Stanbic Holdings Plc

FINANCIAL RESULTS PRESENTATION

for the year ended 31 December 2022

Kenya / South Sudan is our home,
we drive her growth

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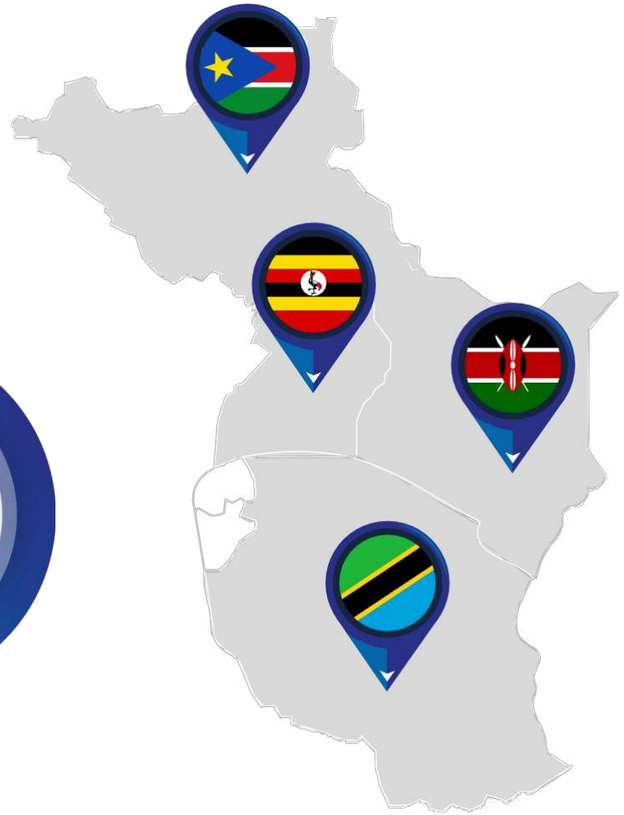
OPERATING ENVIRONMENT

Joshua Oigara
Chief Executive, Stanbic Bank

KES 4.98B

TOTAL DIVIDEND
2022: 55% of profit after tax
(2021: 50%)

WE ARE PART OF THE LARGEST FINANCIAL SERVICES GROUP IN AFRICA



ICBC Strategic co-operation with largest bank in the world

Stanbic Kenya
- Established in 1911
- 74.92% owned by Standard Bank
- 29 branches
- 857 agent outlets

Stanbic Uganda
- Established in 1906
- 69 Branches
- 11 service point

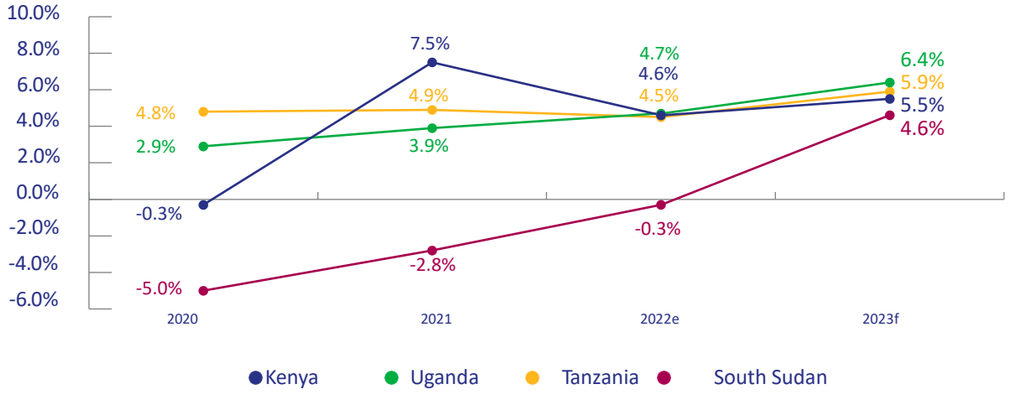
Stanbic Tanzania
- Established in 1995
- 11 Branches

Stanbic South Sudan
- Established in 2012
- 1 Branch
- 2 points of representation

OPERATING ENVIRONMENT

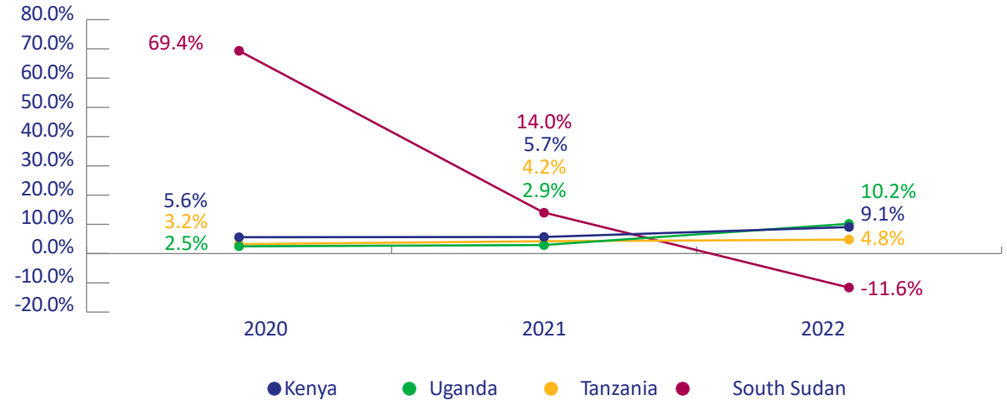
Operating environment characterised by currency depreciation and rising inflation, however we remain well positioned to navigate these challenges

