

Stanbic Holdings Plc

Financial performance for the year ended 31 December 2016





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Welcome and remarks



Full year review

Philip Odera

Chief Executive, Stanbic Bank

Operating environment



Macro- economic environment

- Inflation – December 2016 6.4% vs. December 2015 8.0%
- 91-day T-bill – December 2016 8.5% vs. December 2015 10.1%
- USD exchange rate – December 2016 102.6 vs. December 2015 102.4

Regulatory environment

- Implementation of Internal Capital Adequacy Assessment Process (ICAAP)
- New IFRS requirements impacting provisioning for Financial assets
- Implementation of the Banking Act amendment
- Increased regulation in the banking sector

Market opportunities

- Technological innovations: Kenya interbank transaction switch
- Infrastructure projects such as the Standard gauge railway, up scaling of Jomo Kenyatta International Airport, Kenya roads annuity program

Market threats

- Deteriorating operating environment in South Sudan
- Hyperinflation in South Sudan
- Interest rate capping
- Change in US foreign policy following new Government regime
- Brexit

Key metrics



	Dec-2016	Dec-2015	Change %
Total revenue (Kes m)	18,517	16,944	9
Profit after tax (Kes m)	4,419	4,905	(10)
Cost to income ratio	57.9%	51.2%	
Tier 1 capital ratio (Bank only)	15.9%	15.9%	
Total capital ratio (Bank only)	18.1%	18.7%	

	Dec-2016	Dec-2015
Return on average equity	11%	13%
Return on equity net of goodwill	15%	17%
Earnings per share	11.18	12.41
Net asset value per share	101.54	97.05
Dividend per share	5.25	6.15

The Group (Kenya Bank, South Sudan branch, SBG Securities and Stanbic Insurance Agency Limited) reported a profit after tax of Kes 4.4b

- Revenues grew by 9% mainly due to increase in net interest income as a result of loan book growth
- Non interest revenue continued to show strong performance as the Bank leveraged on technology to improve our customers' banking experience. This was however partly offset by a decrease in brokerage commission due to decline in market turnover at the Nairobi Securities Exchange
- Growth in impairment charges reflects increased general debt provisions aligned to challenging operating environment for some of our customers
- South Sudan performance was impacted by the negative effects of hyperinflation and prudent provisioning to cover for uncertainties in South Sudan

However the Group continued to report growth in balance sheet with customer deposits growing by 12% and customer loans growing by 10%



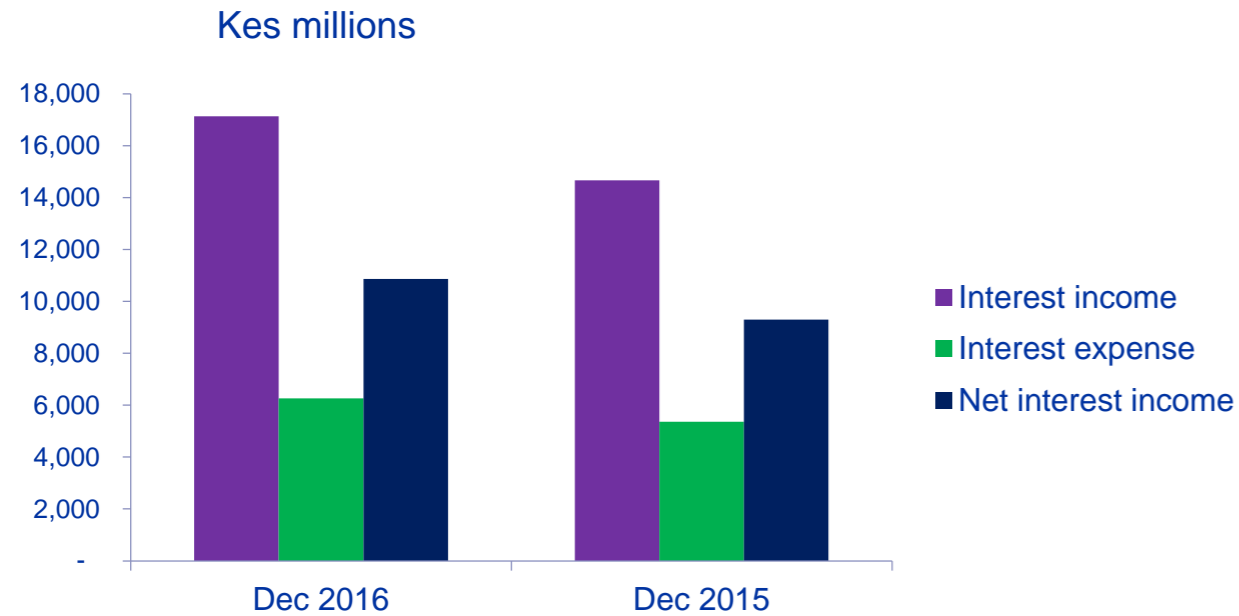
Detailed financial analysis
Abraham Ongenge
Chief Financial Officer

Summary income statement



	Dec-2016 Kes millions	Dec-2015 Kes millions	Change %
Net interest income	10,860	9,303	17
Non-interest revenue	7,657	7,641	0.2
Total income	18,517	16,944	9
Credit impairment charges	(1,752)	(907)	(93)
Total income after credit impairment charges	16,765	16,037	5
Operating expenses	(10,716)	(8,678)	(23)
Profit before tax	6,049	7,359	(18)
Tax	(1,630)	(2,454)	34
Profit after tax	4,419	4,905	(10)

