Stanbic Holdings Plc

FINANCIAL RESULTS PRESENTATION

For the half year ended 30 June 2022

Lake Naivasha, **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

Stanbic *IT CAN BE*

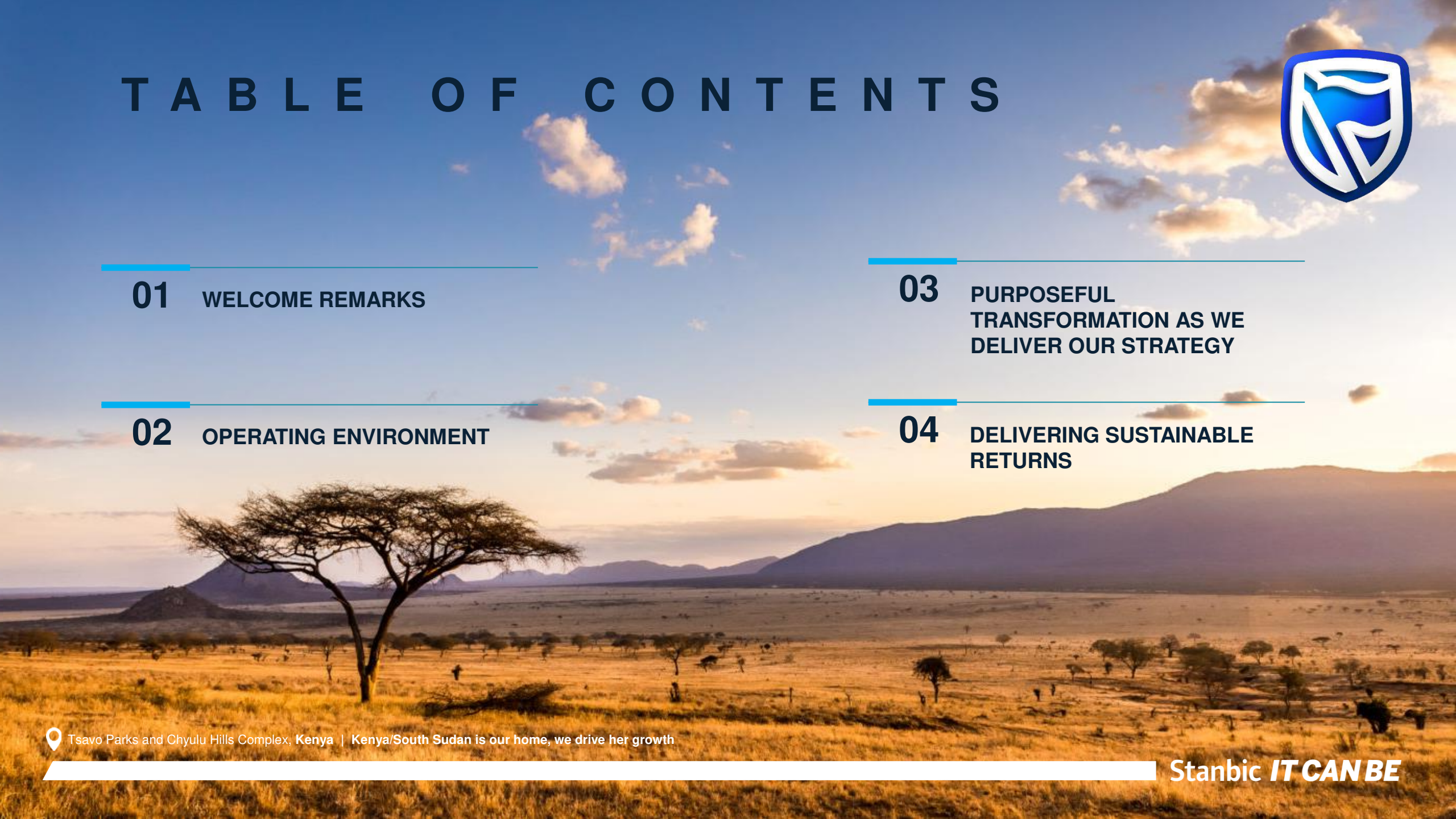
TABLE OF CONTENTS

01 WELCOME REMARKS

02 OPERATING ENVIRONMENT

03 PURPOSEFUL TRANSFORMATION AS WE DELIVER OUR STRATEGY

04 DELIVERING SUSTAINABLE RETURNS



Tsavo Parks and Chyulu Hills Complex, **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

WELCOME REMARKS AND OPERATING ENVIRONMENT

PATRICK MWEHEIRE
CHIEF EXECUTIVE, STANBIC HOLDINGS PLC

The Meru Conservation Area, **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

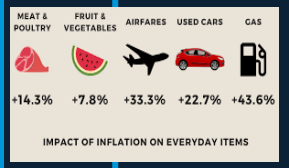
OPERATING ENVIRONMENT

Global economic recovery slowed down by various challenges

RUSSIA-UKRAINE CONFLICT

- Russia-Ukraine war has resulted to increased geopolitical risks, weaker economic growth, higher inflation and supply chain disruptions.

RISING INFLATION IN US & EUROPE



- High inflation rates in the US has led the US FED to respond by raising the interest rates, a move likely to drive risk-off position to frontier market investments.

POLITICAL LANDSCAPE

- Uncertainties around general elections in Kenya.
- Delayed implementation of Revitalized Peace agreement in South Sudan.

CURRENCY PRESSURE

- Regional currencies continue to depreciate against the US dollar.
- COVID-19 has generally weakened the region's exchange rates. The tightening of global financial conditions has further intensified exchange rate pressures and left most countries with limited reserve buffers.

RESURGING COVID-19 VARIANTS

- Spike in COVID-19 cases in China prompting lockdowns in major cities leading to supply chains disruptions.
- Kenya positivity rate rose to 8.0% in June from 2.3% in May and 0.4% in April which forced the Government to re-impose an indoor mask mandate.

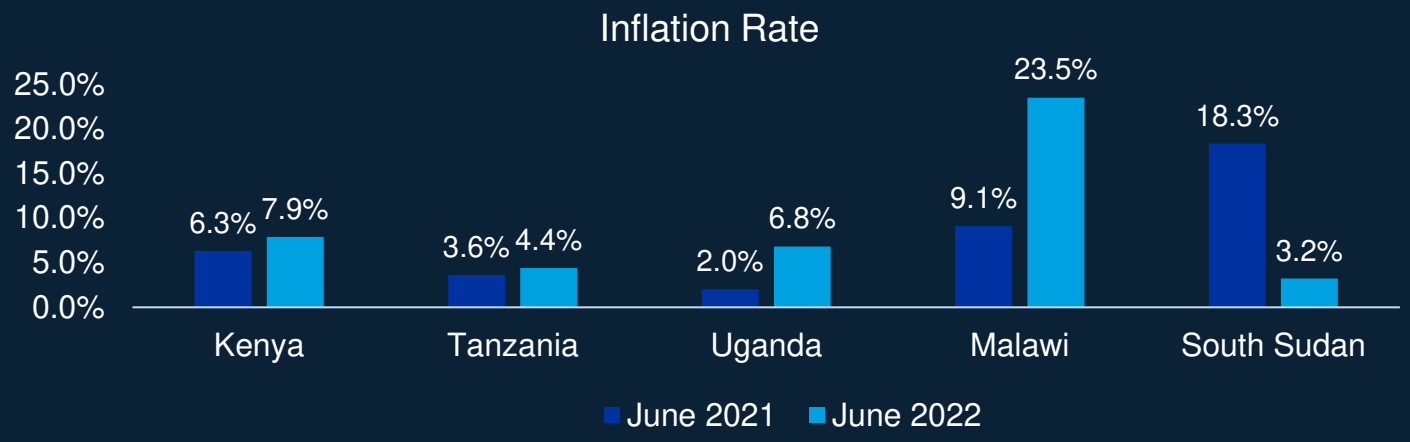
OPERATING ENVIRONMENT

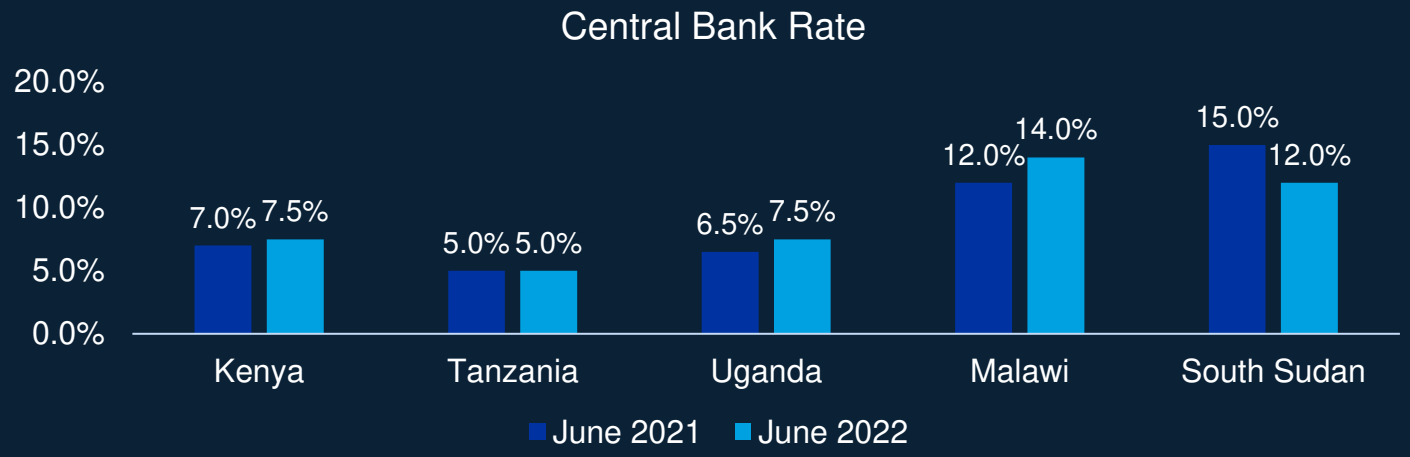
Inflation and Benchmark rate movements

Macro Economic factors in Kenya		
Indicator	**June 2021**	**June 2022**
Central Bank Rate	7.00%	7.50%
91 Day T-Bill	7.03%	8.10%
Inflation	6.3%	7.9%
Exchange Rate (KES/USD)	107.85	117.83

