STANBIC HOLDINGS PLC
FINANCIAL RESULTS PRESENTATION
FOR THE YEAR ENDED 31 DECEMBER 2021
Stanbic IT CAN BE™

BEST TRADE FINANCE BANK IN KENYA
BEST INVESTMENT BANK IN KENYA
Driving Kenya's Growth
Stanbic IT CAN BE™

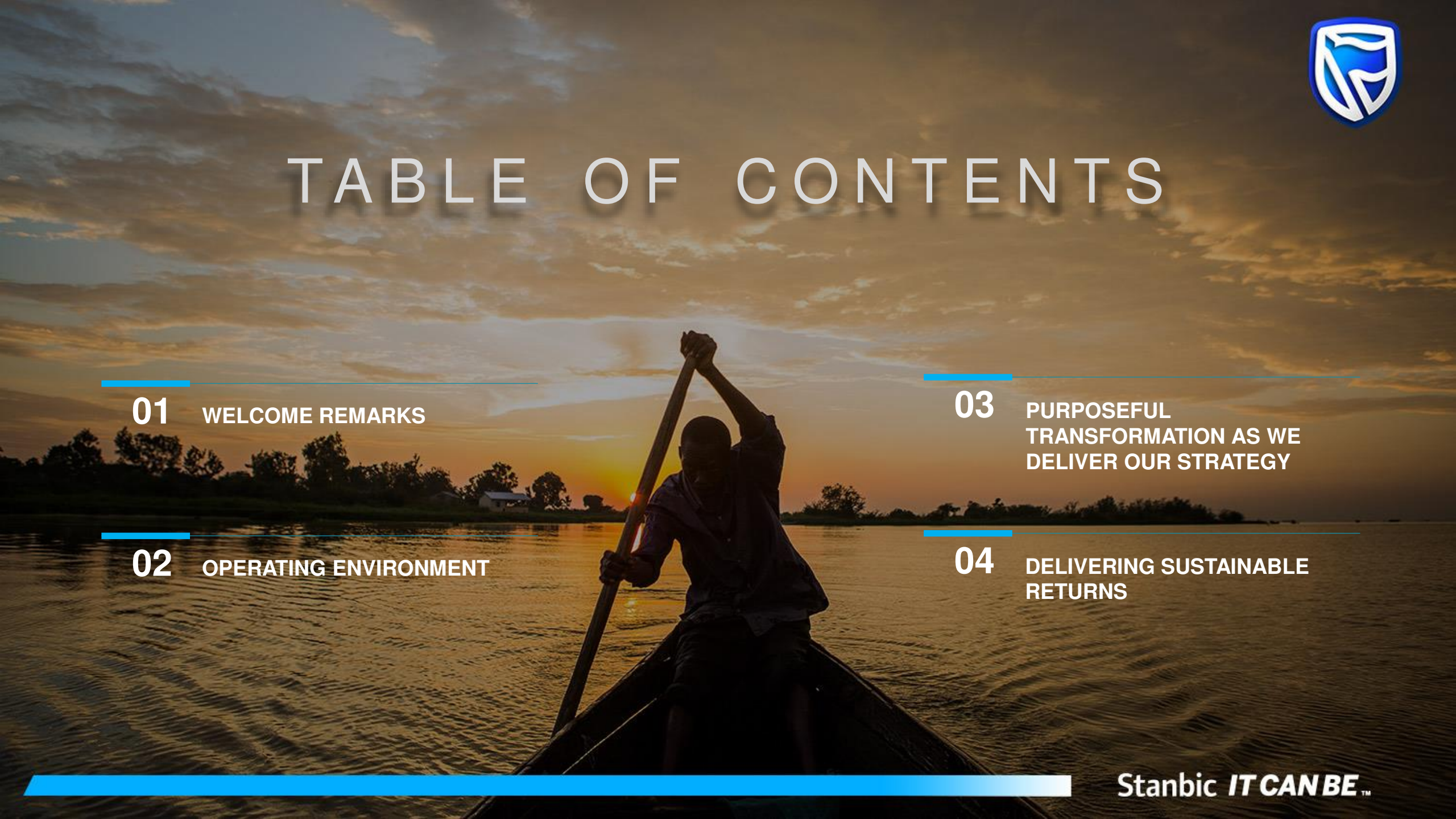


TABLE OF CONTENTS

01 WELCOME REMARKS

02 OPERATING ENVIRONMENT

03 PURPOSEFUL TRANSFORMATION AS WE DELIVER OUR STRATEGY

04 DELIVERING SUSTAINABLE RETURNS

Stanbic IT CAN BE™

WELCOME REMARKS AND OPERATING ENVIRONMENT

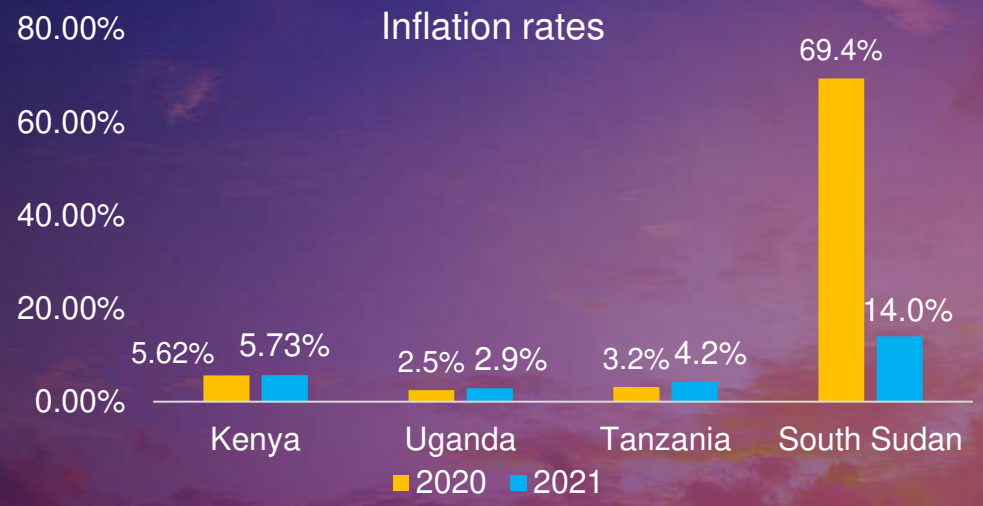
PATRICK MWEHEIRE - CHIEF EXECUTIVE, STANBIC HOLDINGS PLC

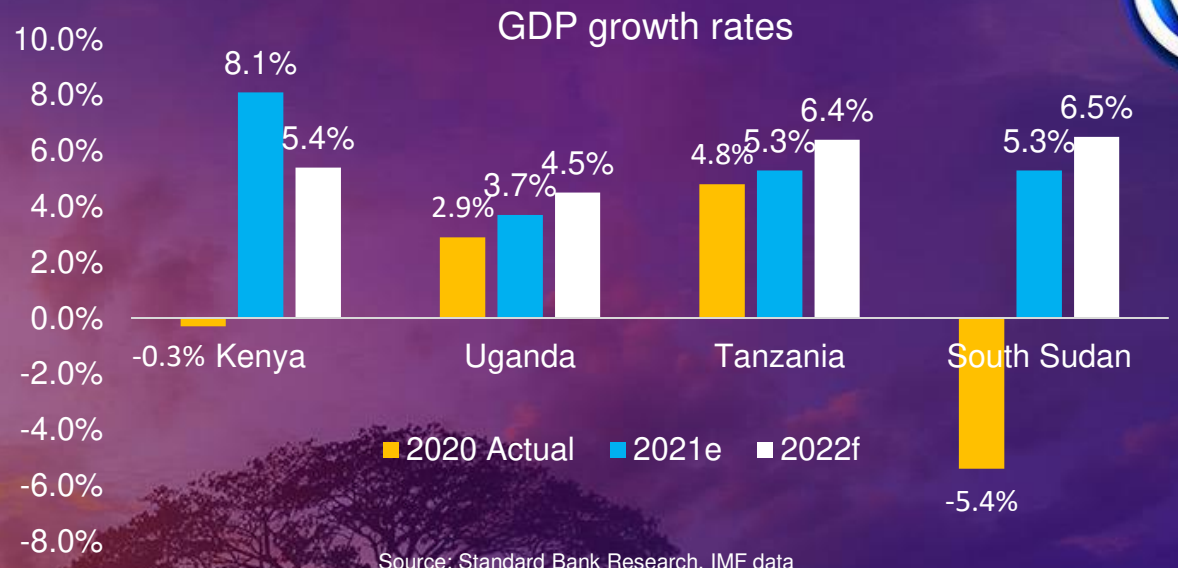
KES 3.6B

TOTAL DIVIDEND (50% OF 2021 PAT)

