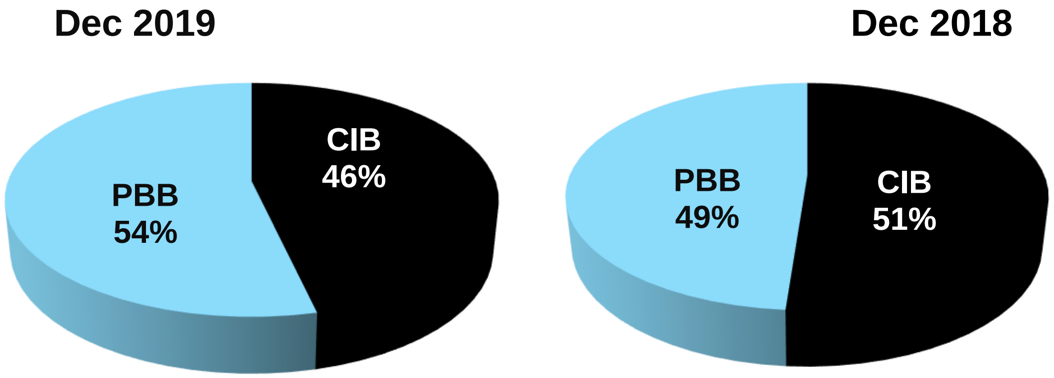
- The leases of offices and ATM spaces are typically for periods above 2years, with options to renew

- None of the leases contains any restrictions or covenants other than the protective rights of the lessor