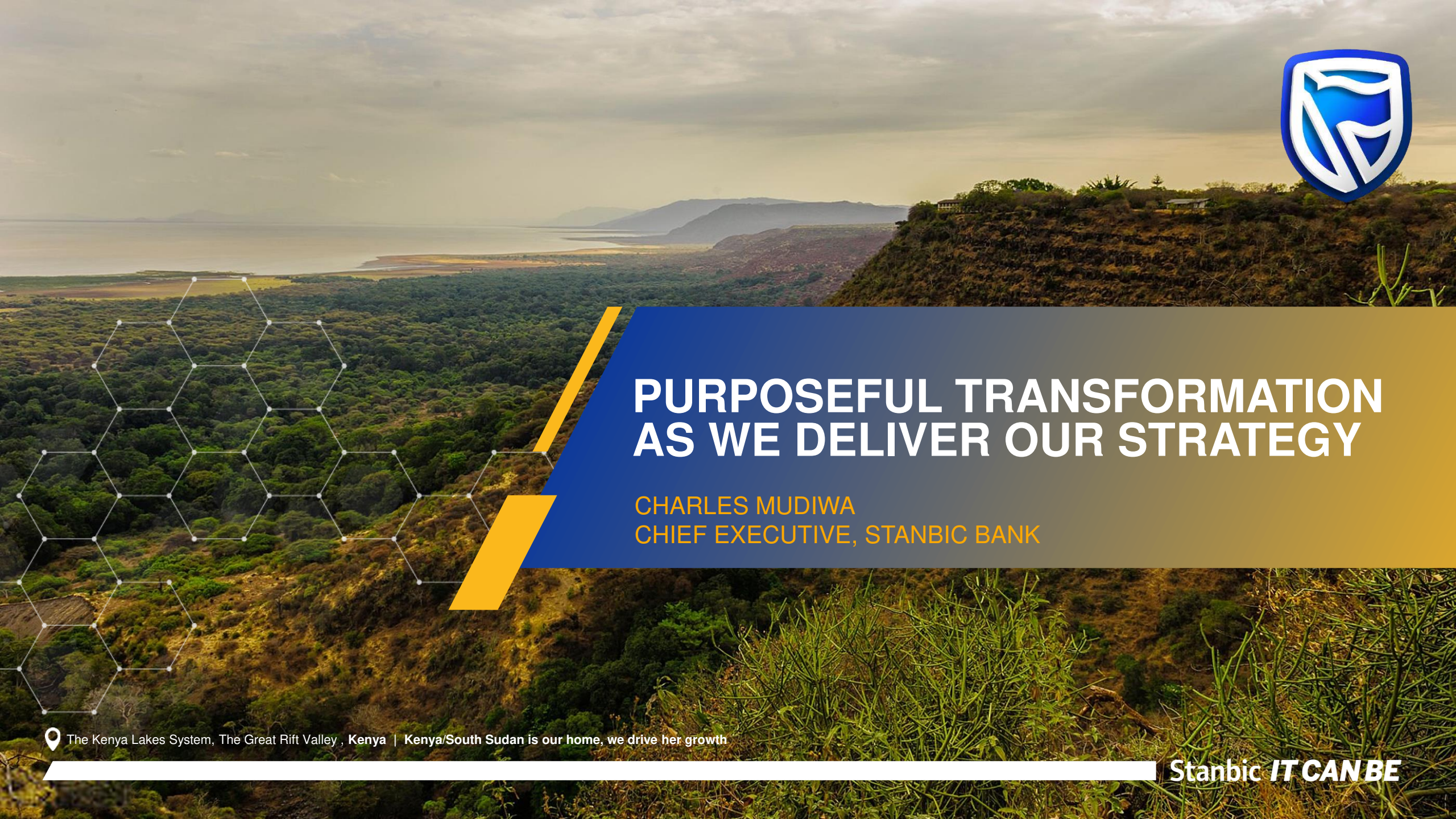
Inflationary pressure across the region due to:

- Rise in prices of oil and other imported goods due to disruption in global supply chains.
- Depreciation of local currencies against the US dollar.





Stanbic IT CAN BE



PURPOSEFUL TRANSFORMATION AS WE DELIVER OUR STRATEGY

CHARLES MUDIWA
CHIEF EXECUTIVE, STANBIC BANK

The Kenya Lakes System, The Great Rift Valley , **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

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

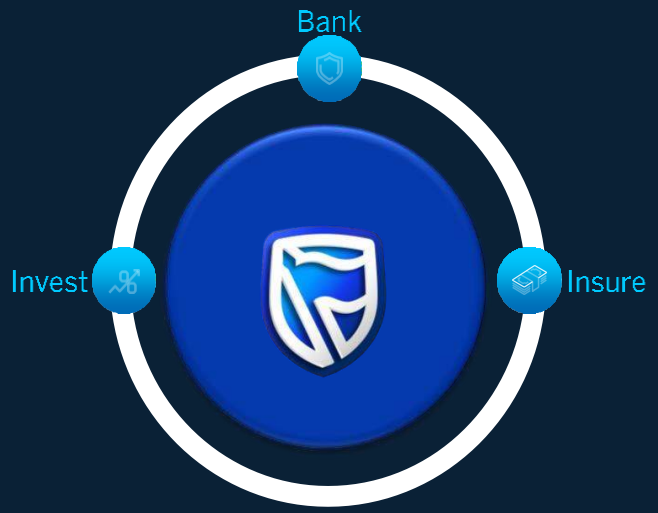
4 PRIORITY AREAS TO DRIVE GROWTH & FUTURE-READY TRANSFORMATION

	Focus segments:	***Value focus:*** *Accelerate organic growth*	***Volume focus:*** *Exponentially grow business*
Strengthen core – build on existing capabilities and right-to-win	• Wholesale Clients • Business & Commercial Clients • Consumer & High Net Worth	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	
Future-ready transformation - develop new capabilities and business models	• All segments (esp. Main Markets)		3 Launch 6 ecosystem plays 4 Acquire/Partner with FinTech & MNOs

Requires immediate action across both sets of initiatives

Stanbic IT CAN BE

DELIVERING OUR STRATEGY - STRENGTHEN THE CORE (DEFEND)



Sustain and grow core business

Customer numbers growth

- ✓ Total customer base grew by **20%** year on year
- ✓ Active customers grew by **39%** year on year
- ✓ Primary customers grew by **6%** year on year

Staying true to our purpose

DADA (Women support)
✓ Value of loans: KES 4.8b

SMEs
✓ Value of loans: KES 8.5b

Infrastructure
✓ Value of loans: KES 8.3b

Affordable Housing
✓ Value of loans: KES 156m

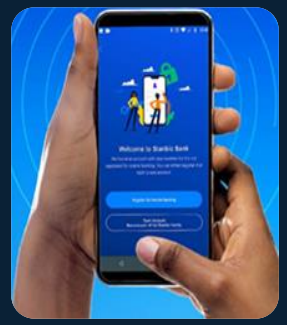
DELIVERING OUR STRATEGY - FUTURE READY TRANSFORMATION (GROW)

We will drive some ecosystems…

…and we will contribute to others…

…enabled by common capabilities

Enhance customer experience



Digital lending
- ✓ Instant loans: KES 8.1b since inception

Customer onboarding
- ✓ Over 90% accounts opened digitally

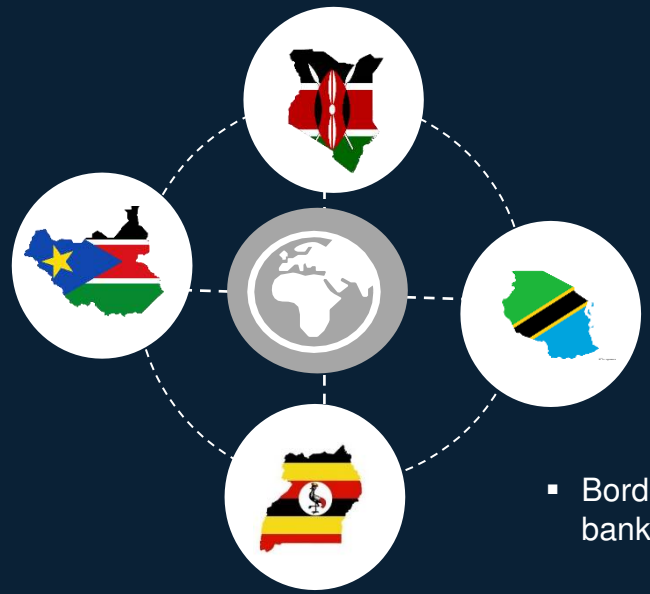
Mjeki - distributor financing
- ✓ Loans issued: KES 11.8b