GDP growth rates

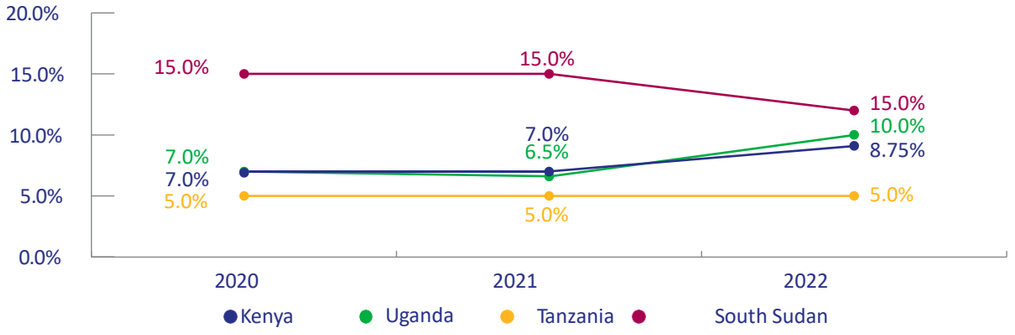


Source: Standard Bank Reseach

Inflation Rates



Central Bank Rates



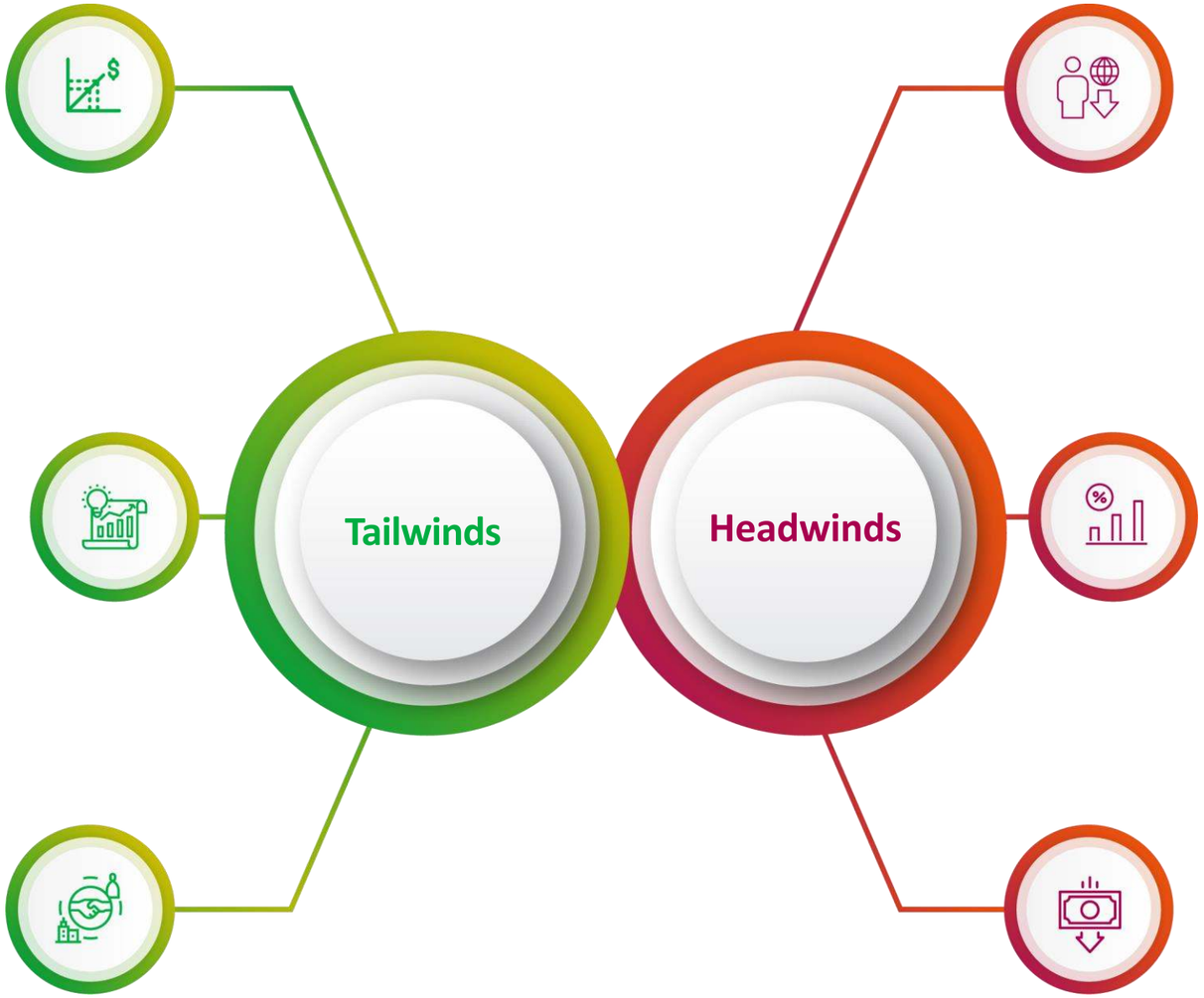
- GDP – Oil investments likely to boost growth in Uganda, rebounding Agriculture in Kenya, pro business approach in Tanzania and rise in global oil prices to boost growth in South Sudan
- Inflationary pressures due to:
  - Rise in prices of oil and other imported goods as a result of disruption in global supply chains
  - Depreciation of local currencies against the US dollar
- Increase in Policy rates for Kenya and Uganda while South Sudan reduced its policy rate to 12% in 2022

OPERATING ENVIRONMENT

Improved Macro Outlook
- Improved macroeconomic environment across the region with strong projected GDP growth rates

Recovery in Business Conditions
- Improved confidence in the business environment in Kenya following peaceful general elections and a seamless transition

Improved Consumer Environment
- Improvement in employment levels and access to credit



Geopolitical Risk
- Russia-Ukraine war has resulted to increased geopolitical risks, weaker economic growth, higher inflation and supply chain disruptions
- Delayed implementation of Revitalized Peace agreement in South Sudan

Inflation
- Increasing cost of operations
- High inflation rates in the US led the US FED to raise interest rates, a move that drove risk-off position to frontier market investments

Currency Pressure
- Sustained pressure on currency and consumer wallet with rising inflation

DELIVERING OUR STRATEGY

Joshua Oigara
Chief Executive, Stanbic Bank

15.3%

RETURN ON EQUITY
(UP 200bps)

2022 WAS YEAR 2 OF OUR STRATEGY

Delivering our strategy : Recap of our strategy

Our Purpose:
Kenya/South Sudan is our home, we drive her growth

Our Vision:
To be a leading financial services organisation in Kenya and South Sudan, delivering exceptional client experiences and superior value

Our strategic priorities:
What we need to do to deliver our purpose

- Transform client experience
- Execute with excellence
- Drive sustainable growth and value

Our Technology priorities:
The platforms we need to deliver on our purpose

- Always On – Always Secure
- Future proof platforms
- Automation & Digitization

Our culture priorities:
How we need to behave to deliver our purpose and people promise

Embed Agile Ways of Work

- 5Cs: Client First, Care for Colleague, Collaboration, Courage, Continuous Innovation & Entrepreneurship Mindset
- iDEWS: Innovate, Decide, Execute, Work as a team, Share Information

Our success measures:
6 value drivers

Client Focus + Employee Engagement + Risk and Conduct + Operational Excellence = Financial outcome + SEE Impact

4 PRIORITY AREAS TO DRIVE GROWTH & FUTURE-READY TRANSFORMATION

Delivering our strategy : Our 3-year strategic aspiration & key focus areas are in motion

Strengthen core

Build on existing capabilities and right-to-win

Value focus:
Accelerate organic growth

1 Build on strong position by increasing SoW in MNCs and capturing more LLCs within risk appetite

2 Drive step change in customer acquisition and primacy – targeting high value clients first

Focus Segments
Corporate Clients, Business and Commercial Clients, Consumer and High Net worth clients

Future-ready transformation

Develop new capabilities and business models

Volume focus:
Exponentially grow business

3 Launch 6 ecosystem plays

4 Acquire/Partner with FinTech & MNOs

Focus Segments
All segments (esp. SMEs and Main Markets)

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STRENGTHENING THE CORE

Delivering our strategy : Defending our current client franchise and market positions

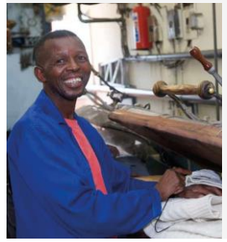
Staying true to our purpose

Infrastructure
- Loans issued: KES 15b (2021: KES 3.9b)

DADA (Women Support)
- Dada @3 celebration
- Loans issued: KES 7.7b (2021: KES 3.6b)

3 New Branches
- Nairobi Express way
- Kericho
- Imara

Affordable Housing
- Loans issued: KES 267m



SME
- 30k loans issued valued at KES 33b (2021: 23k loans valued at KES 24b)

Post Bank Partnership
- Agent outlets – 857 (2021: 172)

Consumer Engagement

- ‘Zero fees’ campaign for Vehicle Asset Financing & Mortgage (KES 5b loans)

Liability campaign
(12% YoY growth in deposits)

Customer Engagement
- CSI score 8.4 (2021: 8.2)
- NPS Score +38 (2021: +33)

Customer Number Growth
- Total customer base grew by 19% YoY

DELIVERING OUR STRATEGY - FUTURE READY TRANSFORMATION (GROW)

Delivering our strategy : Driving business growth and value

Accelerating digital banking

Digital Lending (inc. Mjeki)
- Instant loans: KES 36.7b (2021 KES 27.6b)

Customer Onboarding
- Over 95% accounts opened digitally

Digital Distributor Financing (Mjeki)
- Loans issued: KES 28.7b (2021 KES 20.6b)

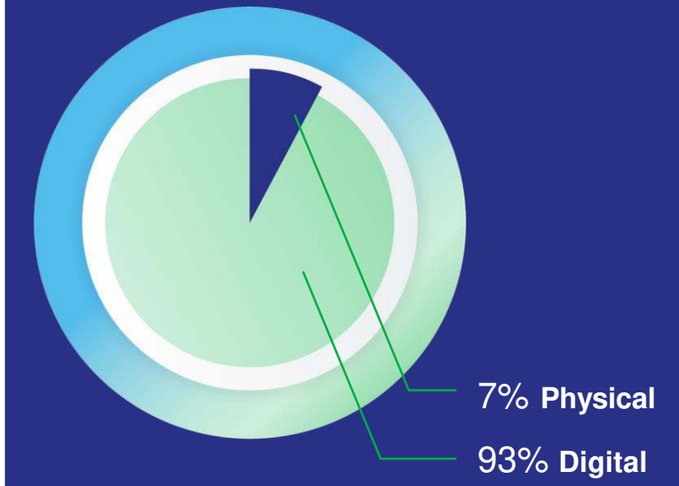
Chama App
- 3,650 users

SBGs i- Trader App
- Real time trading

Process efficiency

- Cloud journey continues; more workloads on cloud
- Bots for internal processes and customer interactions
- Digitised risk and compliance processes
- API gateway

