



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](http://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



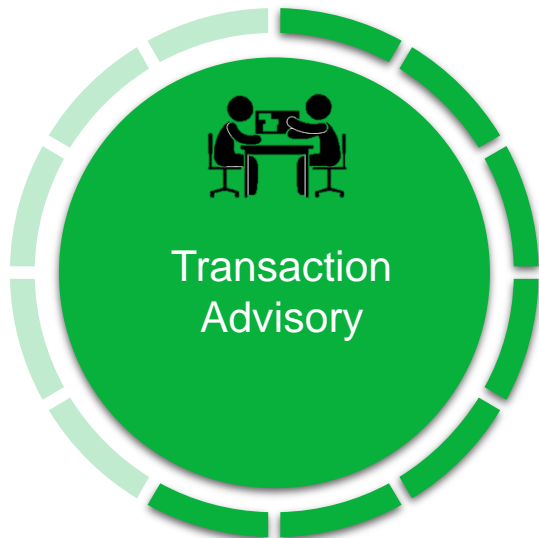
Lead transaction advisor and placement agent for one of the biggest equities transaction in Kenya  
*Award winning transaction - Deal of the year award by Deal Makers Africa*



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



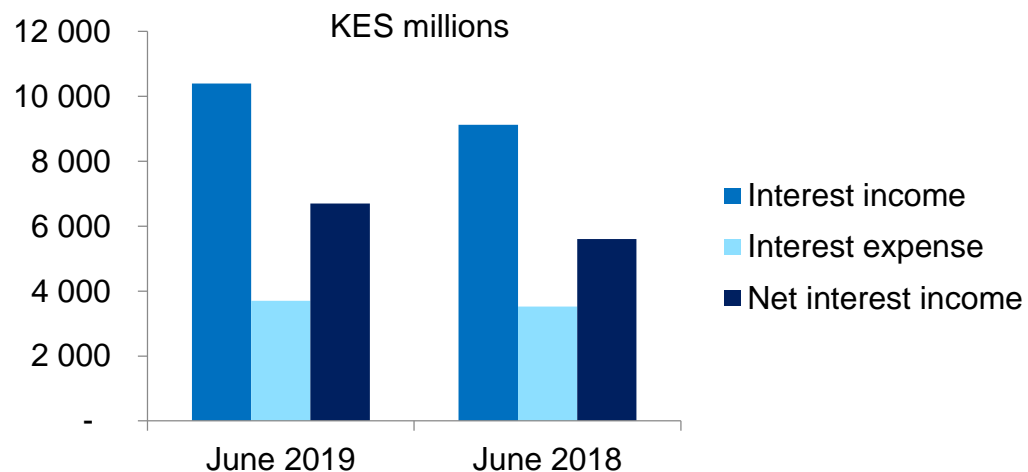
**Drivers of performance**  
**Abraham Ongenge**  
**Chief Finance Officer**

# Summary income statement

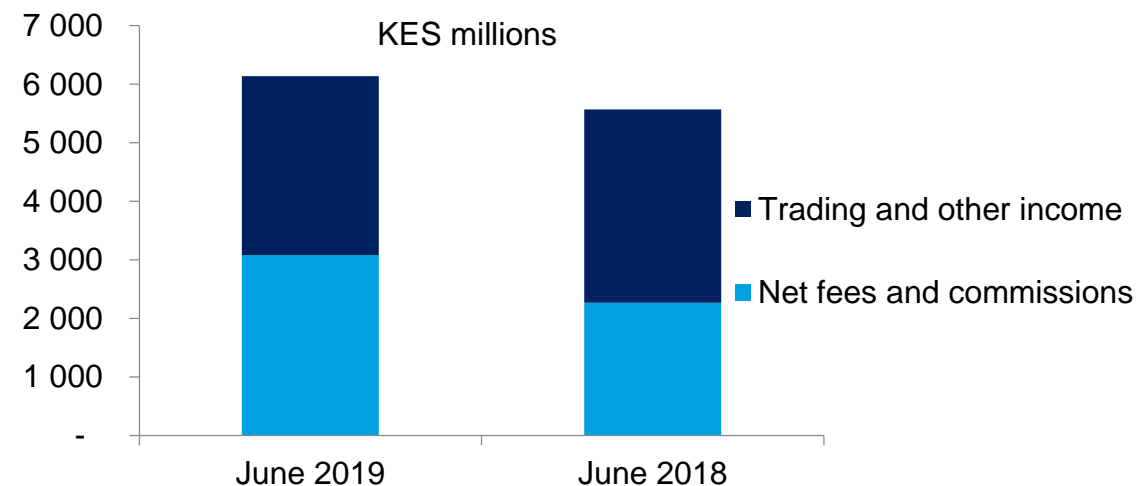


	June-2019 KES m	June-2018 KES m	change %
Net interest income	6,702	5,608	20
Non-interest revenue	6,135	5,569	10
<b>Total income</b>	<b>12,837</b>	<b>11,177</b>	<b>15</b>
Operating expenses	(6,041)	(5,730)	(5)
<b>Pre-provision profit</b>	<b>6,796</b>	<b>5,447</b>	<b>25</b>
Credit impairment charges	(1,235)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