Ecosystems

▪ Strategic and Focus Ecosystem Penetration	23%
▪ Trader Ecosystem/ Merchants	480

Strategic partnerships

- Over 22k customers

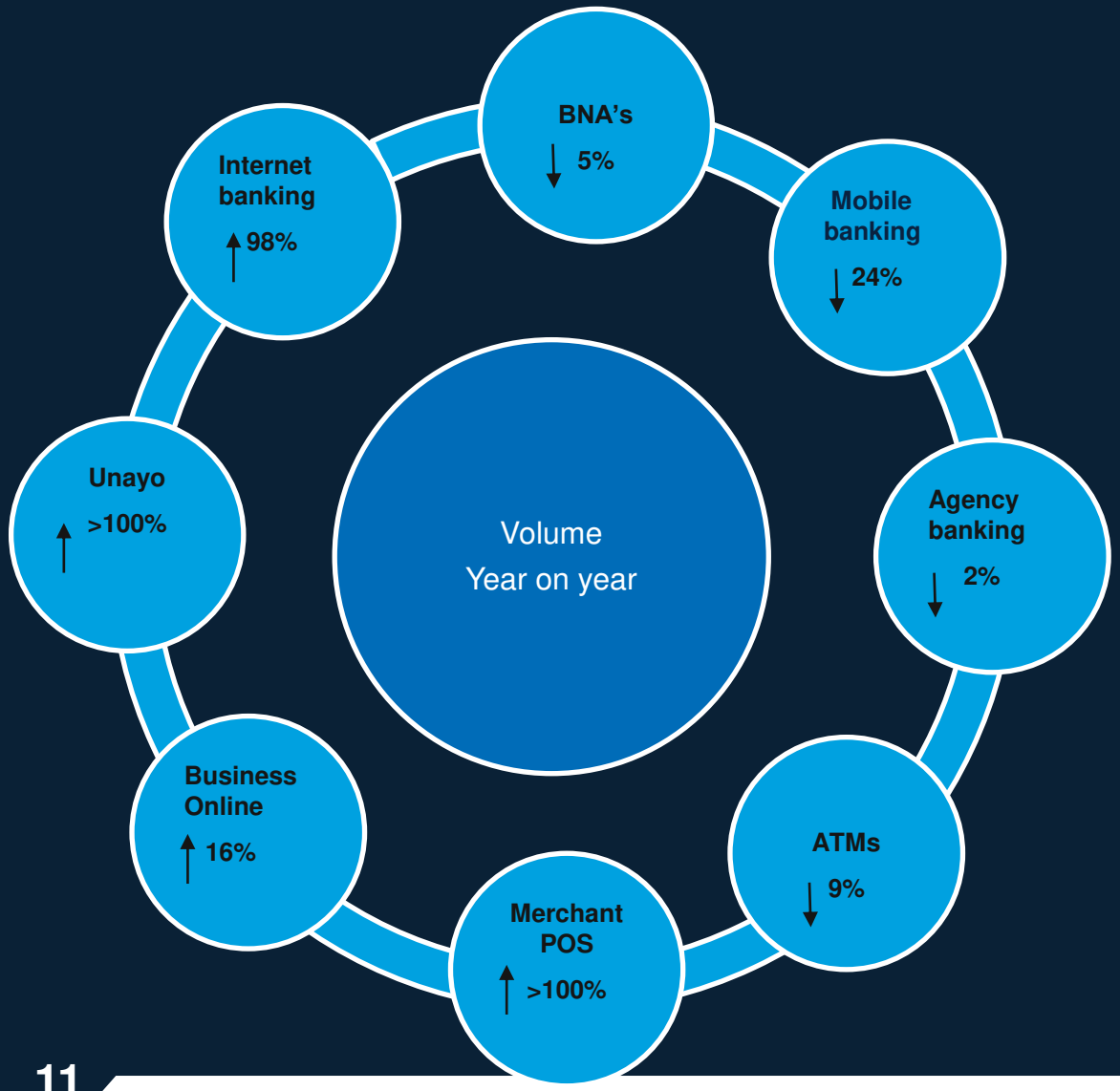


- Borderless banking

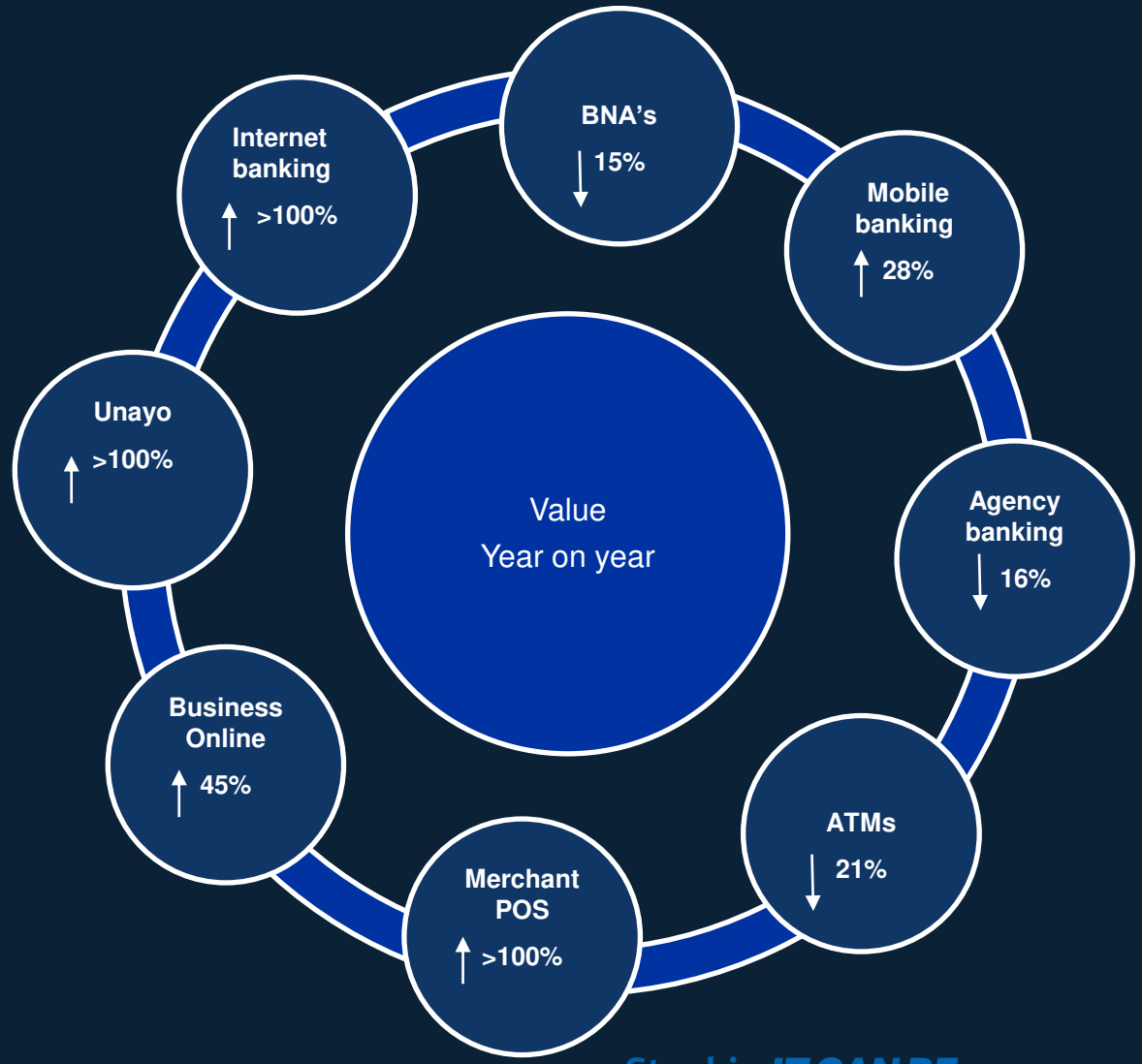
Stanbic IT CAN BE

DELIVERING OUR STRATEGY - FUTURE READY TRANSFORMATION (GROW)

Volume of non-branch channel transactions



Value transacted through digital channels



DELIVERING OUR STRATEGY – DRIVING SUSTAINABLE GROWTH

Education

- Over 50k individuals trained on digital literacy (futureNidigital).
- 131 computers donated to support education in counties.
- KES 2.5m spent on education to support needy children.
- Financial fitness academies - Over 5k individuals trained of which 398 were SMEs and 36 Corporates.

Financial Inclusion & Enterprise Development

- KES 37.9m grant funding to MSMEs.

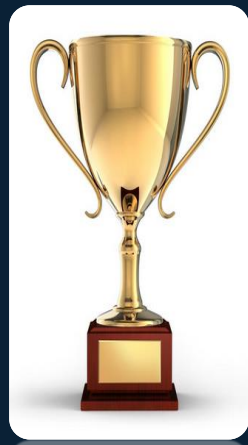
Health – Cancer screening

- 4,625 individuals screened free of charge.

TRUSTED FINANCIAL PARTNER

What are we known for?