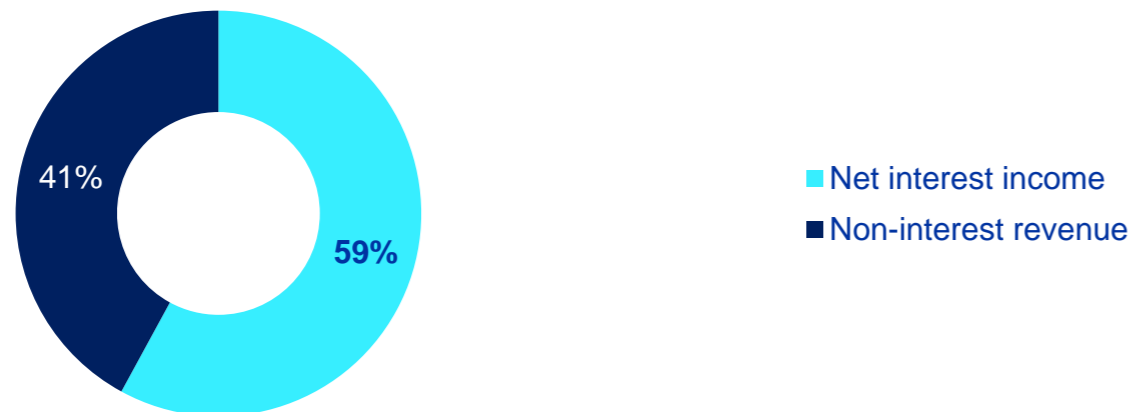
Net interest revenue



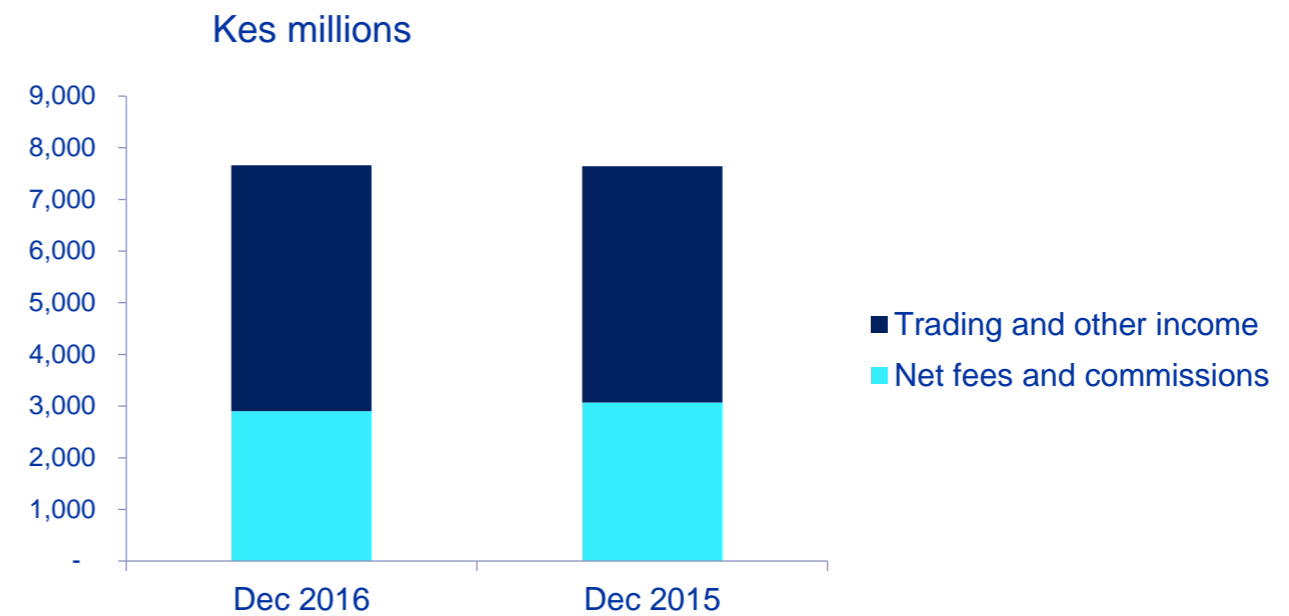
Net interest income increased year on year by 17% explained by:

- Growth in customer loans and advances by 10%
- Improved margins within the first three quarters of the year

Dec 2016



Non-interest revenue



Net fees and commission income

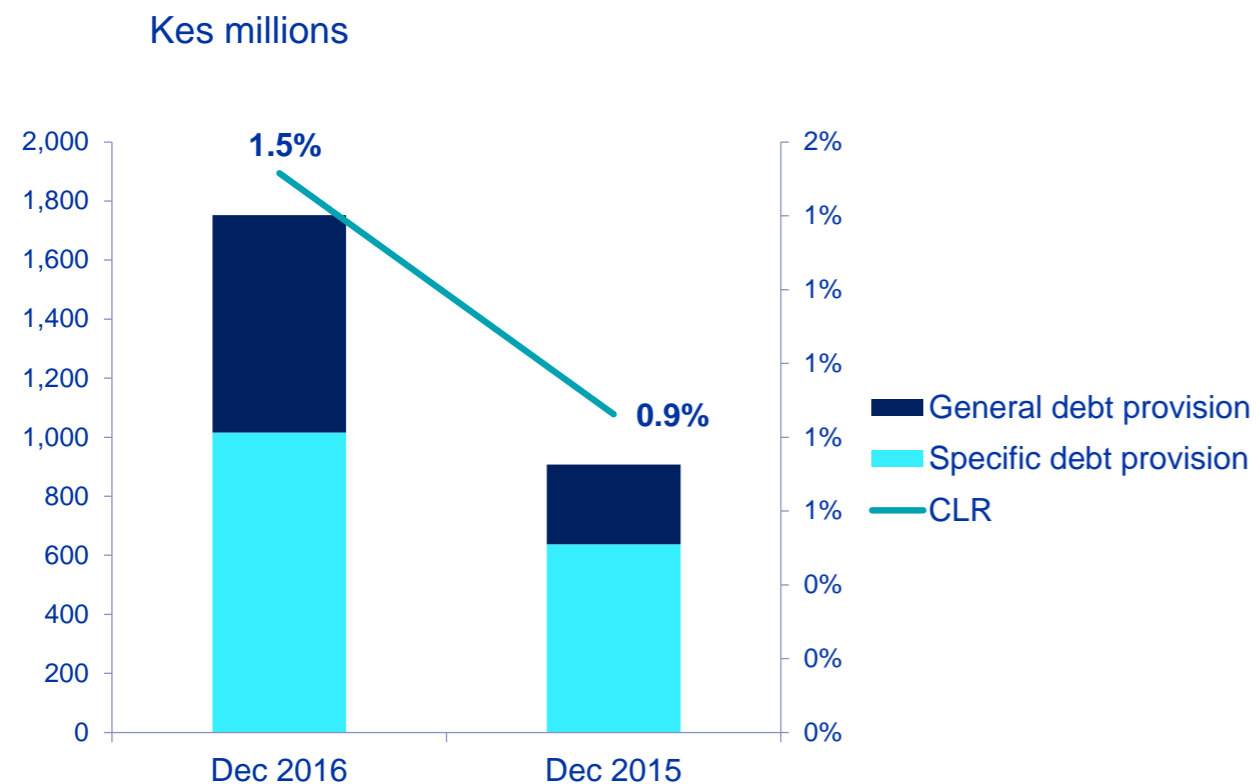
- Increase in net fees and commission income arising from increased transaction volumes from our digital channels was offset by decrease in brokerage commission as a result of a decline in market turnover at the Nairobi Securities Exchange

Trading revenue

- Income from trading increased from Kes 4,307m to Kes 4,723m due to foreign exchange gains as a result of devaluation of the South Sudanese Pound