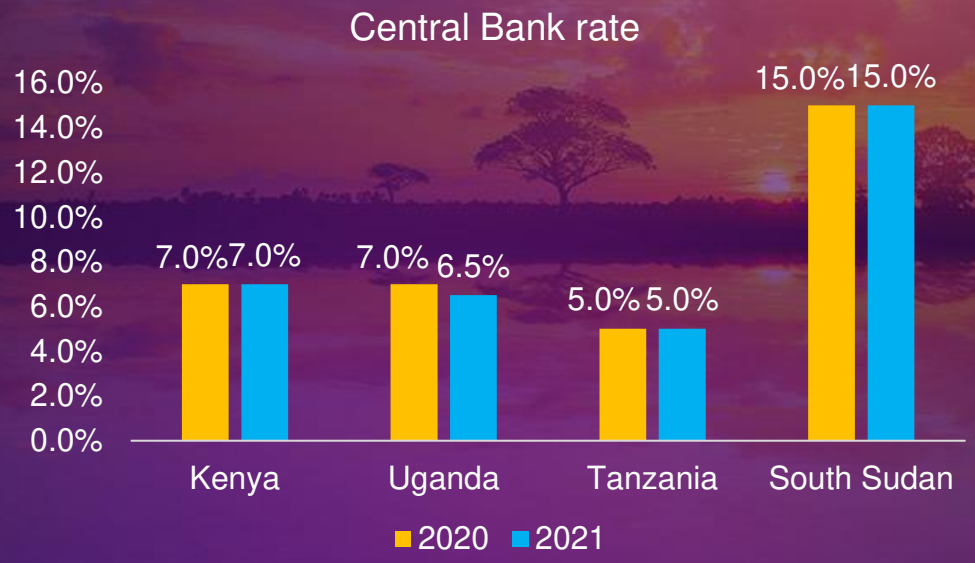
Stanbic IT CAN BE™

OPERATING ENVIRONMENT - KEY HIGHLIGHTS





Source: Standard Bank Research, IMF data



GDP

- Economic rebound with the roll out of Covid-19 vaccines across the region.
- Kenya could see a slowdown in 2022 due to elections.
- FID and the EACOP are likely to boost growth in Uganda and Tanzania.
- Higher global oil prices, implementation of positive economic reforms, increased infrastructure spending and a recovery in agriculture to drive growth in South Sudan.

Inflation

- Inflation was on an upward trend in 2021 but within the Government target range for Kenya, Uganda & Tanzania. Decline in South Sudan following IMF economic reforms.
- Inflation is expected to rise due to adverse base effects and rising energy prices.

Central bank rate

- Policy rates for Kenya, Uganda & Tanzania are likely to remain unchanged to boost private sector credit growth. South Sudan has reduced its policy rate to 12% in 2022.
- Tanzania is looking to undertake reforms to improve private sector credit supply while Kenya is looking to modernize monetary policy.

FID – Final Investment Decision ; EACOP – East Africa Crude Oil pipeline

OPERATING ENVIRONMENT - RECOVERY DESPITE UNCERTAINITY

Improved macro outlook

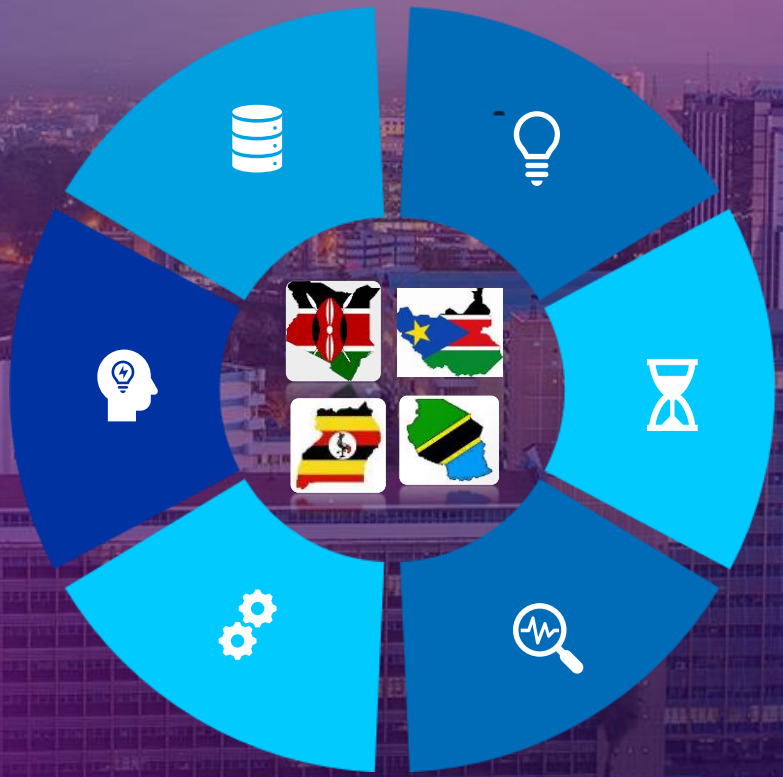
- Supported by increased Government spending on infrastructure.
- Higher projected GDP growth rates.

Recovery in business conditions

- Fewer Covid-19 public health restrictions are likely to result in strong revenue recovery and increase in business activity.

Improved consumer environment

- Improvement in employment levels and access to credit.



Political risk

- Russia-Ukraine conflict.
- Upcoming general elections in Kenya.
- Delayed implementation of Revitalized Peace agreement in South Sudan.

Inflation and currency pressure

- Sustained pressure on currency & consumer wallet with rising inflation.

- **Changing regulatory landscape** e.g. Climate risk, ESG disclosures, excise duty on mobile loans, laws to regulate mobile lending.

FUNDAMENTAL DRIVERS TO SUPPORT ONGOING ECONOMIC GROWTH, AS WELL AS STRONG GROWTH IN FINANCIAL SERVICES FOR THE NEXT DECADE

Expanding markets for financial services

↑ **26%** Total population to increase to 1.7bn people

50% Urban population
- >400m more people in cities

>220m New bank clients
- If adult penetration reaches 50%

Growing mobile penetration and digital payment solutions adoption

↑ Continued increase in handset penetration

>1.2bn # of subscribers at 100% mobile penetration

↓ Decrease in data costs

Rapid and sustained economic growth

↑ **4%pa** Expected average growth of sub-Saharan African economies over the next 5 years

↑ AfCFTA will accelerate intra-Africa trade and boost Africa's trading position in the global market

Increasing focus on sustainable development

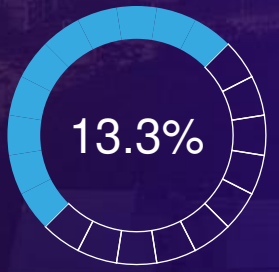
↑ # of corporates who need advice and assistance in accelerating their transition

↑ Interest in sustainable projects

Source: Standard Bank Research, IMF data

PURPOSEFUL TRANSFORMATION AS WE DELIVER OUR STRATEGY

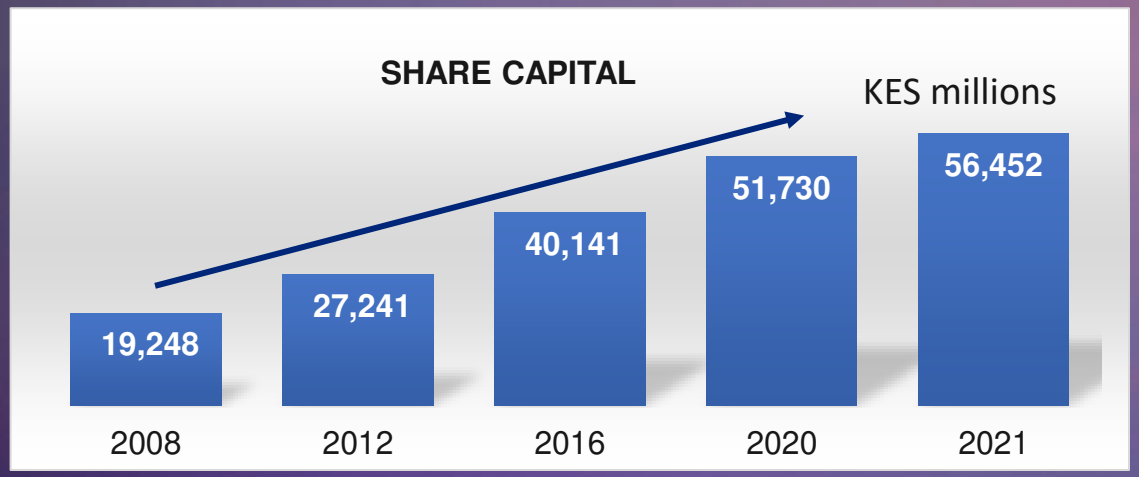
CHARLES MUDIWA - CHIEF EXECUTIVE, STANBIC BANK