- Best Investment Bank in Kenya 2013 – 2022
- Best Trade Finance Bank in Kenya 2016 – 2021
- 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
- 2nd largest market share in home loans
- Best Bank in Kenya and 1st runners up overall for Regional Integrated report at the 2021 CGISA / JSE Integrated Reporting Awards
- Best Bank in Kenya and 1st runners up in East Africa for the Best Presented Annual Report under Bank category at the 2021 FiRE Awards
- Member of Standard Bank, Africa's Most Valuable Banking Brand by Brand Finance and Africa's largest financial services organisation by assets



MANAGING RISK - DOING THE RIGHT BUSINESS, THE RIGHT WAY

Leveraged data analytics to proactively manage risks

Embedded risk culture to manage risk and limit losses

Managing costs

Digitised lending & payments

DELIVERING SUSTAINABLE RETURNS

DENNIS MUSAU
CHIEF FINANCIAL AND VALUE OFFICER

Boma National Park, **South Sudan** | **Kenya/SouthSudan is our home, we drive her growth**

INCOME STATEMENT HIGHLIGHTS

KES 15.2b
Revenue
2021: KES 12.4b
23%

5.04%
Net interest margin
2021: 4.30%
17%

48.2%
Cost to Income
2021: 48.9%
1%

KES 4.8b
Profit after tax
2021: KES 3.5b
37%

16.9%
Return on Equity
2021: 13.4%
26%

1.10%
Credit Loss ratio
2021: 1.64%
33%

Stanbic IT CAN BE

STRONG BUSINESS MOMENTUM

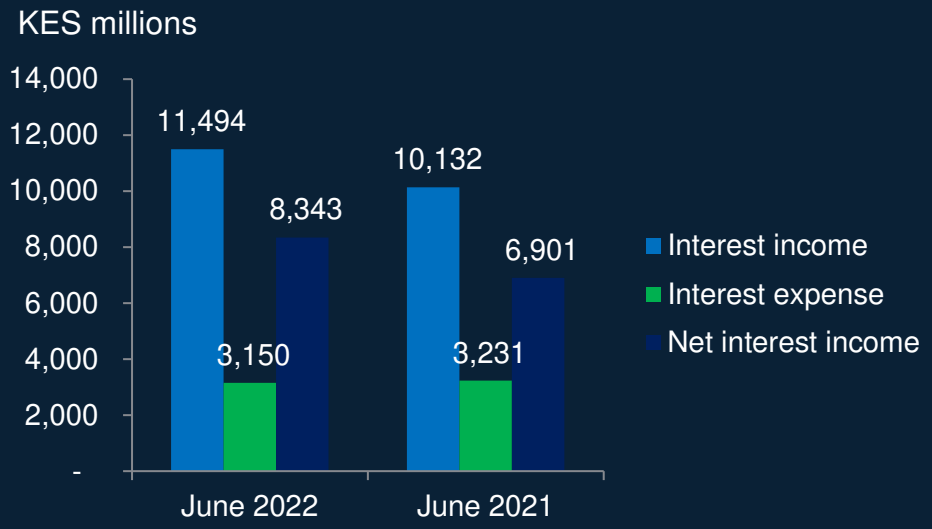
	June 2022 KES m	June 2021 KES m	Change %
Net interest income	**8,343**	6,901	21
Non-interest income	**6,860**	5,482	25
Total income	**15,203**	12,383	23
Operating expenses	**(7,335)**	(6,060)	(21)
Pre-provision profit	**7,868**	6,323	24
Credit impairment charges	**(1,261)**	(1,502)	16
Profit before tax	**6,607**	4,821	37
Tax	**(1,811)**	(1,319)	(37)
Profit after tax	**4,796**	3,502	37

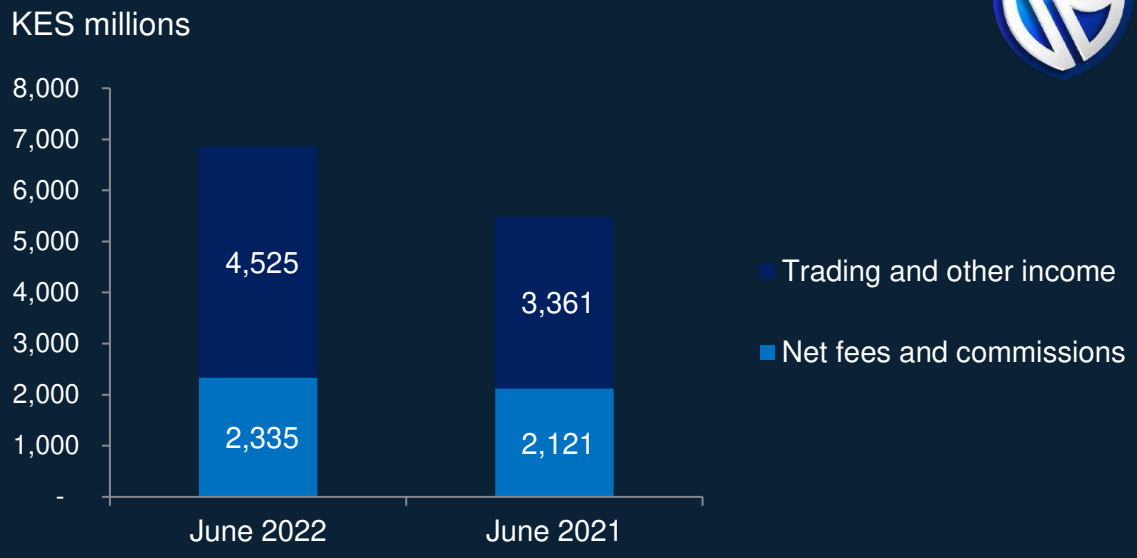
KEY TAKEOUTS

The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 4.8b;

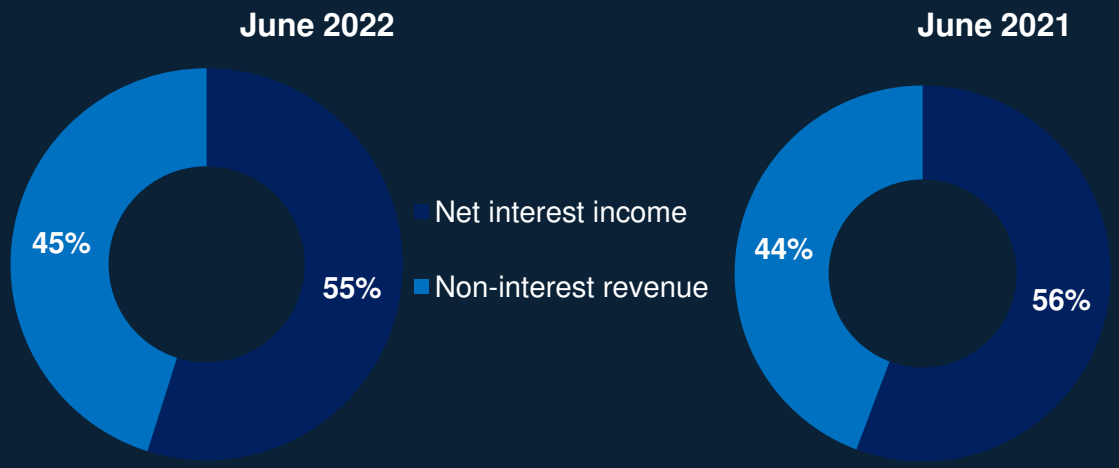
- Improvement in Net Interest Income on the back of growth in the lending book, improved margins driven by reduced cost of funding and change in balance sheet mix.
- Non-interest income YoY growth mainly driven by growth in trading revenue supported by increased volatility in the foreign exchange market, closure of key Investment Banking deals and rebound of trade finance activity.
- Lower credit impairments due to improving credit quality mainly within Corporate and Investment Banking and judicious recovery efforts.
- Increase in operating expenses due to investments in the platform business.

STEADY REVENUE GROWTH





■ Net interest income increased year on year by 21% mainly explained by growth in the lending book and improved margins.



KEY TAKEOUTS

Net fees and commission income

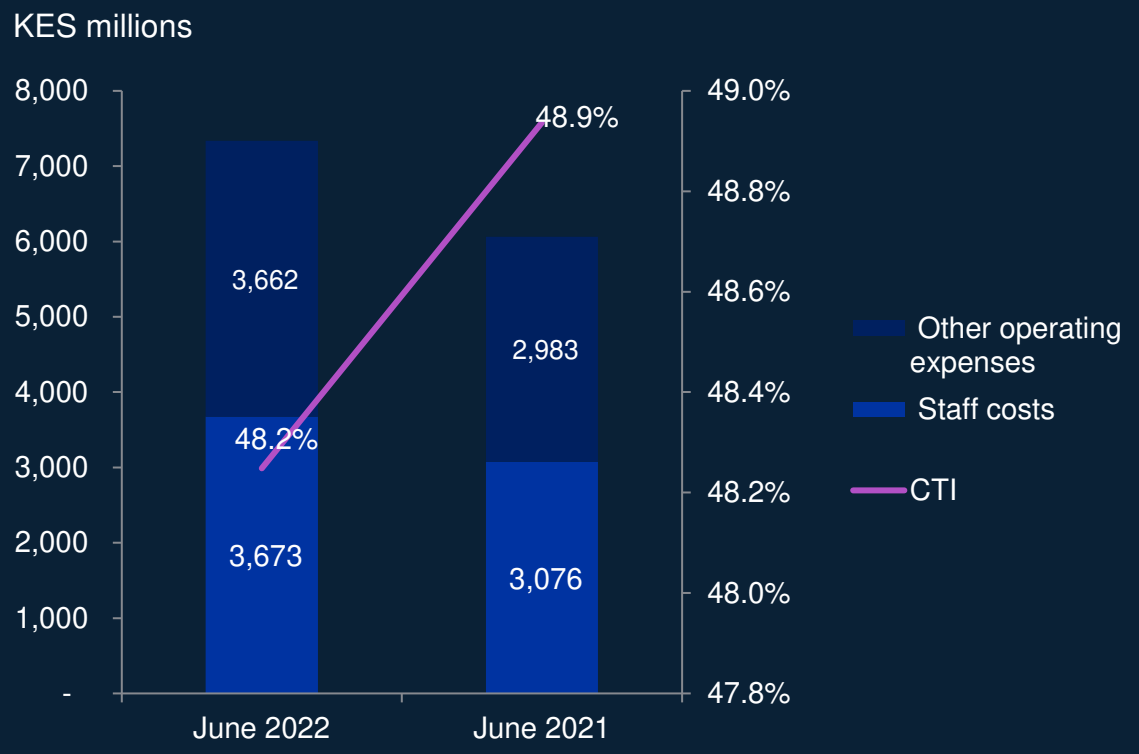
■ Increase in net fees and commission income explained by:

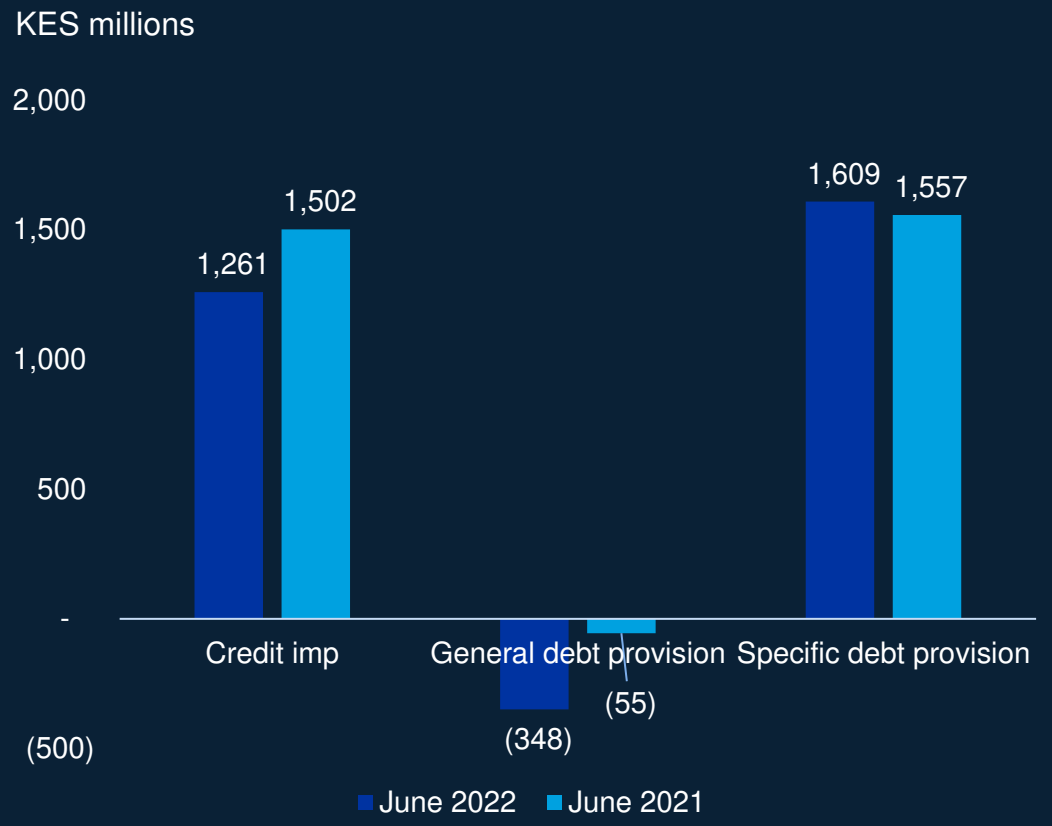
- ❑ Closure of key investment banking deals.
- ❑ Rebound of trade finance activity and improved digital adoption by our clients.

Trading and other revenue

■ Growth in trading and other income due to increased client flows and currency volatility.

OPERATING EXPENSES AND CREDIT IMPAIRMENT





- Decline in cost to income ratio due to revenue growing faster than costs.

- Double digit reduction in impairment charges due to improved credit quality and focus on arrears management.

BALANCE SHEET HIGHLIGHTS

KES 342b
Total assets
2021: KES 329b

4%

KES 217b
Customer loans
2021: KES 165b

31%

KES 236b
Customer deposits
2021: KES 233b

1%

8.55%
NPL ratio
2021: 9.87%

13%

35.9%
Liquidity ratio
Statutory minimum: 20%

16.2%
Total capital ratio
Statutory minimum:14.5%

Stanbic IT CAN BE

GROWTH IN KEY PERFORMANCE DRIVERS

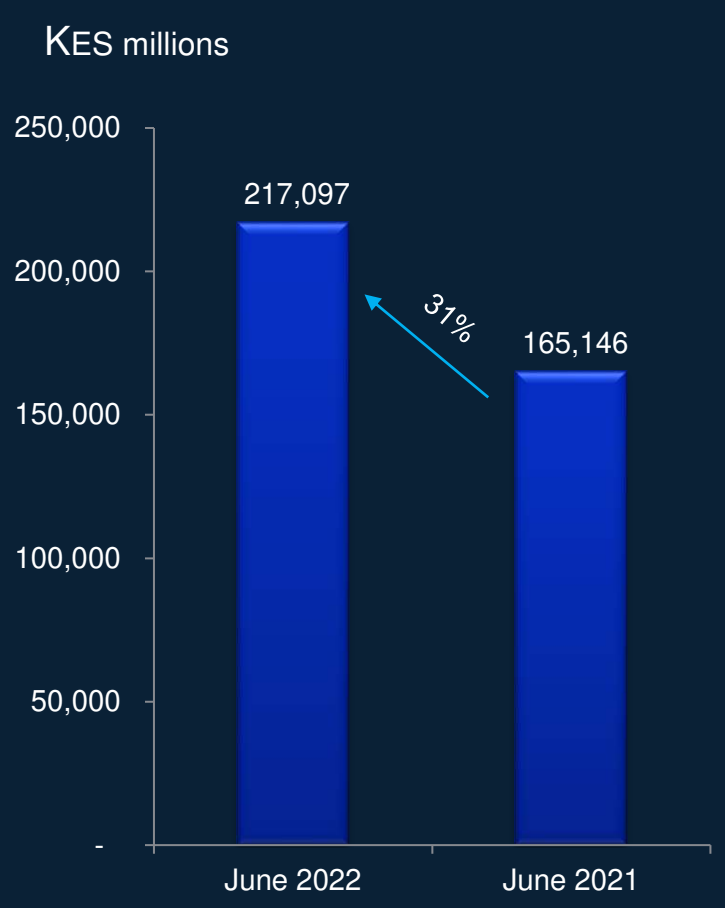
KES millions	2022	2021	% change
Assets			
Financial investments	52,570	82,213	(36%)
Loans and advances to banks	26,943	42,483	(37%)
Loans and advances to customers	217,097	165,146	31%
Other assets	31,652	26,160	21%
Property and equipment	3,010	3,253	(7%)
Intangible assets	10,307	10,293	0%
Total assets	**341,579**	**329,548**	**4%**
Liabilities			
Deposits from banks	22,582	27,042	(16%)
Deposits from customers	235,649	232,946	1%
Borrowings	6,040	5,445	11%
Other liabilities	19,118	10,609	80%
Total liabilities	**283,389**	**276,042**	**3%**
Equity			
Total equity	58,190	53,506	9%
Liabilities and equity	**341,579**	**329,548**	**4%**
Contingents	**81,995**	**70,703**	**16%**
Letters of credit	4,112	3,165	30%
Guarantees	77,883	67,538	15%

KEY TAKEOUTS

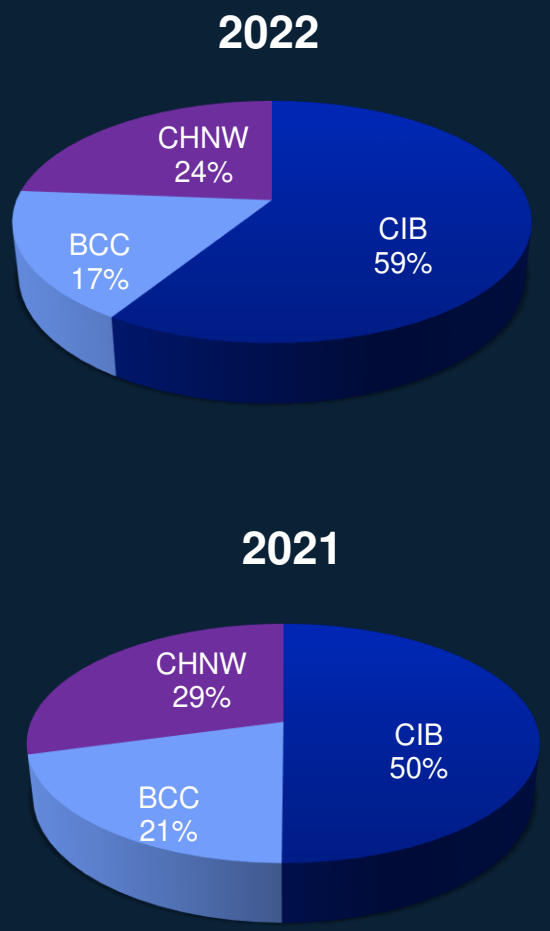
- Strong growth in customer loans with a 31% YoY growth.
- Divestiture in financial investments to fund customer lending.
- 16% growth in LCs and guarantees as we continue to support our clients.