Branch vs Digital Transactions



93% of transactions were on digital channels (100bps up year on year)

DELIVERING OUR STRATEGY - DRIVING IMPACTFUL GROWTH

Infrastructure

The Bank partnered with Moja Expressway to facilitate toll collections on the Nairobi Expressway

Impact

- Jobs created for > 6,000 people
- Cement and Steel
  40% of the contract value was sourced locally
- >10m users to date
- Reducing travel time from 180 mins to 40 mins per round trip

DELIVERING OUR STRATEGY - DRIVING SUSTAINABLE GROWTH

Enterprise Development & Financial Inclusion

- KES 76m in grants and catalytic funding disbursed to over 400 MSMEs

  (In partnership with strategic partners)

Health – Cancer Screening

- 15,582 individuals screened free of charge (2021: 10,012)

Education

- Over 100k individuals trained on digital literacy (futureNidigital)
- 163 computers donated to support education in counties
- KES 2.5m spent on education to support needy children
- 1,200 needy children in primary school fed daily since July 2022
- Financial fitness academies - 6,780 individuals trained
- Partnered with the British High Commission to train over 40 Judicial officers on the role of financial institutions in disruption of terrorist financing

TRUSTED FINANCIAL PARTNER

What are we known for?

Best Investment Bank in Kenya
2013 – 2022

Best Trade Finance Bank in Kenya
2016 - 2022

Best Private Bank in Kenya
2017 - 2019

Best FX provider in Kenya
2014 - 2018

Best Corporate Bank
2016, 2017

Safest Bank in Kenya
2017-2018

2022 Accolades

Kenya's Best Investment Bank
Euromoney 2022 (4th time in a row)

Financial Reporting Awards (FIRE Awards, 2022)
- Overall Winner
- Best in Kenya
- Best listed company
- Best Bank
- Best in IFRS reporting

Best Trade Finance Bank in Kenya
GTR 2022

KEPSA Gender Mainstreaming Award
The Women on Boards Network, 2022

Financial Leadership Award Winner
Women Business Awards 2022

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DELIVERING SUSTAINABLE RETURNS

Dennis Musau
Chief Financial and Value Officer

KES 9.1B

PROFIT AFTER TAX
(UP 26%)

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HOW WE RESPONDED IN DELIVERING ON OUR 2022 PURPOSE

Kenya / South Sudan is our home, we drive her growth

What did we do?

- Focused execution of strategy
- Investment in people and technology
- Future Ready Transformation structure implementation
- Enhancement of control environment

The Results

- Business growth (double digit growth in key balance sheet metrics)
- Resilience despite a challenging year; rising interest rates, high inflation, electioneering period

Delivering on our purpose

Kenya/South Sudan is our home, we drive her growth

- Double digit growth in profit
- Improved Return on Equity
- Impactful SEE engagements in Kenya and South Sudan

INCOME STATEMENT HIGHLIGHTS

KES 32.1b
Revenue
2021: KES 24.9b
↑ 28%

5.4%
Net interest margin
2021: 4.4%
↑ 100 bps

46.7%
Cost to income
2021: 50.9%
↓ 420bps

KES 9.1b
Profit after tax
2021: KES 7.2b
↑ 26%

15.3%
Return on Equity
2021: 13.3%
↑ 200bps

KES 22.92
Earnings per share
2021: KES 18.23
↑ 26%

2.21%
Credit loss ratio
2021: 1.4%
↑ 81bps

KES 12.60
Dividends per share
2021: KES 9.00
↑ 40%

STRONG CONSISTENT GROWTH IN OUR PERFORMANCE

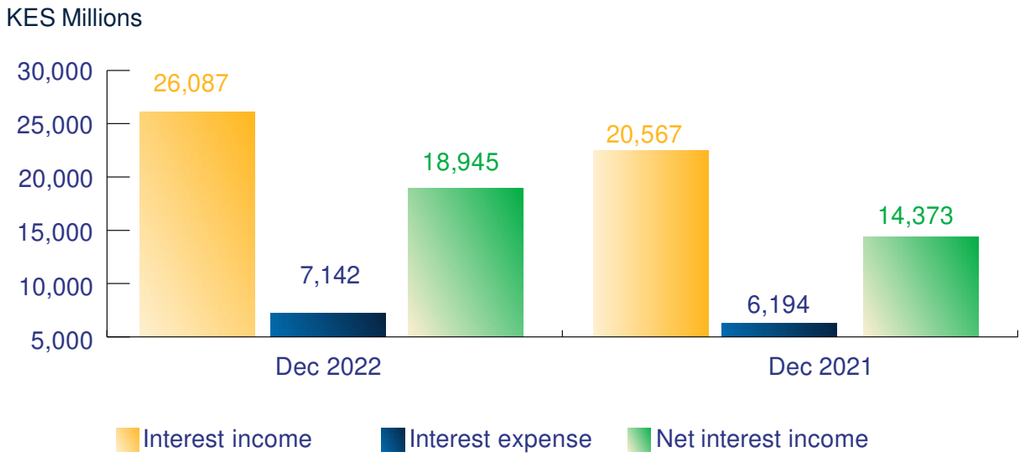
	Dec 2022 KES m	Dec 2021 KES m	Change %
Net interest income	18,945	14,373	32%
Non-interest income	13,139	10,616	24%
Total income	**32,084**	**24,989**	**28**
Operating expenses	(14,968)	(12,709)	(18)
Pre-provision profit	**17,116**	**12,280**	**39**
Credit impairment charges	(4,944)	(2,524)	(96)
Profit before tax	12,172	9,756	25
Tax	(3,112)	(2,548)	(22)
Profit after tax	**9,060**	**7,208**	**26**

Key Takeouts

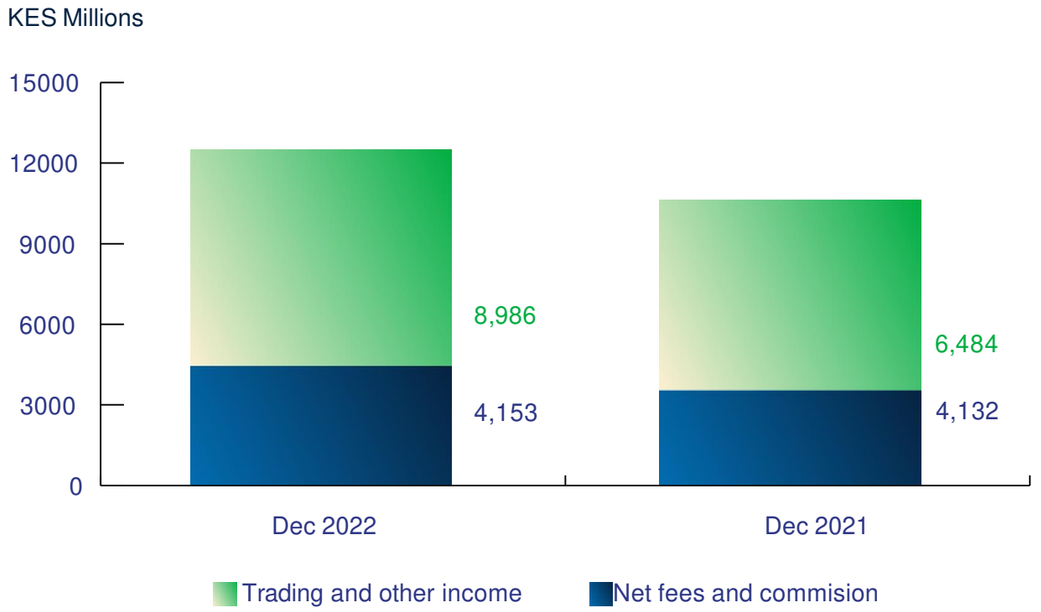
The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 9.1b;