# Revenue



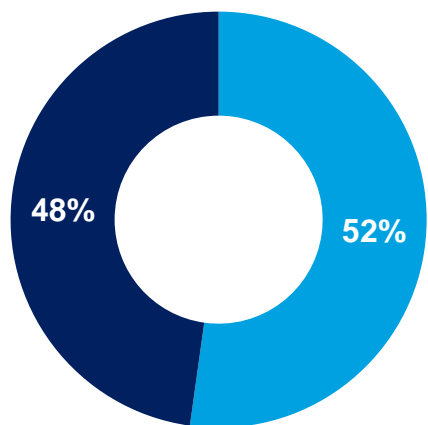
■ Net interest income increased year on year by 20% explained by growth in loans and advances



## 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

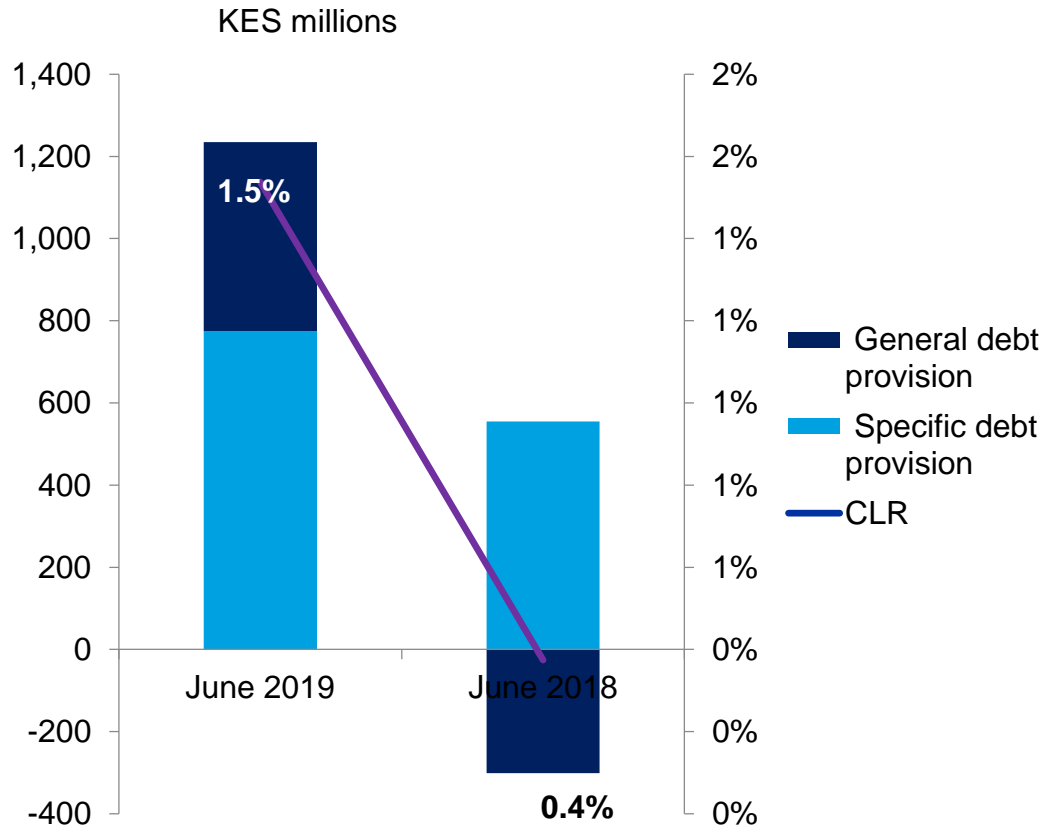
- Net interest income
- Non-interest revenue