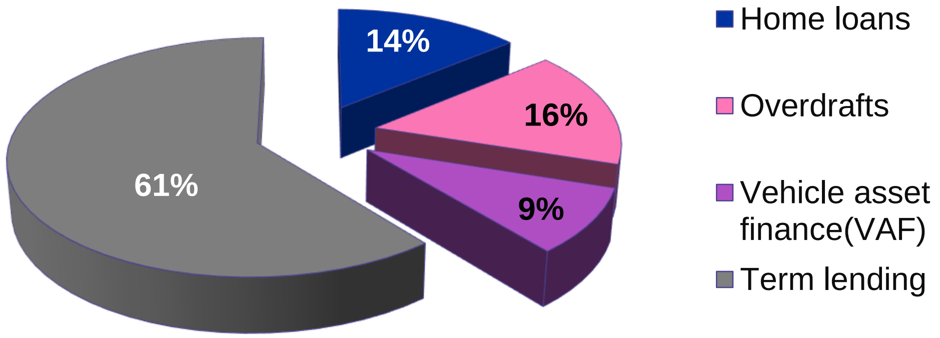
Customer loans and advances



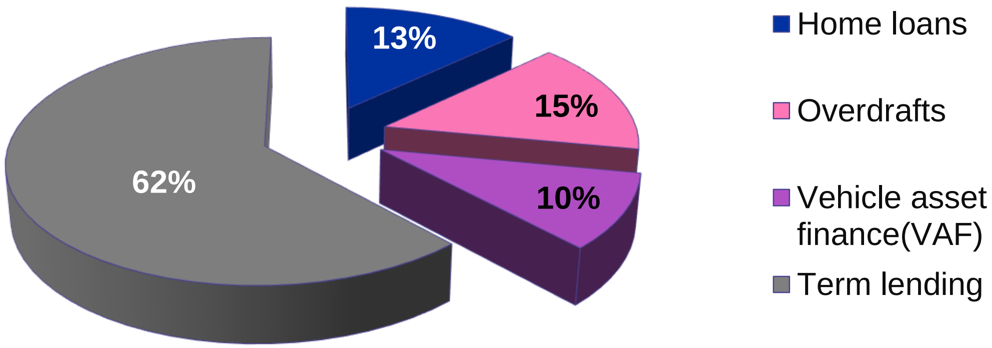
Loans and advances by business unit



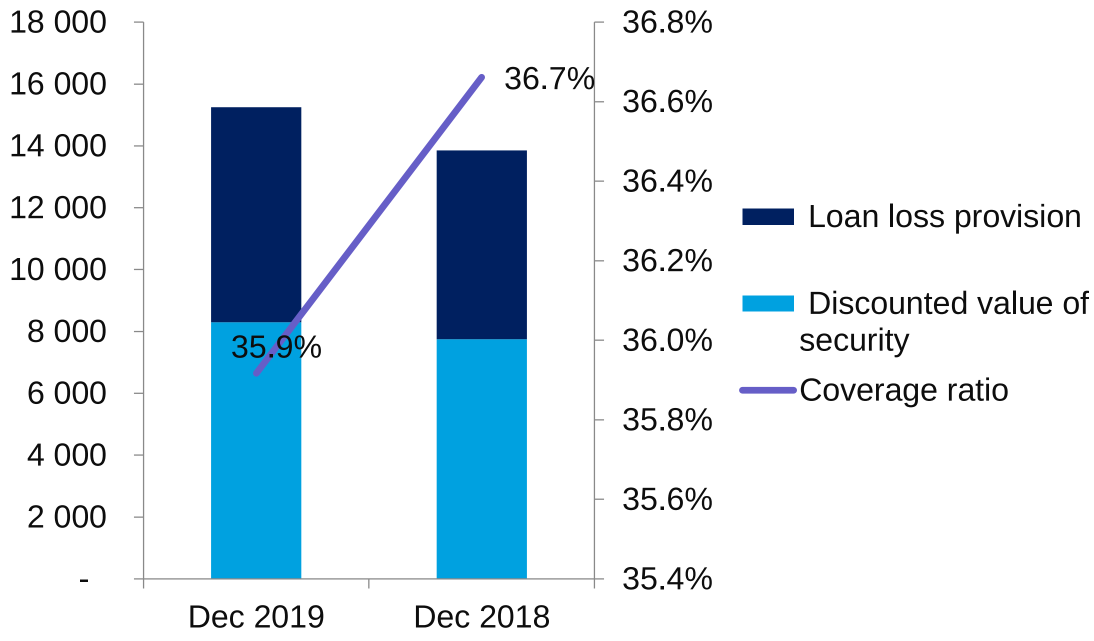