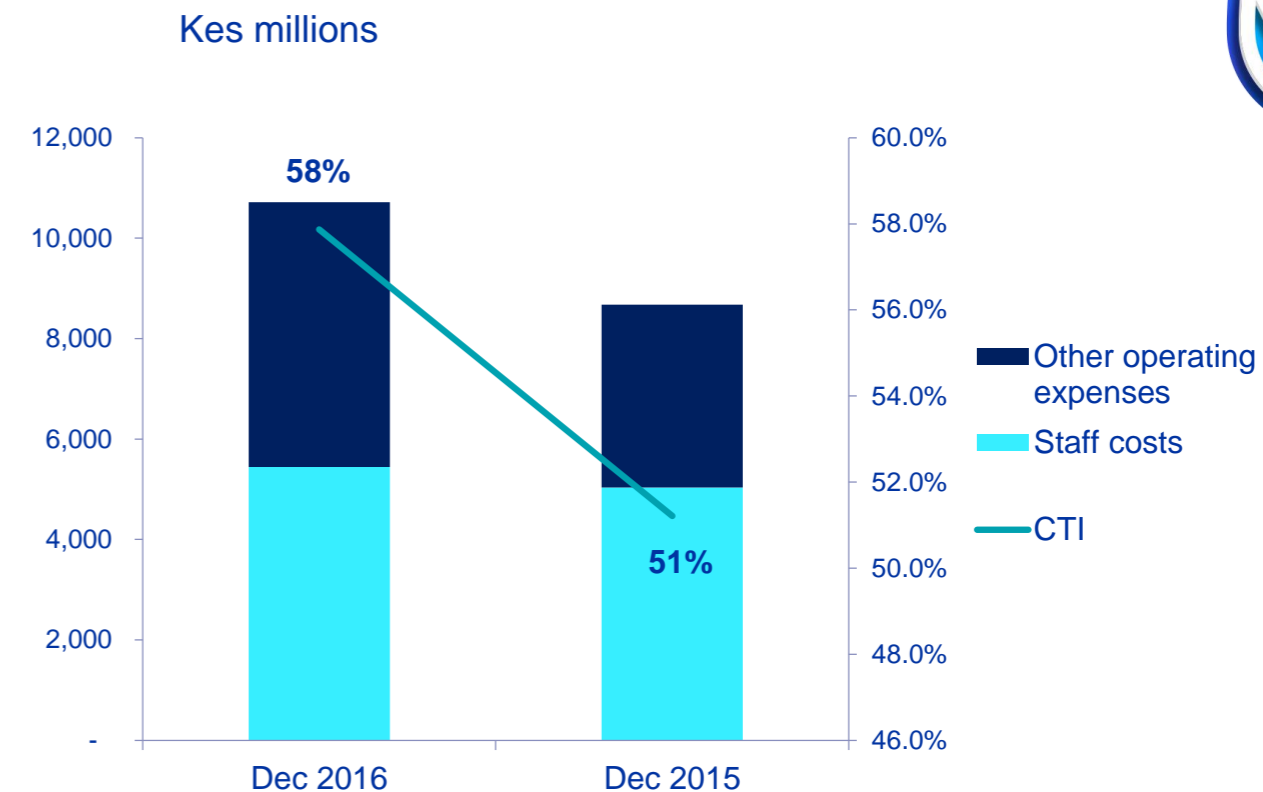


Credit impairment charges



- Impairment charges have increased year on year due to:
 - Growth in loan book
 - Prudent provision for South Sudan financial assets
 - Downgrade of some Corporate clients

Operating expenses



- The cost to income ratio increased to 58% due to increase in operating costs by 23% and a decline in revenue by 9%. Excluding impact of hyperinflation, costs increased by 10% representing a CTI of 52%



Summarised group balance sheet

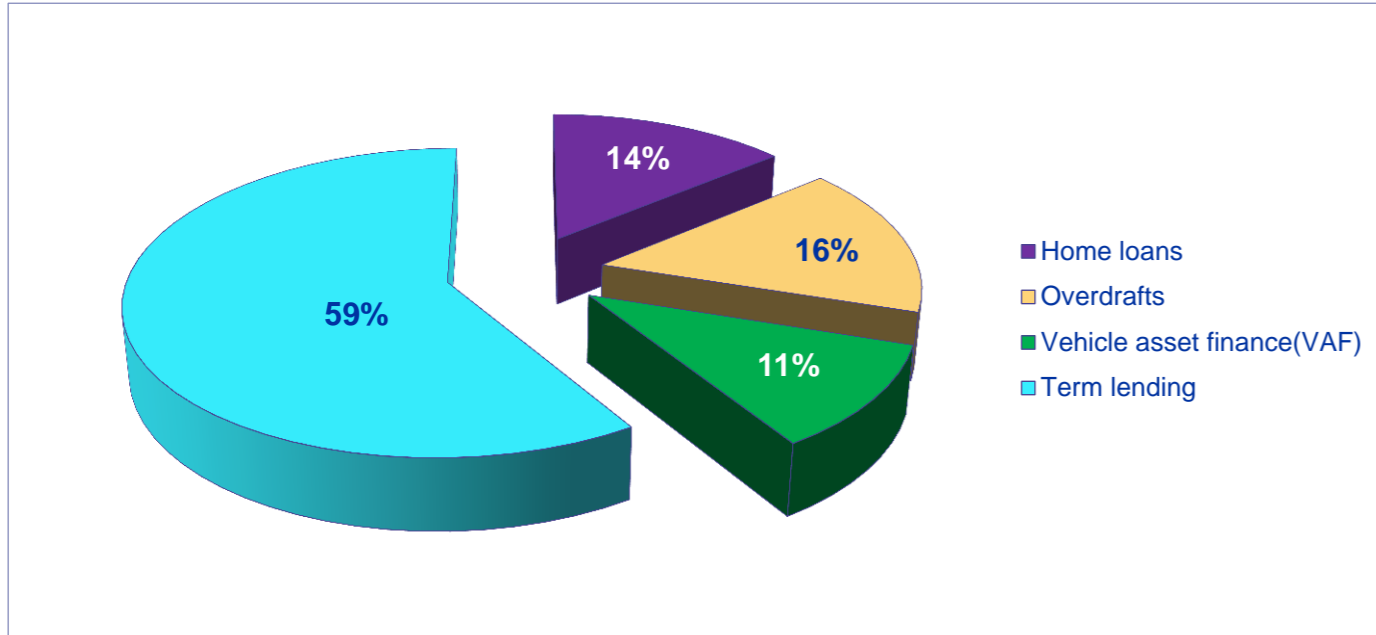


	Dec-16 Kes millions	Dec-15 Kes millions	Change %
Assets			
Financial investments	52,927	48,702	9%
Loans and advances to banks	16,989	23,290	(27%)
Loans and advances to customers	115,588	104,982	10%
Other assets	16,432	19,072	(14%)
Property and equipment	2,262	2,302	(2%)
Intangible assets	10,485	10,104	4%
Total assets	214,683	208,452	3%
Liabilities			
Deposits from banks	36,507	47,425	(23%)
Deposits from customers	119,328	106,246	12%
Borrowings	3,986	6,482	(39%)
Other liabilities	14,721	9,934	48%
Equity	40,141	38,365	5%
Liabilities and equity	214,683	208,452	3%
Contingents	30,207	26,588	14%
Letters of credit	2,677	5,175	(48%)
Guarantees	27,530	21,413	29%

