



# Stanbic Holdings Plc

Financial performance for the year ended 31 December 2017



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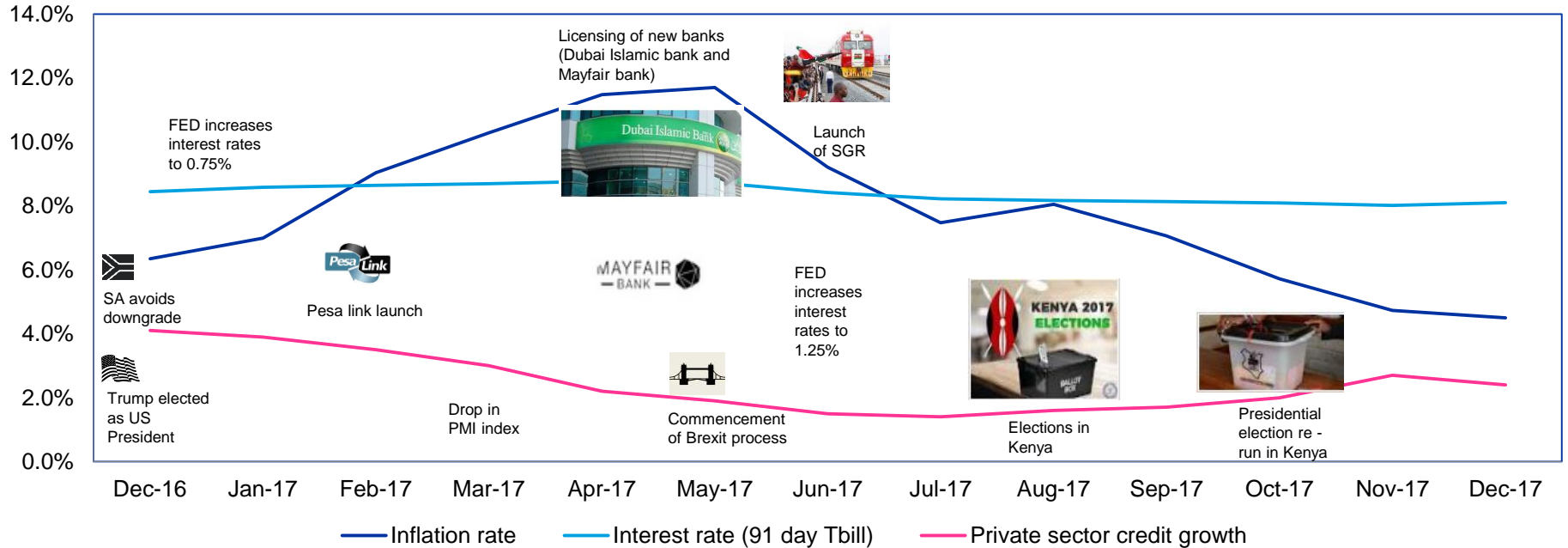
## Welcome and remarks



Full year review  
Charles Mudiwa  
Chief Executive, Stanbic Bank



# Operating environment



	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
USDKES Exchange rate	102.1	103.8	103.6	102.9	103.3	103.3	103.5	103.9	103.6	103.1	103.4	103.6	103.2



# Results highlights

KES 19,064m

Total revenue  
FY16: KES 18,517m

KES 130,536

Customer loans  
FY16: KES 115,588

13%

ROE net of goodwill  
FY16: 15%

KES 4,309m

PAT  
FY15: KES 4,419m

KES 154,661

Customer deposits  
FY16: KSE 199,328

108.66

Net asset value per share  
FY16: 101.54

57.2%

CTI  
FY16: 57.9%

KES 248,739

Total assets  
FY16: KES 214,683

5.25

DPS  
FY16: 5.25

- The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of KES 4.3b
- Net interest income declined to KES 10.6b compared to KES 10.8b over the same period in 2016 due to decrease in asset yields which was partly offset by a 13% growth in customer loans and advances. In addition, the growth in transactional accounts resulted in lower cost of funds
- Non interest revenue reported strong performance as the Bank leveraged on technology to improve our customers' banking experience and successful closure of key deals in Investment Banking
- Loan loss provisions increased compared to December 2016 on account of a challenging operating environment for some of our clients
- The Group continues to focus on cost discipline
- Despite the challenging operating environment in South Sudan, the branch continues to report positive results