Dec 2019 Loans and advances by product



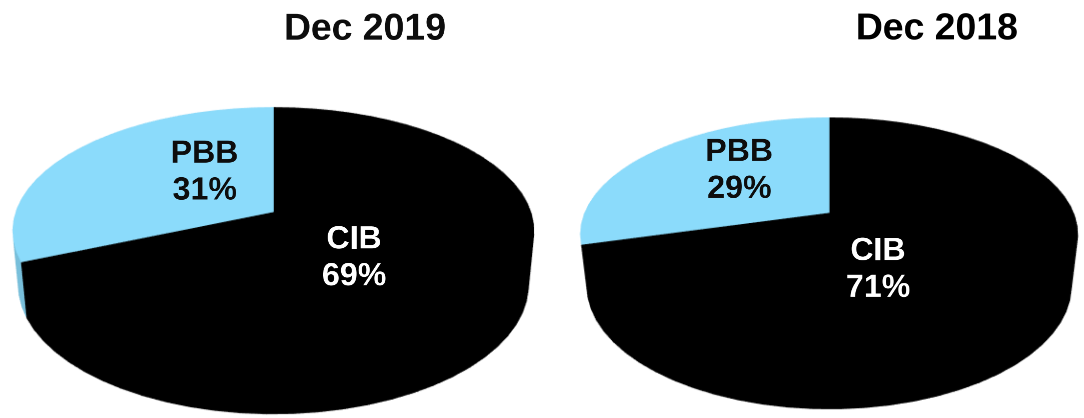
Dec 2018 Loans and advances by product



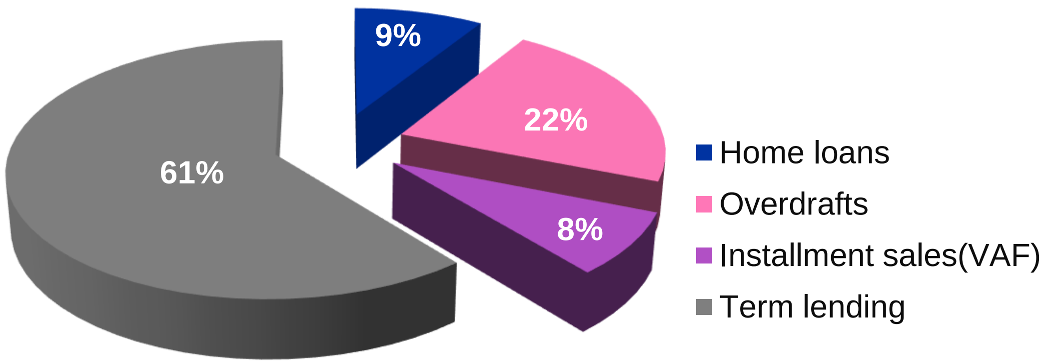
Customer loans and advances: Non performing loans (NPLs)