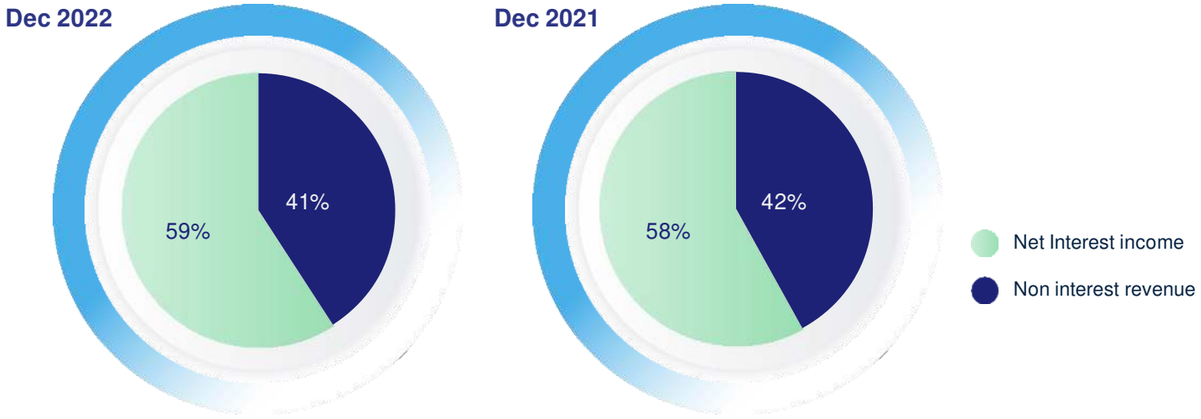
- Improvement in Net Interest Income on the back of growth in the lending book and improved margins
- Non-interest income YoY growth mainly driven by growth in trading revenue supported by increased volatility in the foreign exchange market, closure of key Investment Banking deals and rebound of trade finance activity
- Increase in credit impairment charges mirroring tough operating environment
- Costs growth reflecting the high inflationary pressure coupled with investment in better technology to enhance client experience, tighten cyber defence and key investments to support our strategy

STEADY GROWTH IN ALL INCOME LINES



Net interest income increased year on year by 32% mainly explained by growth in the lending book and improved margins

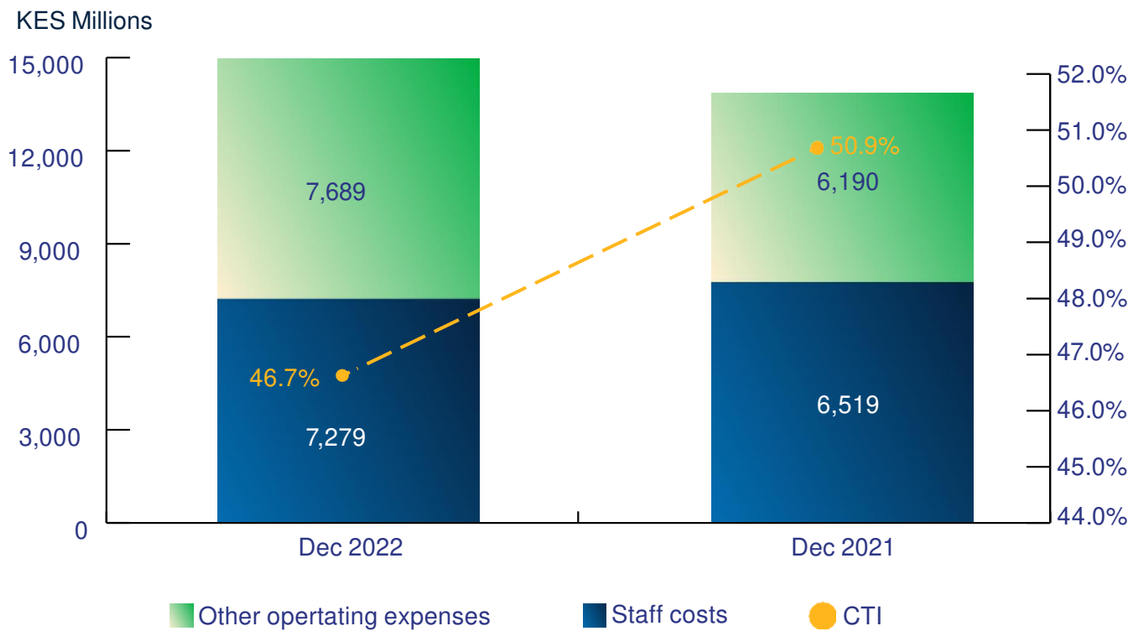


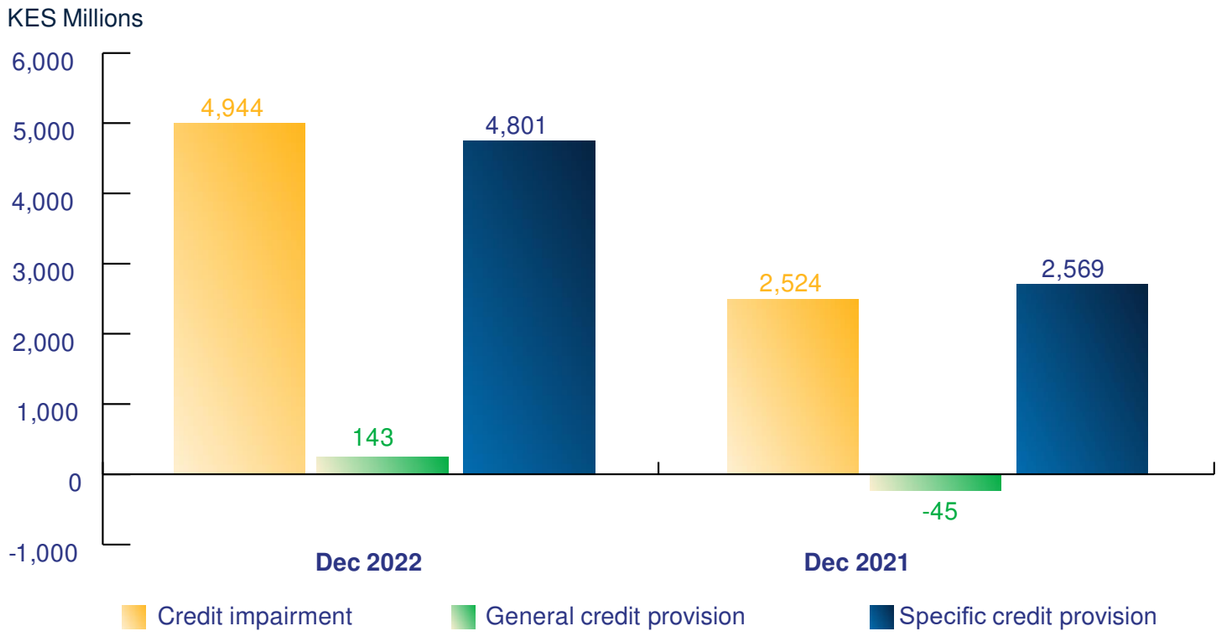


Key Takeouts

- Growth in trading and other income due to higher margins and increase in client flows

OPERATING EXPENSES AND CREDIT IMPAIRMENT





- Operating costs: driven by investment in people, technology and business growth
- Decline in cost to income ratio due to revenue growing faster than costs

- Growth in impairment charges mainly within Corporate and Investment Banking and Consumer and High net worth clients