## Trading revenue

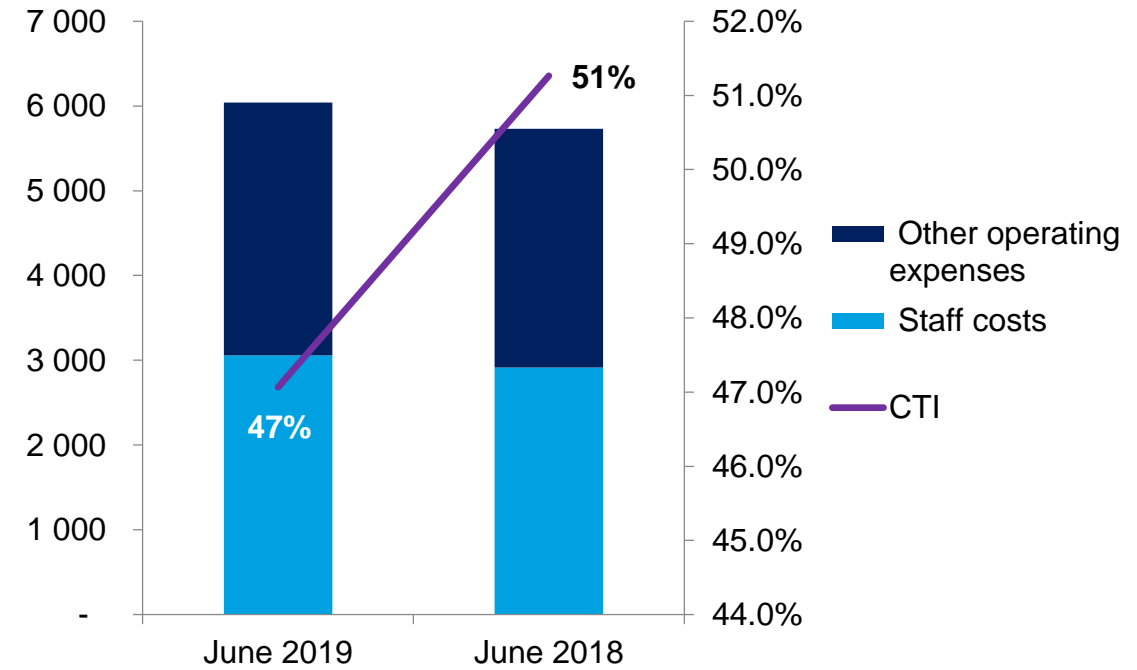
■ Income from trading decreased due to reduction in client flows in the South Sudan business. However, the decline was partly offset by increase in foreign exchange income in the Kenya business by 15% supported by increase in client volumes



# 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

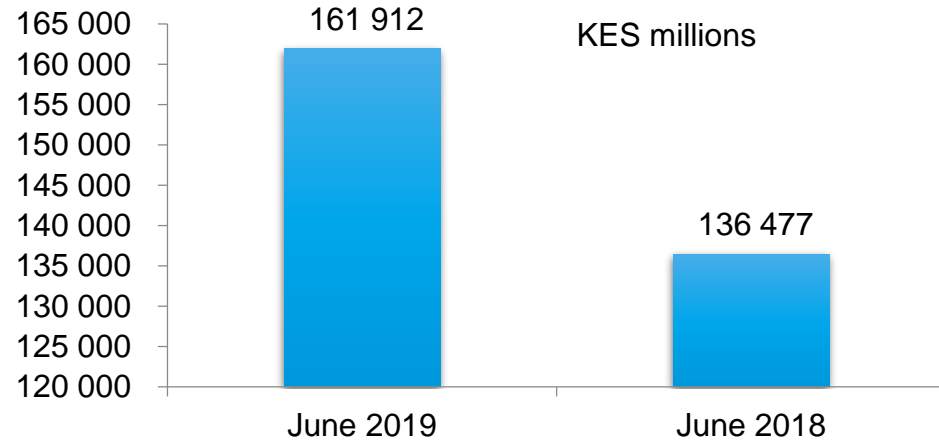


	June-2019 KES millions	June-2018 KES millions	Change %
<b>Assets</b>			
Financial investments	94,099	91,541	3%
Loans and advances to banks	15,172	17,558	(14%)
Loans and advances to customers	161,912	136,477	19%
Other assets	28,287	20,371	39%
Property and equipment	3,306	2,271	46%
Intangible assets	10,534	10,563	(0%)
<b>Total assets</b>	<b>313,310</b>	<b>278,781</b>	<b>12%</b>
<b>Liabilities</b>			
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%
<b>Equity</b>	<b>46,829</b>	<b>42,210</b>	<b>11%</b>
<b>Liabilities and equity</b>	<b>313,310</b>	<b>278,781</b>	<b>12%</b>
<b>Contingents</b>	<b>74,606</b>	<b>72,479</b>	<b>3%</b>
Letters of credit	2,532	6,286	(60%)
Guarantees	72,074	66,193	9%