Detailed financial analysis  
Abraham Ongenge  
Chief Finance Officer

# Summary income statement



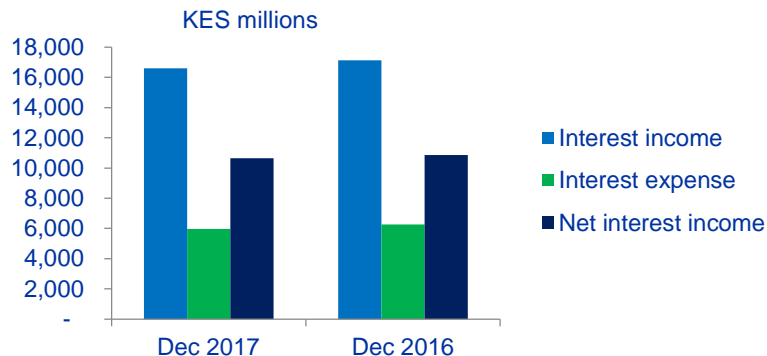
	Dec-2017 KES millions	Dec-2016 KES millions	Change %
Net interest income	10,644	10,860	(2)
Non-interest revenue	8,420	7,657	10
<b>Total income</b>	<b>19,064</b>	<b>18,517</b>	<b>3</b>
Operating expenses	(10,902)	(10,716)	(2)
<b>Pre-provision profit</b>	<b>8,162</b>	<b>7,801</b>	<b>5</b>
Credit impairment charges	(2,761)	(1,752)	(58)
Taxation	(1,092)	(1,630)	33
<b>Profit after tax</b>	<b>4,309</b>	<b>4,419</b>	<b>(2)</b>



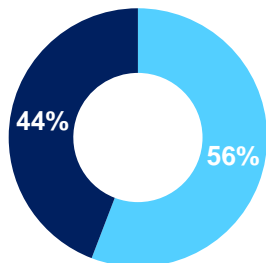
# Revenue



## Net interest revenue



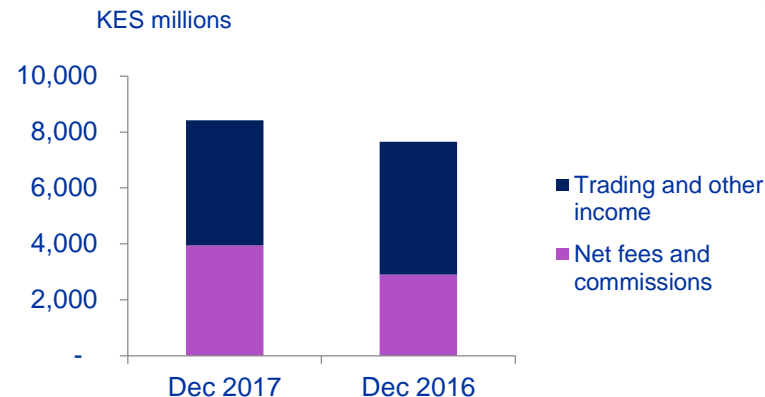
Net interest income decreased year on year by 2% explained by decrease in asset yields. This was partly offset by growth in loans and advances and efficient management of cost of funds



### Dec 2017

- Net interest income
- Non-interest revenue

## Non-interest revenue



### Net fees and commission income

■ Increase in net fees and commission income explained by increases in the following income lines:

- Electronic banking commissions
- Trade finance
- Brokerage commission

### Trading revenue

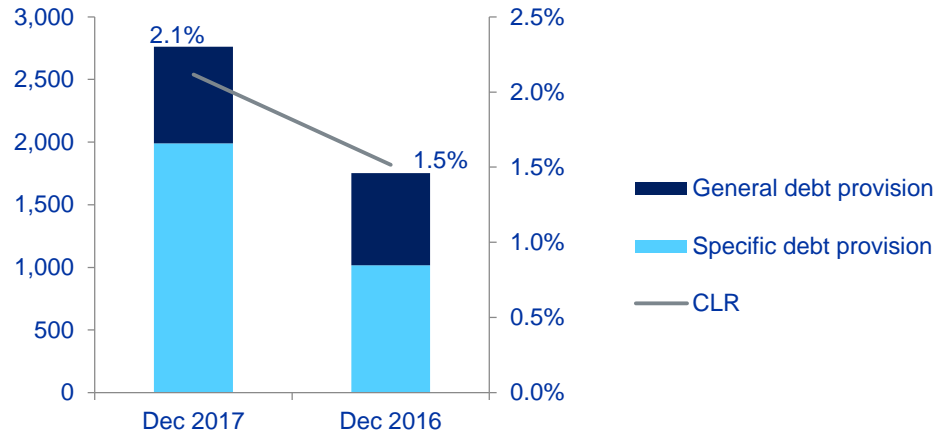
■ Income from trading decreased from KES 4,723m to KES 4,404m due to slow interest rate volatility. This was partly offset by customer foreign exchange volumes increasing by 8% year on year and foreign exchange margins increasing by 23%



# Credit impairment and operating expenses

## Credit impairment charges

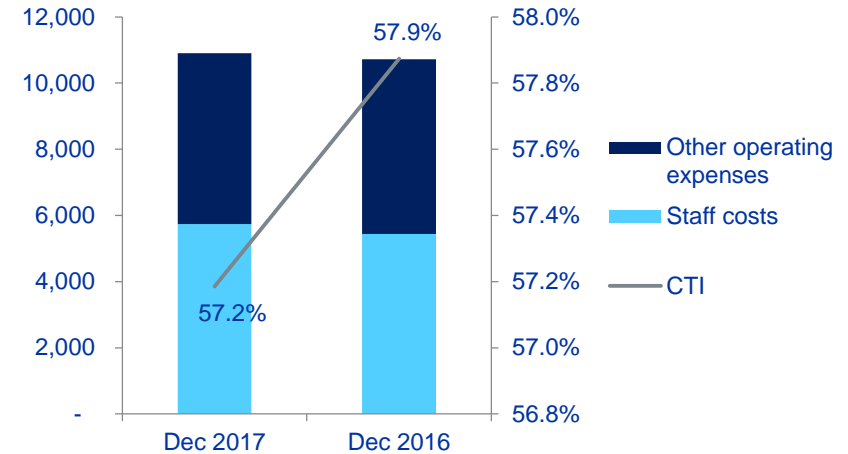
KES millions



- Impairment charges have increased year on year due to:
  - Downgrade of some corporate clients
  - Growth in loan book

## Operating expenses

KES millions



- The cost to income ratio was relatively flat. The Group continues to maintain growth in costs below inflation

# Summarised group balance sheet

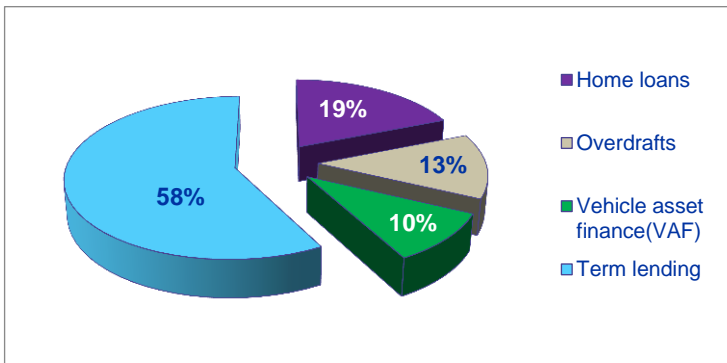


	Dec-17 KES millions	Dec-16 KES millions	Change %
<b>Assets</b>			
Financial investments	76,245	52,927	44%
Loans and advances to banks	12,744	16,989	(25%)
Loans and advances to customers	130,536	115,588	13%
Other assets	16,201	16,432	(1%)
Property and equipment	2,307	2,262	2%
Intangible assets	10,706	10,485	2%
<b>Total assets</b>	<b>248,739</b>	<b>214,683</b>	<b>16%</b>
<b>Liabilities</b>			
Deposits from banks	38,707	36,507	6%
Deposits from customers	154,661	119,328	30%
Borrowings	3,989	3,986	0%
Other liabilities	8,426	14,721	(43%)
<b>Equity</b>	<b>42,956</b>	<b>40,141</b>	<b>7%</b>
<b>Liabilities and equity</b>	<b>248,739</b>	<b>214,683</b>	<b>16%</b>
<b>Contingents</b>	<b>38,664</b>	<b>30,207</b>	<b>28%</b>
Letters of credit	4,686	2,677	75%
Guarantees	33,978	27,530	23%