BALANCE SHEET HIGHLIGHTS

KES 400b
Total assets
2021: KES 329b
↑ 22%

KES 236b
Customer loans
2021: KES 185b
↑ 27%

KES 272b
Customer deposits
2021: KES 242b
↑ 12%

9.07%
NPL ratio
2021: 9.25%
↓ 18bps

45.2%
Liquidity ratio
Statutory minimum: 20%

16.8%
Total capital ratio
Statutory minimum:14.5%

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GROWTH IN KEY PERFORMANCE DRIVERS

	Dec 2022 KES m	Dec 2021 KES m	Change %
Assets			
Financial investments	83,551	59,535	40%
Loans and advances to banks	30,962	44,008	(30%)
Loans and advances to customers	235,867	185,313	27%
Other assets	36,402	26,654	37%
Property and equipment	2,861	2,991	(4%)
Intangible assets	10,187	10,371	(2%)
Total assets	**399,830**	**328,872**	**22%**
Liabilities			
Deposits from banks	32,753	12,243	>100%
Deposits from customers	271,564	242,345	12%
Borrowings	10,141	5,700	78%
Other liabilities	23,174	12,132	91%
Total liabilities	**337,632**	**272,420**	**24%**
Equity			
Total equity	62,198	56,452	10%
Liabilities and equity	399,830	328,872	22%
Contingents	**76,434**	**78,713**	**(3%)**
Letters of credit	3,033	3,919	(23%)
Guarantees	73,401	74,793	(2%)

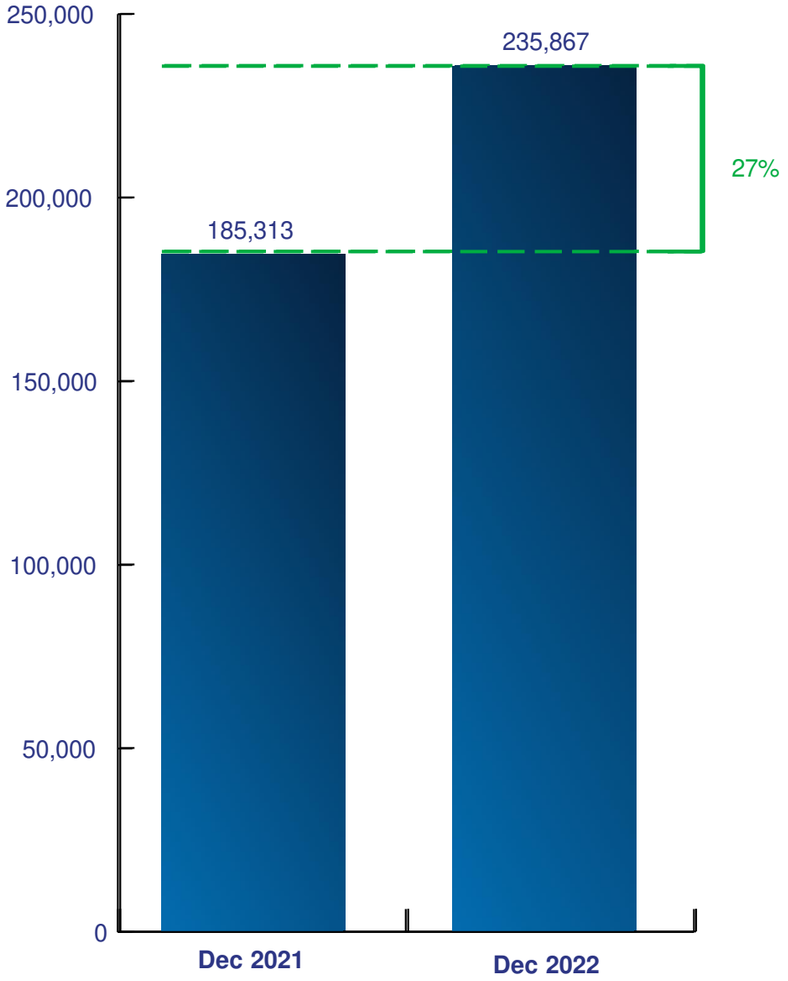
Key Takeouts

- Strong growth in customer loans with a 27% YoY growth underpinned by demand in Oil & Gas and Power and infrastructure sectors as we continue to support our customers
- Strong growth in customer deposits demonstrating the trust our customers have in us and successful liability drive campaigns