DOUBLE DIGIT LOAN BOOK GROWTH

Net Loans and advances to customers



Loans and advances by business unit



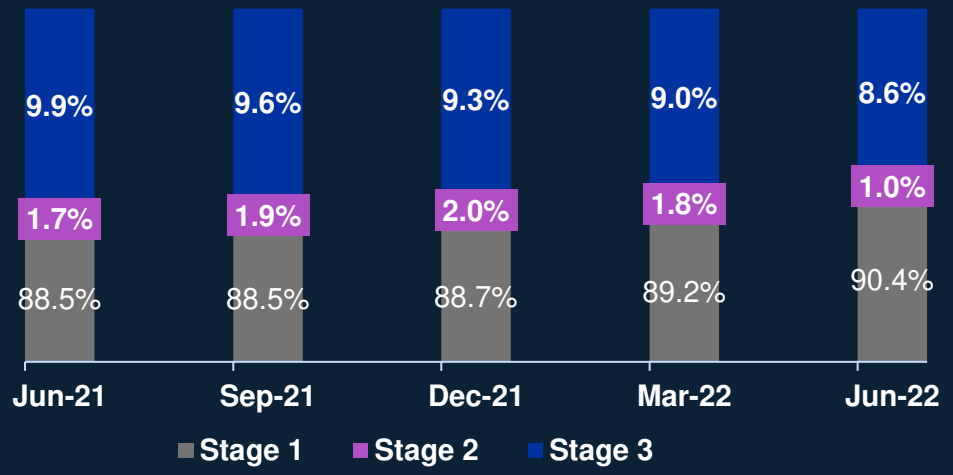
KEY TAKEOUTS

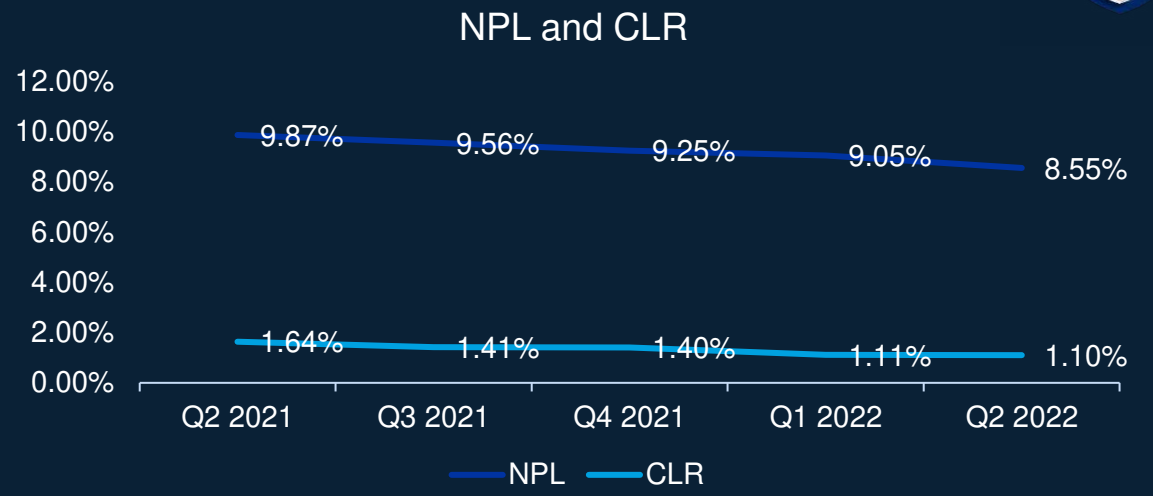
- Loan growth across all business segments and mainly from Trade, Power and Infrastructure sectors.

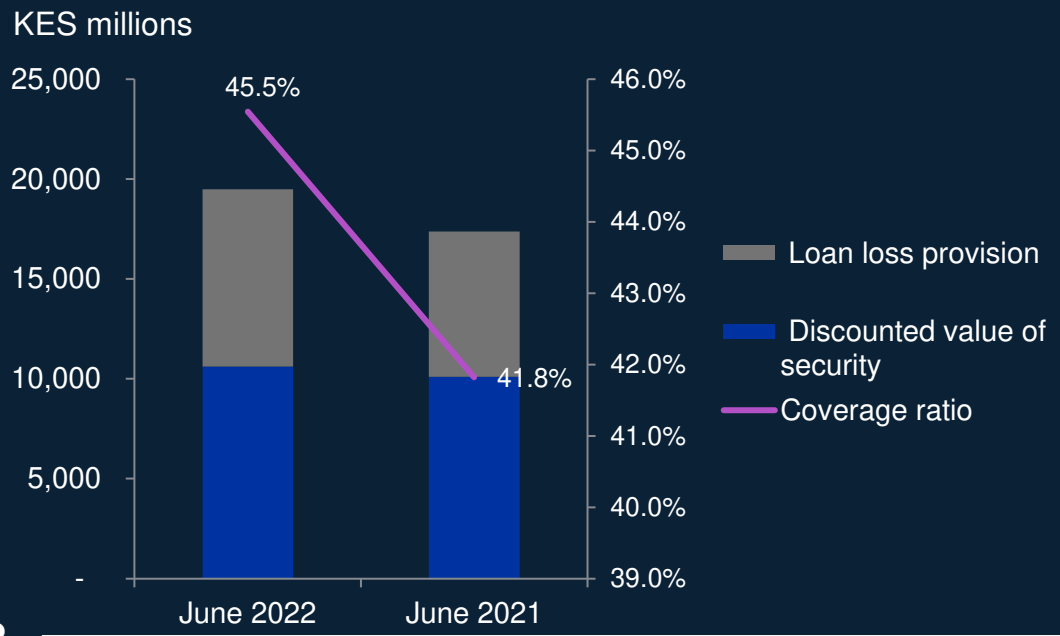
CIB – Corporate and Investment Banking, BCC – Business and Commercial Clients, CHNW – Consumer and High net worth clients

Stanbic IT CAN BE

SUSTAINED IMPROVEMENT IN LOAN BOOK QUALITY







KEY TAKEOUTS

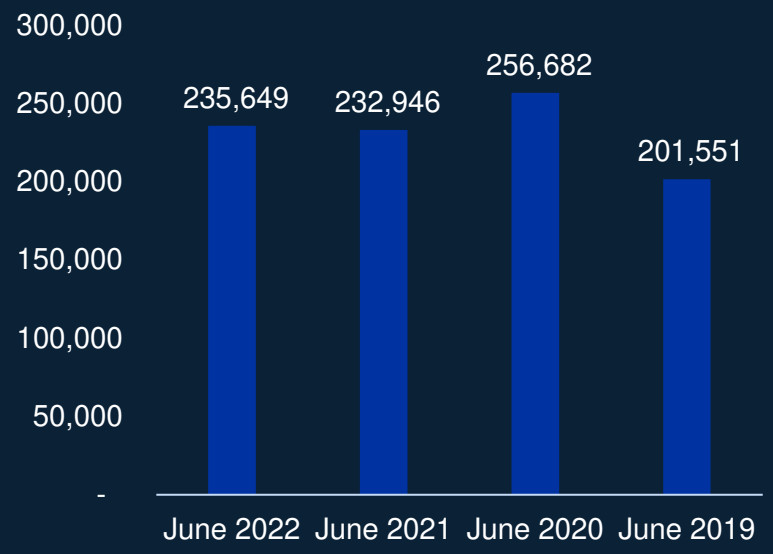
- ❑ NPLs below industry level
- ❑ Discounted value of security and provisions held adequate to cover for NPLs.
- ❑ Credit losses have decreased year on year;
  - Proactive engagement of customers.
  - Improved collection strategies and strong collaboration with our customers.
  - Better asset quality for new loans booked.