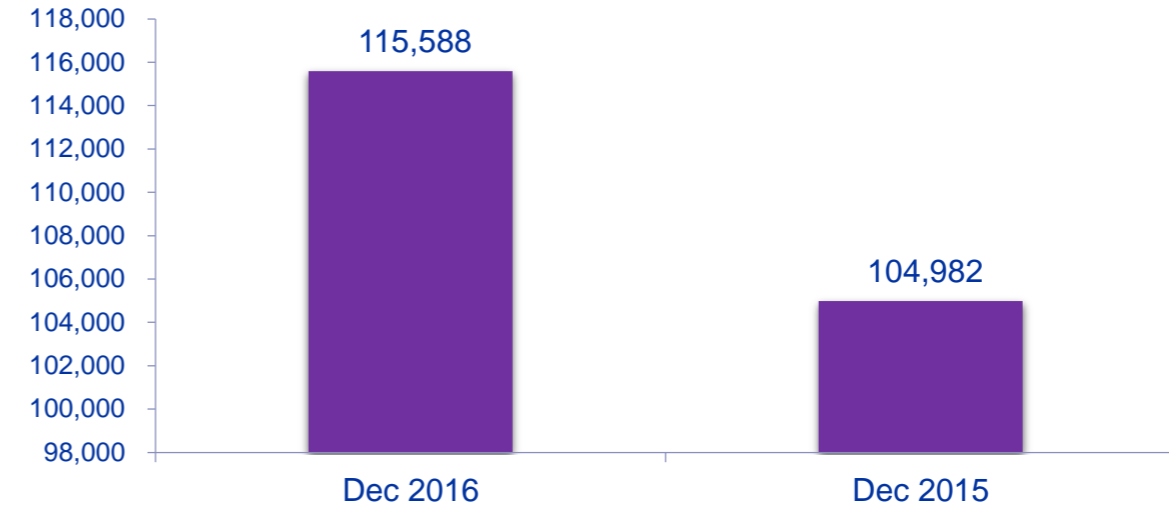
Customer loans and advances



Dec 2016 Loans and advances by product

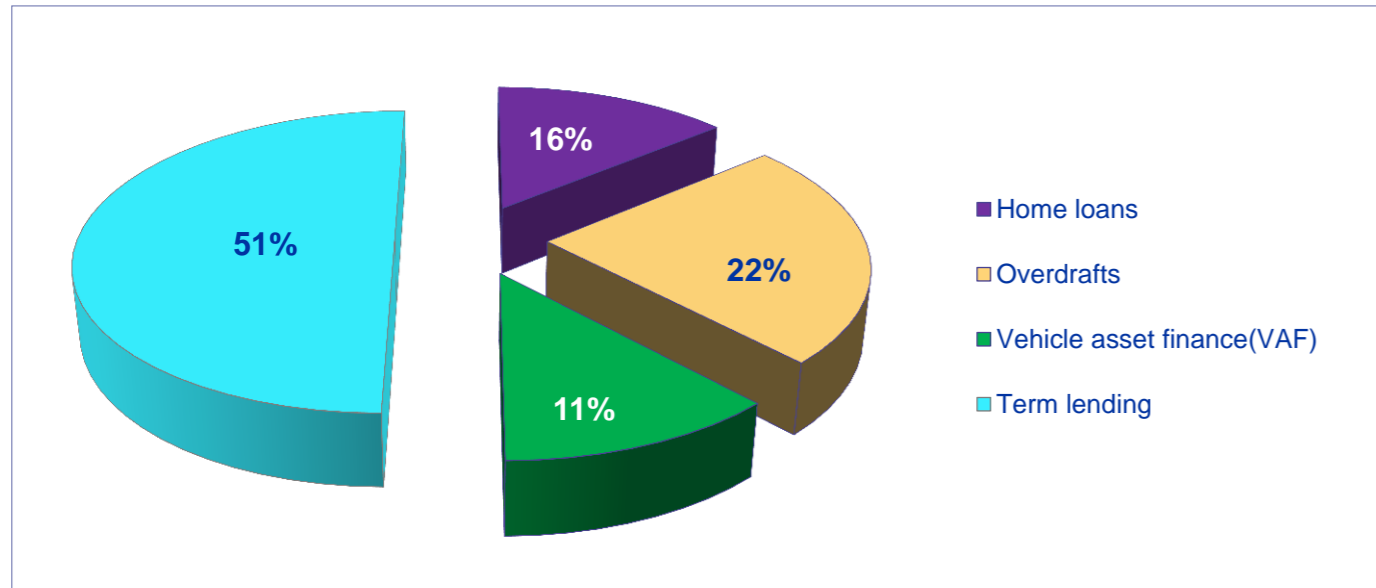


Kes millions



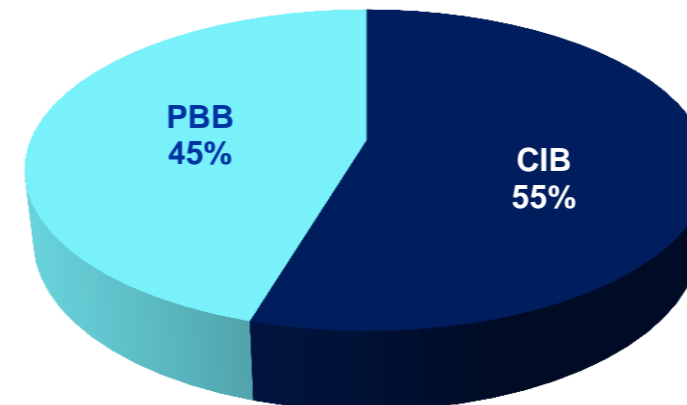
- Customer loans and advances grew by 10% year on year mainly on term lending