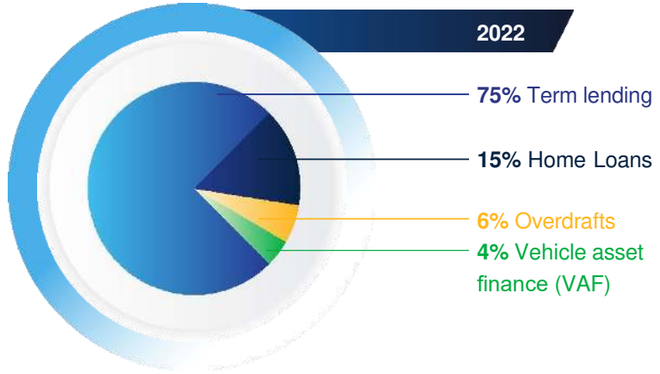
DOUBLE DIGIT LOAN BOOK GROWTH

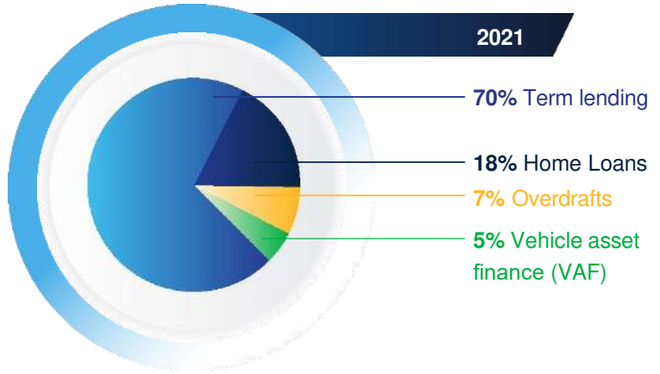
Net Loans and advances to customers

KES millions

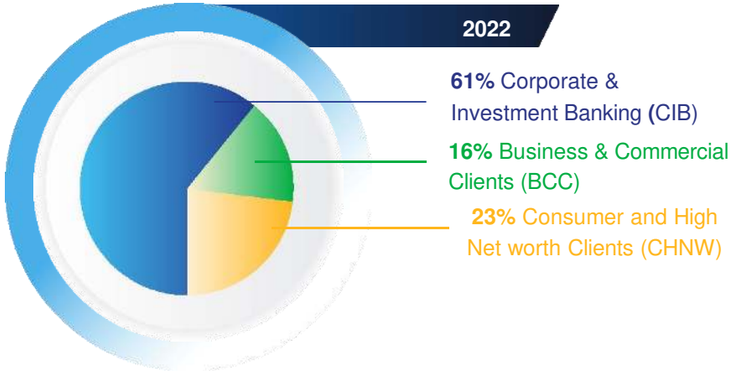


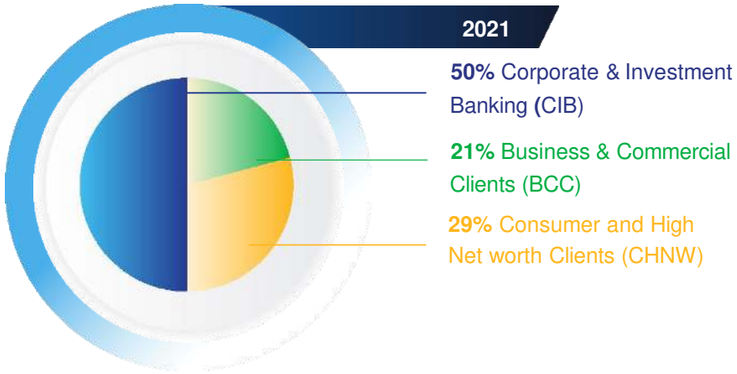
Loans and advances by product





Loans and advances by business unit



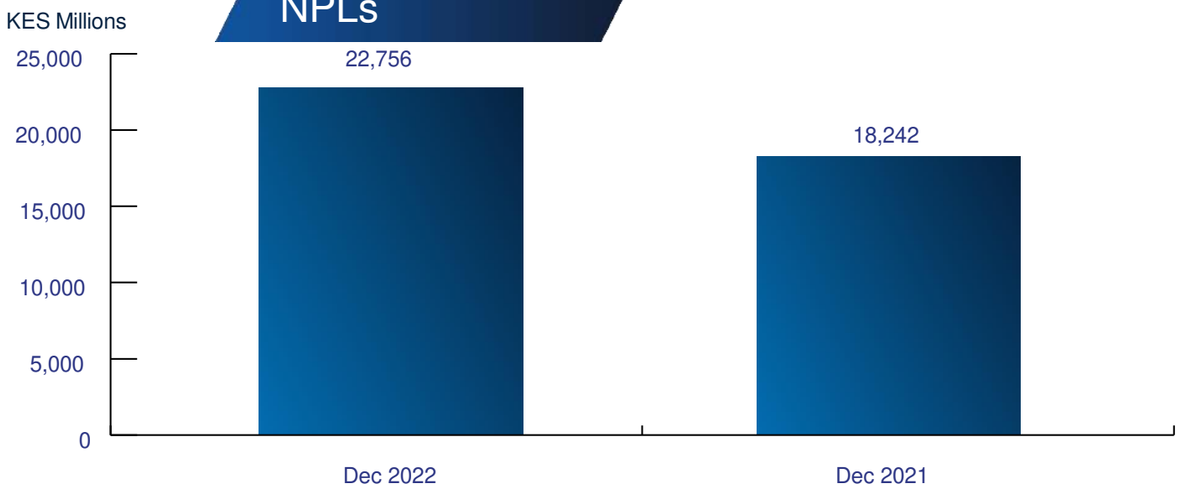


Key Takeouts

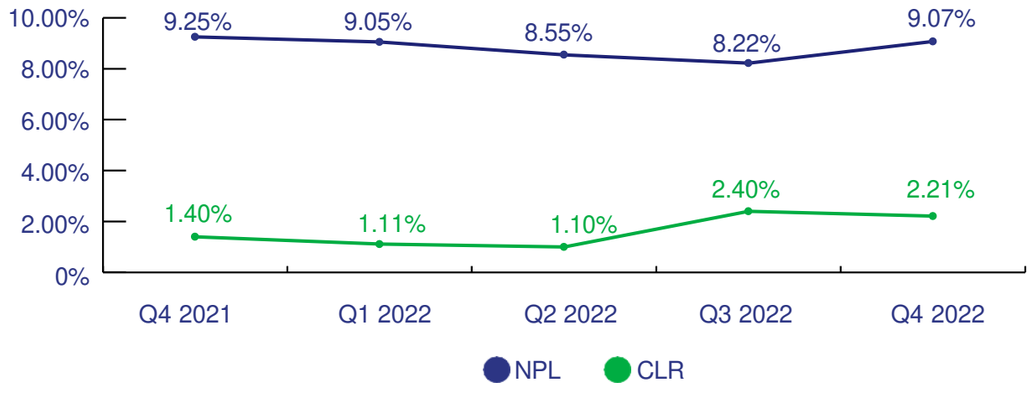
- Loan growth across all business segments and mainly from Oil and Gas, Trade, Power and Infrastructure sectors