# Customer loans and advances

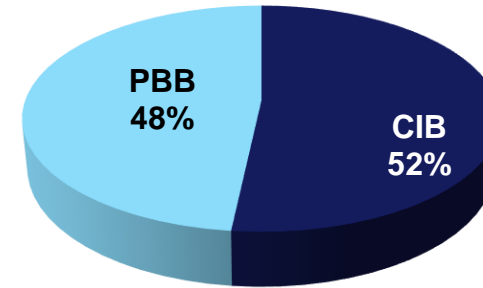


- Customer loans and advances grew by 16% year on year mainly on term lending

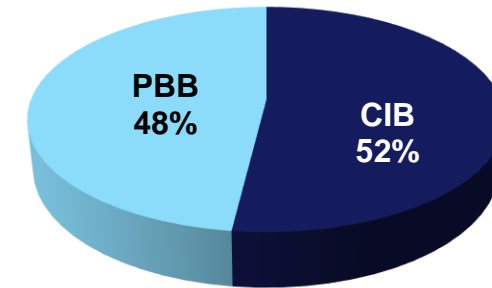


## Loans and advances by business unit

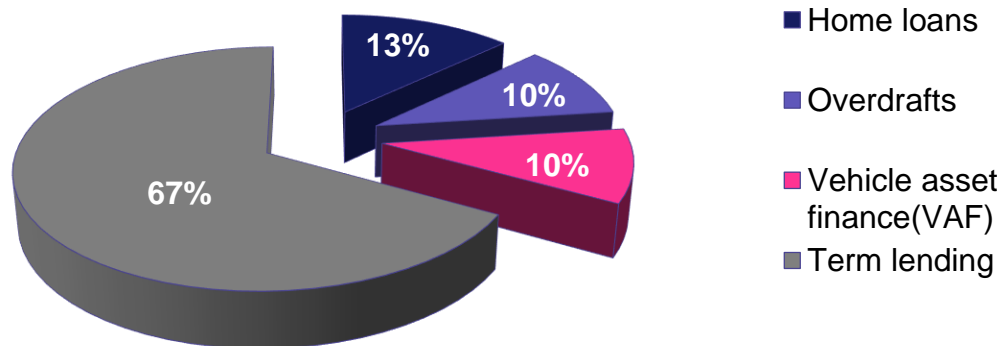
June 2019



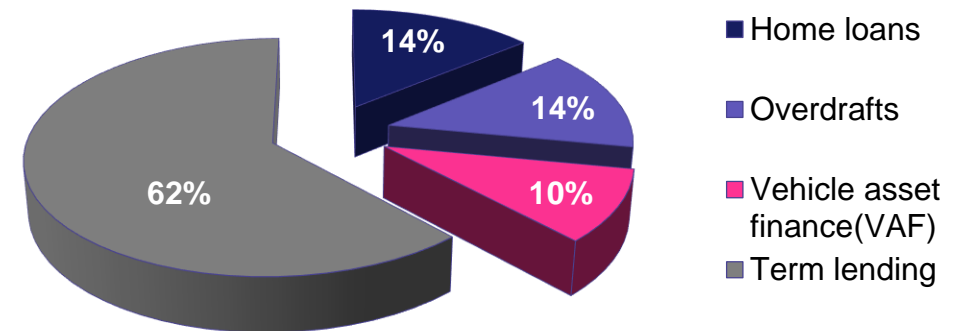