Dec 2015 Loans and advances by product

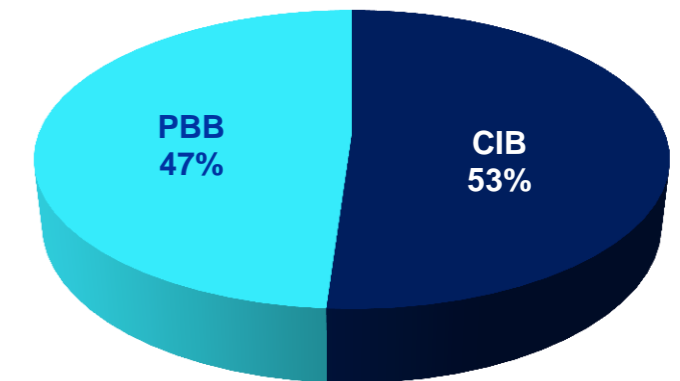


Loans and advances by business unit

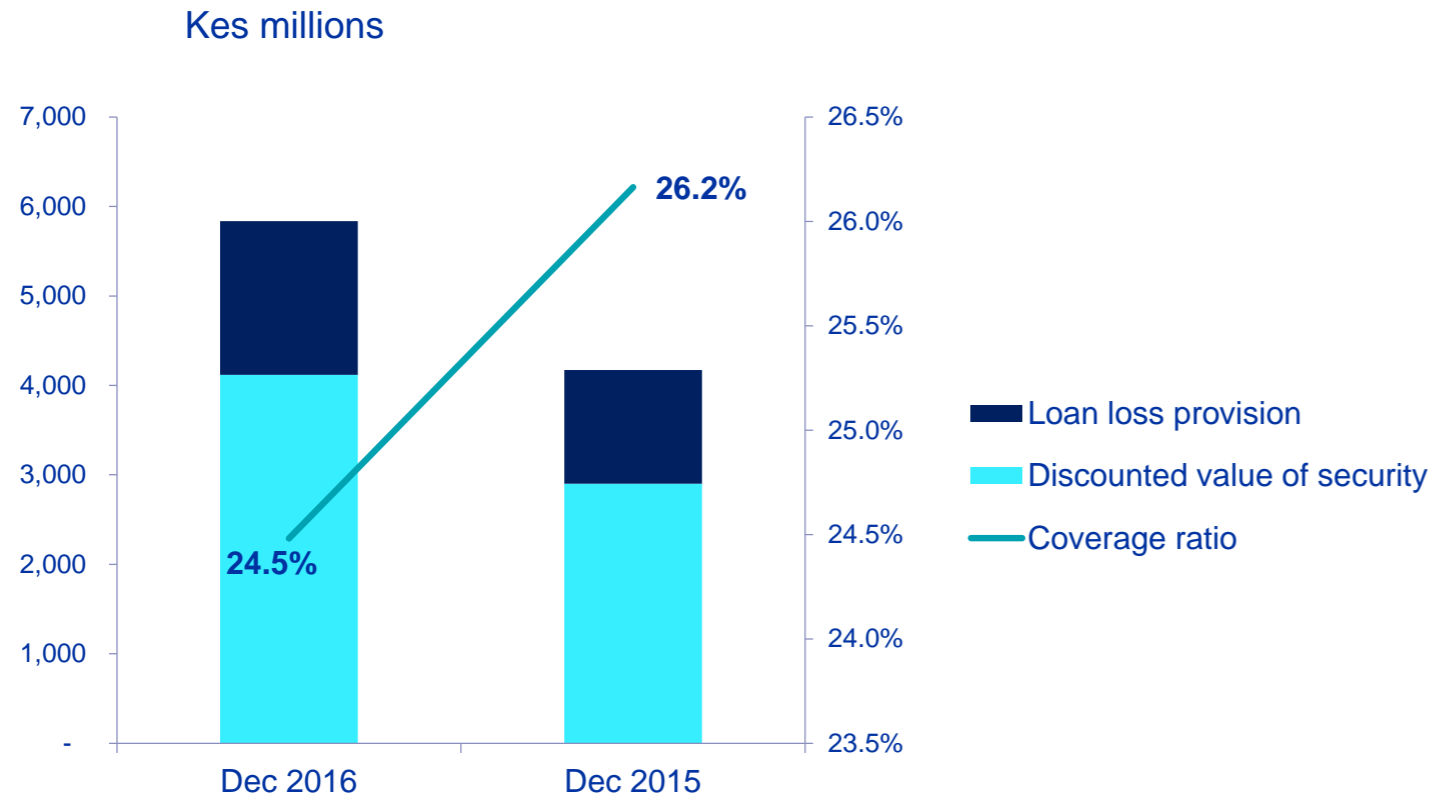
Dec 2016



Dec 2015

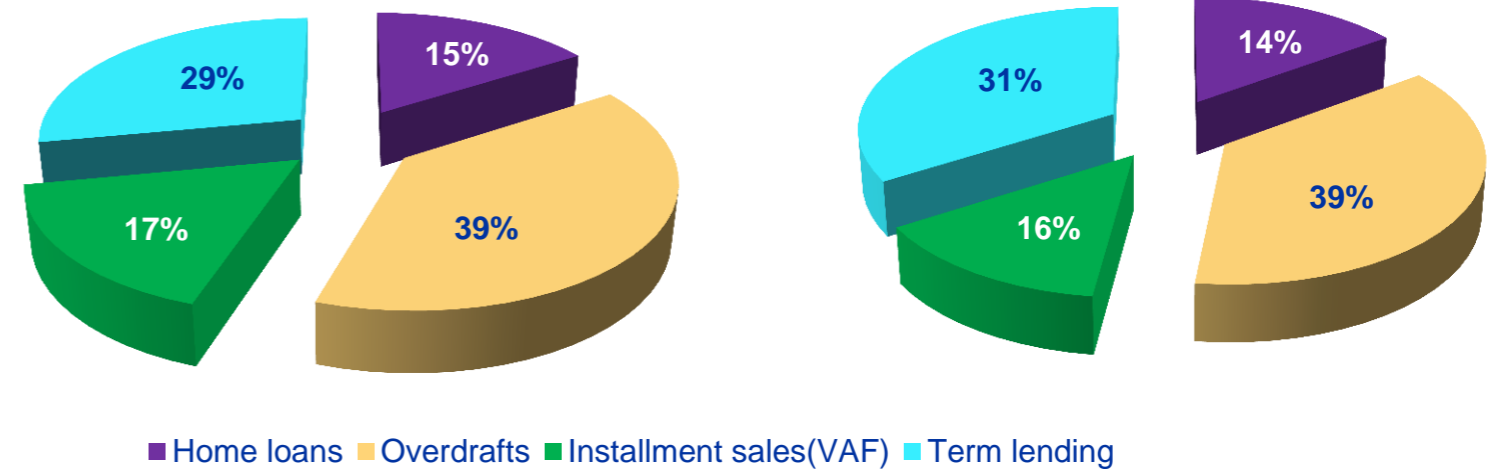
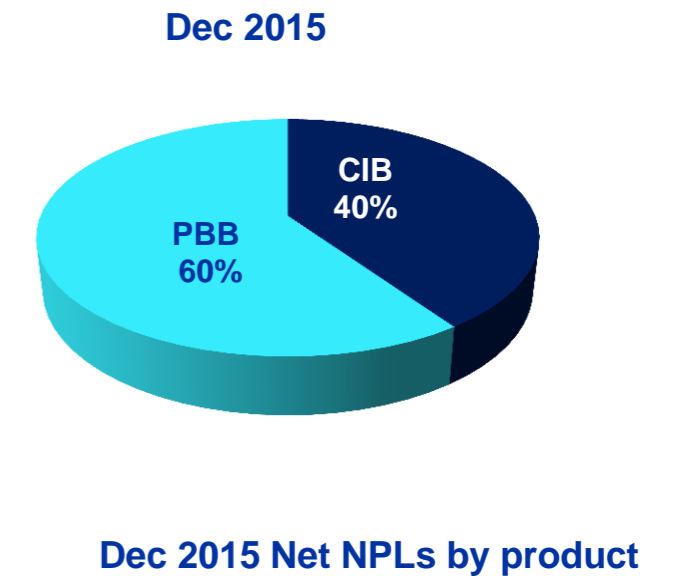
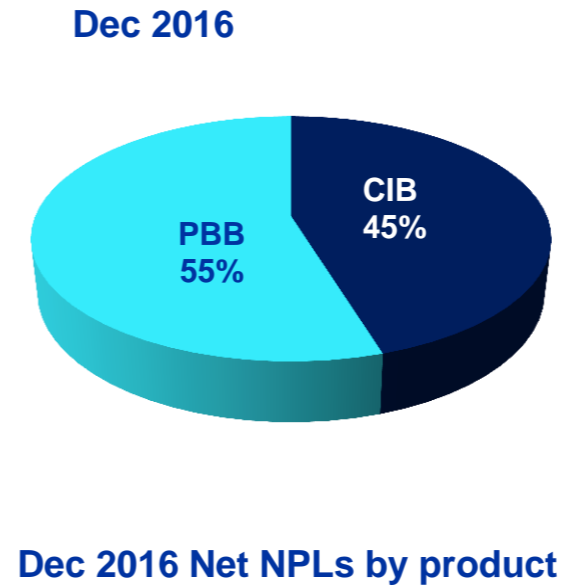


Customer loans and advances – Non performing loans (NPLs)



■ Net NPLs have increased by Kes 1,664m mainly in the manufacturing, trade and agriculture sectors