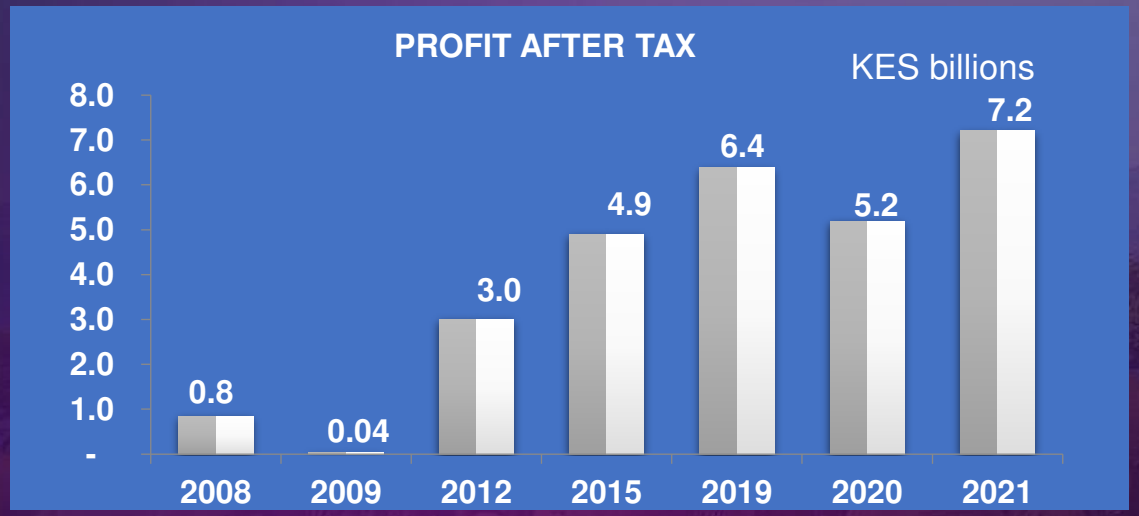
RETURN ON EQUITY (UP 29%)

Stanbic IT CAN BE™

REFLECTING ON OUR GROWTH JOURNEY



Total dividends paid out (2008 - 2021) :
KES 20.8b



Net Asset Value per share 2008 : KES 48.7

Net Asset Value per share 2021 : KES 142.8

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

PURPOSEFUL IN OUR RESPONSE AS WE DELIVER OUR STRATEGY

Focused and deliberate in our actions to facilitate return to growth and rebound for our clients and community

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 customers and communities

3. REBOUND

Adapt to the new normal

Remain human-centric and digital

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

DELIVERING OUR STRATEGY - ADAPTING TO THE NEW NORMAL

Defend our current client franchise

❑ **Customer numbers growth**
- Total customer base grew by **20%** year on year
- Active customers grew by **31%** year on year
- Primary customers grew by **35%** year on year

❑ **Facilitate return to growth for our customers and adopt to new normal**

❑ **Allocate capital to support clients and communities**

Future ready transformation

❑ **Enhancing customer experience**
- Self onboarding, omnichannel

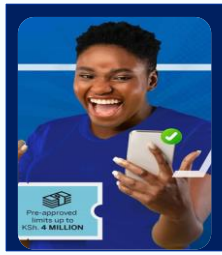
❑ **Operational excellence**
- Digital lending, APIs, Cloud

❑ **New Solutions to serve new markets**
- Supply Chain Financing
- Unayo

Deepening Customer Engagement & Experience

DELIVERING OUR STRATEGY - TRANSFORMING CLIENT EXPERIENCE AND EXECUTING WITH EXCELLENCE

Accelerated digital banking



Digital Lending
- ✓ Instant loans: KES 5.6b

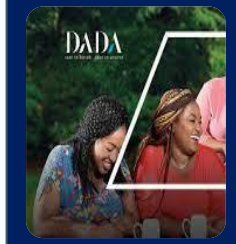
Customer onboarding
- ✓ >85% of accounts opened digitally
- ✓ 4X increase in the number of accounts opened daily
- ✓ TAT 15 minutes from 2 days

Enhancing digital customer experience
- ✓ Motor insurance through Stansure App in less than 10 mins
- ✓ Self pin reset on mobile banking
- ✓ Enhanced security features on digital channels

Omnichannel
- ✓ Easy to use
- ✓ Seamless transactions
- ✓ Enhanced security

Uplifting our clients financially

Smart Direct
- ✓ For just KES 100 per month our customers income is secure



DADA
- ✓ Over 29k DADAs onboarded since inception
- ✓ Over 10k women trained in 2021
- ✓ Deposits: KES 3.6b since inception
- ✓ Loans issued: KES 4.1b since inception
- ✓ AGF partnership signed – Guarantee fund
- ✓ UN WEP's grant partnership signed

Mjeki – Distributor financing
- ✓ Loans issued: KES 766m

Driving sustainable growth

- ✓ KES 33m grant funding to SMEs countrywide
- ✓ Government and bilateral partnerships to support Job creation & Enterprise development, Education and Health in counties
- ✓ Launched KES 60m, 0% interest SME revolving fund to support MSMEs affected by Covid-19

Digital and business skills
- ✓ Digital skills: >50K beneficiaries
- ✓ Business resilience: 845 health practitioners trained

Computer donations
- ✓ 430 computers donated to MSMEs and SMEs

DELIVERING OUR STRATEGY - OUR PEOPLE, OUR PRIORITY

SAFETY AND WELLNESS

- COVID-19 vaccination drives - 89% of employees vaccinated
- Held several wellness webinars
- Conducted personal health screening sessions
- Catered for the cost of testing and treating Covid-19 cases
- Installed anti-sneeze glasses in all workstations

FUTURE PROOF SKILLS

- Trained staff on future skills and signature programs

DELIVERING OUR STRATEGY – SAFEGUARDING AND EMPOWERING OUR COMMUNITIES

Green light planet - USD 75m sustainability-linked loan

Purpose
Expand access to off-grid solar solutions to 10m households in the next 5years

Over 10k individuals screened free of charge

Donated **over 161k** Personal Protective Equipments (PPEs)

Green bond - KES1.4b

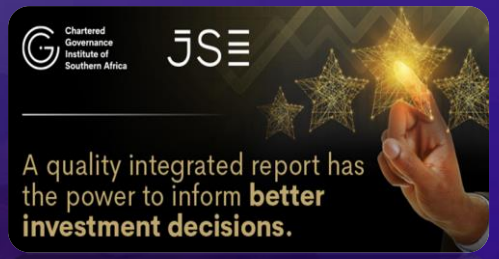
Purpose
Construction of eco-friendly student accommodation

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

TRUSTED FINANCIAL PARTNER

What are we known for?