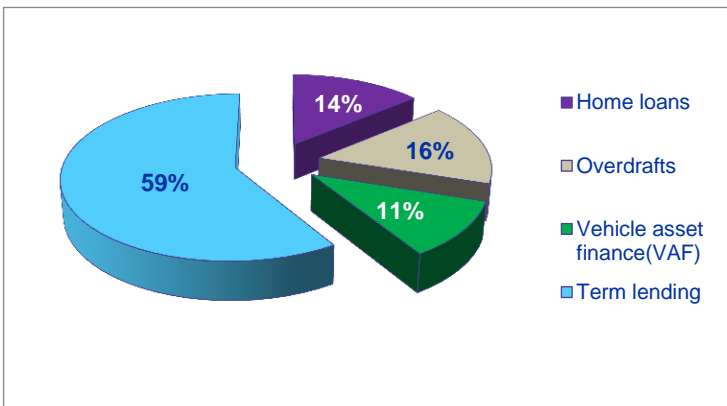
# Customer loans and advances



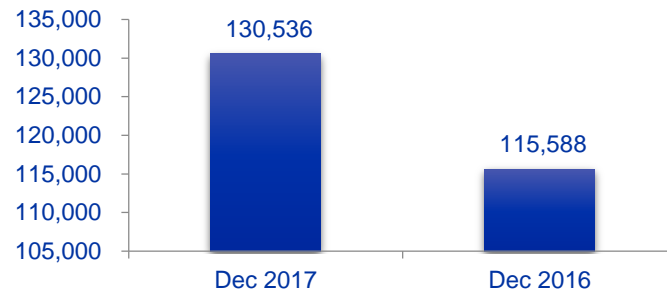
Dec 2017 Loans and advances by product



Dec 2016 Loans and advances by product



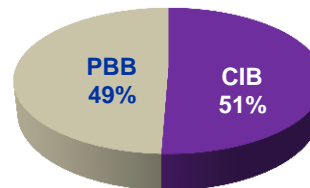
KES millions



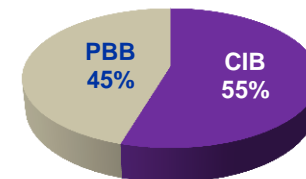
- Customer loans and advances grew by 13% year on year mainly on mortgages

Loans and advances by business unit

Dec 2017



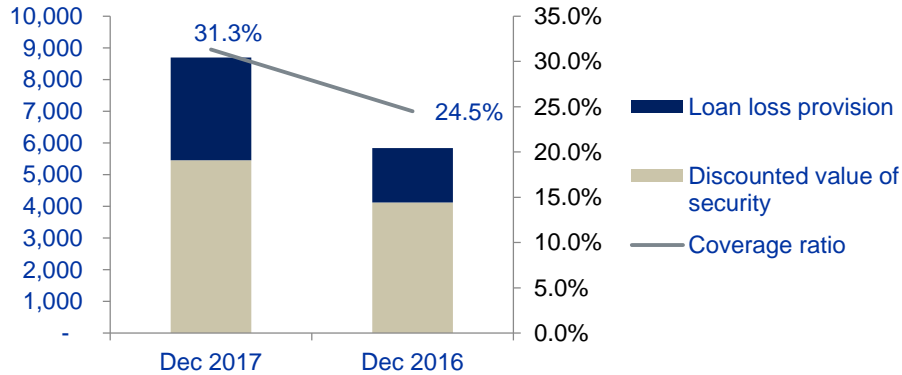
Dec 2016





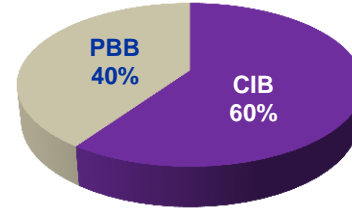
# Customer loans and advances – Non performing loans (NPLs)