June 2018



## June 2019 Loans and advances by product

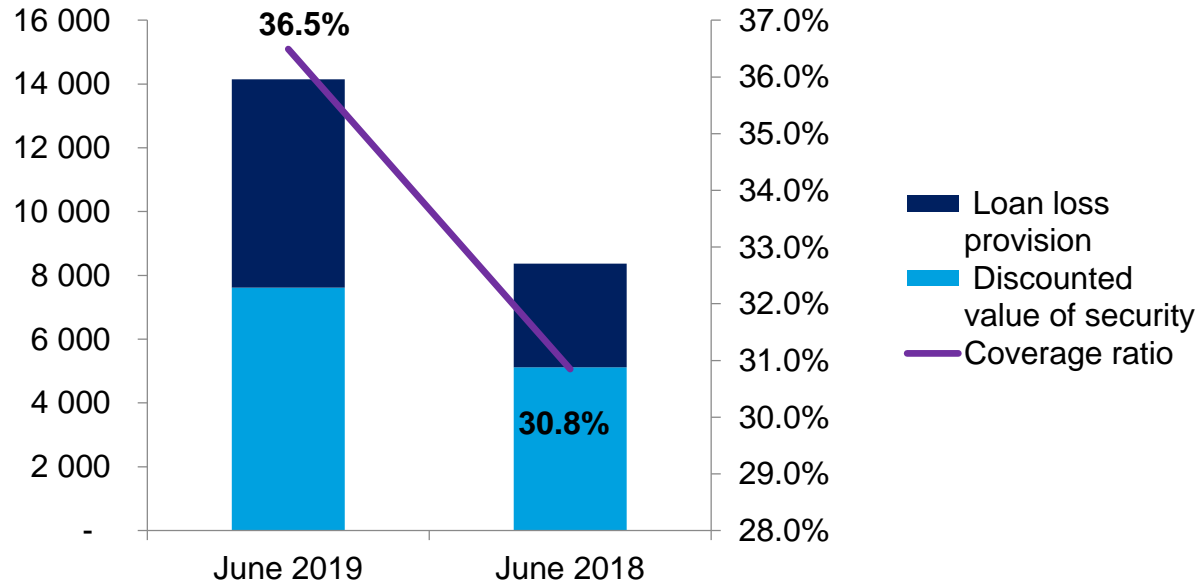


## June 2018 Loans and advances by product

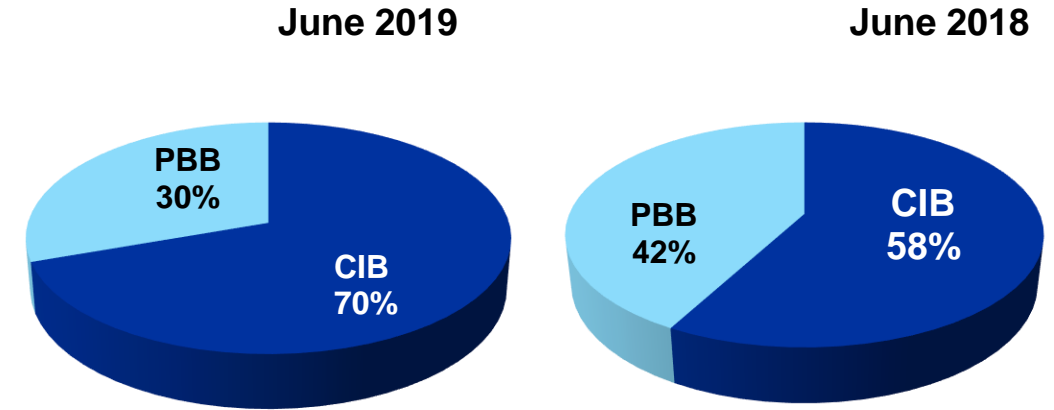




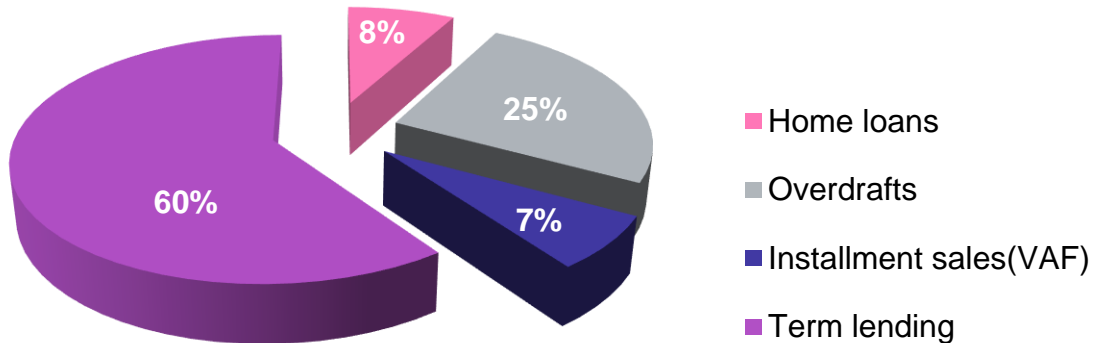
# Customer loans and advances: Non performing loans (NPLs)