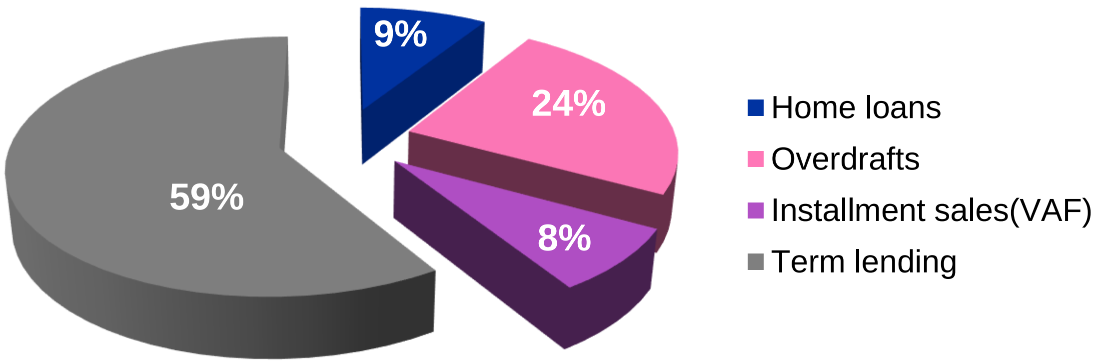
NPLs by business unit



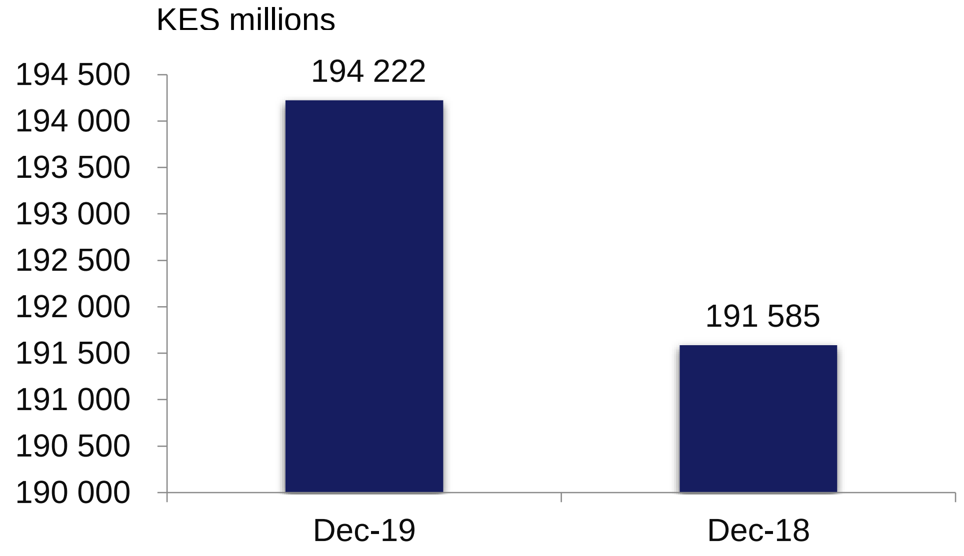
Dec 2019 NPLs by product



Dec 2018 NPLs by product

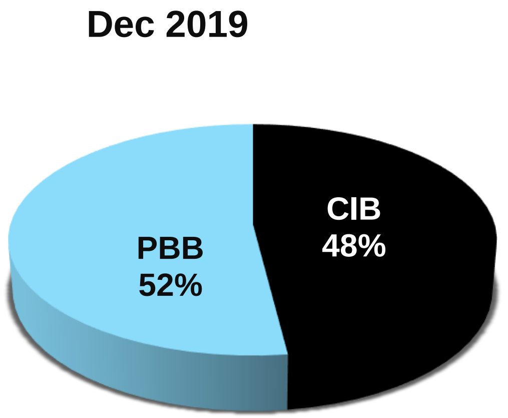


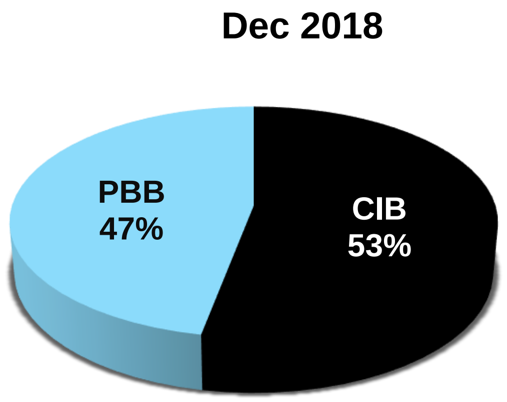
Customer deposits



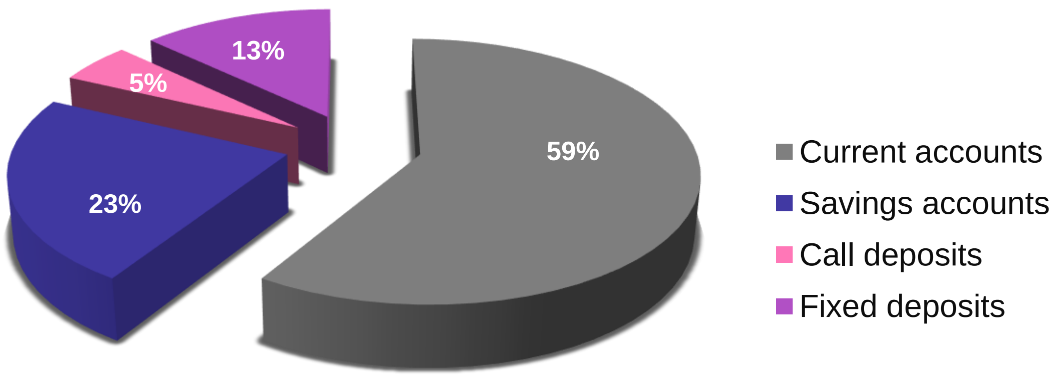
- Customer deposits grew by 1% year on year with core accounts accounting for 82% of total deposits