- Best Investment Bank in Kenya 2013 – 2021
- Best Trade Finance Bank in Kenya 2016, 2017 - 2019, 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



DELIVERING SUSTAINABLE RETURNS

DENNIS MUSAU – ACTING CHIEF FINANCIAL AND VALUE OFFICER

KES 7.2B

PROFIT AFTER TAX (UP 39%)

Stanbic IT CAN BE™

FINANCIAL PERFORMANCE HIGHLIGHTS

▲ 8% **24.9b** **Total revenue** 2020: 23.2b	▲ 12% **4.4%** **Net Interest margin** 2020: 3.9%	▼ 3% **50.9%** **Cost to income** 2020: 52.2%	▼ 53% **1.4%** **Credit Loss ratio** 2020: 3.01%
▲ 39% **KES 7.2b** **Profit after tax** 2020: 5.2b	▲ 29% **13.3%** **Return on equity** 2020: 10.3%	▲ 39% **18.23** **Earnings per share** 2020: 13.13	▲ 137% **9.00** **Dividend per share** 2020: 3.80

- Strong business momentum in 2021
- Total dividend payout represents 50% profit made in 2021

STRONG BUSINESS MOMENTUM IN 2021

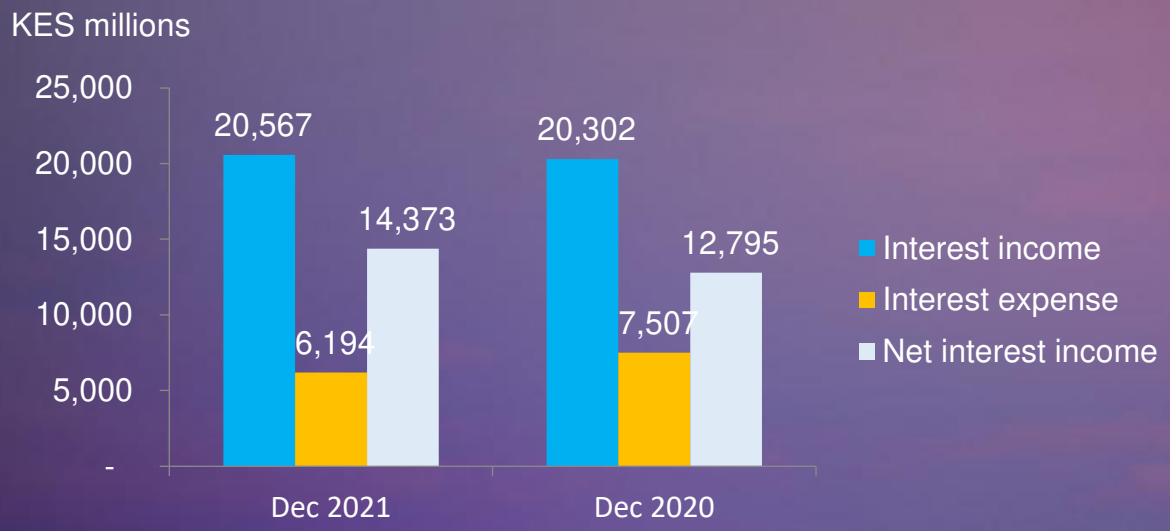
	Dec 2021 KES m	Dec 2020 KES m	Change %
Net interest income	14,373	12,795	12
Non-interest income	10,616	10,442	2
Total income	24,989	23,237	8
Operating expenses	(12,709)	(12,134)	(5)
Pre-provision profit	12,280	11,103	11
Credit impairment charges	(2,524)	(4,876)	48
Profit before tax	9,756	6,227	57
Tax	(2,548)	(1,035)	>(100)
Profit after tax	7,208	5,192	39

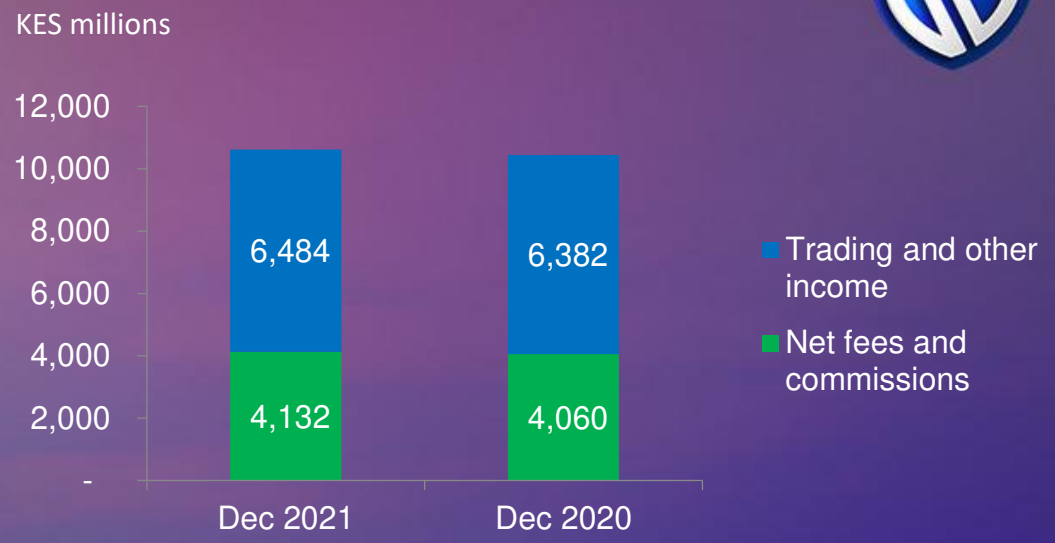
KEY TAKEOUTS

The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 7.2b;

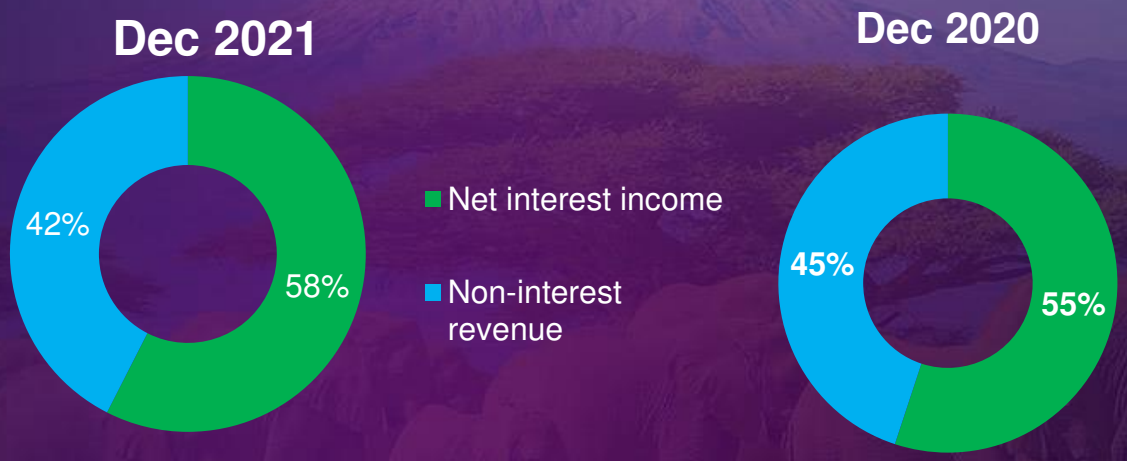
- Improvement in net interest income on the back of growth in the lending book, improved margins driven by reduced cost of funding and change in balance sheet mix.
- Non funded income boosted by closure of key investment banking deals, rebound in trade finance and improved digital adoption by our clients.
- Below inflation growth in costs despite investment in future ready.
- Reduction in credit impairment reflecting enhanced credit risk management and a positive forward looking outlook.
- The Group continues to build on future ready capabilities and investment in technology.

REVENUE





■ Net interest income increased year on year by 12% mainly explained by growth in the lending book and improved margins.