Net NPLs by business unit

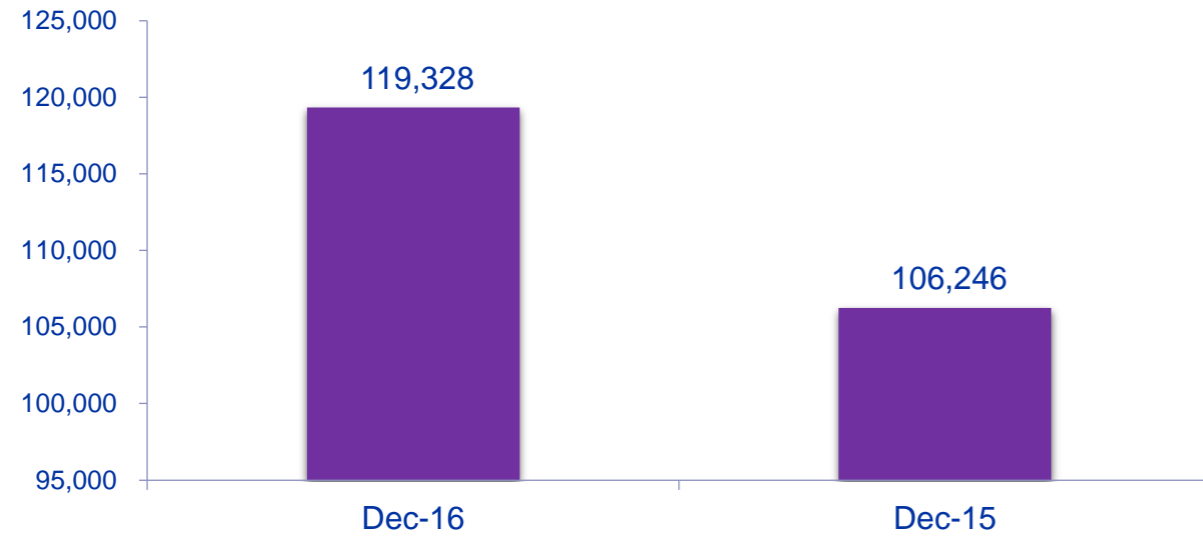


Customer deposits



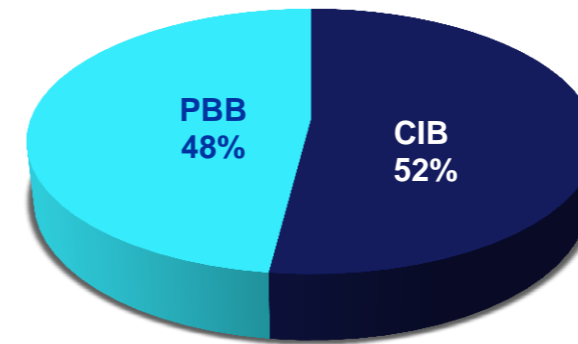
- Customer deposits grew by 12% year on year with core accounts accounting for 79 % of total deposits