Customer deposits by business unit

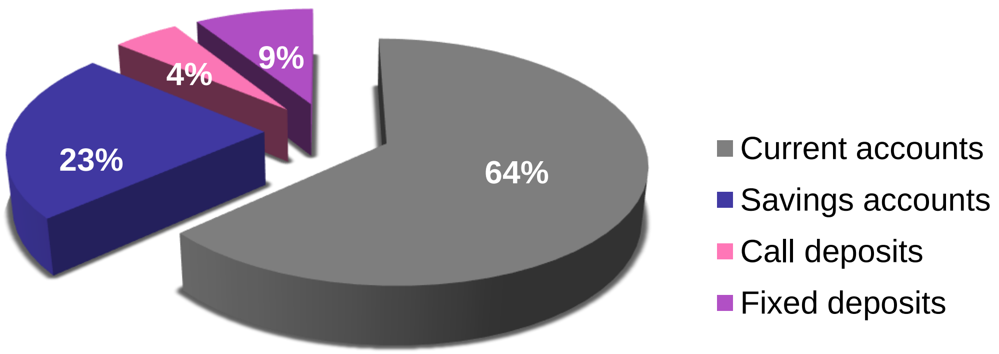




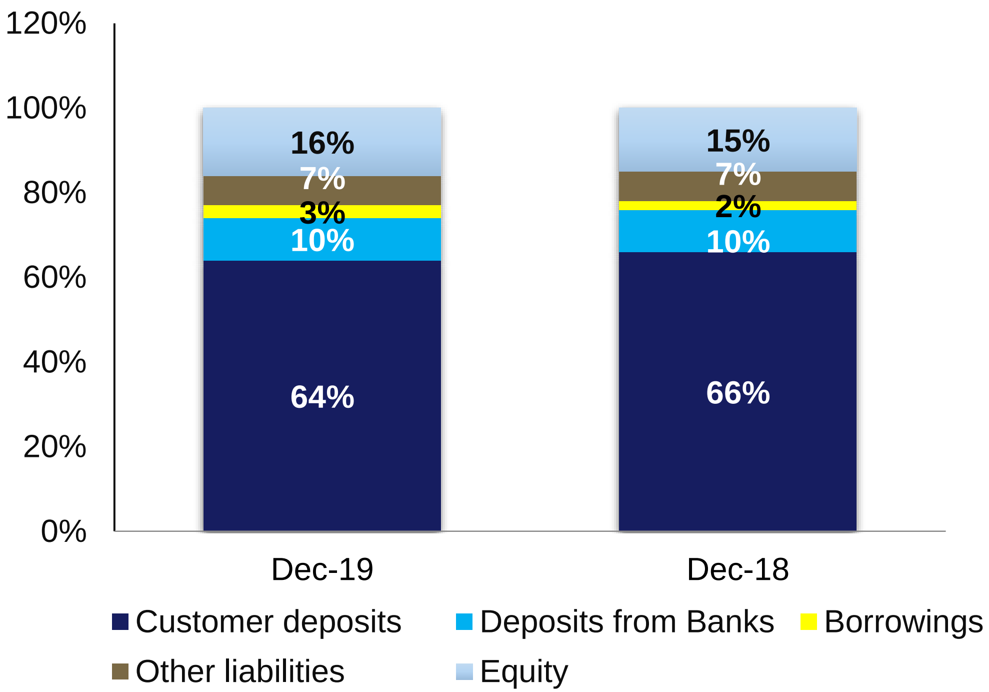
Dec 2019 customer deposits per product



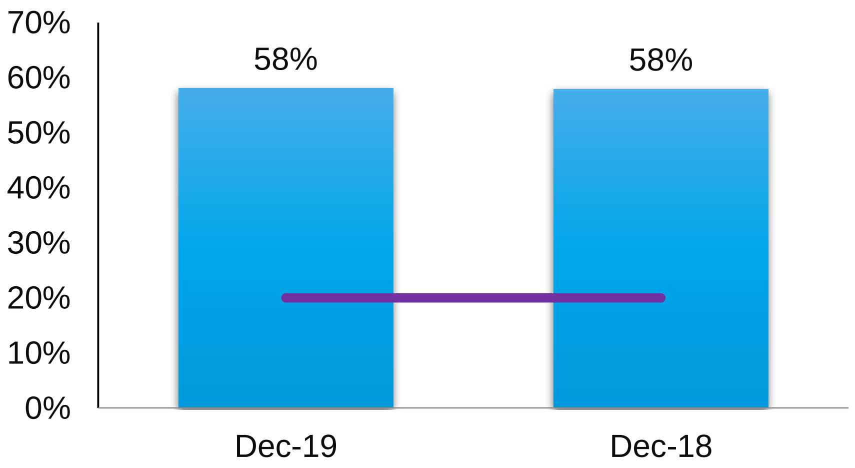
Dec 2018 customer deposits per product



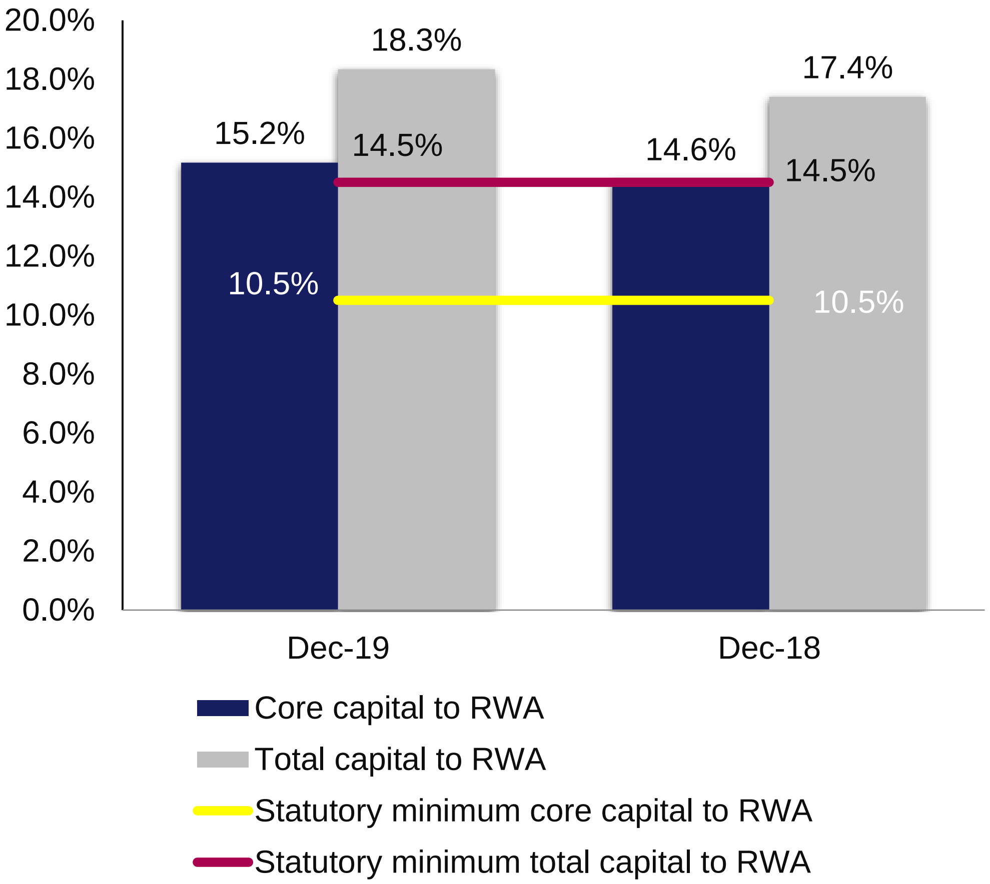
Funding, liquidity and capital



Liquidity ratio (Bank only)



Capital adequacy ratio (Bank only)



RWA - Risk weighted assets

Corporate and Investment Banking (CIB)

Anton Marais

Executive, Corporate & Investment Banking

CIB summary performance

	Dec-2019 KES m	Dec-2018 KES m	change %
Net interest income	6 433	6 412	0
Non-interest revenue	8 789	7 524	17
Total income	**15 222**	**13 936**	**9**
Credit loss ratio	2.2%	1.1%	
Customer loans and advances	70 859	75 017	(6)
Customer deposits	93 981	101 264	(7)
Contingents	**66 367**	**74 300**	(11)
Letters of credit	6 895	2 767	149
Guarantees	59 472	71 532	(17)

- Higher non interest revenue due to fees from key deals in Investment Banking, increased client flow and gains from disposal of financial investments
- Credit loss ratio was higher in 2019 as a result of increased provision for non performing loans
- Decline in customer loans and advances was mainly driven by decreased working capital needs by customers at the end of the year
- Decrease in customer deposits largely due to movement of funds by State Owned Enterprises

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)