Net fees and commission income

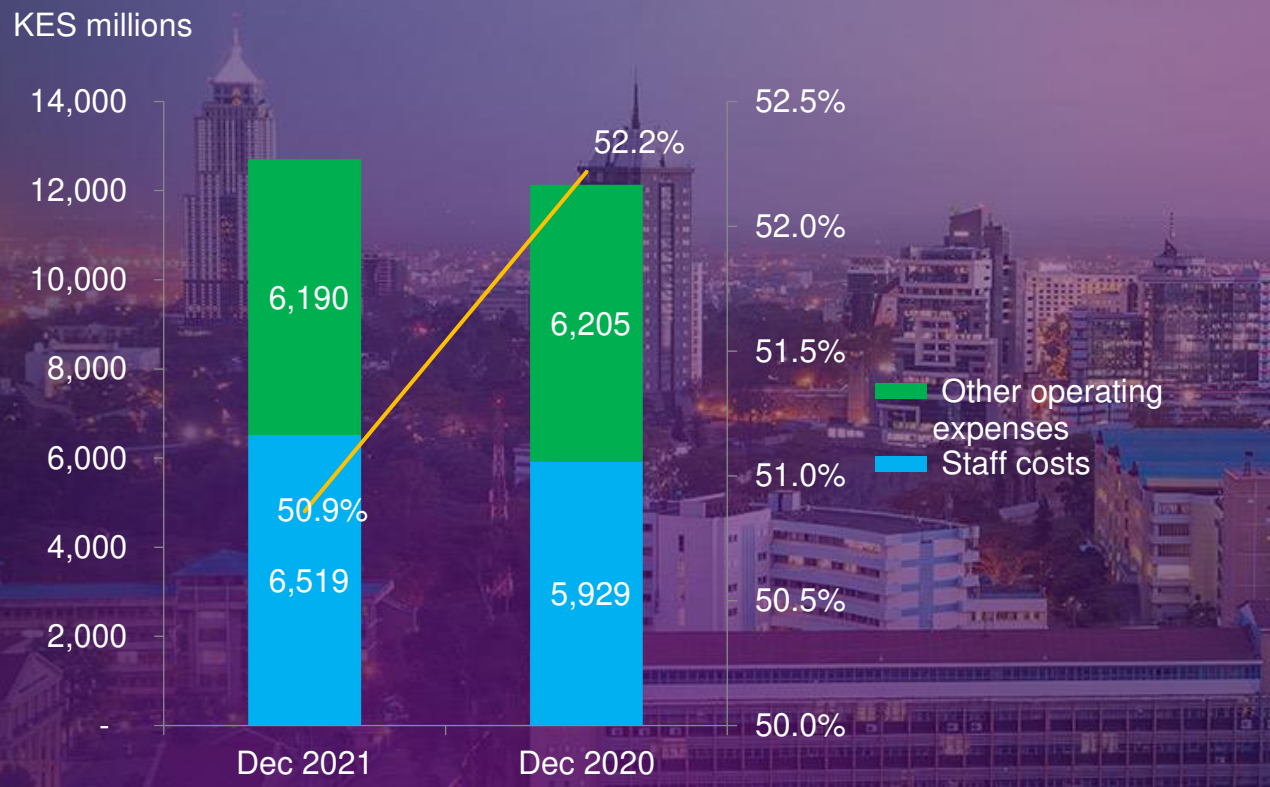
■ Increase in net fees and commission income explained by:

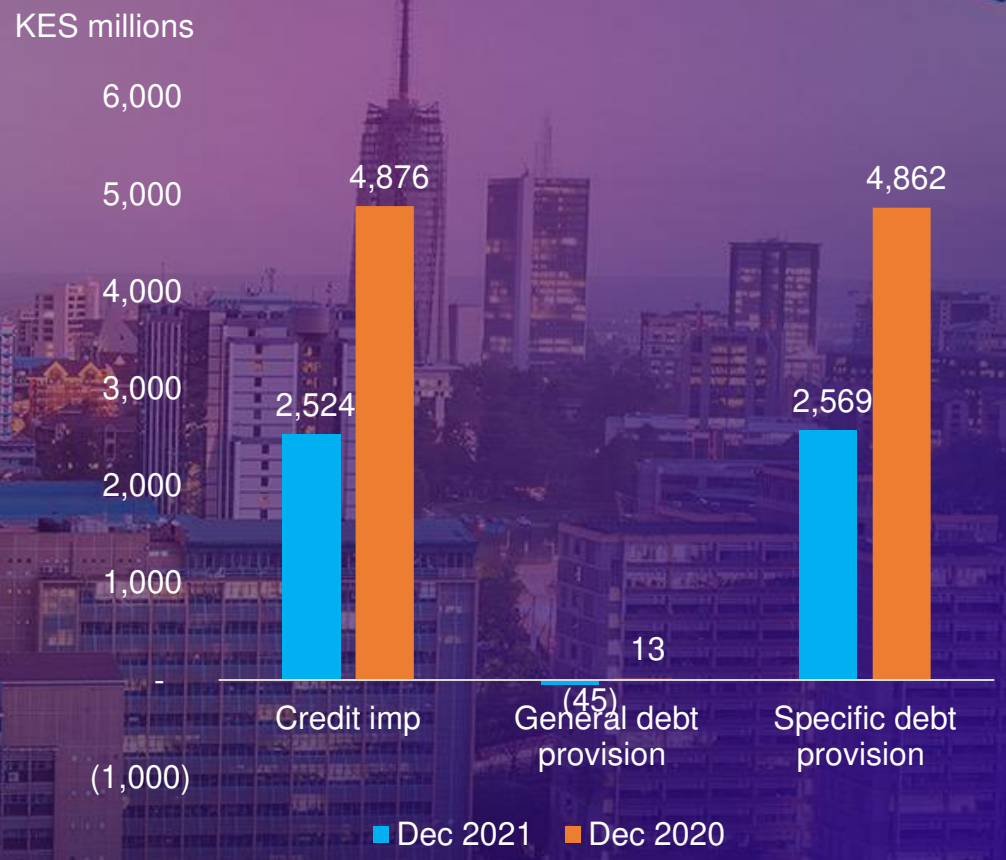
- ❑ Closure of key investment banking deals.
- ❑ Rebound of trade finance activity and improved digital adoption by our clients.
- ❑ Decline in fees from brokerage offset by revenue from the insurance franchise.

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

▲ 0.1%

KES 328.9b

Total assets

2020: 328.6b

▲ 17%

KES 185.3b

Customer loans

2020: 158.2b

▲ 11%

KES 242.3b

Customer deposits

2020: 217.4b

▼ 19%

9.25%

Asset quality (NPL ratio)

2020: 11.48%

▲ 3%

92%

Earning assets

2020: 89%

●

47.9%

Liquidity ratio

Statutory minimum: 20%

●

15.3%

Core capital

Statutory minimum:10.5%

●

17.3%

Total capital

Statutory minimum: 14.5%

GROWTH IN KEY PERFORMANCE DRIVERS

KES millions	2021	2020	% change
Assets			
Financial investments	59,535	87,584	(32%)
Loans and advances to banks	44,008	38,119	15%
Loans and advances to customers	185,313	158,180	17%
Other assets	26,654	30,733	(13%)
Property and equipment	2,991	3,763	(21%)
Intangible assets	10,371	10,214	2%
Total assets	**328,872**	**328,593**	**0%**
Liabilities			
Deposits from banks	12,243	42,526	(71%)
Deposits from customers	242,345	217,444	11%
Borrowings	5,700	5,504	4%
Other liabilities	12,132	11,389	7%
Total liabilities	**272,420**	**276,863**	**(2%)**
Equity			
Total equity	56,452	51,730	9%
Liabilities and equity	**328,872**	**328,593**	**0%**
Contingents	**78,712**	**70,719**	**11%**
Letters of credit	3,919	3,427	14%
Guarantees	74,793	67,292	11%

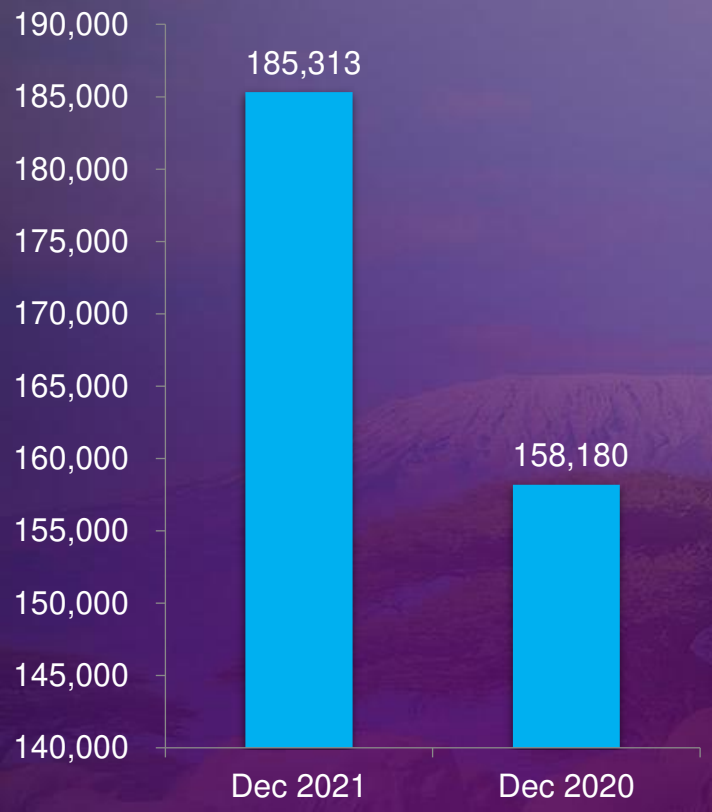
KEY TAKEOUTS

- A more efficient and optimal balance sheet compared to a similar period last year.
- Lending continued on an upward trend with a 17% YoY growth.
- Customer deposits grew by 11% YoY. There is a change in the funding mix supported by a growth in current account balances and a reduction expensive deposits.
- Divestiture in financial investments to fund customer lending.