Kes millions

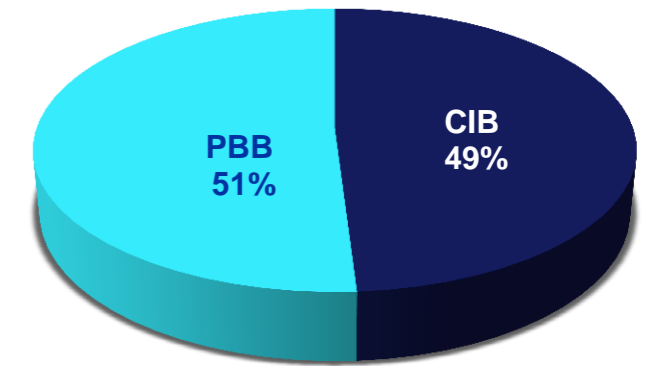


Customer deposits by business unit

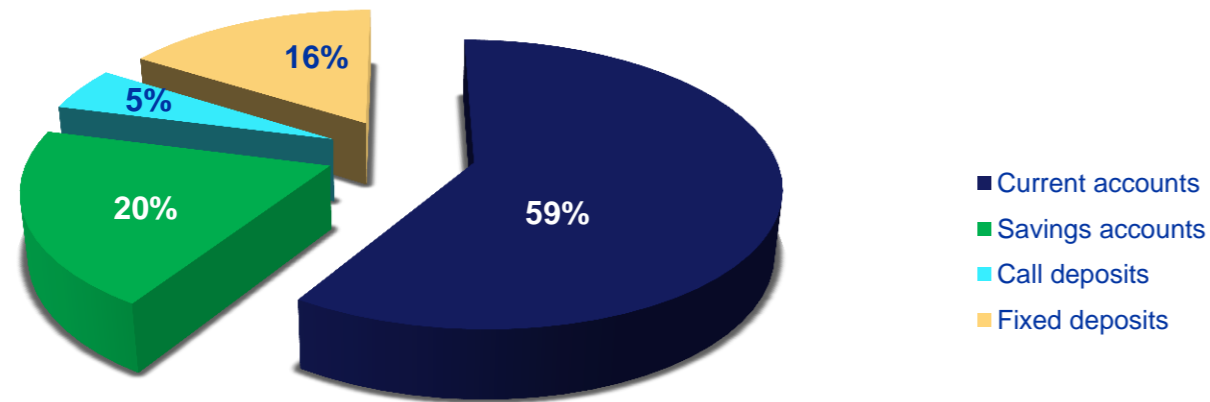
Dec 2016



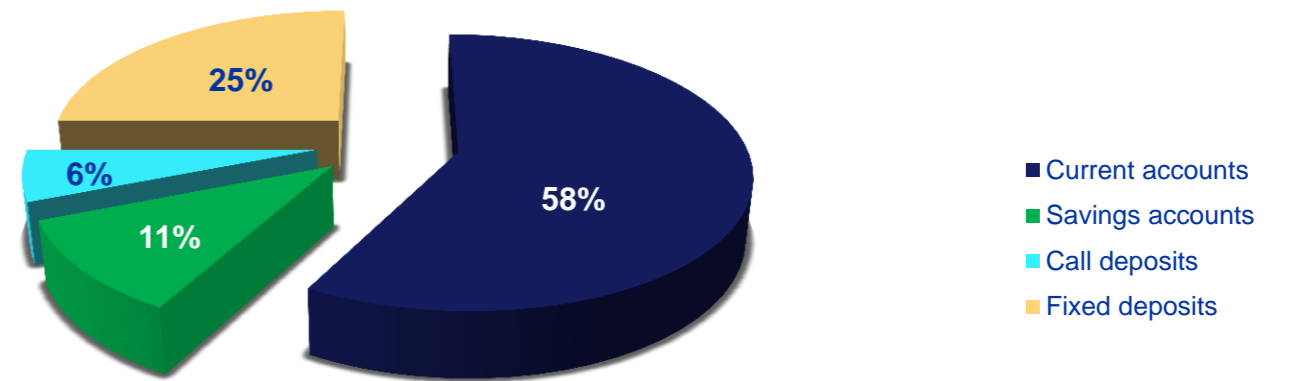
Dec 2015



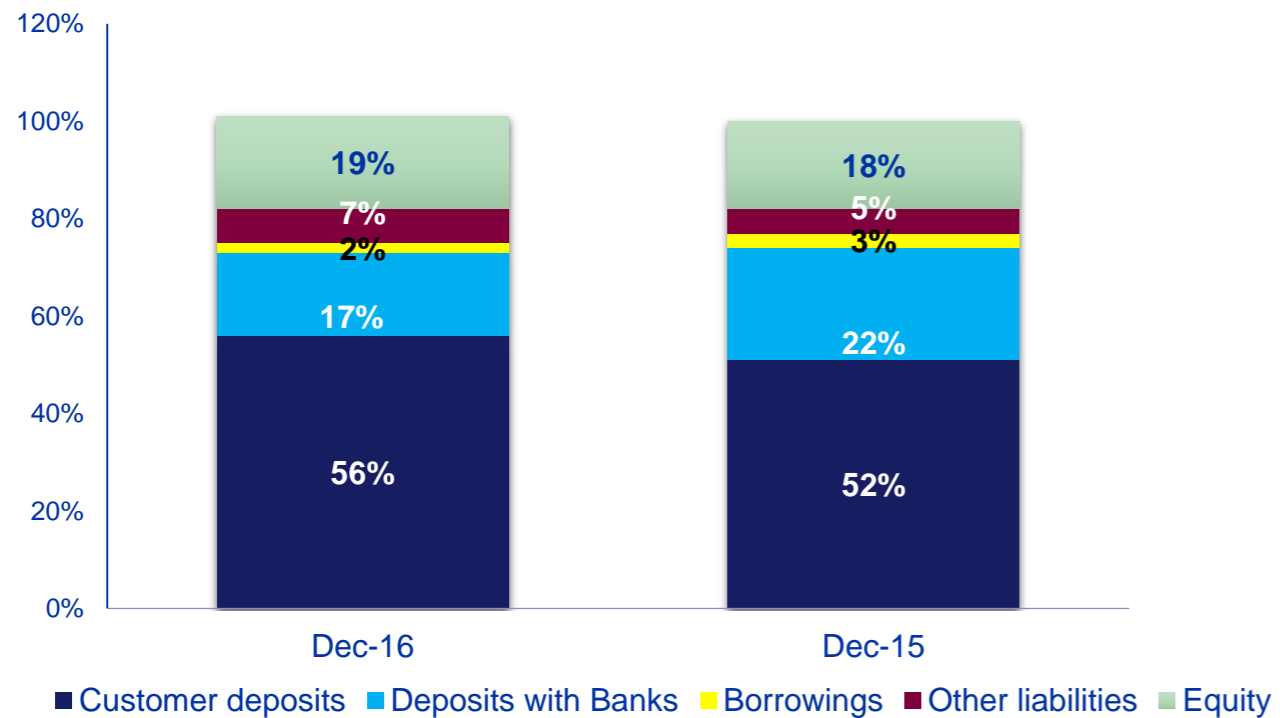
Dec 2016 customer deposits per product



Dec 2015 customer deposits per product

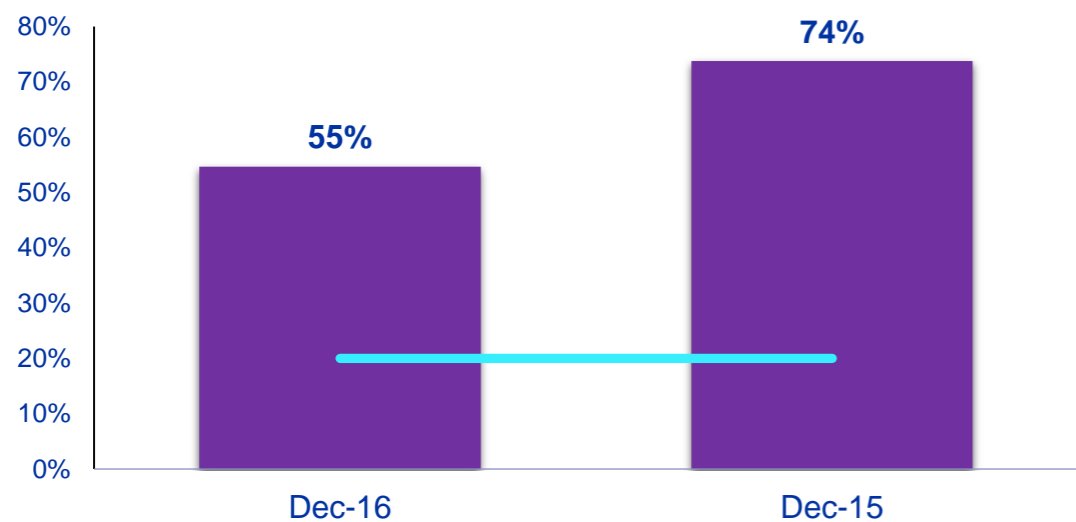


Funding, liquidity and capital

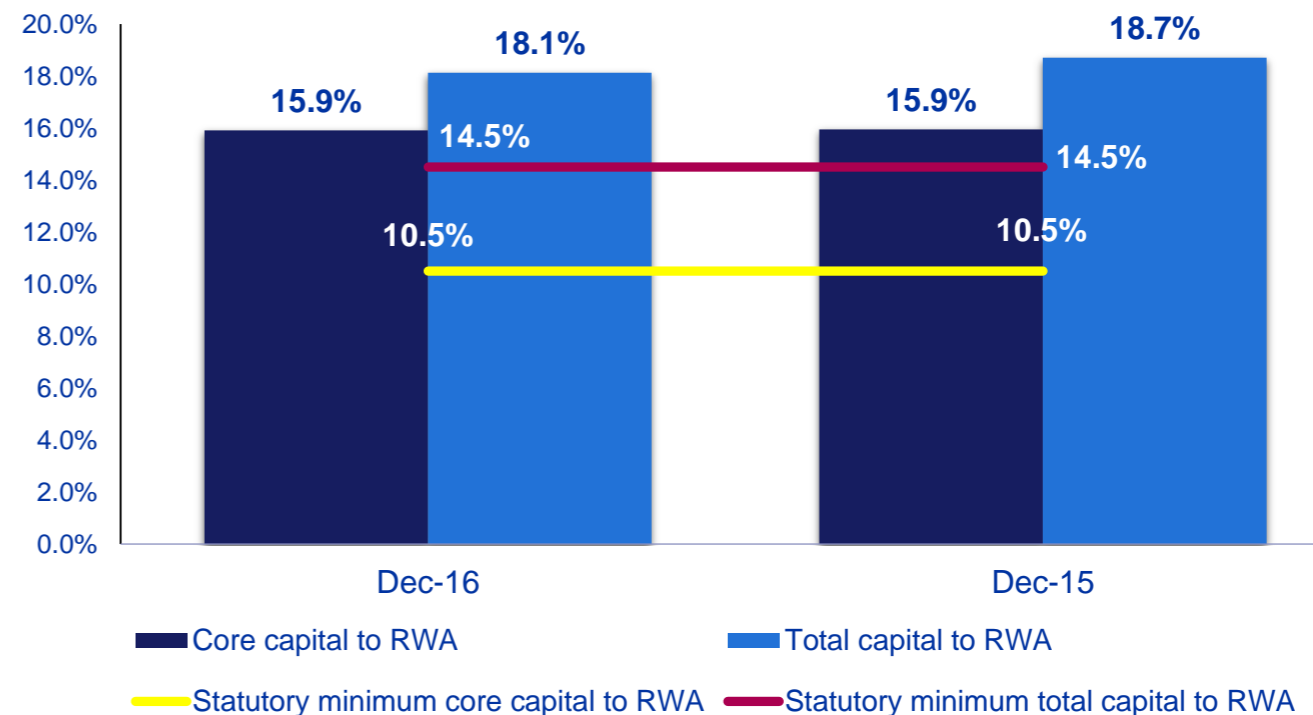


■ Assets funded mainly from customer deposits

Liquidity ratio (Bank only)



Capital adequacy ratio (Bank only)