Maurice Matumo

Executive, Personal & Business Banking

PBB summary performance

	Dec-2019 KES m	Dec-2018 KES m	change %
Net interest income	6 915	5 718	21
Non-interest revenue	2 644	2 441	8
Total income	**9 559**	**8 159**	**17**
Credit loss ratio	1.9%	1.8%	
Customer loans and advances	81 958	71 587	14
Customer deposits	100 241	90 321	11
Contingents	**3 025**	**4 073**	**(26)**
Letters of credit	484	760	(36)
Guarantees	2 541	3 313	(23)

- 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 reduced cost of funding due to accelerated growth in local currency current accounts
- Growth in non interest revenue mainly driven by growth in active customers and increased transactions on our digital channels, card and in the forex trading

PBB strategic priorities

- Scale up customer acquisition through targeted ecosystems
- Delta’s in Enterprise (SME), Agriculture and Public Sector
- Enabled through digital transformation
- Enhanced risk awareness

Stanbic Insurance Agency

Charles Ochieng

Executive, Stanbic Insurance Agency

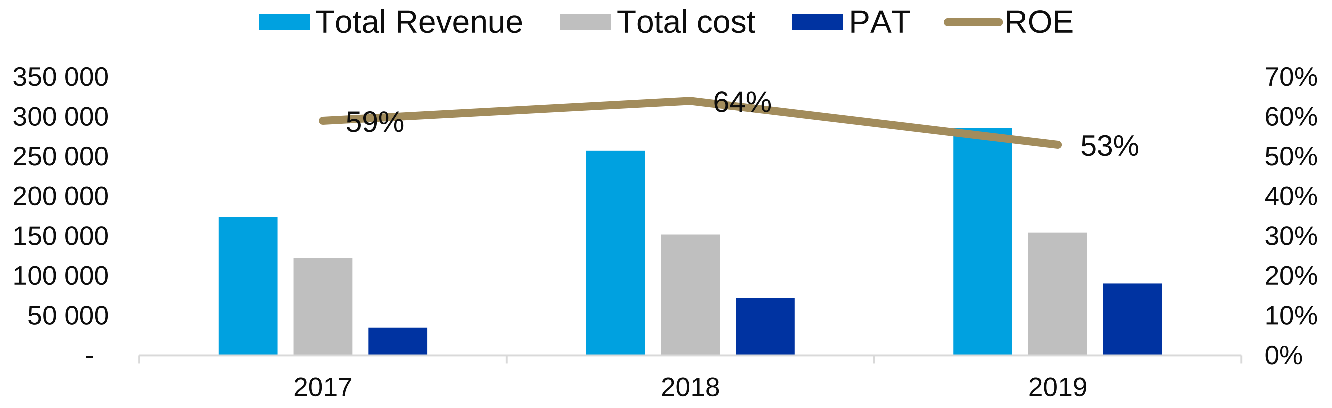
Stanbic Insurance Agency summary performance

	Dec-2019 KES m	Dec-2018 KES m	change %
Net interest income	9	9	5
Fees and commission	277	249	11
Total income	**286**	**258**	**11**
Total expenses	(147)	(144)	2
Profit before tax	**139**	**114**	**22**
Tax	(48)	(42)	15
Profit after tax	**91**	**72**	**27**

This performance reflects:

- Increased revenue from embedded products in line with the bank's asset book growth
- Increased revenue from non-embedded business lines
- Continued focus on cost management

Steady income growth over the last three years



Stanbic Insurance Agency strategic priorities

- Deepening insurance penetration on the Bank’s customer base
- Enhance our business relationships with insurance companies and strategic partners
- Investing in digital capabilities to offer relevant solutions to customers conveniently
- Monitoring the changing regulatory landscape to ensure we remain compliant

SBG Securities (SBGS)