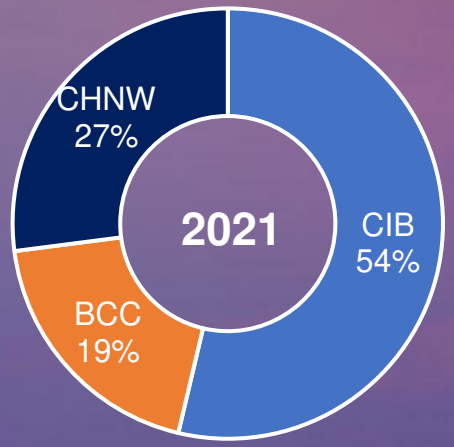
CUSTOMER LOANS AND ADVANCES

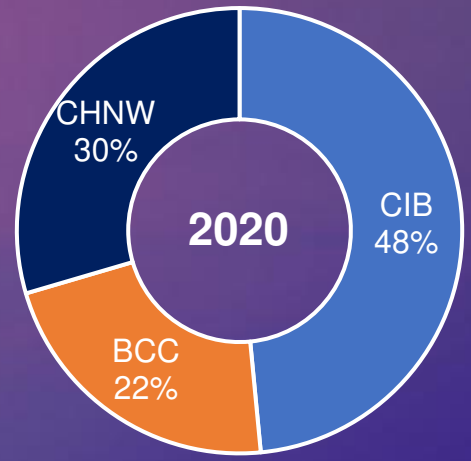
Net Loans and advances to customers

KES millions

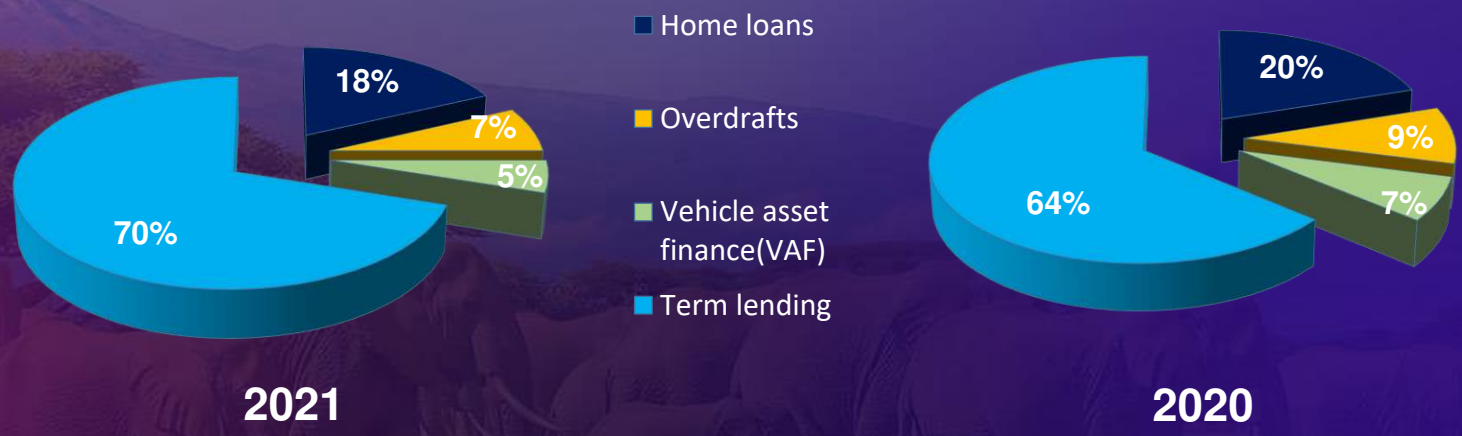


Loans and advances by business unit





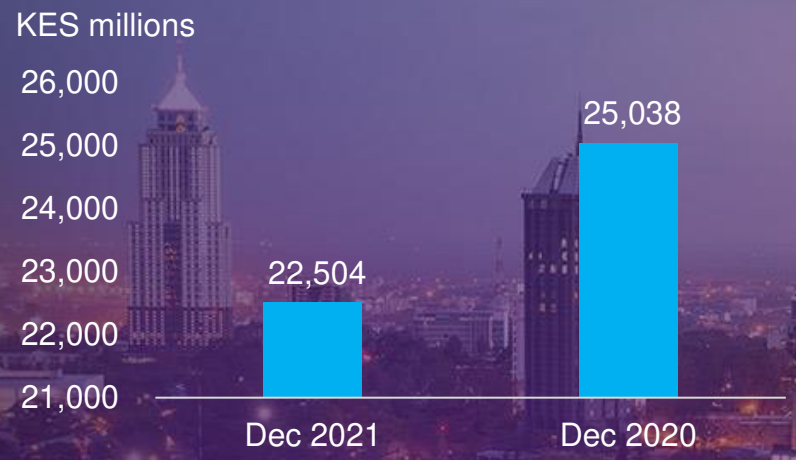
Loans and advances by product



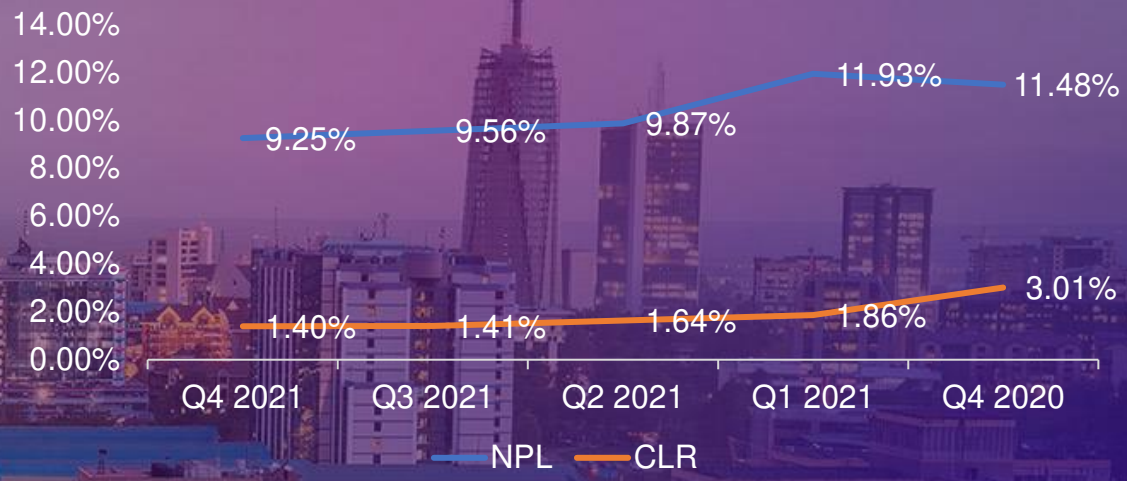
CIB – Corporate and Investment Banking, BCC – Business and Commercial Clients, CHNW – Consumer and High networth clients