RWA- Risk weighted assets



Corporate and Investment Banking

Anton Marais

Executive, Corporate and Investment Banking

CIB Summary performance



	Dec-2016 Kes millions	Dec-2015 Kes millions	Change %
Net interest income	5,555	5,097	9
Non-interest revenue	5,975	5,706	5
Total income	11,530	10,803	7
Credit loss ratio	1.4%	0.4%	
Customer loans and advances	63,123	55,496	14
Customer deposits	62,233	52,579	18
Contingents	26,582	24,158	10
Letters of credit	1,490	4,502	(67)
Guarantees	25,092	19,656	28

- Net interest income grew by 9% as a result of growth in the loan book as well as improved margins experienced in the first three quarters of the year; the margins were impacted from Q4 as a result of interest rate capping
- Fees and commissions revenues were 5% above mainly as a result of increased transactional fees driven by higher transactional volumes as well as higher trade finance fees driven by the growth in the guarantees
- Credit loss ratio was higher than 2015 due to change in risk grades of some clients
- Growth in customer loans and advances was mainly driven by a combination of long term investment needs as well as working capital requirements for our clients
- Increase in customer deposits mainly on current account balances. The Bank continues to focus on the local currency current accounts

CIB 2016 achievements



Deeper sector focus and alignment

Y/Y growth of the local currency assets and liabilities

Good trade finance performance – Growth in trade assets and NII, contingents and trade fees

Better coordination with PBB on Universal Banking

Awards won in 2016:

- Best Foreign Exchange Provider in Kenya 2016 by Global Finance
- Best Treasury and Cash Management Provider in Kenya 2016 by Global Finance
- Best Trade Finance Provider in Kenya 2016 by Global Finance
- Corporate Bank of the year 2016 by Banker Africa
- Best Investment Bank in Kenya 2016 by EMEA Finance

CIB 2017 strategic priorities



Client centricity and responsiveness



Growing the local currency customer assets



Increased focus on transactional banking: Growing the local currency current accounts



Universal Bank synergies and banking the ecosystem



Rationalise products and systems – efficiency and cost management



Excellent service delivery



Personal Business Banking (PBB)

Ben Wandawanda

Executive, Business Banking

PBB summary performance



	Dec-2016 Kes millions	Dec-2015 Kes millions	Change %
Net interest income	5,305	4,206	26
Non-interest revenue	1,682	1,935	(13)
Total income	6,987	6,141	14
Credit loss ratio	1.6%	1.3%	
Customer loans and advances	52,465	49,486	6
Customer deposits	57,095	53,667	6
Contingents	3,624	2,430	49
Letters of credit	1,187	673	76
Guarantees	2,438	1,757	39

- Net interest income growth as a result of strong balance sheet growth on key segments and on core accounts with high margins
- Non-interest revenue growth impacted by transfer of South Sudan business to CIB in the second half of the year; excluding South Sudan operations, Non-interest revenue growth is 14% driven by increase in transactional volumes and fees from trade finance and banc assurance
- Credit loss ratio - focus remains on improved collections and proactive management of the portfolio
- Strong balance sheet growth within Commercial Banking, SME, Wealth and Investments and Private Banking segments
- Growth in customer deposits within current accounts in line with our strategy of raising cheap deposits to improve margins

PBB 2017 strategic priorities



Leading with Business Banking

- Eco-system approach; Bank the value chain to increase wallet share

Focus on non interest revenue generating activities

- Banc assurance – opportunity on marine insurance
- Payments and collections
- Trade financing
- Card acquiring

Raise cheaper deposits to improve margins

- Focus on transactional account growth through ecosystem approach and payments and collection solution offering

Market leading customer experience

- Implement improvement initiatives covering our account opening, lending and payments/collections processes

Digital transformation

- Digital Branch- Two rivers
- Remote account opening
- Agency banking
- Enable value add services on BNAs beyond cash-in capabilities

Maximize return on investment

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



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

SBGS summary performance



	Dec-2016 Kes millions	Dec-2015 Kes millions	Change %
Brokerage commission	224	399	(44)
Other revenue	71	200	(65)
Total revenue	295	599	(51)
Total expenses	(291)	(322)	10
Profit before tax	4	277	(99)
Tax	(11)	(61)	82
Profit after tax	(7)	216	(103)

- SBG Securities earned revenues of Kes 295m for the period ending 31st December 2016 indicating a decline from Kes 599m recorded in the same period last year
- The decline was largely attributed to:
 - The NSE market activity for the year which was subdued with Equities turnover at 294b compared to 419b in 2015
 - The persisted bear run has led to a shift by investors from Equities markets to fixed income and cash deposits with high yields
 - A one off Kes 99m gain on sale of NSE shares in 2015
- SBG Securities closed the year at position 3 with a market share of 13.8%



Perspective 2017

- The weak trading conditions at the equities market still persist and market activity is likely to remain subdued in the near term given the existing macroeconomic conditions
- 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

2017 strategic priorities

- Maintain sustainable financial performance and market share
 - Kenya : Maintain Top 3
 - 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



Stanbic Insurance Agency Limited (SIAL)

Julia Shisia

Executive, SIAL

Stanbic Insurance Agency Limited (SIAL)



Who are we?

- Stanbic Insurance Agency was established with the sole objective of addressing the insurance needs of Kenyans across the wide economic spectrum
- Through our strategic partnerships within the industry, we offer a full bouquet of innovative insurance products and services to both individual and corporate customers
- This partnership provides our customers with a “one-stop shop” for both banking & insurance needs offering a comprehensive range of insurance products and services available across our 25 branches country-wide

What do we do?

- Full brokerage service capabilities
- Diverse insurance product offerings
- Value add services
(Risk management surveys and premium financing)
- Innovative client delivery
- Access to comprehensive industry data
- Solid carrier relationships
- Competitive rates
- Risk advisory services
- Global platform technologies

SIAL summary performance



	Dec-2016 Kes millions	Dec-2015 Kes millions	Change %
Brokerage commission	133	23	>100%
Total expenses	(83)	(12)	>(100%)
Profit before tax	50	11	>100%
Tax	(16)	(3)	>(100%)
Profit after tax	34	8	>100%

- Stanbic Insurance Agency Limited (SIAL) is a fully-fledged subsidiary wholly owned by Stanbic Bank established in April 2015
- SIAL earned revenues of Kes 133m for the period ending 31st December 2016, representing an increase from Kes 23m recorded in the same period last year
- The performance reflects;
 - Increase in revenue from embedded products following growth in the loan book
 - Revenue from stand alone business after acquiring an agency license

* 2015 Revenues represent 9months

SIAL 2017 strategic priorities



- Full insurance intermediary service capabilities
- Diverse insurance product offerings
- Value added services (risk management surveys & arranging premium financing)
- Innovative client delivery
- Competitive pricing
- Risk management advice & expertise



Appendix



Awards won in 2016:

- Best Foreign Exchange Provider in Kenya 2016 by Global Finance
- Best Treasury and Cash Management Provider in Kenya 2016 by Global Finance
- Best Trade Finance Provider in Kenya 2016 by Global Finance
- Corporate Bank of the year 2016 by Banker Africa
- Best Investment Bank in Kenya 2016 by EMEA Finance
- 2nd runners up; Best Bank in Internet Banking, Mortgage Finance and Product marketing by Think Business
- IPO of the year 2016 by Think Business
- Stock Broker of the year (SBG Securities) by Think Business
- Best Broker - Uganda and Rwanda (SBG Securities) by EMEA Finance
- Best Private Bank in Kenya by The Banker & Professional Wealth Management Magazine





Q & A