KES millions

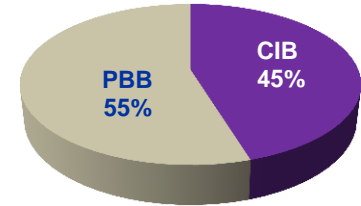


## NPLs by business unit

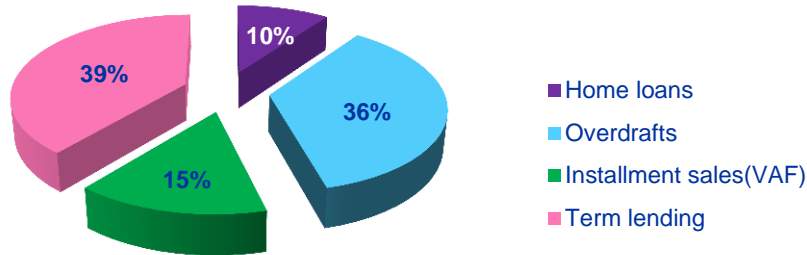
Dec 2017



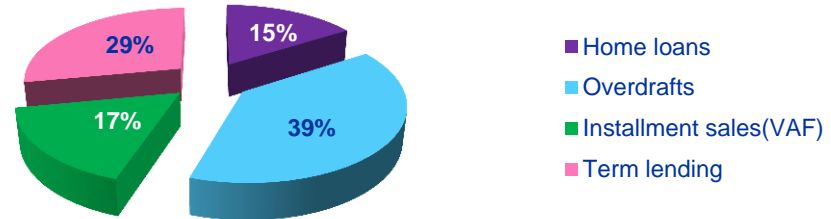
Dec 2016



Dec 2017 NPLs by product



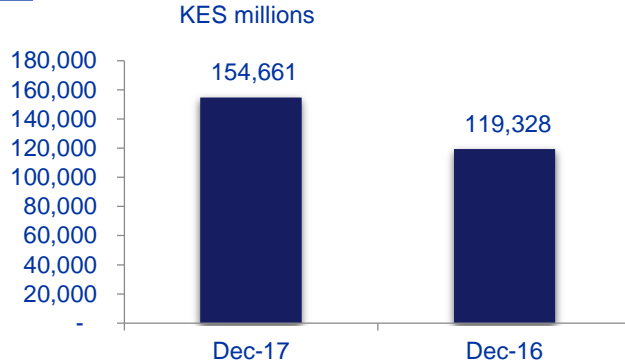
Dec 2016 NPLs by product



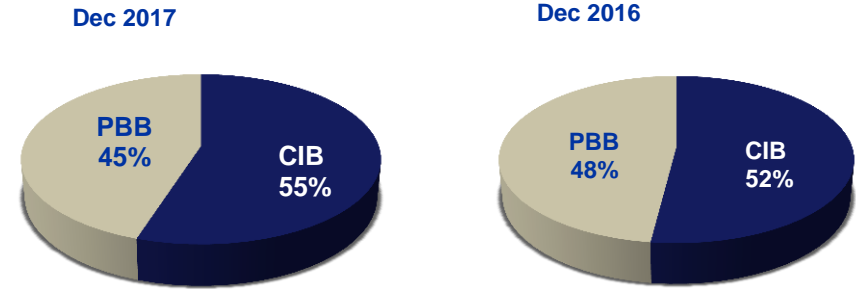


# Customer deposits

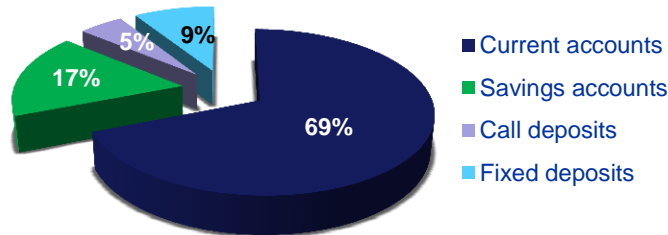
- Customer deposits grew by 30% year on year with core accounts accounting for 86% of total deposits