IMPROVEMENT IN ASSET QUALITY

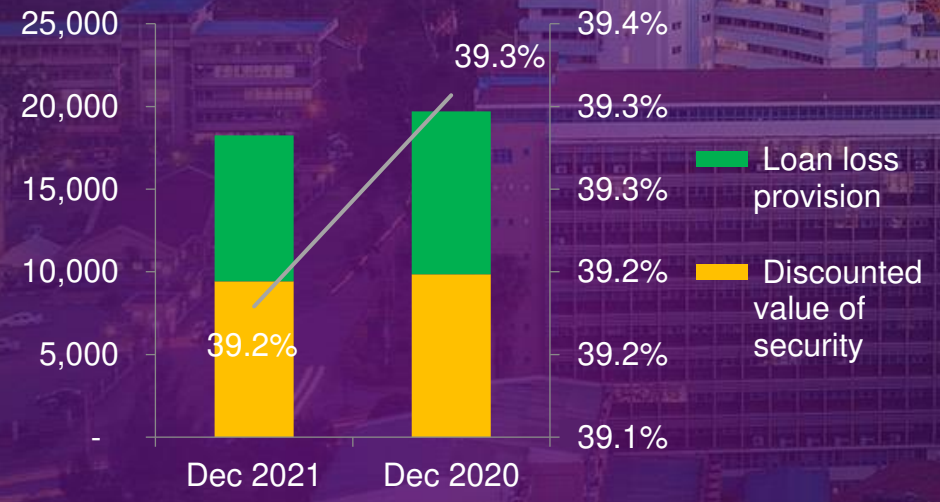
Decrease in Non-performing loans (NPLs)



NPL and CLR ratio



Discounted value of security and provisions held adequate to cover for NPLs

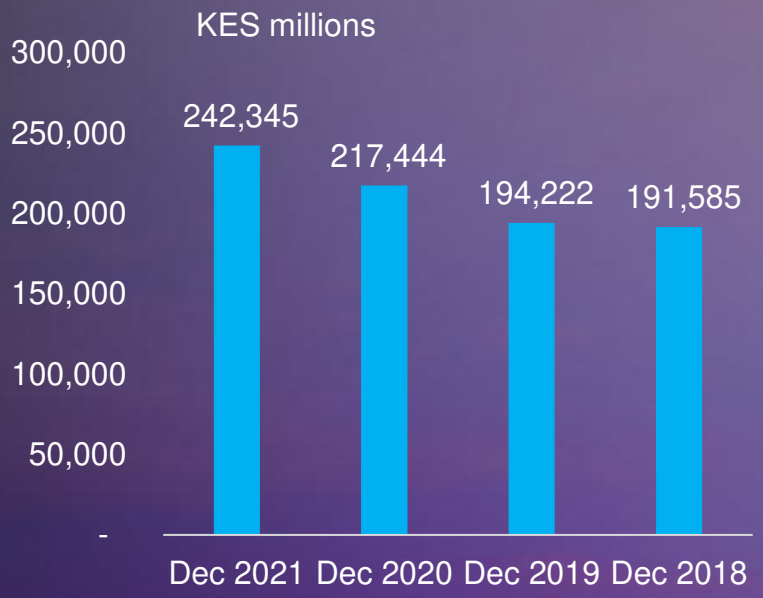


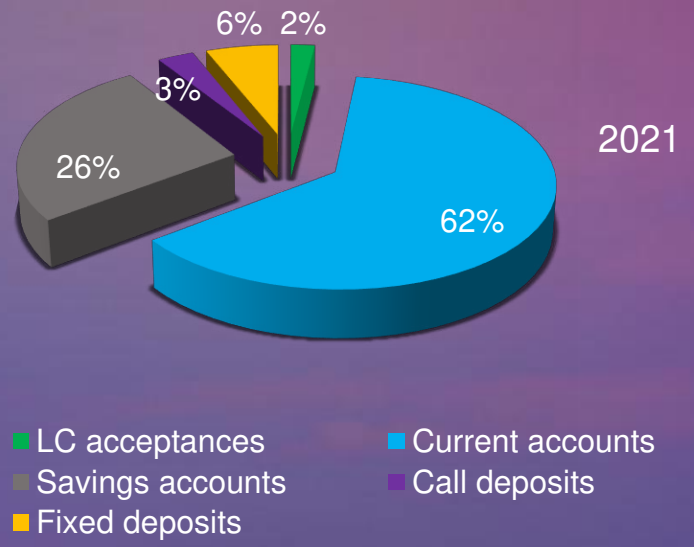
KEY TAKEOUTS

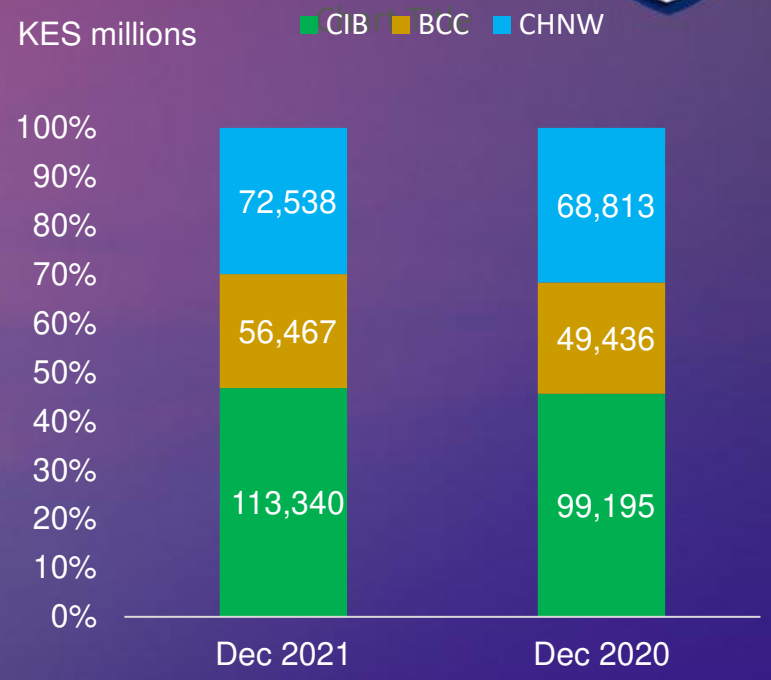
Credit losses have decreased year on year;

- ❑ Proactive engagement of customers especially those in vulnerable sectors during the pandemic period.
- ❑ Improved collection strategies and strong collaboration with our customers.
- ❑ Better asset quality for new loans booked.
- ❑ Positive macro economic outlook.

DEPOSITS







KEY TAKEOUTS

- Customer deposits grew by 11% year on year with core accounts accounting for 89% of total deposits from 86% reported in 2020.

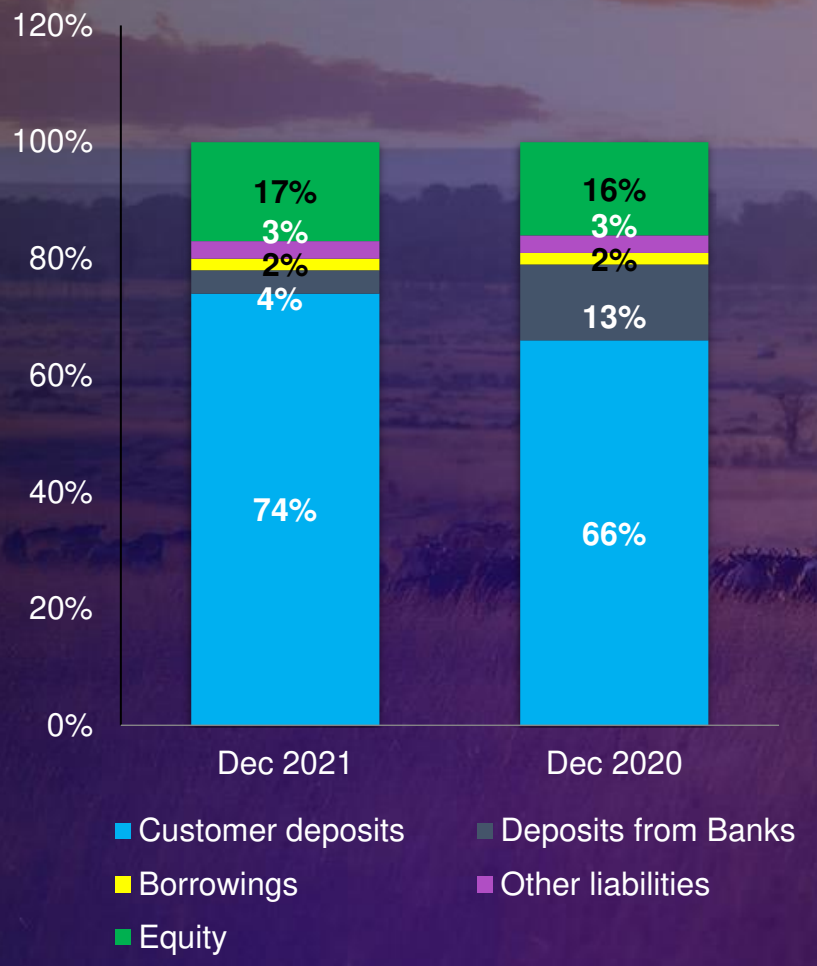
KEY TAKEOUTS

- Growth in customer deposits across segments.