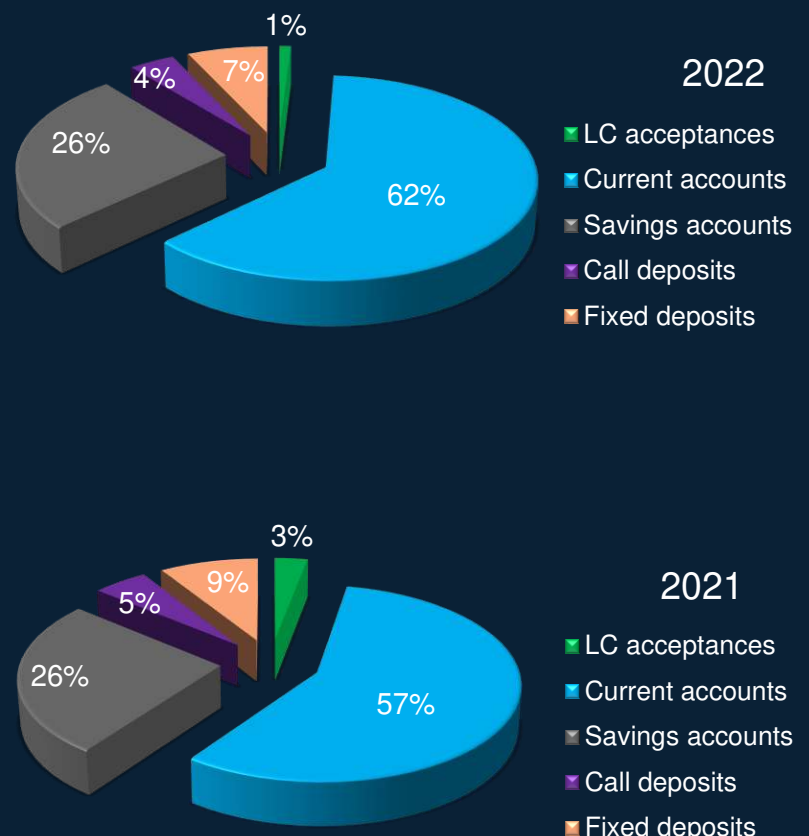
Stanbic IT CAN BE

23

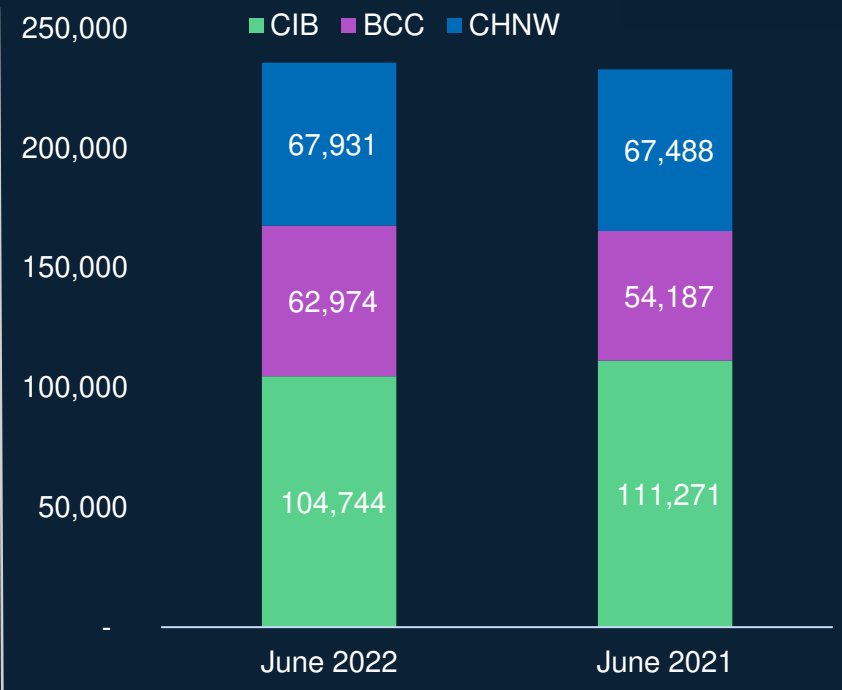
DEPOSITS

KES millions





KES millions



KEY TAKEOUTS

- Core accounts account for 88% of total deposits from 83% reported in 2021.

KEY TAKEOUTS

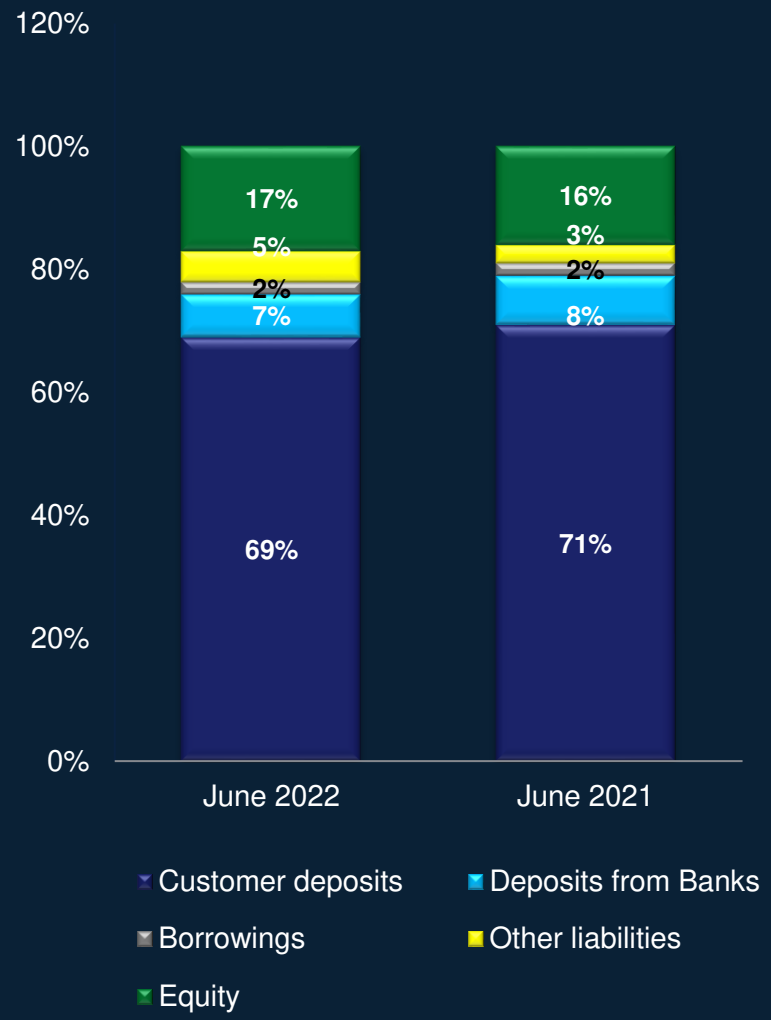
- Growth in customer deposits mainly within Corporate and Investment Banking.

CIB – Corporate and Investment Banking, BCC – Business and Commercial Clients, CHNW – Consumer and High net worth clients

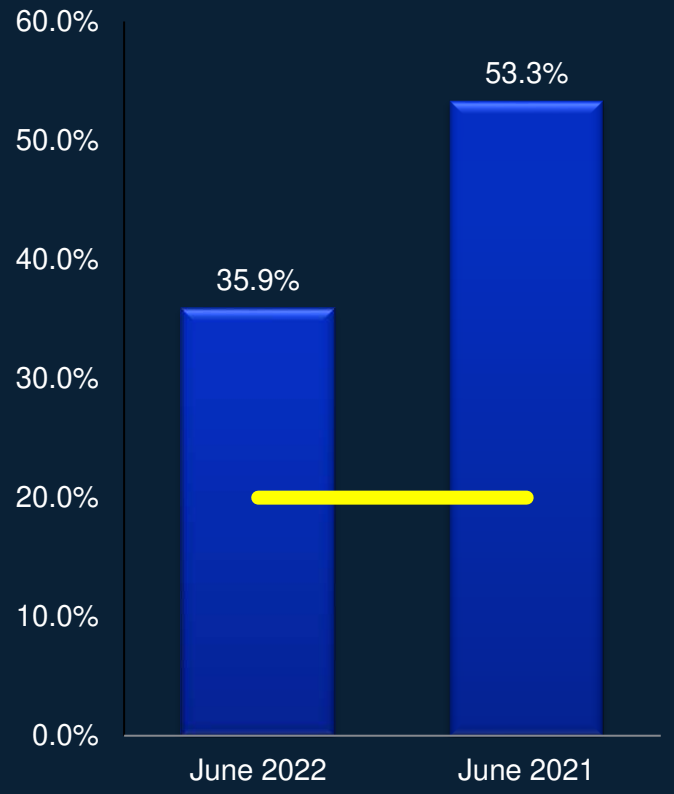
Stanbic IT CAN BE

FUNDING, LIQUIDITY AND CAPITAL REMAIN SOLID TO SUPPORT GROWTH

Funding

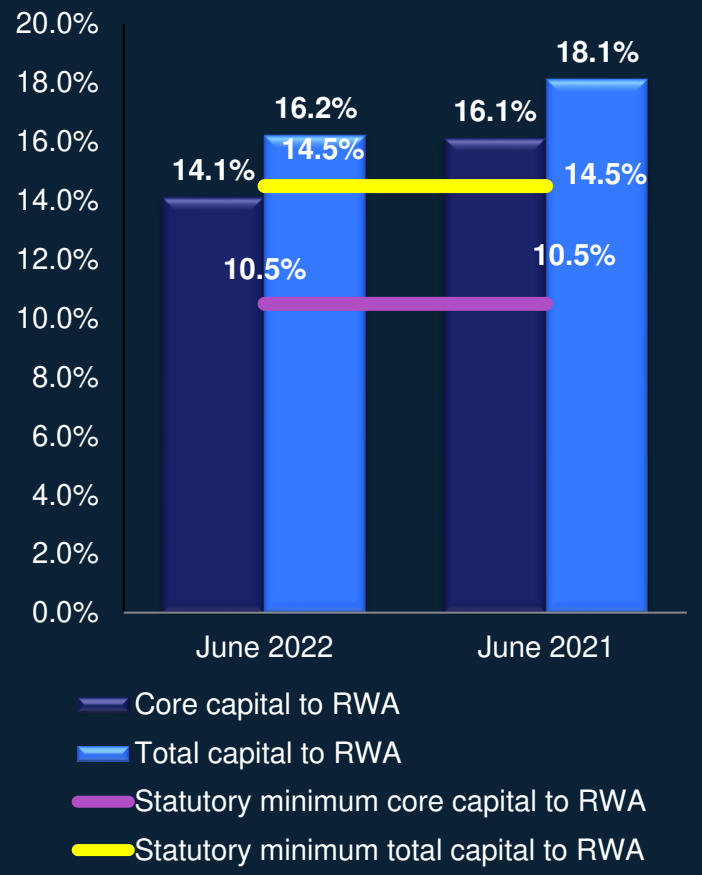


Liquidity ratio (Bank only)