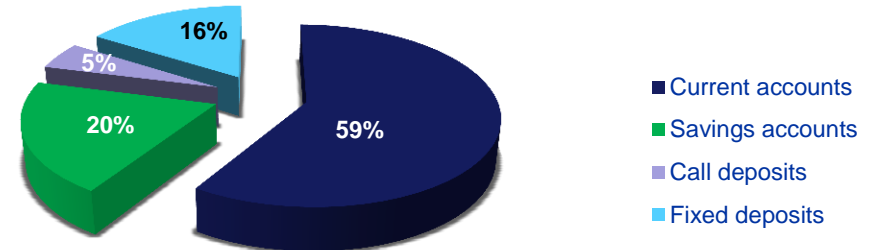
## Customer deposits by business unit



## Dec 2017 customer deposits per product

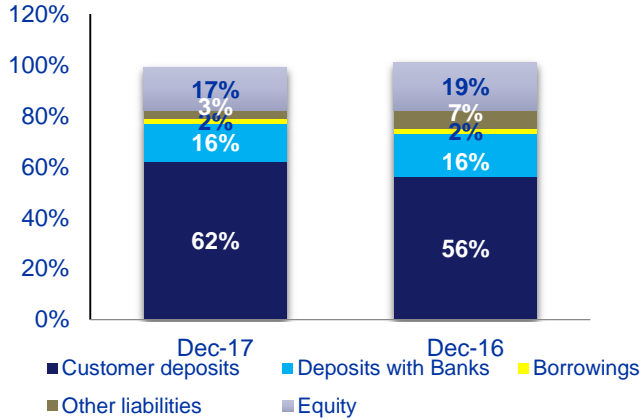


## Dec 2016 customer deposits per product

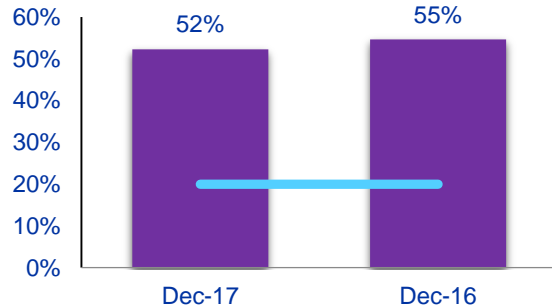




# Funding, liquidity and capital

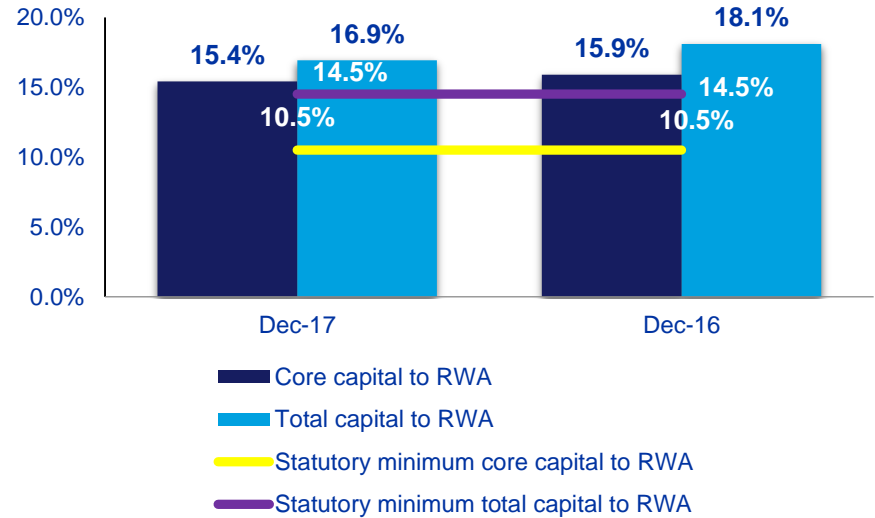


**Liquidity ratio (Bank only)**



■ Assets funded mainly from customer deposits

**Capital adequacy ratio (Bank only)**



RWA- Risk weighted assets



Corporate and Investment Banking  
Anton Marais  
Executive, Corporate and Investment Banking