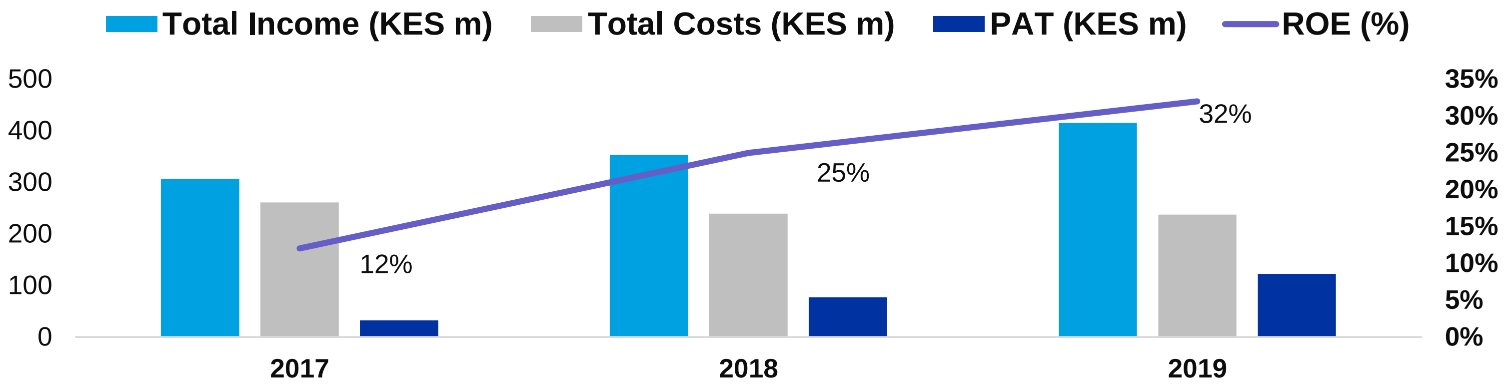
Bethuel Karanja

Executive Director, SBG Securities

SBGS summary performance

	Dec-2019 KES m	Dec-2018 KES m	change %
Brokerage commission	253	260	(3)
Other revenue	162	93	74
Total income	**415**	**353**	**18**
Total expenses	(237)	(239)	1
Profit before tax	**178**	**114**	**56**
Tax	(56)	(37)	(51)
Profit after tax	**122**	**77**	**58**

Solid net income growth and ROE expansion over the last three years



- 18% year-on-year revenue growth driven by:
  - An increase in equities market share to 17.4% compared to 16.7% in 2018, which largely offset the 12.4% reduction in equity market activity at the NSE
  - Significant growth in 'other revenue' due to advisory fees relating to capital markets mandates
- Overall, growth in profit before tax was also driven by gains from continued improvements in operating efficiencies

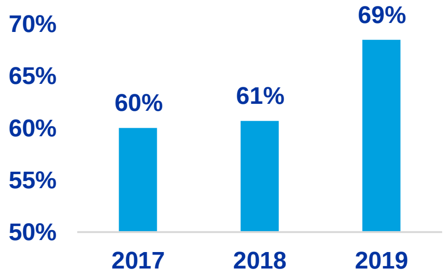
SBGS' achievements and strategic priorities

Ranked # 1 broker across East Africa by value of equities traded in 2019

#1 #1 #1

Accelerating digital innovation and uptake of digital products

Transactions originated from M-Shares & iTrader



Leadership in capital markets transactions: SBG Securities (in collaboration with Stanbic Bank) acted as sole arranger/advisor on landmark transactions

Rubis Energie SAS Take-Over of KenolKobil plc
KES 35b ($350m)
Cash Offer to all shareholders of KenolKobil Plc on NSE

Financial Advisor, Sponsoring Broker, and Lead Acceptance Agent

sbg securities
A member of Standard Bank Group

Acorn Project Two LLP Medium-Term Note Programme
KES 5b ($50m)
Capital raise and listing of notes on the NSE and LSE

Sole Arranger and Lead Acceptance Agent

sbg securities
A member of Standard Bank Group

Sale of CDC Group Plc's stake in DFCU Bank Uganda to IFU
UGX44.8b ($13m)
Block trade on the Uganda Securities Exchange

Sole Global Co-ordinator, Book-runner, Sponsoring Broker, and Broker to IFU

sbg securities
A member of Standard Bank Group

THANK YOU