Capital adequacy ratio (Bank only)

RWA - Risk weighted assets



MEASURING UP AGAINST OUR 2022 OUTLOOK

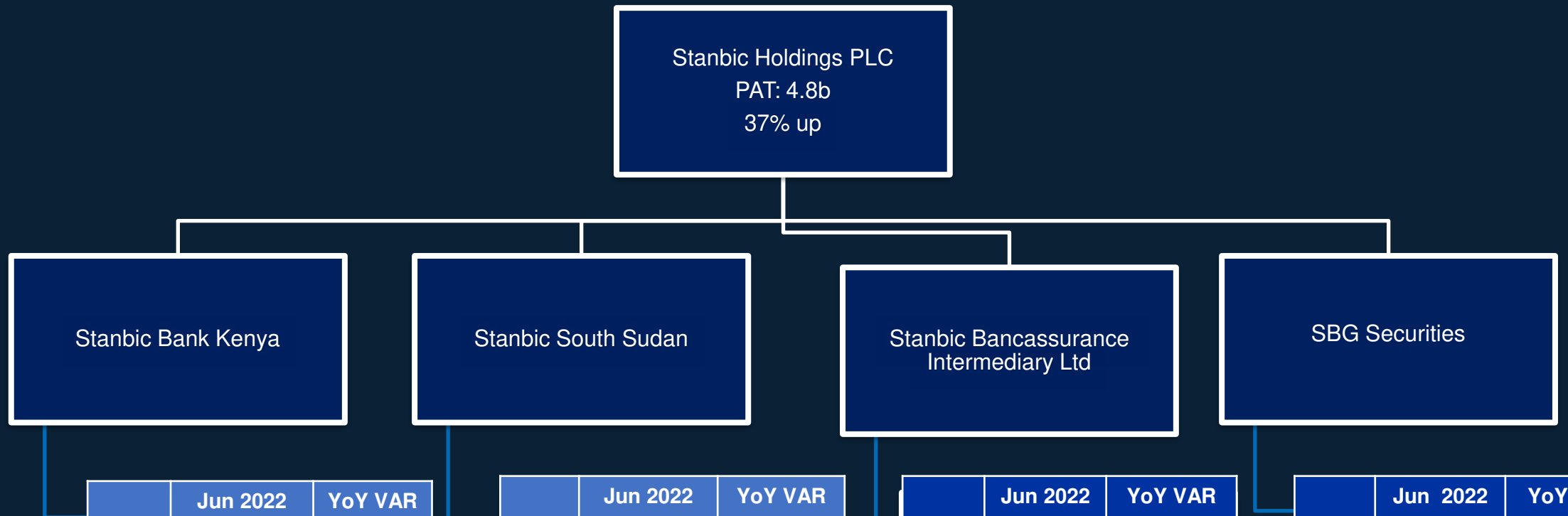
	2022 full year target	H1 2022 Actual
Customer loan growth	Above industry	31%
Customer deposit growth	Above industry	1%
Return on Equity	18.1%	16.9%
Non funded income	50.0%	45%
Cost to income ratio	45.5%	48.2%
NPL ratio	7.2%	8.55%

SUBSIDIARY AND SEGMENT PERFORMANCE

DENNIS MUSAU
CHIEF FINANCIAL AND VALUE OFFICER

Birds eye view of Lake Bogoria, **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

SUBSIDIARIES CONTINUE TO SHOW STRONG PERFORMANCE



	Jun 2022	YoY VAR
PAT	KES 4.7b	43% up

- Growth in key balance sheet indicators.
- Improved asset quality.
- Improved NIMs.
- Improved risk environment.

	Jun 2022	YoY VAR
PAT	KES 80m	(27%)

- Challenging operating environment impacting business activity. However, the business remains profitable.

	Jun 2022	YoY VAR
PAT	KES 40m	(40%)

- Increased revenue from stand alone insurance products and gross written premiums offset by one off transaction that did not recur in the current year.

	Jun 2022	YoY VAR
PAT	KES 9.8m	(4%)

- Reduced equities market turnover.
- Improvement in market share.

SUMMARY PERFORMANCE OF CORPORATE AND INVESTMENT BANKING (CIB)

KES millions	2022	2021	% change
Net interest income	4,098	3,132	31
Non-interest revenue	4,853	3,947	23
Total Income	**8,951**	**7,079**	**26**
Credit loss ratio	(0.2%)	0.5%	
Customer loans and advances	127,914	82,724	55
Customer deposits	104,744	111,271	(6)
Contingents	**77,141**	**65,307**	**18**
Letters of credit	2,686	1,851	45
Guarantees	74,455	63,456	17

KEY TAKEOUTS

- Growth in interest income as a result of margin improvement and growth in loan book.
- Growth in non-interest revenue due to fees from key deals in Power and infrastructure sector.
- Lower Credit loss ratio as a result of proactive risk management and booking of higher quality loans.
- Growth in customer loans and advances was mainly driven by key Power and infrastructure deals and increased working capital needs.
- Decline in customer deposits reflecting point in time balances.

SUMMARY PERFORMANCE OF BUSINESS AND COMMERCIAL CLIENTS (BCC)

KES millions	2022	2021	% change
Net interest income	2,020	1,858	9
Non-interest revenue	1,296	870	49
Total Income	**3,316**	**2,729**	**22**
Credit loss ratio	1.6%	1.5%	
Customer loans and advances	37,664	33,975	11
Customer deposits	62,974	54,187	16
Contingents	**4,626**	**5,118**	**(10)**
Letters of credit	1,426	1,315	8
Guarantees	3,200	3,803	(16)

KEY TAKEOUTS

- Growth in net interest income as a result of growth in customer loans and customer deposits.
- Increase in non-interest revenue supported by transactability and trade finance related services.
- 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 (CHNW)

KES millions	2022	2021	% change
Net interest income	2,225	1,911	16
Non-interest revenue	711	664	7
Total Income	**2,936**	**2,575**	**14**
Credit loss ratio	1.7%	1.1%	
Customer loans and advances	51,519	48,447	6
Customer deposits	67,931	67,488	1
Contingents	**227**	**278**	**(18)**
Letters of credit	0	0	0
Guarantees	227	278	(18)

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
- Credit ratio accelerated by tough economic conditions characterised by high inflation thus putting pressure on disposable income.
- Marginal growth in customer loans by 6% reflecting challenging times for most households.

Stanbic IT CAN BE

SUMMARY PERFORMANCE OF STANBIC BANCASSURANCE INTERMEDIARY LIMITED

KES millions	2022	2021	% change
Total revenue	145	161	(10)
Total expenses	(86)	(63)	(36)
Profit before tax	59	97	(39)
Tax	(19)	(30)	(38)
Profit after tax	40	67	(40)

KEY TAKEOUTS

This performance reflects:

- One off transaction that did not recur this year. Excluding this, revenue grew by 20% year on year.
- Increase in gross written premiums by 26% year on year.
- Increased uptake on standalone insurance products.
- Increase in costs due to digitization.

SUMMARY PERFORMANCE OF SBG SECURITIES

KES millions	2022	2021	% change
Brokerage commission	57.5	70.5	(18)
Other revenue	55.7	31.9	75
Total revenue	**113.2**	**102.4**	**11**
Total expenses	(97.9)	(88.0)	(11)
Profit before tax	**15.3**	**14.4**	**6**
Tax	(5.4)	(4.2)	(30)
Profit after tax	**9.8**	**10.2**	**(4)**

KEY TAKEOUTS

SBG Securities posted total revenue of KES 113m for the half year ending 30th June 2022, indicating an 11% year-on-year increase.

This revenue performance reflects:

- Decline in brokerage revenue, driven by a 22% year on year drop in equities market turnover.
- Increase in equities trading market share from 9.4% in 1H2021 to 11.9% in 1H2022.
- 75% increase in 'other revenue' driven by growth in advisory fees.

KEY TAKEAWAYS

SUMMARY H1 2022

- **We delivered solid business performance as we supported our clients in their growth journeys;**
  - Profit after tax up 37% driven by revenue growth and lower impairment charges.
  - Return on Equity up to double digit at 16.9% (2021: 13.4%).
- **Better asset quality;**
  - NPL ratio down to 8.55% (2021: 9.87%).
  - Loan book up by 31%.
- **We continue to maintain adequate capital to invest and grow;**
  - Capital adequacy ratio 16.2% (Reg minimum 14.5%).
- **Sustainable** community engagement aligned to our purpose.
- **Our strategic priority is to transform the organisation to a platform business**. We will continue to invest to build a future ready organisation that is truly digital and truly human.
  - Year on year increase in costs reflects investment in superior technology and a future ready organization.

THANK YOU

Shimba Hills National Reserve, **Kenya** | **Kenya/South Sudan is our home, we drive her growth**

Stanbic *IT CAN BE*