## CIB summary performance



	Dec-2017 KES millions	Dec-2016 KES millions	Change %
Net interest income	5,718	5,555	3
Non interest revenue	6,380	5,975	7
<b>Total revenue</b>	<b>12,098</b>	<b>11,530</b>	<b>5</b>
Credit loss ratio	3.0%	1.4%	
Customer loans and advances	66,066	63,123	5
Customer deposits	84,639	62,233	36
<b>Contingents</b>	<b>34,447</b>	<b>26,582</b>	<b>30%</b>
Letters of credit	3,529	1,490	>100
Guarantees	30,918	25,092	23%

- Net interest income grew by 3% as a result of growth in the customer balance sheet
- Increased trade, cash management and Investor Services fees driven by higher volumes led to an increase of fees and commissions revenue. However, trading revenue was below prior year driven by the reduced currency volatility
- Credit loss ratio was higher than 2016 due to change in risk grades of some clients
- Customer loans and advances grew in the last quarter of 2017
- 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 2018 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**

Via digital platforms



**Universal Financial Services Organisation**

Delivering a seamless universal financial services proposition



Personal Business Banking (PBB)  
Ben Wandawanda  
Executive, Personal and Business Banking

## PBB summary performance



	Dec-2017 KES millions	Dec-2016 KES millions	Change %
Net interest income	4,926	5,305	(7)
Non interest revenue	2,040	1,682	21
<b>Total revenue</b>	<b>6,966</b>	<b>6,987</b>	<b>0</b>
Credit loss ratio	1.2%	1.6%	
Customer loans and advances	64,470	52,465	23
Customer deposits	70,022	57,095	23
<b>Contingents</b>	<b>4,217</b>	<b>3,625</b>	<b>16%</b>
Letters of credit	1,157	1,187	(2)
Guarantees	3,060	2,438	26

- Decline in net interest income growth due to lower margins post interest capping
- Non interest revenue for prior year includes revenue relating to South Sudan. In current year South Sudan has been reported entirely as CIB. Excluding this impact, the growth in NIR was 38% due to better trade finance, forex and transactional related fees
- Credit loss ratio – good result reflecting the quality of the asset book and customer base
- Strong balance sheet growth within Commercial Banking and Private Banking segments
- Growth in customer deposits achieved with good growth in current accounts & savings accounts

# PBB 2018 strategic priorities



Leading with Business Banking

- Eco-system approach aligned to CIB customer opportunities

Focus on non interest revenue generating activities

- Transactional accounts - primary
- Payments and Collections
- Trade Finance – including GM
- Wealth – Insurance, Investments & offshore

Raise cheaper deposits to improve margins

- Focus on transactional account growth and eco systems opportunities in Business Banking

Market leading customer experience

- Digitisation –in account opening, lending & payments and collections
- Continued investment in our people

Digital transformation

- Digital Branches
- Remote account opening
- Cash in cash out solution

Maximize return on investment

- Leverage existing investments; investments limited to revenue generating initiatives
- Keep costs below inflation



Wealth  
Adam Jones  
Regional Executive, Wealth



# What is Wealth?



**WEALTH is not**  
only for the wealthy...

**WEALTH is not**  
Wealth and Investment  
(High net worth)

**WEALTH is a business strategy** that cuts across all business units

**WEALTH consists of:**

- All banking and non banking financial services
- All channels
- All segments

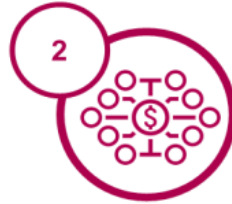




## What is Wealth? Continued...



Corporate and  
Investment Banking  
(CIB)



Personal and Business  
Banking (PBB)



Wealth



Liberty



- The Wealth business strategy cuts across all business units and comprises of:
  - ❑ **WI** – Wealth and Investment
  - ❑ **SIAL** – Stanbic Insurance Agency Limited
  - ❑ **IPB** – International Personal Banking
- Wealth leverages off the unique partnership across the Standard Bank Group - Stanbic, Liberty, Heritage and Stanlib