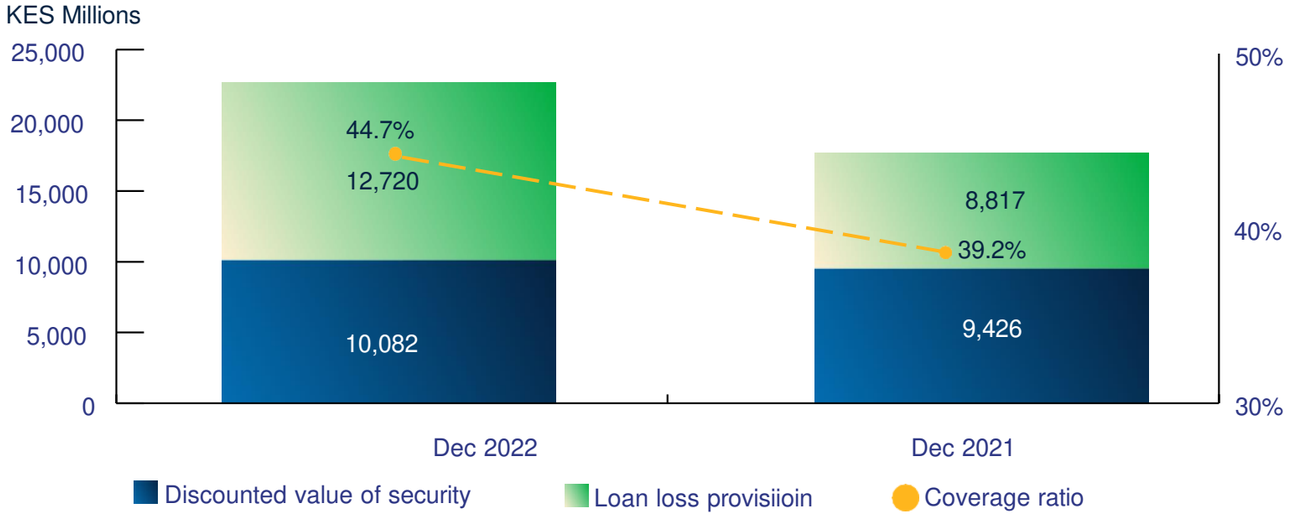
ASSET QUALITY

NPLs



NPL and CLR



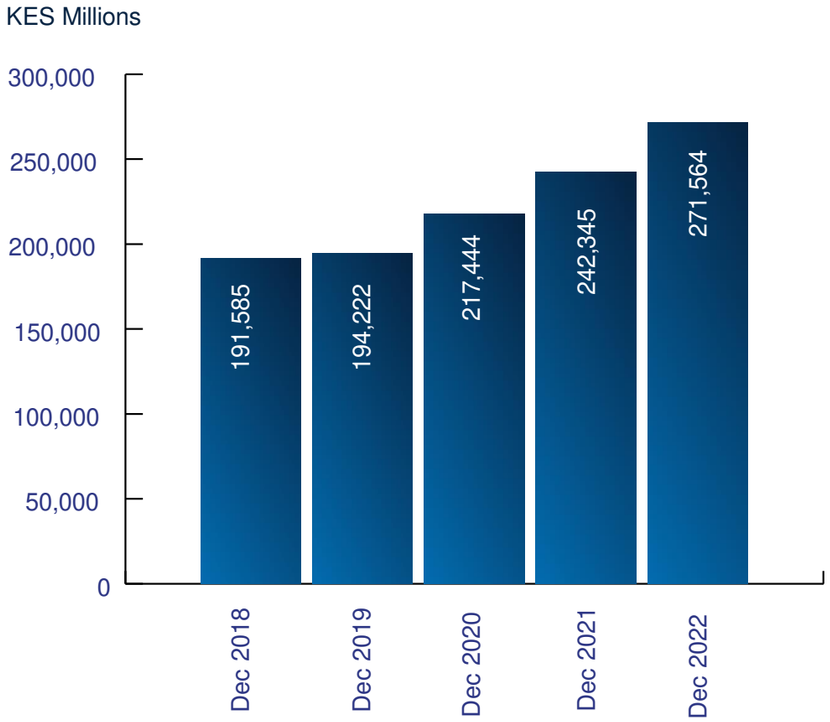


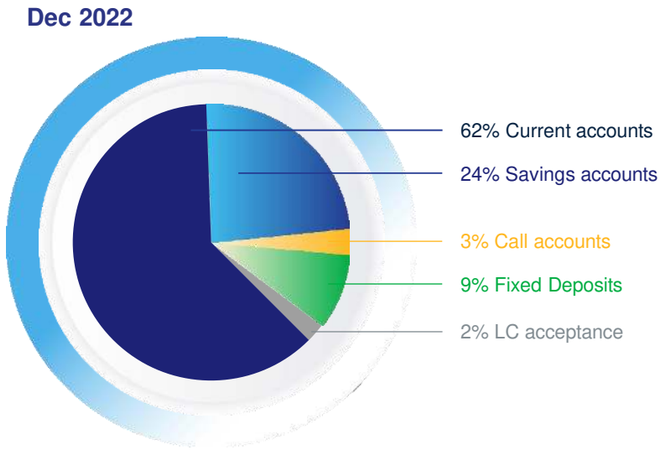
Key Takeouts

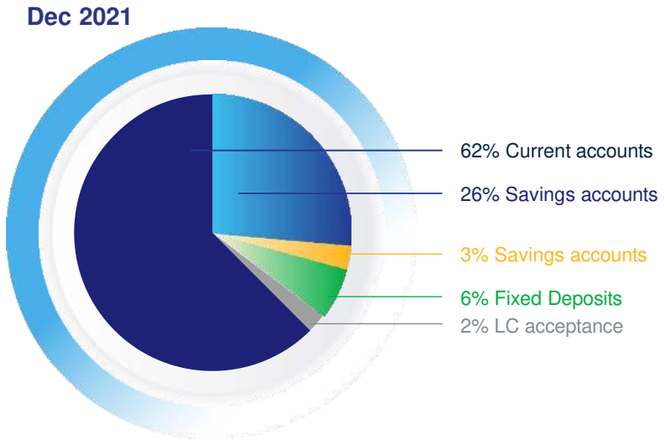
- NPLs below industry level
- Discounted value of security and provisions held adequate to cover for NPLs

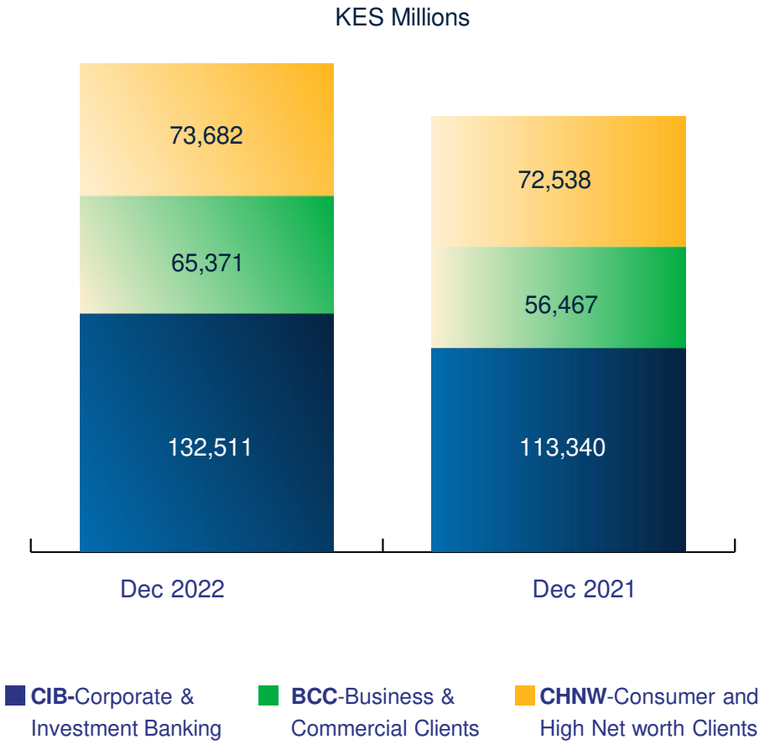
DEPOSITS

Customer Deposits







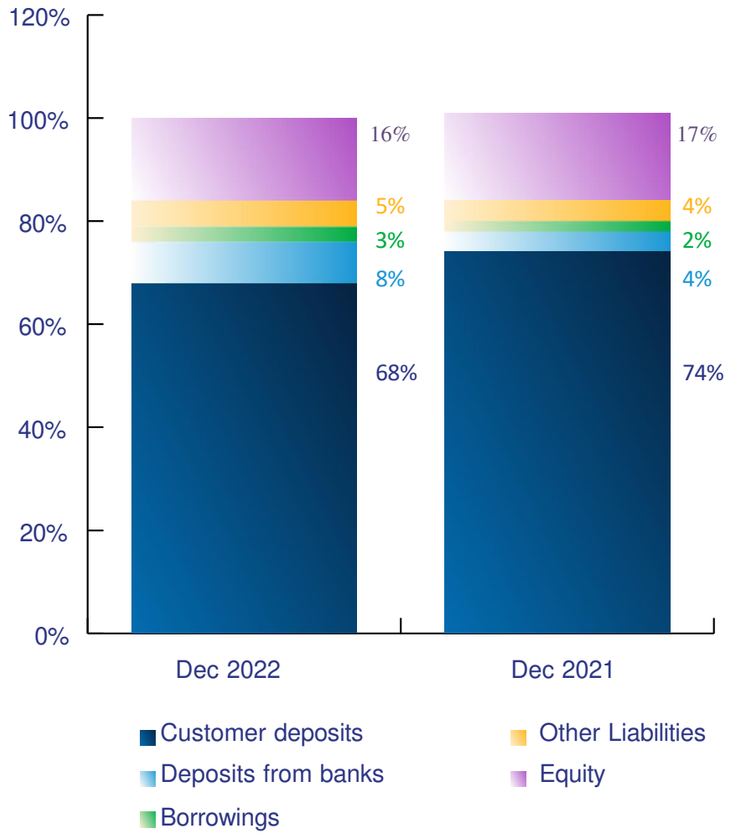


Key Takeouts

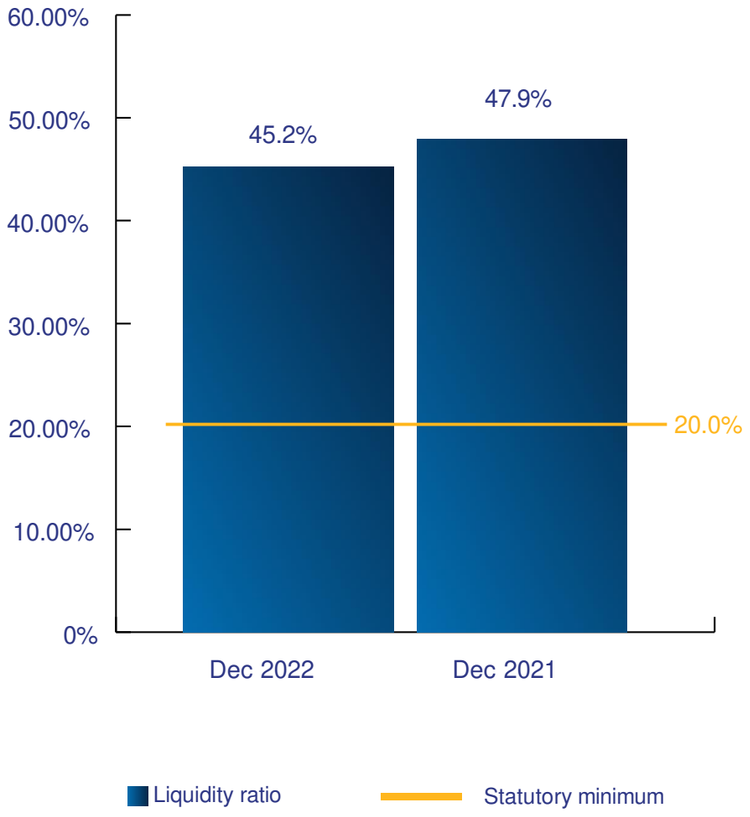
- Customer deposits grew by 12% year on year with core accounts accounting for 86% of total deposits