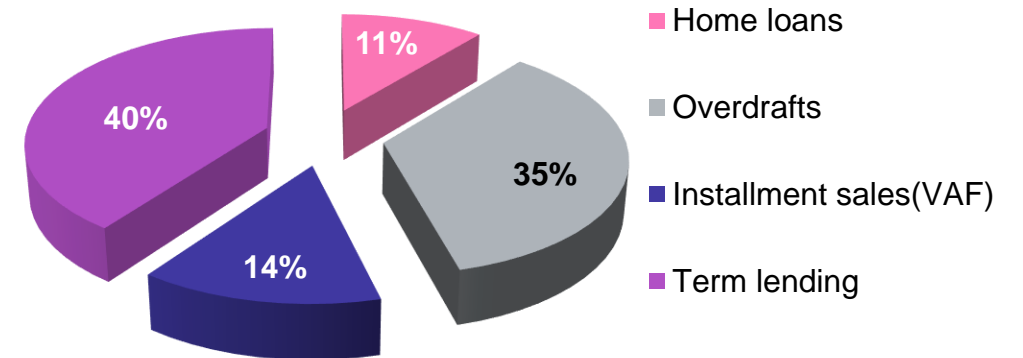
NPLs by business unit



June 2019 NPLs by product



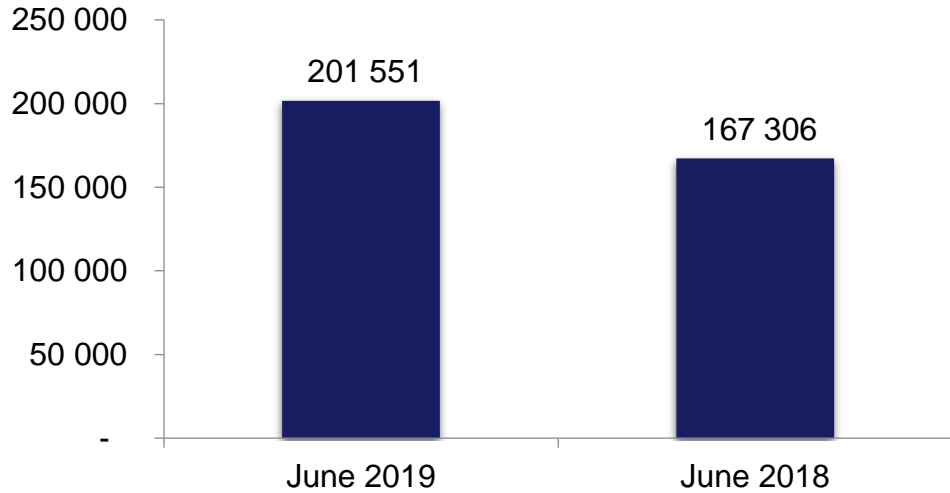
June 2018 NPLs by product



# Customer deposits

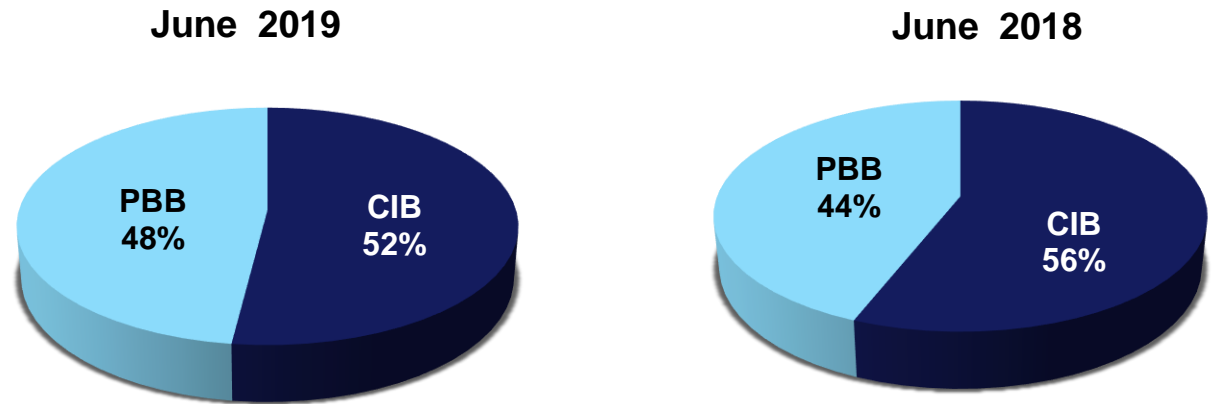


KES millions

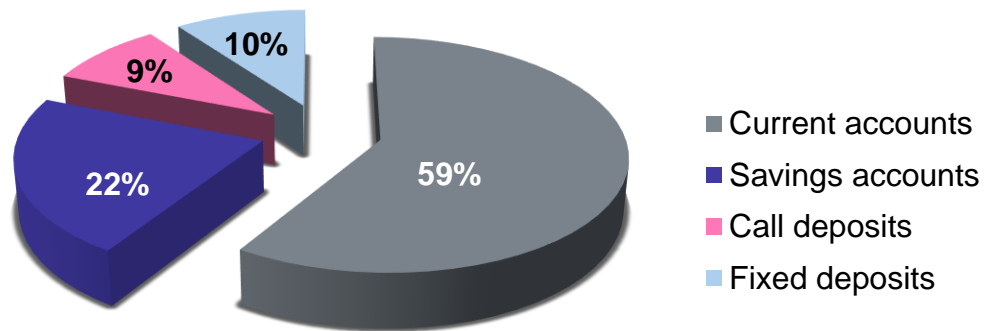


- Customer deposits grew by 20% year on year with core accounts accounting for 81% of total deposits