# Wealth Kenya 2018 strategic priorities



## Deliver the numbers

- Increase penetration (Embedded and standalone)
- Offshore accounts, Private Banking customer penetration

## Further establish the Wealth strategy

- Launch SIAL/ Wealth and Investment Advisory Services

## Deeper collaboration with CIB, PBB, ICBC and Liberty

- Eco-system approach aligned to CIB and BB customer opportunities
- Worksite academies
- Launch Liberty agents in Stanbic branches

## Develop digitization and innovation path

- Develop digital strategy while leveraging on current digital assets of PBB Kenya
- Offshore Mobile Banking App
- Paperless application process
- Develop data model to increase revenue

## Improve customer value proposition

- Roll out customer value proposition in Kenya
- Future Leaders Academies – Kenya
- Sales force; Goalstandard; Webtrader

## Empowered and accountable people

- Wealth performance contracting for CIB, BB and PM
- Excellence programs and sales campaigns
- Staff engagements



Stanbic Insurance Agency Limited (SIAL)  
Julia Shisia  
Executive, SIAL

## SIAL summary performance



	<b>Dec-2017</b> KES millions	<b>Dec-2016</b> KES millions	<b>Change</b> %
Brokerage commission	174	133	31
Total expenses	(123)	(83)	(48)
<b>Profit before tax</b>	<b>51</b>	<b>50</b>	<b>2</b>
Tax	(16)	(16)	(0)
<b>Profit after tax</b>	<b>35</b>	<b>34</b>	<b>3</b>

- The performance reflects;
  - Increase in revenue from embedded products following growth in the loan book
  - Improved revenue from stand alone business after acquiring an agency license
  - Investment in people to boost customer engagements and sales
- The strategic focus is on driving increased penetration on stand alone products and increasing advisory business by leveraging CIB and Business Banking customer base

# SIAL 2018 strategic priorities



- Manage and monitor the changing regulatory environment
- Increase penetration on customer base per business segment
  - Deeper Collaborating with CIB sectors targeting tier 1 customers
  - Embedding insurance solutions to customers in Personal markets and SME space, that include savings, education and business risk covers
- Deeper partnerships with specialist brokers locally and internationally on specialist risk that include aviation and infrastructure
- Data mining and insurance diary data for clear focus on customer renewals



SBG Securities (SBGS)  
Bethuel Karanja  
Executive Director, SBG Securities



## SBGS summary performance



	Dec-2017 KES millions	Dec-2016 KES millions	Change %
Brokerage commission	252	224	13
Other revenue	55	71	(23)
<b>Total revenue</b>	<b>307</b>	<b>295</b>	<b>4</b>
Total expenses	(261)	(291)	10
<b>Profit before tax</b>	<b>46</b>	<b>4</b>	<b>&gt;100%</b>
Tax	(14)	(11)	(27)
<b>Profit after tax</b>	<b>32</b>	<b>(7)</b>	<b>&gt;100%</b>

- SBG Securities posted revenues of KES 307m for the full year ending 31<sup>st</sup> December 2017 indicating an increase from KES 295m recorded in the same period last year
- This performance reflects:
  - Growth in market share in equities trading. SBG Securities market share YTD December 2017 stood at 16.38% from 13.77% in December 2016
  - YTD market turnover as at 31st December 2017 was higher by 16% from the previous year
- SBG Securities closed the year at position 2 compared to position 3 the previous year in terms of market share

# SBGS 2018 strategic priorities



## Perspective 2017

- The Kenya equities market has improved year on year evidenced by growth in volumes and valuations despite the existing political and macro-economic risks. Notably, domestic institutional investors have increased market participation, which has partly driven market activity for the last few months
- SBGS will continue to re-invest in the business and maintain a leading position across our respective client base, momentum in our corporate access service and establish a dominant product in our chosen African frontier markets

## 2018 strategic priorities

- Maintain sustainable financial performance and market share
  - Kenya : Maintain Top 2
  - Uganda : Maintain No.1
  - Rwanda :Maintain Top 3
- Maintain high quality products and services for both retail and institutional segments in East Africa
- Leverage on technology and digital channels



# Q & A