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

FUNDING, LIQUIDITY AND CAPITAL REMAIN SOLID TO SUPPORT GROWTH

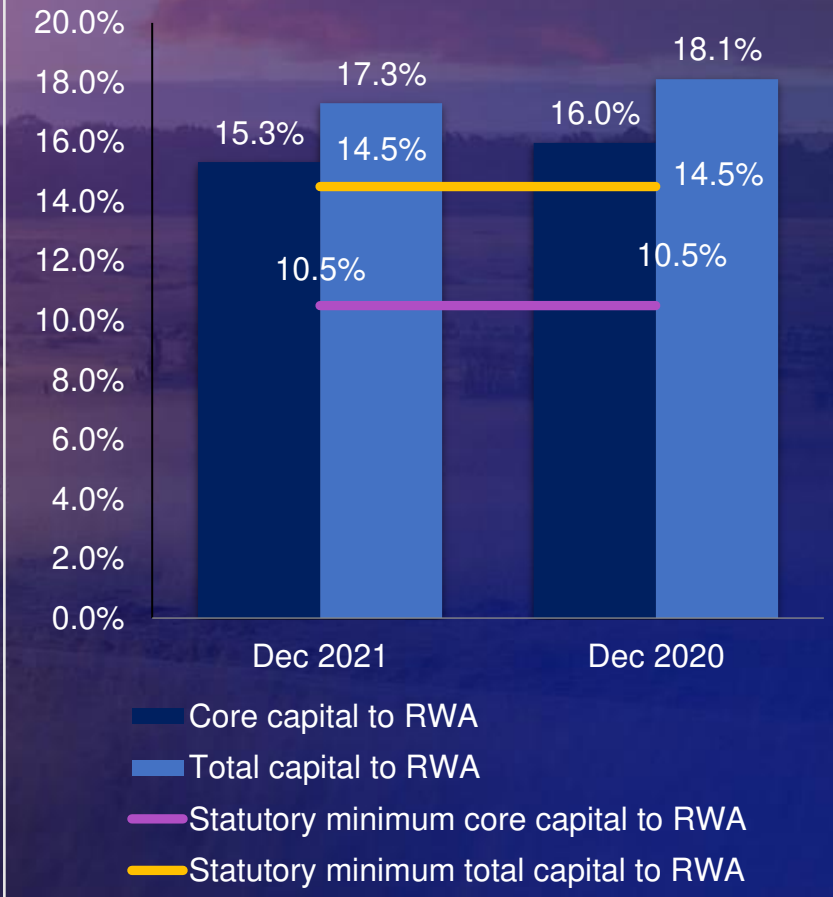
Funding



Liquidity ratio (Bank only)

Capital adequacy ratio (Bank only)

RWA - Risk weighted assets



SUBSIDIARY AND SEGMENT PERFORMANCE

Stanbic Bank IT CAN BE™

SUBSIDIARY AND BRANCH PERFORMANCE

Stanbic Holdings PLC
PAT: 7.2b
39% up

- Stanbic Bank Kenya
- Stanbic South Sudan
- Stanbic Bancassurance Intermediary Ltd
- SBG Securities

	Dec 2021	YoY Var
PAT	KES 6.8b	39% up

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

	Dec 2021	YoY Var
PAT	KES 0.3b	21% down

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

	Dec 2021	YoY Var
PAT	KES 99m	67% up

- ❑ Increased revenue from both embedded and stand alone insurance products.

	Dec 2021	YoY Var
PAT	KES 16m	54% down

- ❑ Reduced equities market turnover.

SUMMARY PERFORMANCE OF CORPORATE AND INVESTMENT BANKING (CIB)

KES millions	2021	2020	% change
Net interest income	6,542	6,001	9%
Non-interest revenue	7,636	7,431	3%
Total Income	**14,178**	**13,432**	**6%**
Credit loss ratio	0.5%	3.5%	
Customer loans and advances	99,509	76,683	30%
Customer deposits	113,340	99,195	14%
Contingents	**74,295**	**65,788**	**13%**
Letters of credit	2,707	2,167	25%
Guarantees	71,589	63,621	13%

KEY TAKEOUTS

- Growth in net interest income as a result of margin improvement and growth in the loan book.
- Higher non-interest revenue driven by fees from key investment banking deals and fees from trade finance.
- Credit loss ratio was lower in 2021 as a result of improved collection initiatives and booking of higher quality 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.

SUMMARY PERFORMANCE OF BUSINESS AND COMMERCIAL CLIENTS (BCC)

KES millions	2021	2020	% change
Net interest income	3,756	3,380	11%
Non-interest revenue	1,632	1,719	(5%)
Total Income	**5,388**	**5,099**	**6**
Credit loss ratio	2.5%	3.2%	
Customer loans and advances	35,692	34,768	3%
Customer deposits	56,467	49,436	14%
Contingents	**4,057**	**4,805**	**(16%)**
Letters of credit	1,197	1,260	(5%)
Guarantees	2,860	3,544	(19%)

KEY TAKEOUTS

- Growth in net interest income as a result of growth in customer loans and improved margins.
- Decrease in non-interest revenue driven by a one off write off relating to prior periods partly offset by growth in trade finance.
- Credit loss ratio was lower in 2021 reflecting a positive forward looking economic outlook.
- Growth in customer deposits mainly because of growth in transactional account balances.

SUMMARY PERFORMANCE OF CONSUMER AND HIGH NETWORTH (CHNW)

KES millions	2021	2020	% change
Net interest income	4,075	3,414	19
Non-interest revenue	1,348	1,292	4
Total Income	**5,423**	**4,706**	**15**
Credit loss ratio	2.3%	2.2%	
Customer loans and advances	50,112	46,729	7
Customer deposits	72,538	68,813	5
Contingents	**360**	**127**	**2**
Letters of credit	16	0	>100
Guarantees	344	127	2

KEY TAKEOUTS

- Growth in interest income as a result of margin improvement and growth in customer loans and deposits.
- Increase in non-interest revenue mainly driven by income from bancassurance and card revenue due to higher transactions.
- Growth in customer loans and deposits mainly on local current accounts.

SUMMARY PERFORMANCE OF STANBIC BANCASSURANCE INTERMEDIARY LIMITED

KES millions	2021	2020	% change
Net interest income	8	9	(13%)
Fees and commission	275	215	28%
Total revenue	**283**	**224**	**26%**
Total expenses	(139)	(133)	4%
Profit before tax	**144**	**91**	**58%**
Tax	(45)	(32)	43%
Profit after tax	**99**	**60**	**67%**

KEY TAKEOUTS

This performance reflects:

- Increased revenue from embedded products.
- Improved uptake on standalone insurance products as businesses begin to stabilize from the impact of COVID-19 pandemic.
- Continued focus on cost management.

SUMMARY PERFORMANCE OF SBG SECURITIES

KES millions	2021	2020	% change
Brokerage commission	136	189	(28)
Other revenue	68	71	(4)
Total revenue	**204**	**260**	**(22)**
Total expenses	(179)	(211)	15
Profit before tax	**25**	**49**	**(49)**
Tax	(9)	(14)	36
Profit after tax	**16**	**35**	**(54)**

KEY TAKEOUTS

- SBG Securities posted total revenue of KES 204m for the year ending 31st December 2021, indicating a 22% year-on-year decline.

This revenue performance reflects:

- A decline in brokerage revenue, driven by reduced equities market turnover and equities trading market share.
- Relatively stable revenues from capital markets transactions.
- Overall, SBG Securities was ranked 3rd in both equities and fixed income trading.

KEY TAKEAWAYS

SUMMARY

- Strong rebound in 2021.
- Optimised balance sheet.
- Focus on employee safety and productivity.

- Better asset quality.
- Operational efficiencies from digital transformation.

- Increased shareholder return.
- Sustainable community engagement.

THANK
YOU
Stanbic IT CAN BE™