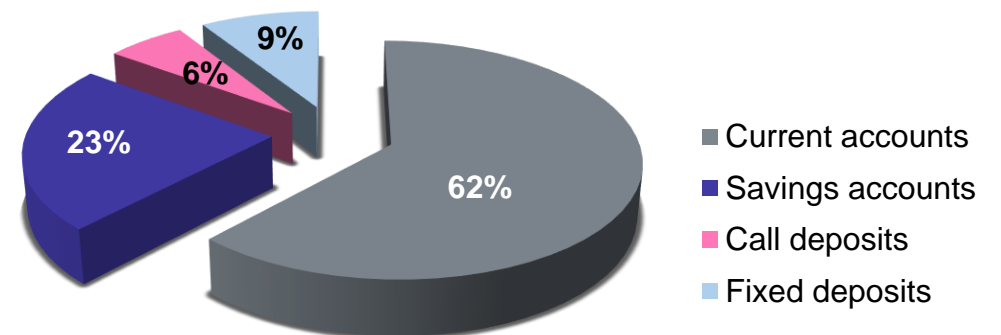
## Customer deposits by business unit



## June 2019 customer deposits per product

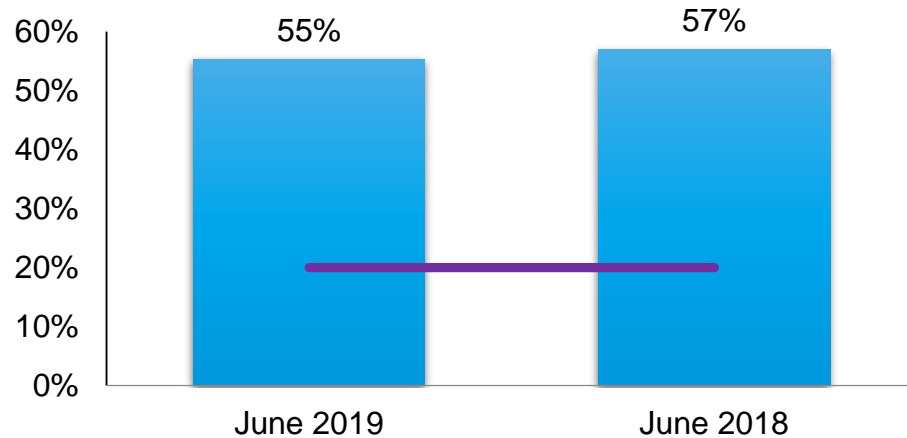
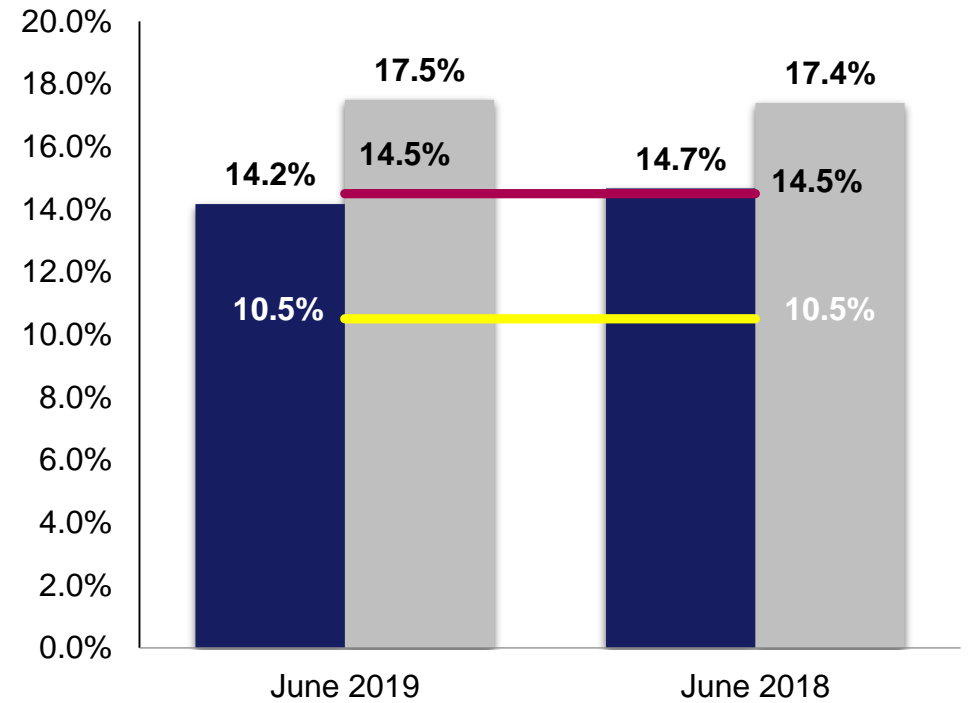
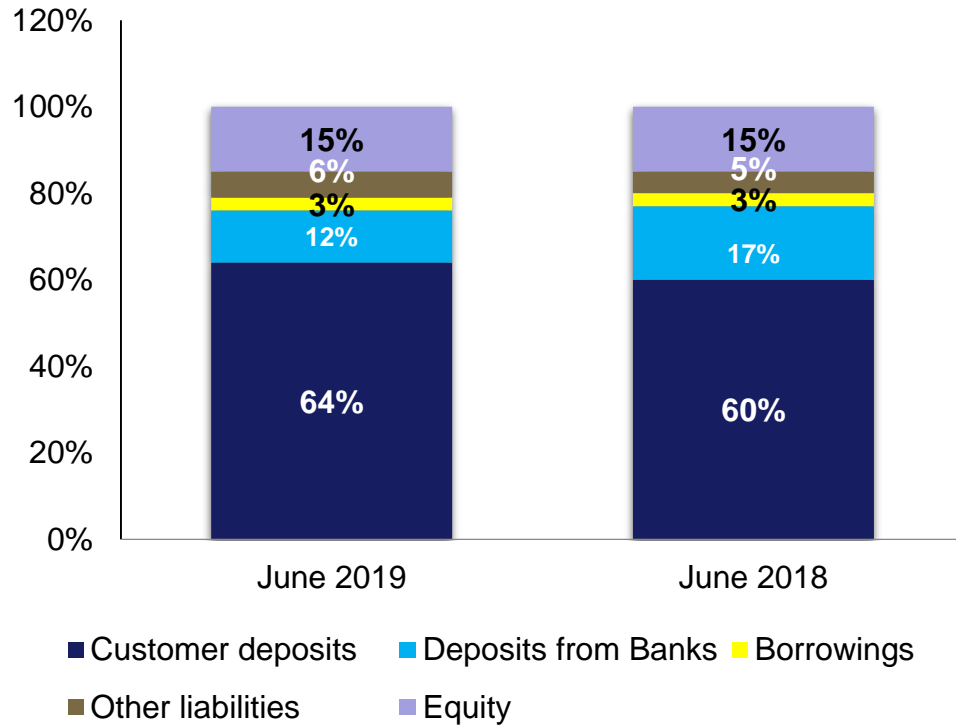


## June 2018 customer deposits per product





# 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



	<b>June-2019 KES m</b>	<b>June-2018 KES m</b>	<b>change %</b>
Net interest income	3,376	2,969	14
Non-interest revenue	4,825	4,373	10
<b>Total income</b>	<b>8,201</b>	<b>7,342</b>	<b>12</b>
Credit loss ratio	1.5%	(0.7%)	
Customer loans and advances	83,739	70,898	18
Customer deposits	104,988	93,267	13
<b>Contingents</b>	<b>71,552</b>	<b>67,912</b>	<b>5</b>
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
<b>Total income</b>	<b>4,636</b>	<b>3,835</b>	<b>21</b>
Credit loss ratio	1.6%	1.5%	
Customer loans and advances	78,173	65,579	19
Customer deposits	96,563	74,039	30
<b>Contingents</b>	<b>3,054</b>	<b>4,567</b>	<b>(33)</b>
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)
<b>Total income</b>	<b>131</b>	<b>138</b>	<b>(5)</b>
Total expenses	(66)	(64)	3
<b>Profit before tax</b>	<b>65</b>	<b>74</b>	<b>(12)</b>
Tax	(25)	(23)	7
<b>Profit after tax</b>	<b>40</b>	<b>51</b>	<b>(21)</b>

- 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



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

- SBG Securities posted revenues of KES 234m for the half year ending 30<sup>th</sup> 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 1<sup>st</sup> in equities trading market share, compared to the 3<sup>rd</sup> 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**