FUNDING, LIQUIDITY AND CAPITAL REMAIN SOLID TO SUPPORT GROWTH

Funding

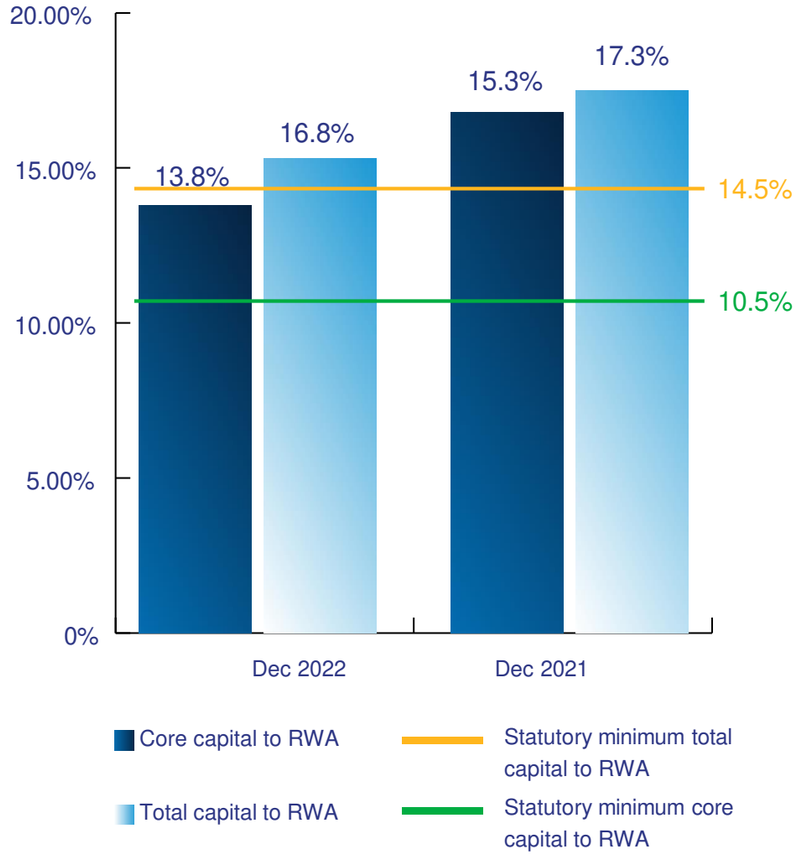


Liquid Ratio (Bank only)



Capital Adequacey Ratio (Bank only)

RWA - Risk weighted Assets



MEASURING UP AGAINST OUR 2022 OUTLOOK

	2022 full year target	2022 full year Actual
Customer loan growth	Above industry	27%
Customer deposit growth	Above industry	12%
Return on Equity	18.1%	15.3%
Non funded income	50.0%	41%
Cost to income ratio	45.5%	46.7%
NPL ratio	9.36%	9.07%

SUBSIDIARIES AND SEGMENT PERFORMANCE

SUBSIDIARIES AND BRANCH PERFORMANCE

Stanbic Holdings Plc
PAT: 9.1b
26% up

Stanbic Kenya

	Dec 2022	YoY Var
PAT	KES 8.8b	29% up
CIB	KES 7.7b	29% up
BCC	KES 0.9b	41% up
CHNW	KES 0.3b	29% down

- Growth in key balance sheet indicators
- Improved asset quality
- Improved NIMs

Stanbic South Sudan

	Dec 2022	YoY Var
PAT	KES 307m	21% up

- Higher trading revenues driven by increased key client flows

Stanbic Bancassurance Intermediary Ltd

	Dec 2022	YoY Var
PAT	KES 111m	12% up

- Increased revenue from stand alone insurance products

SBG Securities

	Dec 2022	YoY Var
PAT	KES (1.9m)	>100% down

- Reduced equities market turnover
- Improved market share

CIB: Corporate & Investment Banking BCC: Business & Commercial Clients CNHW: Consumer and High Net worth Clients

SUMMARY PERFORMANCE OF CORPORATE AND INVESTMENT BANKING (CIB)

	Dec 2022 KES m	Dec 2021 KES m	Change %
Net interest income	9,878	6,542	51
Non-interest revenue	7,979	7,636	4
Total Income	**17,857**	**14,178**	**26**
Customer loans and advances	144,369	99,509	45
Customer deposits	132,511	113,340	17
Contingents	**72,259**	**74,295**	**(3)**
Letters of credit	2,747	2,707	1
Guarantees	69,513	71,589	(3)

Key Takeouts

- Growth in interest income as a result of growth in loan book
- Growth in non-interest revenue mainly due to increase in trading revenue
- Growth in customer loans and advances was mainly driven by increased working capital needs from our customers
- Growth in customer deposits mainly current account balances

SUMMARY PERFORMANCE OF BUSINESS AND COMMERCIAL CLIENTS (BCC)

	Dec 2022 KES m	Dec 2021 KES m	Change %
Net interest income	4,258	3,757	13
Non-interest revenue	3,121	1,631	91
Total Income	**7,379**	**5,388**	**37**
Customer loans and advances	38,655	35,692	8
Customer deposits	65,371	56,467	16
Contingents	**3,589**	**4,057**	**(12)**
Letters of credit	286	1,197	(76)
Guarantees	3,303	2,860	15

Key Takeouts

- Growth in net interest income as a result of growth in customer loans
- Increase in non-interest revenue supported by good client flows
- Increase in customer loans due to increased working capital requirements by our clients
- Growth in customer deposits mainly because of growth in transactional account balances

SUMMARY PERFORMANCE OF CONSUMER AND HIGH NETWORTH CLIENTS (CHNW)

	Dec 2022 KES m	Dec 2021 KES m	Change %
Net interest income	4,809	4,074	18
Non-interest revenue	2,039	1,349	51
Total Income	**6,848**	**5,423**	**26**
Customer loans and advances	52,843	50,112	5
Customer deposits	73,682	72,538	2
Contingents	**585**	**360**	**1**
Letters of credit	0	16	(1)
Guarantees	585	344	1

Key Takeouts

- Growth in interest income as a result of growth in customer loans and margin improvement
- Increase in non-interest revenue mainly driven by income from transactional products
- Marginal growth in customer loans reflecting challenging times for most households
- Growth in deposits supported by liabilities campaigns

SUMMARY PERFORMANCE OF STANBIC BANCASSURANCE INTERMEDIARY LIMITED

	Dec 2022 KES m	Dec 2021 KES m	Change %
Total revenue	319	283	13%
Total expenses	(158)	(138)	14%
Profit before tax	**161**	**145**	**11%**
Tax	(50)	(45)	11%
Profit after tax	**111**	**99**	**12%**

Key Takeouts

This performance reflects:

- Increase in volume of business placed with insurance companies
- Increased uptake on standalone insurance products and revenue from embedded insurance solutions
- Increase in costs due to investment in digital capabilities
- Overall growth in ROE to 76%

SUMMARY PERFORMANCE OF SBG SECURITIES

	Dec 2022 KES m	Dec 2021 KES m	Change %
Brokerage commission	97	136	(29)
Other revenue	82	68	21
Total revenue	**179**	**204**	**(12)**
Total expenses	(182)	(179)	(2)
Profit before tax	(3)	25	(112)
Tax	1	(9)	111
Profit after tax	**(2)**	**16**	**(113)**

Key Takeouts

This performance reflects:

- Decline in brokerage revenue, driven by a 32.6% year on year drop in equities market turnover
- Increase in equities trading market share from 9.1% in 2021 to 11% in 2022
- 21% increase in 'other revenue' driven by growth in advisory fees

2022 KEY TAKE AWAY

- Strong performance across all revenue lines
- Navigated market challenges to deliver strong balance sheet growth

- Operational efficiencies from digital transformation
- Focused risk management amidst challenging economic environment

- Increased shareholder return
- Sustainable community engagement

Stanbic IT CAN BE™

LOOKING AHEAD - 2023 FOCUS AREAS

1. **Growth & scale:** Driven by focus on client needs
2. **Efficiency:** Leveraging digital investments for efficient client service
3. **Risk management:** Proactive and data driven risk analysis and management
4. **Regional play:** Leveraging Standard Bank presence in the region for borderless client service
5. **Future Ready** Transformation: Building a sustainable financial services organization

To be a leading financial services organisation in Kenya and South Sudan, delivering exceptional client experiences and superior value

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